HISTORY OF RETAIL CREDIT COMPANY

A Study in

The Marketing of Information About Individuals

DISSERTATION

Presented in Partial Fulfillment of the Requirements
for the Degree Doctor of Philosophy in the
Graduate School of The Ohio State
University

By

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INTRODUCTION

Purpose of the Study

At the outset, the major purpose of this study was to examine in detail the historical development of the Retail Credit Company. Based on this study, it was intended that an effort would be made to define the firm’s economic role and major service objective, and to discover the reasons for its unusual success in serving the informational needs of certain specialized segments of our economy.

As the study progressed, however, it became evident that the story of the Retail Credit Company was more than the history of a firm. It appeared that its development typified, and to a certain extent paralleled, the emergence of a new industry - an industry based on the recognition of an economic need for information about persons rather than businesses; and, moreover, about specific individuals rather than about people as classes or specified groups of persons. This led to speculation as to whether a firm could enjoy economic success simply by supplying any or all kinds of information about individuals, for whatever kind of customer that wanted it, or whether some degree of specialization was essential. For example, could a firm succeed if it undertook to furnish any type of information about any individual, as desired, or would it be forced to restrict itself in some way either to the kind of information furnished, the purpose for which the information was to be used, or the class of customers to be served?
A preliminary search of general directories and bibliographies of information sources revealed few references to sources of current information about individuals as distinct persons, although numerous references to sources of information concerning individuals as groups or classes of people were encountered. On the other hand, reference publications or handbooks provided for the use of certain professions or specialized lines of business frequently were found to contain listings of information sources available to serve their peculiar needs. Some information sources were found to be listed in more than one such specialized directory, however, and this suggested the thought that a consolidated directory of sources of information about individuals might be of some value to business as a whole, or to individuals seeking types of information as yet unclassified.

Primarily for the convenience of the writer, an effort was made to classify sources of information about individuals according to the kind of information furnished and the purposes for which it is used. The outline shown as Figure 1 represents what is believed to be an initial effort in this direction. It should be noted that agencies of the type specified in Sections A and B of Figure 1 have been catalogued in some detail in various directories and bibliographies,¹ and are not considered to fall within the scope of this study. Those agencies

¹Two excellent references on sources of business information are Edwin T. Coman's Sources of Business Information (New York: Prentice-Hall, Inc., 1949), and Marion C. Manley's Business Information (New York: Harper & Brothers, 1955).
CLASSIFICATION OF PERSONAL INFORMATION SOURCES

A. Agencies Supplying Statistical Data - quantitative by nature (economic research in production, finance, marketing, etc.)

B. Professional and Trade Directory Services - quantitative and/or qualitative by nature (biographical and occupational data)

C. Agencies Supplying Factual Data on Particular Individuals - mainly qualitative by nature

1. For credit and financial purposes

   a. Mercantile credit (individuals reported upon only as members of a business firm)
      
      1) General Agencies
      
      2) Special Agencies (restricted by function, trade, clientele, etc.)

   b. Consumer Credit (individuals reported upon as consumers)
      
      1) General Agencies (Credit Bureaus)
      
      2) Special Agencies (restricted by function, trade, clientele, etc.)

2. For litigation and claims purposes (mercantile or consumer)

3. For facilitating specific, continuing, or contractual business relationships between specified parties

   a. For underwriting all forms of insurance
   
   b. For individual employment purposes
   
   c. For establishing business relationships other than employment, e.g., selecting agents or brokers, supply sources, or specialized service agencies
   
   d. For establishing non-business relationships, e.g., screening memberships in social or fraternal organizations, escort or "dating" agencies, etc.

4. For miscellaneous purposes, e.g., government loyalty checks, surety or performance bonding, property or merchandise audits

Fig. 1.
listed under Section C, however, which supply information for specialized purposes on persons as individuals, frequently may be discovered only through intimate familiarity with the professions or trades involved. The Retail Credit Company, for example, although serving in addition to the credit and insurance fields some needs felt by a broad cross section of industry, is almost never listed as an information source in general directories, and rarely in directories of credit information sources, although it is almost always so indicated in publications serving the insurance industry.

One of the purposes of this study, therefore, has been to discover whether there is a sufficiently distinct difference in types of information about individuals to justify the employment of different sources for different users, or whether it is more feasible, economically and organizationally, for one firm to supply at the same time more than one type of information for use by more than one kind of industry.

Society has always evidenced an almost insatiable demand for information relating to individuals. In the introduction to an early promotional atlas published by one of the progenitors of Dun & Bradstreet, Inc., the observation was made that

investigations are necessary to the establishment, maintenance and protection of all that pertains to human interests - whether social, religious or mercantile.

Society protects itself by diligent inquiry concerning its every member as to personal character, habits and associations. The Church examines its applicants as to their faith, creed and practice. The Mercantile World investigates as to the character and responsibility of those who assume business relations, either locally or otherwise.²

Businessmen, in particular, because of their constant needs for information on which to base decisions, require many types of information about persons, places, or things. Frequently, the facts required are of such specific and non-recurring nature as not to lend themselves to procurement on a standardized basis. Primarily for this reason, it appears that there have been relatively few cases where organized and continuing agencies for the procurement of specialized information about individuals have been operated successfully. Yet when a widespread demand for information of a particular nature has grown up, and has proven to be reasonably consistent and general, specialized agencies for its acquisition have come into being. Not only has economic acceptance been accorded this type of effort generally, but also it would appear that competition generated among the more successful of these agencies has fostered a high degree of specialization in the activities performed, as well as the development of distinctive institutional types.

Other than detective work, which generally has exploited the activities of individuals for legal purposes, only the fields of credit and insurance reporting present notable examples in this respect. This study will endeavor to show, by tracing the historical origins of these two latter types of activity, why the need for specialized information about individuals has developed, and how the Retail Credit Company has contributed to the growth and perfection of efficient services in providing it.
Scope of the Study

As already indicated, only two types of personal information agencies have attained eminence, historically, insofar as the degree and continuity of their economic exploitation is concerned. The types of information provided by these include that which is required for the making of credit decisions, and that which is required by the insurance underwriter in determining the nature and degree of his risk. For this reason, and also because the history of the Retail Credit Company has been so closely involved both with credit and insurance reporting, the scope of this study has been limited historically to these two fields of effort, and to a delineation of the firm's contribution to their successful development during the past six decades.

Like a worker who stands first on one foot and then on the other in preparing to accomplish a difficult task, the Retail Credit Company first placed its weight and gained its foothold in our economy as a local consumer credit reporting agency. Shortly thereafter, however, the burden of the firm's operations was shifted to the insurance inspection foot, with widened geographic scope. More recently the company has entrenched its position, with both feet planted more or less firmly on the two planes which comprise the major fields of activity currently devoted to the satisfaction of demand for information about individuals.

While the scope of the study generally includes both the credit and the insurance fields, particular attention has been focused upon the latter. This has been done not only because of the major emphasis
given this activity throughout the years by the firm, but also because the field of credit reporting has been both ably and amply described in many previous works.

Limitations Encountered

Although the Retail Credit Company occupies a dominant position in its field, in terms both of volume and scope of operations, its name has little significance for the average individual, even though its current rate of operations annually calls for reports to be made on more than one-tenth of the population of the United States and Canada. It has been estimated that the company maintains files of personal information, acquired through these current inspections, on more than 35 million people. Yet the firm is neither widely known nor the exact nature of its activities clearly understood, either by the general public or by the majority of business men outside the field of insurance.

This relative anonymity is to a large extent intentional. In fact, there have been deliberate efforts by officials of the company to restrict general publicity given their firm's operations. Two factors, basically, account for this. First, in the early days, the fact that a report had been made, or even requested, was considered a highly confidential matter, and the reporting agency obtained its information as unobtrusively as it could. In addition, a legal liability is involved, and even though reports now have the status of "privileged communication," any unnecessary publicity could lead to frequent and
sometimes costly legal defense of this privilege.

In the second place, the firm's restricted clientele constituted, as it were, a sort of "closed fraternity." No logical or economic purpose would have been served by widespread dissemination of information regarding the company's activities. As a matter of fact, the high degree of geographic concentration that once applied to the insurance industry, as well as the specialized and almost professional character of the firm's major group of customers (at least during the period prior to World War II), called for a very personalized type of promotional effort.

Owing largely to the factors cited, which in turn have acted to restrict the publication of details about the business of marketing information about individuals, there is little material available to the researcher other than that contained in the files of firms engaged in this occupation. This has been particularly true in past years regarding the field of insurance underwriting, and to a lesser extent in the field of consumer credit reporting. There are indications, however, that a more objective attitude is currently gaining headway in both areas.

**Method Employed in the Study**

Primarily as a result of the limitations mentioned, the method employed in this study has been largely historical, and based on the experience of one firm. Occasional supplementary references have been made to other firms of a similar nature, however, where such evidence has been found to be available. Although secondary sources of infor-
mination have been utilized in developing events and practices antecedent to the origin of the Retail Credit Company, this has been done selectively and with teleologic intent.

Contributions Made by the Study

An intensive examination of the record of any firm or individual whose recognized contribution to a free enterprise economy has been demonstrated empirically by the results obtained over more than half a century of steady progress is worth while, even if it succeeds only in preserving the record for posterity. History in general sets the stage for the future and provides a perspective not otherwise obtainable. The history of a successful enterprise provides rich sources for the development of current policy, and aids materially in establishing standards by which broad organizational and operational principles may be evaluated.

Of the original hypotheses set up at the beginning of this study, those listed below appear to have been validated by the findings presented in the pages following: (1) The service provided by the Retail Credit Company is not only essential to effective operations in the fields of credit granting and insurance underwriting, but also has proved to be of material benefit to society at large. (2) A high degree of specialization in the performance of a single function is, under certain conditions, not only economically feasible, but also essential to success. (3) A high degree of standardization and consistent quality control assume major importance in the marketing of such a service.
For those who believe in subordinating the profit motive to the faithful performance of a primary service objective, the history of the Retail Credit Company is reassuring. It fully demonstrates that a business organization dedicated primarily to the principle of rendering honest and worth while service to its customers cannot only evolve successfully, but will tend to persist despite unfavorable economic conditions and any competition that looks first to its own short-run welfare. In short, the history of the Retail Credit Company clearly demonstrates the successful evolution of the "Marketing Concept" as a recognized and practical philosophy of business management.
CHAPTER I

ORIGIN OF THE RETAIL CREDIT COMPANY

Every institution is said to be the projected genius of a man, and every man the product of his heritage and environment. The study of any institution is incomplete, therefore, if consideration is not given to the men responsible for its existence and to the forces from which their personal attributes, interests, and capabilities were forged.

Some firms are almost wholly the reflection of a single individual. Others result from the concerted or diverse efforts of many. Probably few examples of business enterprises could be found today that owe so much of their current successful status to the guiding genius of a handful of people as does the Retail Credit Company. Founded by one man, assisted by his younger brother, this firm has achieved the very difficult and unusual accomplishment of consistent progression from a poorly financed two-man team to a financially robust international organization. This has been done, moreover, without significant personnel changes in its executive group during nearly half a century.

The acknowledged leader in its field, the Retail Credit Company now conducts its international operations through 241 branch offices and more than 1200 sub-offices. Over 7500 full-time salaried workers, augmented by a considerable number of part-time correspondents, perform
a wide variety of services valued in excess of $60,000,000 a year.

Both Emerson and Carlyle have expressed the thought that history is but an accumulation of biographies. Whether this be true or not, the background and early training of Cator and Thomas Guy Woolford, the founders and for many years the executive guides of this pioneering firm, merit at least a cursory inspection. For, despite the fact that several life insurance companies, individually, had initiated efforts at an earlier date to secure the information needed by their underwriters for a more careful selection of risks, Cator Woolford's propitious entry into the field of life-risk inspection undoubtedly saved the industry a sizeable investment in time, money, and experimentation. And, because his fortunate combination of abilities, interests, and experience converged opportunely with the growing recognition of the basic nature of the need for information on individuals by the life insurance industry, Cator Woolford, with his exceptionally well-staffed organization, was given the opportunity of fathering not only a successful business enterprise, but also a new service industry.

The Woolfords of Maryland

The founders of the Retail Credit Company were the sons of John Stevens Brohawn and Mary Ellen Rees Woolford of Dorchester County, Maryland, seventh generation descendants of Roger Woolford. Roger had migrated from England to the Eastern Shore of Virginia about the middle of the seventeenth century.

This was the age when the opportunities for success in the new world seemed unlimited, and economic conditions in England were bad for
gentleman and peasant alike; "Politically, the tyranny of the Stuarts had begun, and religiously, the promise of greater persecution of the Puritans filled many with dark forebodings." So the spirit of enterprise and ingenuity which gave rise to the Retail Credit Company of today was evident in the first Woolford who dared to venture forth into the unknown perils of a new civilization. This was Roger Woolford, who, in August of 1662, left the Eastern Shore of Virginia to occupy land granted him by Lord Baltimore on the Manokin River in Somerset County, Maryland.

A son of the immigrant, Colonel Roger Woolford, after his marriage to Sarah Stevens, removed to the nearby county of Dorchester upon inheriting his father's properties there. He built the family home on Church Creek, a small tributary of the Little Choptank River. Here six successive generations of Woolfords tilled the family's broad acres, specializing in truck farming and fruit growing and serving their fellow men as Burgesses and Justices. Here also the family was able to prosper in an infant land where many about them were struggling for the bare necessities of life.

It was an early eighteenth century American voice which said "the Plow-man that raiseth Grain is more serviceable to Mankind than the painter who draws only to please the Eye." This would indicate

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3Adams, *op. cit.*, p. 44.
that a hand-to-mouth existence was the rule throughout the new land; but there were some educated and ambitious men besides the Woolford clan with enough imagination and drive to succeed. Among these was the Rees family, which moved from Wales into Delaware in 1733, and flourished as yeomen, planters, and millers. From this successful stock John Stevens Brohawn Woolford, the eldest son in a family of 14 children, chose Mary Ellen Rees as his bride.

The John Woolfords established their home and reared a family of six children during the internecine conflict that jarred the South roughly in its agricultural cradle, wrecked its infant industrial efforts, and created an economic problem of survival so acute that it could be solved only by an almost complete rebuilding of the section's economic structure. The accomplishment of each child in the presence of such difficulties reveals the character with which the founders of the Retail Credit Company were endowed.

George Whitfield, born in 1861, graduated from Pierce's Business College in Philadelphia and founded the Eastern Shore Trust Company, which later became the County Trust Company of Maryland with 19 branches. He died in 1929. Entering the world in 1864, Lucibelle, the only daughter, lived unwed to the ripe old age of 84. As the only sister of five brothers she was, quite naturally, the darling of the family.

Of the remaining children Frank Rees, born in 1866, and Cator Ringgold, born in 1869, attended the County high school before en-

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4Cator Woolford never used his middle name in later years.
rolling at a military academy located on the site of the old Maryland Agricultural College. Feeling that they had spent their share of the family's funds for education after two terms, these two boys left school to seek employment. Rees became a school teacher in Dorchester County and Cator joined the Weather Bureau as a Signal Corps enlistee in Chattanooga, Tennessee, in October, 1887.

Like their older brothers, the two youngest sons, John Samuel Benjamin, born in 1871, and Thomas Guy, born in 1875, received their elementary education in an old log school house near their home. John obtained his degree at the University of Maryland Medical College in 1896, served his internship there, and began in 1897 to serve the people of Chattanooga as a successful and beloved doctor. Thomas Guy was graduated with honors from the Cambridge, Maryland, high school, received his law degree from Columbian University (now George Washington University), and in 1895 also gravitated to Chattanooga to practice law and become "Quiz Master" on the Faculty of U. S. Grant University.

That each member of the family could achieve a measure of success in early life, despite the turmoil of the post Civil War South, is indicative of the presence of strong character and determination and sensitivity to the needs of society. These were the qualities which served Cator and Guy Woolford well as they began their careers and later pooled their resources to establish a new company in a relatively unexplored industry.

After a few short years of residence in Chattanooga, Cator's application to the needs of his job, together with his personal charm
and ability, placed him at the head of the Weather Bureau and secured his membership in the socially prominent Urbane Club. The same qualities undoubtedly enabled him to become secretary of the Chattanooga Athletic Association and a founder of the Tennessee Amateur Athletic League, and justified his commission as 2d Lieutenant in the Lookout Mountain Guards. This was a state militia unit entirely separate from his Signal Corps appointment. Shortly after having been commissioned a lieutenant, a unit of the Guards under his leadership was reported to have won first prize in a competitive military drill held at Knoxville. This event is significant mainly in that it illustrates the natural bent this young man had for instilling in his subordinates the habits of discipline and precision. It foretold in part his success in perfecting efficient and systematic techniques in his later reporting activities.

Quite naturally for one tasting the heady wine of public favor at an impressionable age, Cator Woolford's reports of Chattanooga sent to the family in Maryland painted an attractive picture of this bustling young city. Rees decided to give up teaching, and in 1890 joined his younger brother in Chattanooga. At first he tried the building trade, but after a short while gave it up in order to open a grocery store. With Cator as a silent partner, he located his establishment in a suburb of the town called Orchard Knob, near a point from which General Ulysses S. Grant had directed Federal Forces in the battle of Missionary Ridge.

After serving three years and four months of his five-year enlistment in the Signal Corps, Cator Woolford obtained an honorable dis-
charge from the Federal service on February 12, 1891. According to his discharge papers he was at this time twenty-two years of age, five feet seven and one-half inches in height, of dark complexion and with brown eyes and hair. He also sported, after the fashion of the day, a small handle-bar mustache that gave him a dashing and somewhat sophisticated appearance. His character was stated to be "Very Good," and he left the Weather Bureau with separation pay in the amount of $213.78. This was considered a very handsome sum of money at a time when a typical grocery bill for a family, including feed for a horse, ran to about $1.25 per week.5

Upon his resignation from the Signal Corps, Cator Woolford turned his major attention to his job with the Tennessee Mutual Building and Loan Association. This firm had been incorporated on October 9, 1890, and its initial organization included Ex-Governor of Tennessee Robert L. Taylor as the President, with Cator Woolford as Assistant Secretary-Treasurer. In addition to this activity, he retained his interest in the retail grocery operated as "Woolford & Company" by his brother Rees, thus receiving an income from two sources and considering himself to be quite well off. Due to his very active social and civic life, however, he found that he "did not go very well on either one" of his jobs, as he expressed it later, and began seriously to think about his future and to look about for an occupation which was more suitable to his liking and aptitudes. Realization of the difficulties

5From a feature article in the Chattanooga Times, Sunday, July 31, 1955, based on an interview with Rees Woolford.
faced by the average youth in finding his proper niche in the economic scheme of things probably led him later in life, so he stated, to "establish, in the public schools of Atlanta, a Vocational Guidance Bureau which has become a definite part of the school system."

In 1892 Cator Woolford was commissioned as a Colonel in the Tennessee State Militia and given command of the Third Regiment. He resigned this command on June 2, 1893, along with all members of his staff, subsequent to the "Coal Creek Wars," when the Guard was called out several times to quell insurrections by the coal miners, caused by the employment of convicts in the mines. In August of 1892 an unusually severe altercation had arisen. The miners attacked the convicts and overpowered both them and a company of State Militia then on police duty at the mines. Colonel Woolford had been ordered by Governor Buchanan to reinforce the guard detail at Oliver Springs, but for some unexplained reason delayed his men's departure from Chattanooga until the convicts and their militia guard had capitulated to the enraged miners. The consequent public furor over this incident made a profound impression on the youthful Woolford, and probably was reflected in later years by his unusually keen awareness of the destructive force of unfavorable publicity. His constant insistence that members of his organization give honest and completely fair consideration to the interests of the persons upon whom they made reports undoubtedly stemmed from these early experiences.


7East Tennessee Historical Society, Official Publication, No. 8 (Knoxville: University of Tennessee, 1936), p. 94.
from this unpleasant experience.

Notwithstanding this unhappy, although perhaps fortuitous incident, in some five years Cator Woolford had risen on his own merits from the status of a lowly private to the command of a regiment. This was a most unusual accomplishment during peace time for a young man in his early twenties, even though abetted to some extent, no doubt, by astute political affiliations.

With Cator afforded more leisure time by his withdrawal from active participation in the National Guard, Woolford & Company by 1894 had opened an additional store at Ivy and North Willow for the purpose of retailing coal, and within a year groceries and meats had been added at this location. Another retail operation dealing in coal and wood was under way by 1896, located on McCallie Avenue at the Western and Atlantic Railroad crossing. This effort, however, apparently was not successful since it was not listed in the Chattanooga City Directory after 1896. It appears that the Tennessee Mutual Building and Loan Association also went out of business sometime during the next year, or was merged with another organization, as it was dropped from the Directory after 1897. Thus Cator Woolford was given the opportunity to devote his full time and energies to his mercantile interests.

Typically, he was constructively interested in all phases of any activity he undertook. He was, also, a firm believer in doing things in a systematic way. For example, in the grocery operation he had worked out a checking system designed to eliminate errors in order filling, with one man touching each article while another checked off the item on the carbon of the delivery ticket. This organizational
bent was evidenced in all of his future business activities. A close friend and associate of many years has described him in the following way:

Cator Woolford was an intense man. He brought all his powers and activities to a high state of concentration, and had the faculty of inspiring others to do so. He was source-minded in that ideas of things to do and how they should be done were products of him. The precedent or ideas of others were also quickly grasped and as enthusiastically followed as were those of his own germination. He knew that any end product, whatever its nature and whatever its size, rested on a mass of detail, and that the perfection of the end product, its cost and timing, depended on the efficiency with which the detail was organized and executed. He had the ability to master detail without becoming enmeshed in it and losing sight of the end product. His attack on error or failure at any point was to locate the "irregularity" which caused it and substitute a "system" which, if followed, would make repetition impossible. For an employee to come to the office without his keys, his watch, or money, was not just an awkward bungle but the result of a faulty home practice.

Conception of a Career

With his undivided attention now focused on the affairs of Woolford and Company, Cator began to explore all possible opportunities for improving its fortunes. It was only natural that he should become active in the local, newly-formed, Retail Grocers' Association and attend its regular meeting. It was customary for the members of this organization to report the names of their unsatisfactory credit customers at their periodic gatherings. These were entered in a black book called a "deadbeat list." As Cator Woolford related in later years:

... the idea was, when a man applied for credit, to look for his name in this book and if it was not there, then go ahead and sell him. That was all they seemed to consider

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8Walter C. Hill, in a memorandum to the author in Sept., 1956.
necessary. As our grocery store was in the suburbs, we wanted to know about the people who moved out in the community and to find out whether they would make desirable customers. This gave me the idea of what I called a "white list." The information in the "list" was to be secured from the retail merchants, and customers were rated prompt, slow, medium, or requires cash. In other words, it was a white book and a black book combined. Feeling that here was what we needed, I began investigating to see what chance there was of establishing such a service for the Association. We had some money in the treasury (about $1,300.00), and, by soliciting merchants in other lines, we were able to get out the book and sell sufficient copies to pay for the printing. That was my first experience in making and selling information. I was Chairman of the Committee and later elected President of the Association.

As evidence of their interest and serious intent in this undertaking and of their confidence in his organizational ability, the Merchants' Association had sent Cator Woolford to Cincinnati to study the operational methods of the large and successful Retail Mercantile Agency that had been founded there by A. D. Chapman in 1884. After absorbing as much information as he could from observation of this apparently well-organized establishment, Cator returned to Chattanooga with enthusiastic determination to set up for his Association a credit bureau that would achieve the high aims of the service function he had originally envisioned. A rating book for Chattanooga was compiled and copies were issued to all members of the Grocers' Association. To re-

9"Cator Woolford Reminisces," loc. cit. There is reason to believe that the idea of the "white list" Mr. Woolford mentions may have been stimulated by the publication of a consumer credit reference book in Chattanooga some time previously by Mr. L. D. Davidson (see p. 23).

10The date of the founding of The Chapman agency is quoted from Cincinnati, the Queen City (Chicago: S. J. Clarke Publishing Co., 1912), by Allison P. Koelling, Executive Vice President, Credit Bureau of Cincinnati, Inc., in a letter to the author dated July 8, 1957.
imburse the Association's treasury, Woolford personally sold additional books to other Chattanooga retail merchants. In this way he obtained valuable first-hand experience both in the compilation and in the marketing of credit reporting services.

Although Woolford retained responsibility for its supervision, Mr. Henry C. Craven, who was the first Secretary of the Retail Grocers' Association, was actually in charge of the work with an assistant. The resulting reference book was so well received that Mr. Craven, undoubtedly with Woolford's aid and abetment, organized the Blue Book Credit Company in 1898, to operate as a credit bureau in serving the needs of the local mercantile establishments. This organization has continued to operate throughout the years and today fulfills a vital need in the city's economic life. Woolford and Company, among others, made regular use of the facilities of this Bureau, and Rees Woolford today holds the distinction of having been a member of the Chattanooga Retail Credit Men's Association and its predecessor Association for fifty-five years.11

Cator Woolford devoted a great deal of his time to the development of the Credit Committee, and during the organizational stage had found this field of endeavor much more interesting and stimulating than the operation of a mercantile establishment. By the close of 1898 he had reached the conclusion that, at last, he had found the opportunity for building the career he had been seeking for more than a decade.

11 Information obtained in a telephone conversation, 29 May, 1957, with George W. Lundy, Secretary-Manager of the Retail Credit Men's Association, Chattanooga, Tennessee.
Encouraged by Mr. Craven, who suggested the growing young city of Atlanta as a likely spot for establishing a new credit reporting service, Cator Woolford began to make definite plans for the launching of his own operation.

During the period of his organizational work with the Chattanooga Bureau, he had learned that a rating book had been published several years previously in Chattanooga and in a number of other Southern cities, including Atlanta, by a Mr. L. D. Davidson. Davidson, however, had issued only one edition of the book in each city and had made no effort to keep the information current. His ratings, therefore, were considered at this time too old to be of any real value.

Selection of a Location

In the meantime, Guy Woolford was already busy initiating his law career. He was not so devoted to it, however, that he could not be persuaded to join Cator in his plans for opening a new business in the field of consumer credit reporting. As a consequence, and in characteristic fashion, the two brothers made careful plans for the new venture.

It did not seem feasible to start their new operation in Chattanooga, primarily because of the existing Blue Book Credit Company operated by Henry Craven. Moreover, Cator had visited Atlanta and had been very favorably impressed with its bustling air of growth as a transportation and trading center. It appeared to be the ideal location for the inauguration of a new credit reporting service.
Since the first railroad to be pushed deeply into the South, the Western and Atlantic, had been extended in 1837 a few miles west of Decatur, Georgia, to a spot first known as Terminus, other railroads had found this location an ideal point of junction. It was situated on the broad ridge which serves as a watershed between the Atlantic Ocean and the Gulf of Mexico, more than a thousand feet above sea level and at the southern extremity of the Blue Ridge Mountains of the Appalachian chain. Bearing for a short time the name of Marthasville, after outgrowing in 1843 its initial designation as a railroad terminal, the growing community in 1845 was chartered and renamed Atlanta. Until reduced to rubble by Sherman's bombardment in 1864, it had been a promising center of trade and industrial activity for the Southeast. With astonishing accuracy, John C. Calhoun, eminent Southern statesman and orator, had foreseen at the time of Atlanta's christening the city's development as the transportation hub of the Southeast.

Despite the desolate aftermath of Sherman's occupation and his final destruction of the city by deliberate burning after the forced evacuation of its entire civilian population, Atlanta had sprung like the Phoenix from the ashes of war with even brighter prospects than had existed before the conflict. The population more than tripled in the next quarter of a century, increasing from less than twenty thousand

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13 Calhoun's prediction, with map of that period, is shown as Fig. 2. His prophecy is quoted from his "Address on Taking the Chair of the Southwestern Convention at Memphis," Nov. 13, 1845, Crates Works, Vol. 6, p. 276.
Fig. 2. Calhoun's Prediction. (From a brochure commemorating Atlanta's 100th Anniversary. Reproduced by permission of the Trust Company of Georgia and Atlanta Historical Society.)
Inhabitants in 1866 (of whom it has been estimated that about one-fourth were widows) to more than 65,000 in 1890.\textsuperscript{14} A decade later it had grown to 89,872, with Fulton County's 117,363 souls representing 5.3 per cent of the population of the entire state of Georgia.\textsuperscript{15}

In 1868 the state capital had been moved from Milledgeville to Atlanta and the new capital building, designed after Saint Paul's Cathedral in London, had been completed in 1889 at a cost of one million dollars. By 1890 one electric street car line was in operation, closely followed by another; and until the two were merged in 1901 a fierce competition indicative of the current surge of economic progress held sway.\textsuperscript{16} Two telephone companies also competed lustily, The Atlanta Standard Telephone Company and the Bell System.

Seeking to speed up their city's postwar recovery and to stimulate industry and commerce in the unbalanced agrarian economy, a number of prominent civic leaders had organized in 1881 the International Cotton Exposition.\textsuperscript{17} This was done, incidentally, at the suggestion of Edward Atkinson, a former New England textile executive and President of the Boston Manufacturers' Mutual Fire Insurance Company. Other extravaganzas followed, and in 1887 the Piedmont Exposition Company was formed to stage these events on a more or less...
regular basis. These efforts bespeak the traditional energy and enthusiasm for economic progress of Atlanta businessmen.

By the time Cator Woolford had completed his plans for the new business venture, the city's population was nearly 89,000; individual bank deposits were in the neighborhood of $33,000,000; savings deposits totaled around $17,000,000; and Clearance House Exchanges were close to one-half billion dollars.\(^1\) Thirty-eight life insurance firms maintained offices in the city in 1898 and some ninety-six agents were listed in the Atlanta City Directory for that year.

**Financing the New Operation**

Although Cator Woolford had always lived almost "up to the hilt" of his income, he had established a fair equity in "Woolford and Company." With his brother George in the banking business, it is assumed that his connections and favorable reputation for character and executive ability opened the way for adequate sources of credit. A "confirmation" visit to Atlanta in December of 1898 was enough to assure him that his choice of a location had been made wisely, and he returned from this trip eager to complete the arrangements for launching the new business.

In order to forestall the possibility of legal complications arising from infringement charges, it was decided that some definite agreement should be reached with L. D. Davidson, proprietor of the reference books mentioned earlier. So closely had he figured his capital requirements, however, that Cator found he lacked the cash

\(^{18}\)Allen, op. cit., p. 42.
required for this additional precaution. Fortunately, his brother John, having established a successful medical practice in Chattanooga, had accumulated some savings and lent Cator $200.00 to take care of the matter. Of this amount, $100.00 was paid to Mr. Davidson on February 16th, 1899, as a cash settlement for the copyrights to his original rating books. Under the contract drawn up, it was also agreed that Davidson would receive ten cents per copy for the first three thousand rating books sold.

With all anticipated contingencies now taken care of, Cator Woolford finally was ready to strike out on his own. He was prepared to enter a service industry still in its primary stages of development, and the basic necessity for which was not yet widely recognized or appreciated by the retailers who comprised the major portion of its logical patrons. After another short visit to Atlanta the first of March (at a total cost of $11.00), Cator transferred his permanent residence from Chattanooga and by Monday, March 13, 1899, with even greater energy and enthusiasm than usual, committed himself wholeheartedly to the new venture.

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19 As recalled from memory of her husband's earlier account of the incident by Mrs. John S. B. Woolford, in conversation with the writer in May, 1957.

20 Original copy of contract between Cator Woolford and L. D. Davidson, dated Feb. 16, 1899, held in the files of the Retail Credit Company, Atlanta, Georgia.
CHAPTER II

CREDIT REPORTING IN THE NINETEENTH CENTURY

In selecting consumer credit reporting as the field in which he hoped to establish his fame and fortune, Cator Woolford had chosen an activity which, like himself, was relatively young and undeveloped, but dedicated to the principle of serving the vigorous commercial and industrial enterprise of the day. Credit itself, although not widely recognized so at that time, soon came to be accepted as an essential marketing function. In our modern economy it has become a usual prerequisite to the efficient movement of goods and services from the producer to the consumer. It has, in fact, assumed in recent years so pervasive an economic role that what "at one time seemed to be an institutional operating function is now a major economic institution in itself."¹

It should not be implied, however, that because credit has achieved great economic prominence only in recent years that it is a young and immature institution. On the contrary, according to Biblical accounts, the principle of securing immediate goods and services in

¹Theodore N. Beckman & Robert Bartels, Credits and Collections, 5th Ed. (New York: McGraw-Hill Book Co., Inc., 1949), p. 3. In the 6th Ed. of this text, published in 1955, p. 3, credit is simply defined as "the power or ability to secure goods or services in exchange for a promise to pay for them later."
exchange for a promise to pay for them at some future time made its appearance at quite an early date in the history of mankind. The first recorded extension of credit, it would appear, involved the sale of food, with Jacob selling red pottage on credit to his brother Esau, deferred payment for which was to be the elder son’s prior claim to his father’s estate.²

Although credit has been used in a rudimentary form almost since the beginning of civilization, its economic role was of almost negligible significance until capital began to be accumulated in sizable amounts and on a rather widespread basis. When the concentration of wealth was sufficient to finance specialization on a broad scale through the division of labor, production in anticipation of consumption resulted, which, in turn, both afforded and forced the development of larger and more widespread markets. This process of “round-about” production and extended distribution placed a considerable burden on capital resources, and as the time span between production and consumption lengthened, credit naturally came to be in greater demand and assumed increasing importance in the “free enterprise” economic system.

Classes of Credit

When classified according to its intended use, there exist only two basic types of credit: (a) that which is employed to further the processes of production, i.e., to create utility; and (b) that which is

²Genesis, 25:20-34.
designed to facilitate ultimate consumption, i.e., to use up utility.\(^3\)

Credit designed to make possible or facilitate the production or consumption of goods and services is made available through a number of sources. These range all the way from gigantic institutions, both private and public, that offer for credit purposes the accumulated capital of many large and small investors or taxpayers, to individuals who may lend their modest savings directly to personally known producers or consumers. Regardless of the source of credit, however, its ultimate purpose is to serve the cause of consumption. This may be done directly, by making it possible or more convenient for the consumer to enjoy a higher current standard of living than otherwise would be possible, or indirectly by facilitating production, the end product of which will be utilized for the satisfaction of consumer wants and desires.

The Need for Credit Information

Goods and services probably have been traded on credit for as long as men have, under specific circumstances, believed in the honesty and productivity of their fellow man. During the stages of "direct production" when manufacturing and marketing were practically indivisible elements in the creation of economic utilities, the channels of distribution were short and the credit pattern quite limited. Decisions

\(^3\)This does not imply that consumer credit is not productive in the economic sense. On the contrary, the current gross national product could neither be generated solely on a "cash economy" nor sustained efficiently without the facilitating agency of the highly developed consumer credit system that is an integral part of our present day economic complex.
regarding the desirability of individual credit extensions could be made with relative ease. If, in a particular instance, the seller could not rely on his own previous dealings as a guide to the credit decision, it was a relatively simple matter to obtain information through personal contact with others who had had credit experience with the buyer. As the processes of production have become even more specialized and "round-about," however, and as the radius of commercial operations has been increasingly extended, the need for specialized sources from which information could be derived to assist in making wise credit decisions has grown to be relatively more urgent.

During the great westward movement in America, cash terms were customary along the path of the mass migration. But, as communities were established and flourished, their local inhabitants were extended credit when the retail merchant found it necessary or desirable to do so. Particularly did this prove to be true in rural areas, where citizens were dependent largely for their economic existence on the fruits of the land. In the South, the early one-crop system and the prevalence of tenant farming made credit extension by the retailer essential, at least until commercial banking facilities began to be widely available. Lewis Atherton reports that in the Old South, business records "demonstrate that at least two-thirds to three-fourths of all merchandise purchased by farmers was obtained on credit," and "stores followed
a common policy of collecting accounts once a year. Under these circumstances, when obligations became overdue they usually were settled by note. Over-extended notes finally were settled by transfers of real property.

Until the scope of the retailer's operations outgrew his personal knowledge of his customers, direct relationships were adequate as a basis for making credit decisions. As competition fostered specialized types of retail institutions and as the density of urban population increased to support them, merchants first sought protection against an increasing volume of credit losses by utilizing the meagre credit reporting facilities that developed along with collection agency operations. As trading volume and experience in this field grew it became evident, however, that professional credit reporting on a specialized agency basis could be used, not only in a negative sense to reduce credit losses, but also as a positive tool for increasing profitable sales. This realization, perhaps, signified a distinct turning point in credit reporting activities and marked credit itself as a truly significant factor in the national economy.

"Lewis E. Atherton, "The Problems of Credit Rating in the Ante-Bellum South," Journal of Southern History, Vol. XII, p. 534. Thomas D. Clark, in "The Furnishing and Supply System in Southern Agriculture since 1865," Journal of Southern History, Vol. XII, p. 27; states that even after the American War of 1861 "sometimes payment was delayed as long as five years with a high interest charge accumulating all the while," and (Fn.7), "Every set of store records contains its list of cumulative accounts."
Credit Information Agencies

In consonance with the classifications of credit itself, agencies that have evolved to supply credit information supplementary to, or as a replacement for, the personal relationship that once served as the primary basis for credit decisions may be classed according to the use for which the credit is intended.\(^5\)

Mercantile credit agencies, as indicated in Figure 1, usually are identified as being either of the "general" or the "special" variety. Of the former only one distinct example exists today,\(^6\) while a larger number of the special mercantile agencies enjoy a profitable patronage. The latter, or "trade agencies" as they are usually called, have been distinguished from the general agency by a well-known authority\(^7\) in the following ways: (a) by the limitation of their coverage to one or a limited number of allied trades; (b) by the occasional geographic restriction of their operations; and (c) by the relatively greater

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\(^5\)There are many other sources of credit information such as, for instance, the credit applicant himself, individuals or firms named by the applicant as references, banks and other financial institutions, and various legal records. These sources, however, supply credit information only as an incidental part of other activities. It is interesting to note that in earlier days some attorneys specialized as credit correspondents and collectors of delinquent accounts. For further reference on this point, see Lewis E. Atherton, "The Problem of Credit Rating in the Ante-Bellum South" (The Journal of Southern History, Vol. XII), pp. 535-537, and Roy A. Foulke, The Sinews of American Commerce (Printed in U.S.A.: Dun & Bradstreet, Inc., 1941), pp. 368-370. As a matter of fact, attorneys were preferred by the Woolford Brothers in their selection of correspondents for reporting both on credit and insurance risks.

\(^6\)This is the firm of Dun & Bradstreet, Inc.

\(^7\)Beckman, op. cit., 6th Ed., p. 279.
variety or, conversely, the limitation of the services they are regularly prepared to offer.

This same classification of "general" and "special" agencies may be applied with equal logic to those serving as consumer credit reporters. In contrast to the mercantile field, however, examples of the general consumer credit reporting agency, or the credit bureau as it is ordinarily called, exist in large numbers while the special consumer reporting agencies are distinctly in the minority. Further differences from the mercantile agencies may be noted in that (a) the general consumer reporting agency is likely to restrict its activities to a relatively small geographic locality while the special agency may cover a more extensive territory; and (b) the general agency stresses a highly standardized type of service, usually relying heavily on ledger experience, while the services of the specialized agency are more variable, being geared to the specific needs of its particular clientele.

History of the Mercantile Credit Agency

The importance to the user of organized sources of credit information naturally varies, being dependent to a large extent upon the amount of information the grantor acquires in the normal course of his dealings with the grantee; the number, frequency, size and relative

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8It should be noted that although each credit bureau covers a relatively small area - usually one city or trading area--those affiliated with a trade association, such as the Associated Credit Bureaus of America, Inc., acquire many of the advantages of a national organization.
futurity of the usual extensions; and the degree of impersonality in the transactions involved. The importance of these factors would tend to become acute at the producer-wholesaler level initially, because of the greater financial risk incident to each transaction, and because of the more impersonal relationships and greater geographical distances existing between the parties concerned at this stage in the channels of distribution.

As far-reaching sociological and economic changes were ushered in by the Industrial Revolution, wholesale trade became more voluminous and increasingly more complicated. As relationships between producer and user were extended on a broader geographical basis and became more indirect, existing personal knowledge about the second party often needed to be supplemented by the employment of agents or middlemen. An early example was the supercargo. As the volume of trade continued to increase, the limited authority, versatility, and capability of the supercargo was extended by the development of localized procurement and distribution agencies of various kinds. Specialized services in transportation, financing and communication were developed. New World migration created such additional problems in marketing and financial dealings that independent middlemen capable of risk-bearing in the full sense of the term began to assume added importance.

By incorporating middlemen into the channel of distribution, the producer had been enabled to relieve himself of numerous small deals with consumers and petty merchants; but in doing so he also assumed the risk of selling larger individual orders to relatively fewer
middlemen. Frequently, more liberal terms of sale were necessary, for the middleman himself was forced by competition to extend credit to the retailer or consumer in relation to the latter's ability to pay. And where consumer income was largely dependent on the land and its products, ability to pay necessarily was dictated to a large extent by the seasons and the bounty of nature.

The greatest need for specialized information sources, and one most capable of fulfillment from a practical point of view, first became evident, therefore, in credit extensions at the wholesaler-producer level. The natural result was the development of organized credit information sources that would assist the producer in his selection of, and in his dealings with, wholesale distributors.

Early Credit Reporters

In the early days of America's colonization there were numerous brokers and mercantile establishments who, acting in the role of correspondents, regularly reported to their London principals on the character and capacity of the American importers and wholesalers with whom they had dealings. The task of the correspondent was to arrange for shipment of merchandise to local middlemen and to establish the terms of sale, subject to the approval of the principal. With the rejuvenation of trade following the close of the Napoleonic Wars the disorganized efforts of these random correspondents proved unsatisfactory,
according to Hidy, and he proceeds to point out that competition between the major London merchant bankers that financed North American trade, including the well known firm of Baring Brothers and Company, became so intense that

relaxing of rules, constantly recurring concessions, and increasing numbers on the books placed a premium upon accurate and systematic knowledge of the status of correspondents during the boom years of the early 1830's. In the final analysis, the success of these great lenders and brokers of credit depended in large measure upon the safety and reliability of their clients in America.  

With such an obvious premium attached to the possession of good correspondents, Thomas Baring of London, a nephew of Alexander Baring who was then the senior partner in this eminent commercial banking establishment, made an extended journey in October, 1829, to survey business firms and operations in America. During the course of this trip he signed a contract with Thomas Wren Ward, "a retired, well-to-do merchant of Boston and personal friend of Bates" (one of the current partners in Baring Brothers and Company who was an American), obligating him to represent that firm as a special resident agent in North America. Although Ward had many functions under this contract, one of the most important was the evaluation and selection of the firm's corre-

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9R. W. Hidy, "Credit Rating before Dun and Bradstreet," Bulletin of the Business Historical Society, Vol. XIII, No. 6, p. 81. He states here (p. 82) that "the increasing numbers and the rapidly changing status of the correspondents afforded plentiful evidence that the former haphazard collection of information and the strictly personal knowledge were inadequate for the demands of safety and prudence."

10Ibid., p. 82.

11Ibid., p. 84
spondents in the United States. Over nearly a quarter of a century he kept under observation and rated a very large number and variety of American business men, many of whom never even began to do business on credit with his principal.

Ward did not obtain easily his information on the merchants who acted as correspondents for the Baring Brothers. As Hidy relates:

Merchants were averse to writing particulars about their neighbors and competitors. They would tell much more in private conversation, but that method involved continuous travel. Experience through the medium of an account, of course, was an effective but sometimes costly means of learning the character of a firm. Newspapers carried relatively little commercial and financial news regarding specific firms. Ward thus leaned heavily upon private conversations with former correspondents and acquaintances of prospective clients and upon his personal judgement of the applicants. His intimate connections, as a result of traveling and business dealings, ranged from Portland to New Orleans and from very small merchants to presidents of the United States.12

Forerunners of the Reference Book

Between Ward and the Baring Brothers a great deal of information was exchanged and they sent him considerable information about foreign business houses that traded with American firms. In return, Ward sent the Barings his accumulated knowledge and personal ratings of American firms. This information was classified numerically by the Barings and entered in a "Private Remarks Book," which proved to be of considerable value to all concerned. So effective, in fact, did this expedient prove to be that as early as 1835 Ward systematically reconsidered his opinions of all the firms of which he had knowledge, and recorded his

12Ibid., pp. 84-85.
ratings in two identical "Private Remarks Books," one of which he sent to London.

In order to make the use of these books more convenient as a ready reference to the credit rating of the merchants listed therein, Ward separated all correspondents into eleven classes, arranged alphabetically within each class. All but the first classification concerned American houses only. As of January 27, 1837, in the last of three lithographed revisions which he sent the Baring Brothers, the description of his various classes of correspondents was as follows:

No. 1. contains the Foreign Houses without regard to character or standing, but alphabetically arranged.

2. may be considered as Houses not only entirely safe for what they may do, but likely to continue so under any possible circumstances. They possess of course different degrees of wealth, but are placed together in this list on account of wealth, character and habits of business taken together.

3. Is composed also on those whom I consider as quite safe and many wealthy, and many also of your best correspondents, and almost all of the right sort of people, but who from the extent or nature of their business or from circumstances not necessary to enter into, may not be considered as ranking with those whom I suppose are to continue always beyond question.

4. Consists of a class many of whom I should consider safe and some even comparatively rich, but who, from the smallness of their transactions, or from their having no abiding place and being abroad as Super-cargoes would not seem to belong to a class to be trusted much, or at all unless through me, and it also contains many who from their extension or want of capital might render it unsafe to trust, but contains few or none whose morals so far as we know is exceptionable.

5. No trust. This column consists of those who either have not capital or are not of that character to render it desirable to trust them at all.
6. Houses having various connexions. Some of whom are safe and even wealthy, but doing with others renders it less important to cultivate and more important to look after.

7. Houses having other connexions. Are those contained in our numbers, but doing business wholly with others.

8. Don't know. This class contains many whom I have never known and with whom you do not appear to have had any active account or been exposed in any way, and of many others of whom my imperfect knowledge might rather mislead than be useful. They are therefore left to take their chance supposing you will not trust except where you may have certain knowledge of your own.


10. Dissolved, and some failed.

11. Dead.  

Although Ward's system was not elaborate and was by no means perfect, Hidy points out that the general result was satisfactory. Commenting upon his list of correspondents in 1843, at the end of the worst depression the Baringa were to experience until the eighteen-seventies, Ward noted that "of 250 pronounced undoubted (No. 2) in 1835 - only 16 have failed, & all the rest now undoubted - and of 245 pronounced as likely to continue good (No. 3), 22 have failed - and of 280 of the third class (No. 4), 45 have failed." Considering the time and the severity of the pressure, that record stands as a remarkable tribute to his judgement of men and business houses, not to mention the effectiveness of the system.  

Another pioneer credit reporter in the United States was Sheldon P. Church, who in 1827 began to gather information for some of the larger New York City wholesale dry goods merchants. Foulke

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13 ibid., pp. 86-87.

14 ibid., p. 88.
suggests that, originally, Church was interested in credit only as a local sideline, "as he was listed as a 'saddler' under the style of Sheldon P. Church & Co., in successive New York City Directories from 1831 to 1838."\(^{15}\)

About 1841, according to Foulke, The Merchants Vigilance Association was formed by the New York merchants whom Church had been representing, and for about three years Church served them as a traveling credit reporter, making an extensive Southern trip in 1842 for the major purpose of investigating the credit standing of active and potential clients of his principals. As an indication of the effectiveness of this initial venture, Church made additional trips in 1844 and 1845-46, forwarding weekly reports to New York, which "at first were copied and distributed among the members of The Merchants Vigilance Association, later printed, and finally bound for his growing list of clients."\(^{16}\) Church's subsequent history is not known today, except that in 1857 he was still in the credit reporting field, being employed by a general mercantile agency in New York City.\(^{17}\)


\(^{16}\) Ibid, p. 334.

\(^{17}\) An interesting item of information reported by Church, which is an incidental indication that Calhoun was not the only predictor of a favorable economic growth for the future home of the Retail Credit Company, is recounted by Foulke (op. cit., pp. 333-334): "It was on this trip made in 1845-46 that Church came to the little village of Atlanta, Georgia, and wrote, 'This place, being now established as the junction of a branch railroad, it is thought, will become hereafter of some importance as a place of business, say within two or three years."
"The Mercantile Agency"

While Ward was, perhaps, the first and foremost credit reporter of his time to gather information and rate credit risks for the restricted use of his principal, and Church apparently performed quite successfully the same type of job for a selected group of merchants, the distinction of founding the first organized credit reporting agency in the United States is generally accorded to Lewis Tappan, the progenitor of the R. G. Dun Company.

Lewis was the brother of Arthur Tappan, a prominent New York merchant whose wholesale and retail dry goods house had failed during the financial panic of 1837 as a result of overtrading, largely on credit. Arthur and Lewis Tappan had worked together in the operation of this highly respected firm and had demanded and recorded an unusual amount of information about their customers who desired to trade on credit. Lewis Tappan handled most of the interviewing and must have developed to a rather high degree the art of extracting full and pertinent information from his clients, for the firm of Arthur Tappan and Company became noted during the early 1830's as a sort of "credit authority." Fellow merchants frequently sought and freely received their advice when doubts arose concerning particular instances of credit extension.18

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18 Foulke (op. cit., p.287) quotes a student of this firm's history as follows: ""Each applicant was questioned individually, usually by Lewis, and no detail was ever forgotten, . . . both brothers being noted for their retentive memories. In this manner the firm gradually accumulated a large amount of information regarding buyers in all parts of the country.""
Both of the Tappan brothers are said to have believed originally in the advantages of a "cash sales" policy. This belief was strengthened, surely, by the financial catastrophe their firm experienced largely as a result of the liberal credit policy that gradually had been adopted, despite their fundamental distrust of it. Initially the firm had sold only for cash and at one price, but intense competition coupled with an appreciation of the larger margins associated with credit sales had led Arthur Tappan down the primrose path of credit, as he probably envisioned it. Over a period of years the bulk of his accounts came to be handled on a credit basis. With such a heavy load to bear, it is not surprising that the firm failed to survive the financial hysteria that developed in 1837. Lewis Tappan held the conviction that the panic had occurred not only because of speculation in land, securities and merchandise, coupled with an unsound currency, but to a large extent because of

"... the system of mercantile credits that had prevailed until then," a system which "was essentially unsound because it failed to take sufficiently into account the standing of the applicant for credit, based upon information obtained from intelligent and reliable sources."19

Although he stood by his brother throughout the reorganization of Arthur Tappan and Company, Lewis Tappan announced on June 1, 1841, the establishment of The Mercantile Agency, an organization designed "to centralize the national collection of impartial credit information."20

19 Ibid., p. 288.
20 Ibid., p. 289.
The voluminous records of Arthur Tappan and Company thus served a purpose far beyond that originally intended for them. From the information they contained Lewis Tappan was able to fashion the nucleus of a pioneer service industry that has grown steadily in its scope and economic contribution during subsequent years. Lewis Tappan's success was not achieved overnight; but the essential soundness and utility of such a service to the industrial and commercial enterprise of the United States is now fully established.

An early obstacle encountered was the legal question of the right of a credit agency to report derogatory information concerning an applicant for credit. For half a century the answer to this question was in the process of formulation, and numerous cases were tried before various courts of laws until,

after several intermediate steps, the courts finally recognized that the doctrine of qualifiedly privileged communication should be applied in instances of the issuance of credit reports to subscribers in response to their inquiries. The taking of judicial notice by the courts of the function and the operations of mercantile agencies was accompanied by the full acknowledgement of the beneficial effects of their existence in the business community.21

21Ibid, p. 293. Foulke says (pp. 293-294) that "the advocates before the courts in the early days of mercantile agencies stressed, and the logic of their argument was compelling, that the unscrupulous individual in business, seeking to suppress his own defections, would be loud in his wails of alleged injury because of insignificant trivialities, and would attempt to conceal the truth by harassing litigation. Astute administrators of the law were quick to discern the distinction between hollow claims of this type from those made in good faith. Since the prosperity of mercantile agencies depends upon their good faith and accurate reporting, there has seldom been serious differences of opinion when the desires of all concerned have been to disclose a full, truthful, and fair statement of relevant credit facts."
"The Mercantile Agency" of Lewis Tappan did not encounter serious competition until 1849, when John M. Bradstreet, one-time retail dry goods merchant, turned-lawyer, began to sell to New York City wholesale distributors credit ratings he had begun to accumulate as a merchant and had augmented substantially through the moral and financial information he had acquired as the assignee of a large insolvent estate in his home city of Cincinnati. By 1855, after a half-dozen years of successfully expanding his services in the field of credit reporting, Bradstreet opened an office in New York City and two years later published what has been recognized as the first commercial rating book generally available to authorized users.\(^\text{22}\)

By 1857 a thriving business in mercantile reporting had been developed in New York City. In addition to John M. Bradstreet & Son and "The Mercantile Agency," (which had been purchased in 1854 by Benjamin Douglass who then made his brother-in-law, Robert Graham Dun, a partner under the firm style of B. Douglass & Co.), there were at least five other organizations vying for the privilege of furnishing credit information on merchants to the commercial houses of the city.

\(^{22}\text{Ibid.}, \text{pp. 297-298. As noted earlier, Ward's lithographed reports were prepared exclusively for the use of Baring Brothers and Company, and Church's reports for a restricted group of New York merchants. It was not until 1859 that "The Mercantile Agency" followed suit with a sheepskin bound reference book containing more than 20,200 names, and protected from unauthorized perusal by lock and key.}\)
These included Wm. Daggles, James Henderson & Company, John King, O. R. Potter & Company, and Tappan & McKillop. ²³

As early as 1874, both the Bradstreet Agency and "The Mercantile Agency" (now called officially the "R. G. Dun & Co.") had recognized the growing importance of Atlanta as a commercial center, for local offices of both firms were listed in the Atlanta City Directory for that year, and in all issues subsequent thereto. ²⁴

After maintaining for all practical purposes a duopoly in national mercantile credit reporting for more than eighty-five years, these two pioneers in the field "merged in March, 1933, and formed the only general mercantile agency now operating in the United States, under the firm style of Dun & Bradstreet, Inc." ²⁵

History of the Consumer Credit Reporting Agency

Organized consumer credit reporting appears to have preceded mercantile reporting by nearly half a century. In England during the

²³ These seven firms appear in the New York City Business Directory for the year 1837, under the listing of "Mercantile Agencies." Apparently, Tappan continued in the credit reporting field after selling "The Mercantile Agency" to R. G. Dun. There were listed for the same year twenty-nine "Collecting Agents," some of which also may have done mercantile credit reporting.

²⁴ In the issues of this publication for the years 1877 through 1880, incidentally, there seems to have been some doubt as to the proper classification of these organizations, since for these years the listing of "Mercantile Agencies" in the classified business section bore the instruction: "See Commercial Agencies." After 1880, however, all doubt seems to have been cleared up, at least to the satisfaction of the publishers of the City Directory, for the title "Mercantile Agencies" was the only one used for the listing of this type of service in following years.

closing years of the eighteenth century it became customary for merchants, when they met at local Coffee Houses, to exchange information about fraudulent traders and buyers in the interests of their own self protection. These early casual meetings gradually evolved into simple "Trade Protective Associations." The oldest such organization, which is still in existence, is thought to be the Mutual Communications Society for the Protection of Trade, Ltd. This firm was organized as a mutual undertaking in 1803 by the owners of a number of the better class tailoring shops in the West End of London. Eventually, the scope of its activities was extended to the principal cities and towns in the Provinces. The undertaking was incorporated in 1934, and in 1938 the firm's service was expanded to include the wholesale as well as the retail trade, although primary emphasis still is placed on providing trading information to merchants about their actual and potential consumer-buyers. Although it has never acquired great size, this firm has maintained a very good reputation for more than 150 years and its operations are said to be still sound and well managed.

In the United States it was not until population centers began to grow to sizable proportions and specialized retail marketing institutions began to flourish that the need for organized sources of consumer credit information was fully recognized. As the population increased in size and mobility and as merchants were forced to depend on smaller unit purchases from larger numbers of buyers, frequently on a casual basis, it became more and more difficult for
the retailer to accumulate from his own limited experience dependable credit information about his individual customers. As a result, losses from bad debts increased in frequency and volume sufficiently to stimulate specific counter-action. This took the form of a rudimentary type of credit analysis by individual merchants, and the development of organizations that could supply reliable credit information about individuals conveniently and at relatively low cost.

A rather widespread awareness of the situation surely had developed in Brooklyn, New York, as early as 1869. In that year Herman T. and Conrad E. Selss successfully established the first known retail credit reporting agency to make its appearance in this country.26

Following the initial effort of the Selss brothers, in 1871 the Retail Dealers Protective Association was founded in New York as a joint stock association under the laws of the State of New York. A. D. Platt was President and J. Platt was Secretary of this Association, which was capitalized at $100,000. By 1873 another organization, the Mercantile Protective Agency, had been set up on Atlantic Avenue in Brooklyn by a Reverend Douglas. This activity subsequently was acquired by the Selss brothers.

26J. R. Truesdale, Credit Bureau Management (New York: Prentice Hall, Inc., 1927), p. 13. The pioneer heritage of this firm, incidentally, as a result of various mergers over the years, is now claimed by Retailers Commercial Agency, Inc., a subsidiary of the Retail Credit Company. A chart of this lineage is shown as Fig. 24, p. 260.
Within the space of three years the consumer credit reporting idea must have followed the westward flow of trade to Cincinnati, for in 1876 the Cincinnati Local Reporting Agency was formed by Mr. A. D. Chapman and an unknown partner to operate both as a mercantile and as a consumer credit reporting agency.\(^2\) This combination of consumer reporting with the older mercantile credit reporting apparently was quite common at the time, especially among the smaller agencies.

On February 1, 1884, A. D. Chapman dissolved his partnership and changed the name of the firm to the Cincinnati Credit Company. In September of the same year, recognizing the advantages of specialization to be gained by segregating the two activities, he organized another firm, the Retail Mercantile Agency, to handle all of his consumer credit reporting. This left the Cincinnati Credit Company the task of supplying mercantile credit information only. It was from A. D. Chapman that Cator Woolford, in the middle 1890's, acquired at first hand his initial information about the detailed operations of the retail credit reporting business.

About 1882 an Englishman named W. S. Langford, formerly a restaurant operator, began an individual consumer credit reporting

\(^2\)Information relating to the evolution of consumer credit reporting in Cincinnati was secured by correspondence with Mr. Allison P. Koelling, Executive Vice-President of the Credit Bureau of Cincinnati, Inc., who derived it from the files of his organization with the assistance of Mr. Frank Burroughs, former owner of the Cincinnati Credit Company. Mr. Koelling refers also to a book published in 1912 by the S. J. Clarke Publishing Company, of Chicago and Cincinnati, entitled \textit{Cincinnati, the Queen City}, from which he obtained pertinent biographical data on Mr. A. D. Chapman. It appears that A. D. Chapman, incidentally, had acquired his own experience in credit work as a mercantile reporter for the Bradstreet Agency between 1874 and 1876.
service in Baltimore, making his own investigations and writing out his own reports in pen and ink. Evidently, Mr. Langford did not enjoy the fruits of his pioneering effort for he soon returned to his former occupation. His idea, however, was adopted by a group of Baltimore merchants who shortly thereafter organized what is said to have been the first of the cooperatively owned agencies in this country, the Union Credit Reporting Company of Baltimore.

In 1884 the Bureau of Credits was organized in Richmond, Virginia, and in 1885 another consumer agency was opened in St. Paul, Minnesota. The Commercial Credit Company of Michigan was established in 1886 and in the same year additional consumer reporting agencies were opened in New Orleans and in Detroit. Still others are said to have been begun in Milwaukee in 1888; in Lincoln, Nebraska, in 1889; and in Kansas City, Missouri; Rochester, New York; Richmond, Virginia; and Washington, D. C., in 1890.

Between 1890 and 1900 a number of additional agencies were organized, among which the following are of particular significance to this study: The Retail Grocers Protective Association, established in

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29 Clyde William Phelps, Retail Credit Management (St. Louis: National Retail Credit Association, 1949), p. 371. It is not clear whether the Retail Dealers Protective Association, formed in New York in 1871, was a merchants' cooperative or was privately owned.

30 The founding dates of the Bureau of Credits and The Commercial Credit Company of Michigan are mentioned in the original minutes of the organizational meeting of the National Association of Retail Credit Agencies, now in the Archives of the Associated Credit Bureaus of America, Inc., St. Louis, Missouri. Other founding dates mentioned are quoted from Truesdale, op. cit., p. 13.
Atlanta, Georgia, in 1892 (a cooperative venture); The Retailers Commercial Agency, organized in November of 1896 in New York City by William P. and Frank C. Thompson, and opened for business on January 1, 1897; the Blue Book Credit Company, organized by Henry C. Cravens as an outgrowth of the reference book compiled under the guidance of Cator Woolford's Credit Committee of the Retail Grocers Association of Chattanooga, Tennessee; and the Retail Credit Company, organized March 22, 1899, in Atlanta, Georgia.

Although at the turn of the century there could hardly have been more than one or two dozen agencies specializing only in consumer credit reporting work, the number and distribution of these operations began to grow soon thereafter with considerable rapidity. The increasing attention being given to credit analysis by individual retail firms fostered the development of retail credit specialists. The rapid growth in numbers of these credit analysts, and their keen interest in improving the quality and scope of their credit activities, resulted in the organization, in 1896, of the National Association of Retail Credit Men. This step, in turn, led the established mercantile and commercial agencies to increase even more the emphasis they already had begun to place on consumer credit reporting. By 1906 there were enough organizations of the latter type to justify the formation of a national association of consumer credit reporters. Meeting in the

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3 This business was incorporated in 1898 and in 1906 the firm purchased the Mercantile Protective Agency from the Selss brothers. In 1934 the firm was bought by the Retail Credit Company and its operation continued under the corporate style of the Retailers Commercial Agency, Inc.
Fifth Avenue Hotel in New York City on Thursday, August 14, 1906, twelve organizational members representing by proxy or otherwise a total of more than thirty agencies, officially organized the National Association of Retail Credit Agencies. At this time the Constitution and By-Laws previously drawn up were ratified, various committees were appointed, and problems pertinent to the fledgling industry were discussed in considerable detail. Letters and telegrams of goodwill from absent members and interested agency men also were read.

The formation of this association had been initiated in February of 1905 as the result of a long-felt need for such a cooperative group by a number of leading agency men. Officers of the proposed Association had been elected prior to the February meeting and were as follows: President: William H. Burr, Commercial Record Company, Rochester, New York; 1st Vice-President: William A. Morgan, Credit Reporting Company of New England, Boston, Massachusetts; 2nd Vice-President: Carl C. Peterson, Elliott Credit Company, Minneapolis, Minnesota (absent from the Convention); Treasurer: William S. Rauch, Credit Report Company, Newark, New Jersey; and Secretary: William P.

32Proceedings of this event were published in 1906 by J. R. Truesdale, in his Mercantile Monthly (location, date and volume unknown). The clipped article was located in the Archives of the Associated Credit Bureaus of America, Inc., and by courtesy of that organization is reproduced as Appendix A.

33One such letter, from R. K. Chapman, son of the founder of the Retail Mercantile Agency of Cincinnati, read in part as follows: "Perhaps during our twenty-five years of continuous operation, we have helped more Retail Agencies to get upon a sound basis than any other Agency in the United States and still are willing to give any other missionary the best we have."
Thompson, Retailers Commercial Agency, New York City. On February 8, 1908, the organization was incorporated under the laws of the State of New York.

One of the topics discussed at this first convention concerned the advisability of naming the new association the "National Association of Retail Credit Agencies." Mr. L. J. Stevenson, representing the Commercial Reference Company of Detroit and Grand Rapids, made the observation that

... we do not restrict our work to retail business. I was wondering whether the name adopted by the Association would be any handicap in accomplishing the work that might come before the Association. ... I would like to ask ... what the reason was for using the word "retail" rather than "local" or "independent" agencies, or something of like significance that would mean the same thing and still not confine the work ostensibly to the retail agencies.34

Although President Burr cut off further discussion on the grounds that this question had been argued previously for "about two hours," the indication is clear that by 1906 mercantile and consumer credit reporting had not been separated generally into specialized fields, but frequently were carried on simultaneously by the same firm.

Another topic of interest discussed at this meeting, it may be inserted parenthetically, related to the use by insurance companies of credit reporting agencies for making inspection reports. Under General Rules and Regulations, Article 8, Section 1 of the By-Laws of

34Original Minutes of the first Annual Convention of the National Association of Retail Credit Agencies, p. 37. These are preserved in the Archives of The Associated Credit Bureaus of America, Inc., St. Louis, Missouri.
the new Association, it was specified in part that "members . . . shall furnish promptly to any and all members of this Association reliable special reports of investigation on individuals . . . in . . . the territory covered by said member at a fixed prepaid rate of fifty cents (50¢) for each report." In discussing this regulation Mr. William A. Morgan, of the Credit Reporting Company of New England, voiced opposition to the fixed rate of fifty cents. He stated that it should be specified whether it is an ordinary credit report, whether it is an insurance report, or whether it is a financial report, and there should be a price put on each classified report of what we should pay each other. It is not right for me to get five dollars and give Mr. Goodman fifty cents. It should be specified in the inquiry, a certain investigation at a certain price.

Agreed that prices should be fixed for different kinds of reports, Mr. Lewis of the Merchants Mercantile Agency Company of Indianapolis, further stated that we can make an insurance investigation, or for an ordinary individual, for fifty cents; but if you expect a financial statement, a new firm, its ancient history, capital stock, we cannot do it justice at a fixed price of fifty cents.

To this opinion Mr. Morgan retorted:

I take issue with Mr. Lewis. I would rather make a report that called for a financial statement. I would rather send a reporter up to the State House and get the Commissioner of Corporations' last annual statement, than to send to Michael Sullivan to see whether he had heart disease, or any other

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35Original Minutes, loc. cit., p. 68. An example of such a request may be seen in Figure 3 (Reproduced through the courtesy of The ACB of A, St. Louis, Missouri.)

36Ibid.

37Ibid., p. 69.
Fig. 3. Facsimile of an original Inter-Agency request for an insurance report made in 1907, except that identities have been concealed. (Reproduced by courtesy of the ACS of A, Inc., St. Louis, Mo.)
disease, or had been shot. An insurance report cannot be made for fifty cents, and I don’t think any price should be stipulated between members of the Association, - but it may be nothing less than fifty cents.38

The article in question subsequently was amended to establish fifty cents as the minimum price to be charged, with the interested parties negotiating any additional cost warranted by the individual circumstances.

By about 1910, in an effort to further encourage this line of reporting activity, the National Association of Mercantile Agencies had begun to sponsor a system of insurance report coupons, whereby an insurance company might purchase on a prepaid basis specially imprinted blanks for requesting inspection reports on prospective insurance buyers. A reproduction of such a blank is shown in Figure 4. Despite the ample evidence that reporting for insurance purposes was by this time a generally accepted activity of credit reporting agencies, the volume of this business was never very large, even before the specialized independent insurance inspection agencies began to gain national stature. Mr. E. C. McIntire, a member of the Association, suggested in 1917 a number of reasons why credit reporters, in spite of certain natural advantages, had never "been favored with any considerable amount of this business."39

38 Ibid.

39 E. C. McIntire, "Life Insurance Inspections and Development," Bulletin of the National Association of Mercantile Agencies, October, 1917 (Vol. 11, No. 4), pp. 100-103. Because of the pertinence of its content and the few sources available, the major portion of Mr. McIntire’s paper is reproduced as Appendix B. (Courtesy of the Associated Credit Bureaus of America, Inc., St. Louis, Missouri.)
Fig. 4. Insurance Report Form with Attached Coupon (Obverse).
Fig. 4 - Cont. Coupon Report Form (Reverse).
It was not until 1912 that the advantages of separating consumer, or retail, credit reporting from mercantile reporting activities was formally recognized. On August 22 of that year, at the annual convention of the National Association of Retail Credit Agencies, the Retail Credit Men's National Association was organized and the NARCA changed its name to the National Association of Mercantile Agencies, thus becoming the first association devoted solely to the mercantile field. The subsequent growth of specialized consumer credit reporting activity is a well known fact and has been documented thoroughly elsewhere. 40

The chronological outline shown in Figure 5 may help in tracing the evolution of the modern consumer credit reporting complex through the numerous changes in association names and functions. 41 Of the organizations listed in Figure 5 which are still in existence, the ACB of A, with permanent offices in St. Louis, is the only National Association devoted essentially to advancing the interests of consumer credit reporting agencies. The others are related primarily either to the operations of credit granters or mercantile agencies.

It has been estimated that there are some 3000 credit bureaus in operation in the United States. Of these, 1880 are members of the Credit Reporting Division of the Associated Credit Bureaus of America,

40 See particularly Clyde William Phelps, Retail Credit Management (St. Louis: National Retail Credit Association, 1949), pp. 373-379.

41 Of the firms listed in Figure 5, those currently in operation are The Associated Credit Bureaus of America, Inc., the National Retail Credit Association, Credit Bureau Reports, Inc., and the
Figure 5. Chronological Development of National Associations concerned with Consumer Credit.

Sources: Phelps, op. cit., and data furnished by Harold A. Wallace, Executive Vice President, ACB of A, Inc.
1896 NATIONAL ASSOCIATION OF CREDIT MEN (NACM) organized by individuals interested in scientific credit extension.

1906 NATIONAL ASSOCIATION OF RETAIL CREDIT AGENCIES (NARCA) organized by those general credit reporters especially interested in developing the consumer credit reporting business.

1912 RETAIL CREDIT MEN'S NATIONAL ASSOCIATION (RCMNA) organized at NARCA's Spokane Convention, to serve the specialized interests of consumer credit granters and reporters.

NARCA renamed NATIONAL ASSOCIATION OF MERCANTILE AGENCIES (NAMA) and its interests restricted mainly to mercantile reporting.

1921 NAMA merged with RCMNA. CREDIT SERVICE EXCHANGE DIVISION OF RCMNA established to serve special interests of consumer credit reporting agencies.

1924 Offices of CREDIT SERVICE EXCHANGE DIVISION consolidated with those of RCMNA in St. Louis. Jack R. Truedale made first Secretary.

1927 RCMNA renamed the NATIONAL RETAIL CREDIT ASSOCIATION (NRCA) and the CREDIT SERVICE EXCHANGE DIVISION renamed SERVICE DEPARTMENT.

1930 SUPERVISING COLLECTION DEPARTMENT OF NRCA organized to supervise the collection activities of affiliated credit bureaus.

1932 NATIONAL CONSUMER CREDIT REPORTING CORPORATION (NCCRC) organized to handle NRCA's credit reporting problems, leaving NRCA to serve primarily the interests of credit granters.

1934 NCCRC takes over both the SUPERVISING COLLECTION DEPARTMENT and the SERVICE DEPARTMENT of NRCA.

1937 ASSOCIATED CREDIT BUREAUS OF AMERICA, INC., organized, including a CREDIT REPORTING DIVISION and a COLLECTION SERVICE DIVISION, to take over INTER-BUREAU REPORTING and SUPERVISING COLLECTION DEPARTMENTS of NCCRC, freeing NCCRC to supervise intercity reporting service.

1945 NATIONAL CONSUMER CREDIT REPORTING CORPORATION renamed CREDIT BUREAU REPORTS, INC. (This is now an independent organization engaged in selling for its own account credit bureau reports to national credit granters.)

Inc. The Collection Service Division of the ACB of A coordinates some 1160 collection service members, the majority of which (87 per cent) are located in population centers of under 150,000.

In 1952, about 62 per cent of the ACB of A member bureaus were privately owned, 35 per cent were operated by merchants on a cooperative basis, and 3 per cent were operated by local chambers of commerce. The tendency toward private ownership has become even more pronounced in recent years. Of the ACB of A Credit Reporting Division members, 77 per cent were located in population centers of less than 150,000.

In terms of volume, the major function of the general consumer credit reporting agency, or credit bureau, is to accumulate and distribute to its members or subscribers ledger information on individual consumers. Other important activities include the verification of employment and acquisition of information regarding the credit appli-

The National Association of Credit Men, though comprised of credit granters rather than credit reporters, is included in this outline to indicate the time of its formation as the first national organization devoted to the interests of credit as an institution. This Association, by organizing the interests and efforts of credit men generally, undoubtedly aided and hastened the subsequent organization of consumer credit reporting associations. It has generally confined its reporting interests, moreover, almost exclusively to the field of mercantile credit. See Beckman, op. cit., 6th ed., p. 303: "Membership of this bureau system [Credit Interchange Service of the NACM] is strictly limited to manufacturers, wholesalers, jobbers, and bankers, who are members of the National Association of Credit Men, and the accounts dealt in are those of business firms and not of individuals as consumers."

42Results of an ownership survey conducted by ACB of A in 1958 indicate that the ratio of privately owned Bureaus to Merchant operated Bureaus is now even higher, or about 7 out of 10. Specifically, 71 per cent were found to be privately owned, 26 per cent member or merchant owned, and 3 per cent owned by Chambers of Commerce.
cant's income, as well as the accumulation of legal information with respect to suits and judgments. Only a few credit bureaus now issue reference books. Although this service generally was given and considered quite important in earlier days, the rapid tempo of modern marketing, together with the greatly increased mobility of consumers, has rendered obsolete this method of conveying consumer credit information to the user thereof.

Although the majority of the credit bureaus always have tried to serve all of the principal retail firms in their communities, in recent years there has been a tendency for the bureaus to expand their services in an effort to reach an increasingly larger share of the smaller retail stores in the central city and neighborhood areas.

43 According to information supplied the author in September, 1957, by Carl H. Roewe, Educational Director of the ACB of A, only 65 out of about 980 privately owned bureaus and 35 out of about 605 cooperative bureaus issued reference books as of 1952.
CHAPTER III

A NEW BUSINESS ESTABLISHED

Innumerable details are encountered in the process of starting a new business enterprise. To create an economic entity from an idea and a method, a will to work, but very little capital to work with, requires truly dedicated effort. Advance planning, essential though it be, can do no more than establish objectives, anticipate problems, schedule functions, and provide the tools necessary for implementing the effort. Execution of the plan within the dynamic pattern of time and circumstance is the true test of successful enterprise.

The First Year

Anticipating a period during which he would have to assemble the jig-saw pieces, one by one, before a definite pattern for the new venture could emerge, Cator Woolford preceded his brother to Atlanta, probably arriving on Monday the 13th of March, 1899. Although the records covering this period are practically non-existent today, it is quite likely that he secured lodging at a boarding house, "The Leland," operated at 29 Houston Street by a widow named Laura Dunn. From there he could easily walk the three blocks to the Gould Building at 10 Decatur Street, where he had arranged to rent as an office a small, single room on the fifth floor for $8.33 per month.\(^1\)

\(^1\)Facts and events recorded on the following pages, unless other-
Here he must have made a final survey of the space available, and after visualizing the requirements for the work to be done, gone out again to look for suitable equipment and furnishings. The minimum list of items decided upon as essential probably included a desk with chair, one table, four sturdy but inexpensive straight chairs, one waste basket, the indispensable cuspidor, and a "Director" (city directory), for these are the items Cator Woolford purchased that day for a cash outlay of $13.90. A supply of business cards costing $3.50 completed his immediate requirements. Two days later a large bottle of ink, some rating slips, mucilage, and contracts for a grocers' retail credit service were obtained at an additional cost of $2.40.\(^2\)

These preliminaries having been cared for, Cator Woolford launched himself vigorously into the task of promoting with the local merchants the use of a reference book as a credit management tool. The idea was not new, of course; but in order to obtain the necessary information for a listing sufficiently complete to be of value, many merchants had to be convinced that it was to their advantage to open their books of account for such an objective. Because of his familiarity with the retail grocery business and its needs for credit information, it was to be expected that he would first concentrate on the grocery retailers, feeling that from his own experience in that field he would be able to make a more convincing presentation of his idea.

\(^2\)Original Book of Accounts, Retail Credit Company.

wise noted, are to a large extent based on internal evidence derived from a variety of company records and memoranda.
Other matters had to be attended to. City and County licenses had to be applied for. Atlanta's illogical maze of streets had to be puzzled out in order that business firms and buildings could be located. And a system for securing and recording the ledger experience of local merchants had to be devised. When the following Sunday dawned, Cator Woolford undoubtedly was relieved and happy to meet his brother Guy at the Railroad Station and escort him to "The Leland," where one's bodily needs might be cared for adequately, though by no means luxuriously, at a cost of $11.25 fortnightly.

Shortly thereafter a sign painter was employed to paint the name of the firm, "RETAIL CREDIT COMPANY," in bold, black letters on the frosted glass panel of the door to the one-room office. A "Standard" telephone was installed, and by Wednesday young Guy had been indoctrinated so thoroughly with the problems involved that the time was considered ripe for the formal opening of the new business. Thus, quietly but none-the-less portentiously, on the 22nd of March, 1899, a signal event took place in the lives of the Woolford brothers, in the historical annals of the city of Atlanta, and, indirectly, in the development of the insurance industry and the economic life of the nation.

With the favorable influence which the Chattanooga Grocers' Association had exerted in the development of his first credit reporting experience in mind, Cator Woolford immediately sought a similar organization to sponsor his efforts in Atlanta. The Retail Grocers' Collection and Information Bureau had been chartered in Atlanta on the
25th of April, 1892. Its slate of officers for 1899 included such well-known local business men as I. S. Mitchell, president; G. S. Prior, treasurer; and A. W. Farlinger, secretary. This was a project that had been originated by the Atlanta Retail Grocers' Association for much the same purpose as that of the Chattanooga Merchants' Association Credit Committee. It seems that, despite the announced schedule of regular meetings to be held at three o'clock in the afternoon of the second Wednesday of each month, at 2½ Auburn Avenue, the Bureau was currently non-effective. It is not surprising, therefore, that this association of retailers soon felt the vigorous stimulation of Cator Woolford's personality. By mutual agreement it appears to have been decided that the Retail Credit Company would assume the functions of the Secretary. By the middle of April promotional material was on the way to each member, outlining the plans for publishing a new credit reference book, and urging attendance at the special meetings which had been called to give Cator Woolford an opportunity to explain the service which his new firm soon would be prepared to render.

The Merchants' Guide

In the meantime, Guy Woolford set out to obtain from all merchants who would cooperate their credit experience with "charge customers." This information was copied down on slips of paper, a separate slip being used for each individual customer. In addition to his promotional work, Cator undertook the job of sorting out the

3Atlanta City Directory for 1899, "Miscellaneous Information section."
slips brought in by his brother, and beginning the compilation of the reference book by assembling the experience of various merchants with each individual. The work was exceedingly laborious and tiring for both brothers, and in later years Mr. Cator and Mr. Guy, as they subsequently came to be termed for the sake of simple identification, both referred to it as the hardest work that either of them had ever done.

As the reference book project gained headway, near the middle of April, two young men, Rock and Irwin, were employed to assist in the job of compilation. In another two weeks a Miss Miller had been added temporarily to the staff, presumably to cut the stencils needed for printing the finished work on an old Neostyle flat bed mimeograph machine that had been acquired for the purpose. The payroll then, ignoring as did the Woolford brothers their own allotted wages of $100.00 per month for Cator and $50.00 per month for Guy, was up to the total of $18.00 per week.

By June it was felt that a sufficient number of names had been classified to warrant publication, and the two brothers, with their small staff, labored long and painstakingly over the task of printing the book and binding the pages between hard covers. The front cover bore the impressive title "Merchants' Guide." Except for the inevitable typographical errors that might be expected from inexperienced printers, the resulting reference book was considered quite good. Corrections and additions were made in subsequent printings, of course, but the brothers were understandably proud of their first edition and
enthusiastically set out to build up patronage for their new service.

Following the pattern that had been established in the Chattanooga operation, Mr. Cator planned to sell his service on a subscription basis. This would include, for the subscriber, the use of the "Merchants' Guide" and a limited number of reports on unlisted individuals or on persons whose current credit status was in doubt. Special reports also were to be had for an extra fee, the amount depending on the nature of the task. Although the regular subscription price was set at $25.00, a special rate of $15.00 per year was established for retail grocers, probably out of deference to the support pledged by the Atlanta Retail Grocers Association. The service, however, could be taken on a monthly, quarterly, or half-yearly basis on a pro-rata payment of the annual charge, so eager was the new firm to gain business. Additional routine reports were billed at 15¢ each.

Although the bulk of the early promotional effort was directed at the grocery trade, for the reasons already mentioned, Mr. Cator did not by any means neglect other merchants, commercial institutions, or professional men. The first subscriber to the regular contract appears to have been the J. M. High Company. This firm, which at that time was one of the foremost department stores in the city, took out a $25.00 subscription on Thursday, July 27, 1899. This was the first income earned by the firm and undoubtedly was hailed as a momentous event, since for more than three months the company's income account had been unsullied with entries, and expenses had eaten inexorably into the meagre capital with which the business had been started. The
following day four more regular contracts were sold: to Chamberlin, Johnson, DuBose Company (department store), Cross Mountain Coal Company, Byck Brothers & Company (shoes), and the Keely Company (dry goods). Two more, the Campbell Coal Company and Randall Brothers (coal & lumber), were signed up on Saturday. This brought the totals to seven regular customers gained during the first week, and subscriptions in the amount of $175.00. No doubt the brothers were encouraged. At this rate the estimated sales volume of $5,000 for the first year, which was expected to yield a nice profit, would almost be doubled. 4

Subsequent sales did not follow the auspicious pattern of the first week, however. It appeared that the Atlanta merchants, although they considered the "Merchants' Guide" a fine thing for "the other fellow," felt themselves already well acquainted with their own customers and were loath to pay the contract fee for a service they often were too busy to use, and too unfamiliar with to appreciate. Thus, by June 30, 1900, the end of the fiscal year (the three months taken to compile the book were excluded), there were totals of only thirty-seven regular and forty-seven grocer subscriptions on the books. On a sales volume of $1,358.10, of which $170.70 had yet to be collected, the balance sheet of the company showed assets of $425.14 against liabilities of $2,667.13, or a net loss for the period of $2,242.04.

4According to Mr. Guy, quoted in "T. G. Woolford's Address," Twenty Years of Progressive Service, a brochure published by the firm in 1919 commemorating its twentieth anniversary, "It had been confidently believed that we could secure at least 200 subscribers at $25 apiece, or $5,000, most of which, of course, would be profit."
This disappointing result very nearly put an end to the Retail Credit Company. Both brothers were discouraged and Cator Woolford was almost ready to admit that his carefully chosen field of endeavor could not fulfill its expected promise. Guy Woolford, on the other hand, wanted to continue the operation. Faced with this early crisis, the two brothers, one Sunday afternoon in July, walked out into the West End residential area, discussing the situation from all possible angles. Finally, lying on the grass in a tree shaded park, Cator and Guy arrived at the conclusion that one more year would be devoted to the effort of creating a successful enterprise, and that if the situation had not improved within that time the project would be abandoned. A decision having been reached, the brothers returned to the task with increased vigor and determination, and the continuation of the business was never again subject for doubt. By the end of July eleven new grocery contracts had been secured, in addition to four regular subscriptions; by the end of 1900, thirty-six more accounts were on the books and the once gathering gloom seemed to be receding.

Other City Guides

One of the factors that had encouraged the Woolfords in their decision to keep the business going after the poor results of the first year was the anticipation of increased volume through the publication of credit reference books for several additional cities in Georgia. By December 1900, a book had been prepared for Athens, a city about sixty miles east of Atlanta and the location of the State University. This was followed promptly by the publishing of a book for Rome, in January,
1901; for Columbus, in March; for Macon, in May; and for Augusta, in July or early August of the same year.

The Columbus operation was abandoned after about a year, since adequate volume could not readily be obtained with the limited support given the project by local merchants. Athens, Rome, and Macon later suffered the same fate and largely for the same reasons. The policy that had been followed was to work these areas from Atlanta in order to keep expenses as low as possible. But, without the constant pressure of local representation, the need for the service was not sufficiently apparent to the local merchants; and without large volume the low book rentals and report fees could not support additional effort.

As an experiment it was decided to establish a branch office in Augusta, with the hope that business could be developed to the point of bringing in a profit. Now the third largest city in the state, having a population in 1900 of 39,441,5 Augusta had the further distinction of having been recognized at the time of Atlanta's christening as one of the thirteen most important trading centers in the United States.

On June 13, 1901, a new credit reporter had been employed who had made a very favorable impression on Mr. Cator by his conscientious efforts and unusual level-headedness. This was Claude M. Frederick, age twenty-two, who had come to Atlanta from Marshallville, Georgia, to seek his fortune after having been graduated from high school at the

5U. S. Bureau of the Census.
age of sixteen. Both Mr. Cator and Mr. Guy had been too busy gathering information and compiling the new reference books to do very much with the local reporting job, and help was needed. In the two months during which Frederick handled the reports in Atlanta his work was done so well that it was decided to send him to Augusta when the decision was made to open an office there.

The Augusta office remained in operation until April 30, 1903, when it was closed due to the occurrence of other events which will be related presently, as well as to the relatively small volume of business that had been developed there.

It should be noted that the Retail Credit Company's organization had grown considerably beyond the two-man team that had initiated the new credit reporting service in March of 1899. By June of 1901, in addition to Mr. Cator and Mr. Guy, there were on the Atlanta payroll Miss M. E. Bell, stenographer; Miss Marion Allen, filing clerk and report writer; Carl Fort, credit reporter; and Henry Cheesling, messenger boy and assistant reporter. These were in addition to Claude Frederick, who was being groomed for the Augusta branch, and O. B. Andrews, who had been employed in December, 1900, to sell the reference books and work the outlying territories of cities for which books had been published.

Beginning of the Third Year

Subscriptions in Atlanta during the second year of operation had been increasing slowly but surely, and despite the greater expense of operating a larger organization and publishing additional reference
books, there was noticeable progress over the preceding period. On May 1 and 4, 1901, two new accounts had been signed up. These were the H. C. Bagley Company, General Agents for the Penn Mutual Life Insurance Company, and the New York Life Insurance Company.

An Important New Customer

To Cator Woolford's perceptive mind the two most recent contracts undoubtedly revealed a market hitherto untapped and unsought by his firm, probably because most of his previous experience had been in the mercantile field. Now that his attention had been focused on the insurance industry a new possibility was envisioned. He discovered that both insurance companies and their sales agencies needed to acquaint themselves with the credit status of many people. Because of the low earnings of the average insurance salesman in his first few months of effort, general agents frequently found it necessary to finance the new salesman while he built up a clientele. In addition, insurance agents often took notes from accepted applicants for insurance in partial payment of initial or subsequent premiums. Credit information was needed in both cases. Insurance companies also required consumer credit information. Constantly seeking profitable investment opportunities for their mounting reserve funds, they often made loans to individuals for various purposes.

Because of the fiduciary nature of its operations, the insurance industry had reasons more compelling, perhaps, than many other institutions for availing itself of specialized credit reporting services. Not only did a strong sense of obligation to justify the
trust reposed in them by their policy holders encourage members of the industry to exercise caution in the extension of credit; but also, the contractual arrangement entered into with the insured involved valuable consideration and ordinarily was of extended duration, at least for the life-time of the insured. It was quite natural that the Retail Credit Company should consider the local offices and agents of life insurance companies as promising sources of business, and that in the early part of 1901 Cator Woolford should write promotional letters to a number of such firms in Atlanta, hoping to secure additional subscribers to the "Merchants' Guide."

It should be interjected that the events which followed were not chronicled at the time of their occurrence, and an exact account of that which took place subsequently cannot be reconstructed with positive assurance as to its accuracy. This is by no means an unusual situation. Because current events are well known to all, there appears to be no need to record them in detail. The cost would be prohibitive if such action were taken with any but the most significant milestones in the history of a busy firm, and these are not always recognized as such when they occur. Also, "time dissipates to shining ether the solid angularity of facts" and, frequently, rationalization further precludes an exact recollection of any specific event or situation.

Such appears to have been the case in explaining how the Retail Credit Company began its initial experimentation in making inspections

for life insurance underwriting purposes. Several versions of this development have been handed down by word-of-mouth within the organization. Even the major principals involved, Cator and Guy Woolford, differed somewhat in their later accounts of the event preserved in company memoranda.

Reports for The Equitable Life

In retrospect, it would appear that the employment of direct mail advertising to promote the use of his consumer credit reporting service played an important part in Cator Woolford's development of the sideline activity that later grew to such astonishing proportions. Nearly forty years after the first life insurance reports were made by the Retail Credit Company, Mr. Cator recalled the significance of the early use of mail solicitation in shaping the destiny of his firm.\(^7\)

It appears that one of the letters promoting the use of credit reports was addressed to Mr. Robert L. Foreman, Southern Agent for the Equitable Life Assurance Society in Atlanta. In reply to this letter, Mr. Foreman suggested that Mr. Woolford call on the Equitable's "confidential man," Mr. James A. Morris, then in charge of his firm's inspection service in the Southern territory.

Although Mr. Cator did not understand why he should call on an insurance inspector for the purpose of selling consumer credit reports, and thought Mr. Foreman must have misunderstood the type of

\(^7\)Cator Woolford, "The Founder's Sales Story," a memorandum in the files of the Retail Credit Company.
service he was prepared to offer, he went to see Mr. Morris and "found him to be a fine Southern gentleman." Morris explained the need insurance underwriters had for information concerning their applicants with respect to the "moral hazard." Since for ten years he had been handling claims and risk inspections for the Equitable, Morris was thoroughly familiar with the problems involved. Noting that other insurance firms needed the same kind of information, he suggested that the Retail Credit Company should be able to develop a profitable business in making reports of this type.

Morris had made a similar recommendation to the R. G. Dun Company at an earlier date, Mr. Woolford related at another time. He had even "tried to persuade Dun's to organize a department to handle this type of reporting, as distinguished from their commercial reporting, and to put Mr. Morris in charge." Dun's, however, failed to take advantage of this suggestion. No doubt it was because the owners failed to see the opportunities in this field of endeavor, because their accepted method was to report on the firm rather than on the individual, or because they chose not to diversify their efforts which currently were resulting in a profitable operation.

In an address delivered to the banqueting employees and guests of the Retail Credit Company's home office on the occasion of the firm's twentieth anniversary, Mr. Guy Woolford paid high tribute to

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8"Explanation of How Cator Woolford Happened to get into the Inspection Business, As Told by Mr. Cator," p. 2, unpublished memorandum in the files of the Retail Credit Company.
the far reaching influence exerted by Morris in shaping the destiny of
the Retail Credit Company.

Any history of the Retail Credit Company would be incomplete
without a tribute to the memory of the late J. A. Morris.
Mr. Morris was the father of the inspection business according
to our ideas. Many years ago he was the claim adjuster of a
small assessment association. In going around the country,
he conceived the idea that a claim should be passed upon be­
fore it became a claim, and he instituted inspection for all
of the new applications in his little assessment association.
From that, he went to the Equitable Life... He was a man
we consulted very freely in the early days of our inspection
history. The older members of the company will always re­
member him as the father of the inspection business, the grand­
father of the Retail Credit Company, and a real friend in time
of need. 9

Evidently, Mr. Cator's first interview with Morris must have
borne fruit. On page 161 of the original ledger of the Retail Credit
Company an item of $4.50 was charged to the Equitable Life for services
rendered under date of June 1, 1901. This is the first indication of
special reports being made for any insurance firm by the company, al­
though subscriptions to the Merchants' Guide had been sold during the
preceding month to the Atlanta agent for Penn Mutual and to the local
office of the New York Life Insurance Company.

Reports for the Home Life Insurance Company

Perhaps the founders of the Retail Credit Company would have
concurred with the R. G. Dun Company in their decision to let Mr.
Morris' recommendation go unheeded, had it not been for another event
that clothed with substantial reality the idea suggested by Morris. Mr
Cator begins the explanation as follows: "Coincident with the inter-

9"T. G. Woolford's Address," loc. cit.
view with Mr. Morris, the local cashier of the Home Life of New York
was having difficulty securing for his home office information on
three cases." And Mr. Guy continues:

For some reason, I don't know what, he came to us, and we
were able to give him the information that he desired, com-
pleted his blanks for him, and enabled him to send them back
to his home offices in New York, naturally with a great deal
of rejoicing, for it was to him a great problem. He paid us
the unheard of price of $1 per report for three reports. You
can appreciate that that was some money, because our contract
price for a report at that time was fifteen cents.  

Thus, although James Morris appears to deserve credit for guid-
ing the Woolfords into a needed but unmarked avenue of service, it is
probably true that the Home Life Insurance Company of New York enjoys
the distinction of having been the firm that actually launched the
Retail Credit Company into its role as the leading insurance inspection
agency of our times. Available accounting records indicate that the
Retail Credit Company had no contract for service of any kind with the
Home Life until that company's Atlanta Agents, Crandall and McGehee,
subscribed for the Merchants' Guide on January 1, 1902. It is quite
possible, however, that regular inspection service was rendered this
firm on a cash basis. Since the Retail Credit Company's Cash Book for
this period has not survived the vicissitudes of time, this surmise
apparently can be neither proved nor disproved, although hearsay evi-
dence tends to support the validity of the foregoing explanation.

Evidence of an increasing number of insurance inspections sub-
sequent to the initial effort is found in the firm's original book of

11 "T. C. Woolford's Address" loc. cit.
accounts, disregarding the possibility of more business that may have been handled on a cash basis. Excerpts from this interesting record are shown in Figure 6, rearranged in chronological sequence and with suitable explanations of the abbreviations used and the customers' lines of business.

Regardless of the exact sequence of events that led the Retail Credit Company into the field of insurance reporting, the fact remains that of the numerous mercantile and consumer credit reporting agencies operating in the United States in 1901, including the small local operations as well as the strongly financed giants doing business on an international scope, only the Retail Credit Company had the vision and the determination to explore fully the possibilities in this uncharted field. An anniversary telegram to the company from Mr. A. A. Drew, Agency Manager of the Mutual Benefit Life Insurance Company of Newark, New Jersey, bears testimony on this point:

Permit me on this, the twentieth anniversary of your company, to congratulate you on its very great progress and its present day standing, based solely on a well comprehended need for efficient service in a field of infinite opportunity, which no one else seemingly realized. You deserve the striking success you have achieved.12

Andrews' Sales Trip

Impressed by the much more liberal margin of compensation brought by the insurance reports that had been made ($1.00 as opposed to the 15¢ credit report), it has been related in the historical lore

12Mr. Drew's telegram is quoted in Twenty Years of Progressive Service, a company brochure published in 1919, cited earlier.
<table>
<thead>
<tr>
<th>Date</th>
<th>Company</th>
<th>Amount</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1</td>
<td>H.C. Bagley &amp; Co</td>
<td>25.00</td>
<td>(Agent for Penn Mutual - subscription to Merchants' Guide)</td>
</tr>
<tr>
<td>4</td>
<td>N.Y. Life In Co</td>
<td>25.00</td>
<td>(Subscription to Merchants' Guide)</td>
</tr>
<tr>
<td>June 1</td>
<td>Eqt. Life</td>
<td>4.50</td>
<td>(Initial debit to Equitable Life)</td>
</tr>
<tr>
<td>Aug 1</td>
<td>Eqt L. June</td>
<td>4.00</td>
<td>(Initial credit to Equitable Life. The amount suggests this entry covered insurance reports)</td>
</tr>
<tr>
<td></td>
<td>Bagley spl rep</td>
<td>6.60</td>
<td>(H. C. Bagley, Agent for Penn Mutual)</td>
</tr>
<tr>
<td>8</td>
<td>Eqt. spl July</td>
<td>5.00</td>
<td>(&quot;Special&quot; reports - insurance)</td>
</tr>
<tr>
<td>21</td>
<td>Hawkins</td>
<td>35.00</td>
<td>(W.E. Hawkins, Agent for U.S. Life)</td>
</tr>
<tr>
<td>Sept 7</td>
<td>Black</td>
<td>25.00</td>
<td>(Probably C. H. Black, National Surety Company - annual subscription)</td>
</tr>
<tr>
<td>13</td>
<td>Eqt Life</td>
<td>18.00</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Royal Union</td>
<td>22.50</td>
<td>(Royal Union Mutual Life of Iowa)</td>
</tr>
<tr>
<td>29</td>
<td>Foreman</td>
<td>48.00</td>
<td>(R. L. Foreman, Agent for Equitable)</td>
</tr>
<tr>
<td>Oct 1</td>
<td>Bagley spl</td>
<td>30.60</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>C. S. Arnall</td>
<td>4.25</td>
<td>(Agent for Phoenix Mutual Life)</td>
</tr>
<tr>
<td></td>
<td>Eqt Sept</td>
<td>12.00</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Fid &amp; C. Co.</td>
<td>48.00</td>
<td>(Fidelity and Casualty Company)</td>
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<tr>
<td>17</td>
<td>Univ. S.</td>
<td>35.00</td>
<td>(Unidentified, but thought to be an insurance entry)</td>
</tr>
<tr>
<td>19</td>
<td>Am. S. C.</td>
<td>12.50</td>
<td>(American Surety Company)</td>
</tr>
<tr>
<td>Nov 16</td>
<td>John M. C &amp; Co</td>
<td>190.00</td>
<td>(John M. Green &amp; Company, Agent for Astrus Life)</td>
</tr>
</tbody>
</table>

Fig. 6. Excerpts from Original Book of Accounts of the Retail Credit Company.
of the company that young O. B. Andrews, the firm's first reference book salesman, requested Mr. Cator's permission to try his hand at selling the insurance report service to the underwriters at the home offices of some of the large northeastern insurance firms. Operating as they were at this time on a very meagre financial margin, Cator Woolford agreed to the proposition, with the provision that Andrews could finance his own trip by the sale for cash of additional "Guide" subscriptions. Telling of this event in later years, Mr. Guy Woolford said that Mr. Andrews surveyed the situation and, considering the banks to be logical prospects for The Merchants' Guide, "sold four of them in one day at $25.00 per, and left for the north with $100.00 in his pocket, less railroad fare."13

The exact date of this momentous event in the firm's history cannot be substantiated from records currently available. The only record of subscription sales to more than one banking house in any one day occurred on October 2, 1901, when the Maddox-Rucker Banking Company and the Third National Bank were sold $25.00 contracts. On the preceding day two other regular subscriptions had been obtained, however, and very likely this was the occasion to which Mr. Guy referred, rather loosely perhaps, in relating the story in later years. In any event, Andrews did make an Eastern trip, probably in the Fall of 1901. He left Atlanta armed only with an abundant supply of confidence and enthusiasm for a service which had been sold successfully for a very

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13 Retail Credit Company, "History File," p. 2. Early sales correspondence with The Prudential Insurance Company of America (see Appendix C) places Andrews in New York City on October 9, 1901.
short time, indeed, but which had elicited high praise from the customers who had so far availed themselves of it.

Instead of making the mistake of supplying a standard credit report to the early insurance users, as most other mercantile and consumer credit reporting agencies probably had done, the Woolfords had taken the time and trouble to seek the advice of an expert in this field. As related earlier, Mr. James A. Morris, being thoroughly experienced in the needs of the underwriter, had willingly and effectively guided their first efforts in insurance reporting. He had given valuable advice on subsequent occasions when the requirements of insurance underwriters had presented a problem in inspecting and reporting on the insurance risk. So effective was the instruction, and so apt a pupil was Mr. Cator, that the early insurance reports made had been received very favorably by the firms that had requested them.

In making the initial reports for the Home Life, the Retail Credit Company had followed the pattern of answering the specific questions asked by their client. The Equitable, having had considerable experience in more than thirty years of risk inspection, had supplied their own printed questionnaires. Andrews, therefore, naively left Atlanta on his promotional junket without any blank forms of any kind. He expected, no doubt, that any requests for inspections obtained would be answered on forms to be supplied by the requesting company.

Arriving in Philadelphia and contacting his first prospects, Andrews must have been surprised to find that the insurance companies,
as a general rule, were as unfamiliar with inspection procedure as was
the Retail Credit Company. Few of them had developed specialized
forms for use in inspecting their applicants. As a matter of fact, in­
spection of the moral hazard at this time was more the exception than
the rule. Consequently, Andrews sent an urgent wire to the company in
Atlanta, requesting that blank forms be printed and mailed to him post
haste. Again Mr. Morris was pressed into service to assist in the
preparation of a suitable questionnaire, which was then run off on the
old flat bed mimeograph that had been used to print the reference
books. Armed finally with these report forms, impressive paraphanalia
suggesting that the Retail Credit Company was well acquainted with the
underwriting problems of the insurance companies, Andrews soon gene­
rated so much business that it is said he had to be recalled abruptly
to Atlanta to prevent the company from being swamped with more reports
than its limited corps of reporters, including Mr. Cator and Mr. Guy,
could handle.

Quite possibly as a direct result of this sales foray, an un­
usually large entry appeared on the Retail Credit Company's books under
the date of November 16th, 1901, to "John M. G & Co" in the amount of
$190.00. John M. Green was the Atlanta agent for the Aetna Life In­
surance Company, and this is the first evidence that the Retail Credit
Company had done insurance reporting for them, although they had sub­

14 For a more complete account of the initial development of re­
port forms by Retail Credit Company, see Ch. VII, p. 194.

15 Original Ledger of the Retail Credit Company, p. 91.
scribed for the Merchants' Guide only six weeks before, on October 1st.

Cinderella Story

The records of the Company that have been preserved bear mute testimony to the accelerated pace of events occurring toward the end of 1901, and by 1902 the original ledger appears to have been used only to list the subscription accounts. New accounts were not set up in ledger form and the crude sort of double-entry system used in the original journal-ledger gave place to a recording of credits only. By early 1902, instead of itemizing each entry, time was saved by enter-
inly only the totals of new contracts and renewals each month. Perhaps the old cash book, or other accounting records, if such ever existed, would shed considerable light today on the developing days of the insurance reports. It is quite definite, however, that this sideline reporting business gained momentum rapidly. By March of 1902 the Retail Credit Company, at the request of its life insurance customers, had arranged to open a branch office in Dallas, Texas, for the primary purpose of making insurance inspection reports for use in life insurance underwriting.

At the same time, the credit reporting side of the business was at last developing in good fashion. The $5,000 minimum annual volume originally considered necessary for profitable operation had been surpassed before the end of the fiscal year 1900-1901.

Thus, before the close of their second year in the credit re-
porting business, the Woolford brothers found themselves faced with
the problem of nurturing a stepchild of uncertain character and temperament. This was life insurance reporting—a lusty infant, which demanded the utmost of their financial resources as well as the major share of parental attention for the guidance of its burgeoning growth. It is certain that both brothers were enthusiastic over this new turn of affairs, and began to acquaint themselves more thoroughly with the intricacies of the thriving life insurance industry.
CHAPTER IV

SOME FUNDAMENTAL INSURANCE CONCEPTS

In the preceding chapter it has been shown that Cator Woolford's choice for a vocation was to establish a consumer credit reporting agency in Atlanta. The experience of merchants and other institutions was to be accumulated on a continuing basis and translated into credit ratings of the individuals involved. These ratings then would be published in book form for sale on a subscription basis to any one whose marketing operations included the extension of credit.

As stated earlier, life insurance offices as well as their agents had frequent occasion to familiarize themselves with the credit standing of individuals. It was, therefore, to be expected that the Retail Credit Company would contact this industry in an effort to sell its member firms credit information. As the Woolfords became aware of the fact that the insurance industry's need for information included much more than that of a credit nature,1 the scope of the firm's service was broadened to include the gathering of information about individuals, to be used for making underwriting decisions, that dealt

1For a more complete description of the type of information required in modern insurance underwriting, see Chapter VI, particularly pp. 153 to 155.
more analytically with moral hazard.

Although similar in many respects to the original credit reporting service, this latter activity was found to require some modification both in sources used and in method of development, since information derived for underwriting purposes differed in type, scope, and emphasis from that needed as a basis for credit decisions.

Beginning with this initially limited credit relationship and continuing with its later development as a reporting agency of information more appropriate to the needs of life insurance, the Retail Credit Company has emerged as a distinct and highly specialized service facility. Its development of this activity, in addition to fostering a new service industry and giving many persons gainful occupation, has made valuable contributions to each party involved and to society at large. For the Retail Credit Company, there is little doubt but that insurance supplied a far more fertile and initially less competitive market than did contemporary businessmen with their normal demands for consumer credit information. For the life insurance industry, an intangible but long existing need was more clearly defined, evaluated, and satisfied with increasing skill and reliability. And society has benefited in that the insurance device was assisted more readily to expand its coverage and achieve greater fairness and efficiency in its scope and method of operation than otherwise might have been possible in the same period of time. To appreciate fully these important contributions it is necessary to trace the growth of the insurance industry through its various stages. The following chapter will be devoted to this purpose.
Before the history of insurance is reviewed, however, it may be helpful to define and clarify certain insurance concepts that are fundamental to the problems of underwriting. The breadth and complexity of insurance is difficult to grasp. Many laymen are aware of the continuing efforts by members of the insurance industry to reduce risk through the timely development of accurate and pertinent information. But relatively few understand the full significance of this basic activity. In fact, only a small proportion of the applicants for insurance appreciate fully the need for and the desirability of careful risk inspection. Occasionally, some of them resent the inquiry into intimate matters which such an investigation often entails.

The Concept of Insurance

Definitions of insurance are rife. They apply to and attempt to describe a wide variety of forms: life, health, property, liability, and credit, to mention only a few of the many variations offered today. Each definition, moreover, reflects the individual status and intent of its author. As Pfeffer has suggested in the course of his own effort to arrive at a generic definition of insurance:

The courts, guided by the search for administratively convenient rules of law, have stressed the indemnity of insurability interest aspects. The Historians, seeking to date the origins of the institution, emphasize the independence of the insurance transaction from loan agreements. The Economists, adapting the insurance concept to their oversimplified analytical apparatus highlight the uncertainty-reducing feature. Government insurance institutions, because of access to the fiscal power of the state, suggest the risk-bearing capacity of the insurer. The textbook writers, finally, because of their concern with underwriting
and actuarial considerations tend to accent the importance of the averaging principle.  

Fortunately for the purpose of this study, it is unnecessary even to attempt the difficult task of reconciling a single definition of insurance with its numerous and varied applications. The immediate concern is only to define the basic principles of insurance in order that the assistance in making specific applications of the theory, furnished to the insurance industry by independent inspection services, may be explained and justified.

An extremely liberal interpretation of the insurance idea is embodied in the slogan of Dumas' Musketeers: "One for all and all for one." In this sense of mutual interdependence, recorded history gives ample evidence that, from the beginnings of the human family, insurance of a kind has been practiced. Through the combination of individuals into groups and the general utilization of individual resources for the benefit of the whole, man has ever sought protection against the dangers and ills common to his kind.

More explicitly, insurance may be defined as the recognition of specific perils and hazards that threaten an identified group, the evaluation of probable economic losses that may be suffered by members of the group, and the establishment of a common fund through the contribution of its members from which restitution may be made to those members for whom the common risk has resulted in a specific economic loss.

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Certain elements of this definition, namely: risk and uncertainty, peril and hazard, and the theory of probability, will be given brief consideration in order to demonstrate some of the reasons why inspection is so vital a part of the insurance process.

Risk and Uncertainty

Webster defines "risk" simply as "hazard; danger; peril; exposure to loss, injury, disadvantage or destruction." Writers in the field of insurance, however, tend to be more precise in their definitions. They do not hold the terms "peril" and "hazard," for instance, to be synonymous with risk. One widely accepted authority defines risk as "the uncertainty about a loss" and states that it is not to be confused with the chance of loss, which is the probable number of losses out of a given number of exposures.

Loss is considered here to be "the unintentional parting with value," and the point is made that it is insurable only in certain cases.

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4Robert I. Mehr and Emerson Cammack, Principles of Insurance (Chicago: Richard D. Irwin, Inc., 1957), p. 23. Peril is defined here as the "cause of a loss," and hazard as "a condition that may create or increase the chance of loss arising from a given peril."

5Ibid. According to Mehr and Cammack, dynamic losses, or those occurring from changes in market values or technical obsolescence generally "are not insurable, since they do not meet the requisites of an insurable risk . . ." Static losses, or "types of losses in which a physical article itself is actually damaged, lost, or destroyed . . . are insurable, at least in part." For a more complete discussion of dynamic risk as related to insurance, see Allan H. Willett, The Economic Theory of Risk and Insurance (Philadelphia: University of Pennsylvania Press, 1951), particularly pp. 15-19.
Mowbray supplies a helpful classification that separates speculative from pure risk. Speculative risk admits the possibility of either profit or loss resulting from the exposure, while pure risk limits the contingency to varying degrees of loss only. This distinction has the virtue of making the difference between gambling and insurance clear, since restitution rather than possible gain to the insured is a principle element of insurance. In the following pages, unless indicated by text or context, the term risk will be used only to imply pure risk.

From the foregoing it follows logically that risk in the abstract is simply a measurement of the degree of uncertainty relating to the possibility of loss from any given combination of perils and hazards. Since uncertainty is a state of mind resulting from ignorance, it is evident that where knowledge is complete, there can be no risk, even though an actual loss should occur. A Supernatural Being, omniscient and omnipotent, is free both from risk and from economic loss. Man is subject both to risk and to loss, respectively, in a degree relative to his ignorance, and impotence to avert loss. To the extent that ignorance can be overcome through the acquisition of pertinent information, however, risk may be decreased.

Within the literature of insurance, however, the word "risk" often is used with less precision than the foregoing definition allows. As Mowbray puts it: "By transfer the term 'risk' is often used by

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insurance man to mean the concrete thing that is subject to the risk, such as a man or house or ship, on which insurance may be written.\textsuperscript{7}

And Willett states that in common speech risk "is sometimes used in a subjective sense to denote the act of taking a chance, but more commonly and preferably in an objective sense to denote some condition of the external world."\textsuperscript{8} In this latter use it runs the danger of being confused with "peril" and hazard.\textsuperscript{9}

It would be unnecessary to draw such fine distinctions in terminology were it not for the fact that the Retail Credit Company and other similar organizations owe their very existence to the phenomenon of risk. A potential source of loss in any economic activity, risk constantly must be dealt with. Caused by uncertainty, risk can be reduced materially by the acquisition of knowledge. And hazards which augment risk often can be avoided or guarded against when properly identified and evaluated. It appears desirable, therefore, to examine more closely the nature of peril and hazard.

Peril and Hazard

Perils, or specific causes of loss, abound everywhere. Even so insignificant a thing as a speck of dust or so harmless-appearing a thing as a downy pillow may constitute perils, should the dust at a

\textsuperscript{7}\textit{Ibid}, p. 3, fn. 2.

critical turn obstruct the vision of a racing driver, for instance, or the pillow be lodged firmly against the face of a sleeping infant. Peril, however, remains no more than a potential cause of loss unless activated by hazard. Thus hazard, or the "condition that may create or increase the chance of loss arising from a given peril," assumes major importance in any discussion of risk. As thus defined, however, the term "hazard" is so broad that it lacks real significance in relation to the inspection of life insurance risks. To appreciate the underwriter's need for highly specialized types of information, it is necessary that hazard be classified with greater precision.

The following major categories of hazard are suggested as being more pertinent and useful in discussing the subject at hand: (1) Universal hazard, (2) Social hazard, and (3) Personal hazard. This last category may, in turn, be sub-classified in relation to the following aspects of the individual: (a) physical condition, (b) character, (c) attitude, (d) environment, and (e) heredity.

Universal hazard may arise out of those conditions of nature which are external to man and are the subject of universal law. It may be described as that which poses the threat of loss to the individual or to society through the normal operation of the universe, over which man has yet to discover inclusive and completely effective means of control. Windstorm, flood, earthquake, gravitation, disease and organic degeneration are examples of hazards to which man is ever subject, even though he is capable in some cases of reducing their attendant risk and the chance of loss resulting therefrom. For
.instance, dams may be constructed to control water flow in the event of flood; railings may be erected at precipitous points to deny passage and thus prevent loss of life or property from an accidental fall; or drugs and surgery may be used propitiously to combat the ravages of disease and organic degeneration.

Social hazard relates to those conditions which are, essentially, the product of the social order. It may occur because of man-made complexities or disjunctments in the economic or social systems, or because of the ways of life and livelihood fostered by progressing civilization. Such hazards may be illustrated by dense urbanization; by economic depression; by the mechanization and specialization of industry; or by the systems of individual and mass transportation required in contemporary living.

Personal hazard is concerned basically with human nature as expressed in the individual. It may result from the intentional disregard by the individual of human rights, social obligations, or the laws of nature, or by varying degrees of indifference thereto; from the individual's lack of knowledge or discipline; or from individual deficiencies of a physical, emotional, or environmental nature. Examples may be seen in any act of dishonesty or conspiracy to defraud; in the inept or careless operation of machinery; in the mob psychosis sometimes observed in the headlong evacuation of a crowded building ablaze with fire; or, on frequent occasions, in some abnormal deviation in the individual with respect to his personal history or current ways of life.
Insofar as the insured is concerned, all of the above hazards are subject to mitigation in some degree, depending largely upon the amount of knowledge possessed by the individual and by society. Since the empirical evidence of thousands of years indicates the existence of a definite pattern in the operation of the universe, universal hazard is subject to a reasonable degree of predictability by the individual. Social hazard, although less static, also is predictable with moderate success on the whole.

It may be observed from a survey of sociological history that certain conditions and ways of life induce varying degrees of social hazard. Overcrowded tenements are an open invitation to disease. A subsistence standard of living fosters malnutrition. Mechanization in production and transportation open the door to a host of accidental losses. By a careful analysis of empirical data, however, the hazards associated with specific social conditions may be evaluated with increasing accuracy, provided that all factors bearing on the situation are considered in their proper relationship to the hazard involved.

Personal hazard, being primarily of a nature subjective to the individual and more closely related to dynamic rather than to static phenomena, usually is the most difficult both to identify and to evaluate. It is for this reason, primarily, that specialized investigative facilities beyond the normal internal sources of information available are of great value to the insurance underwriter.

The sub-classifications of personal hazard listed above frequently have been suggested but seldom identified precisely in life
insurance circles. First and foremost is the physical hazard, created by the degree of anatomical or systemic efficiency found in the individual as of any particular moment in time. Another hazard relates primarily to the honesty and integrity of the subject, the lack of which may result either in overt or permissive fraud. This often is labeled "moral hazard," a term so broad in its applications that it does not fulfill the requirements of the foregoing classification. It thus appears more appropriate to substitute the more specific term character hazard. Among applicants for insurance, evidence of this hazard usually results in outright rejection of the risk, or may serve as a basis for later nullification of the insurance contract.

Attitude hazard is closely akin to the above, and is related to the individual's emotional balance, or his mental or psychological adjustment to the vicissitudes of life. It has on occasion been called "morale hazard."

The fourth category of personal hazard has to do with the individual's occupation, habitation, and associations, or any factor bearing on current conditions that might create an environmental hazard. Law enforcement officers and bartenders, for instance, are peculiarly subject to this class of hazard.

The term "moral hazard" as used by John H. Magee, in General Insurance (Chicago: R. D. Irwin, Inc., 1950), p. 193, "includes in its scope all factors contributing to risk that are mental in their nature;" as used by Howbray & Blanchard (op. cit., p. 21) it is "risk due to violation of the insured;" and Joseph B. Maclean in his Introduction to Life Insurance, Vol. II (New York: Life Office Management Association, 1949), p. 143, employs the term to refer "chiefly to the applicant's habits in regard to the use of alcoholic liquors but also . . . [to include] such matters as his general environment, mode of life and business record and reputation."
Finally, there is the hazard that arises from the individual's personal history of health, inherited attributes, or early environment. This is called heredity hazard.

Personal hazard in general is extremely difficult to appraise. While physical hazard may be assessed with a reasonable degree of accuracy by a medical examination of the subject, evaluation of character, attitude and environmental hazard can be accomplished only through consideration of the pattern of life established by the individual prior to and concurrent with the application for insurance; and of heredity hazard only by a careful survey of his antecedents and his earlier personal history. Obviously, a skilled investigative agency is required for the development of this background information in the majority of cases.

Significance of Personal Hazard to the Retail Credit Company

The question of personal hazard was given consideration even in the early days of life underwriting, before the advent of scientific selection. At the time of the Retail Credit Company's entry into the life inspection field, it appears that the character hazard of the applicant frequently was evaluated on the basis of his credit standing, so closely does the credit rating of an individual reflect his moral standards and practice. This may explain in part the rather common use of the mercantile or consumer credit reporting agency in earlier days as an additional source of information for the life insurer. As indicated before, it was in this capacity that the Retail Credit Company obtained its initial opportunity to make insurance inspections. At
the same time, the contemporary credit report gave, and still gives, little attention to the development of facts relating to other classes of personal hazard. Cator Woolford apparently sensed this inadequacy in the standard credit report. Undoubtedly, the underwriter's need for information relating to classes of personal hazard other than character prompted Mr. Cator's careful research and analysis of the informational needs of the insurance industry, thus promoting the early success of his firm in pioneering this specialized field of reporting.

**Development of the Standard Risk**

The purpose of the insurance company is, for a consideration, to take risks in the mass which individuals are unwilling to bear separately. Since insurance is a device intended to distribute on a regular and moderate basis the expected economic losses of an unknown few among many who are susceptible to the loss, it is a matter of urgent importance that the insurer be able to predict with reasonable accuracy the extent and timing of the losses that may be sustained by the entire group covered. In life insurance the important question that must be decided by the firm is not "who" but "how many" will die in each future year, in order that an appropriate contribution for each member may be fixed to insure the accumulation of adequate funds in time to fulfill the contracts made.

Due to the difficulty of establishing rigid standards and the numerous dynamic and interacting factors that must be considered along with the constant possibility of error in human judgment regardless of the reliability of the sources of information upon which it is based,
an individual risk cannot be evaluated with exactitude. For this reason it is a customary procedure for the insurer to establish a "standard risk" which is representative of the degree of risk the firm considers "normal" for the class of potential policyholders it proposes to cover. This "standard risk" then serves as a model both for rating purposes and for the selection of risks to be insured.

It should be noted that the concept of the "standard risk" is not relegated to a sharply defined status. Rather, it is thought of in terms of a band or range of "risk desirability," or acceptability. It is true that any specified range must have its upper and lower limits, and, as used herein, the term "standard risk" should be thought of as the lower limit of acceptability, below which the increased hazard is considered great enough to warrant the use of off-setting odds in the form of an additional premium charge.° The sub-standard risks may be classified by strata, each of which likewise represents a specified range of acceptability; individual elements falling therein may be considered relatively more or less desirable risks.°

Law of Large Numbers and Probability Theory

Another matter basic to the insurance idea is worthy of consideration at this point. This relates to the averaging of risk and

10 When the "numerical system" is used, "par" is considered to be 100 and the range for the "standard risk" customarily extends to a lower limit of about 125. For a simplified but more complete discussion of this point, see Joseph B. Maclean, Life Insurance, 8th Ed. (New York: McGraw-Hill Book Co., Inc., 1957), pp. 240-242.

11 The upper limits of the "standard risk" are seldom in question, unless the particular insurer includes a classification of super-
the theory of probability. It is generally accepted that "insurance is based upon the law of large numbers and upon the ability, through the evidence of the past, to calculate the degree of risk involved in the future."\(^{12}\) For probability theory to be applied in a realistic and useful manner by the individual firm, it is imperative that each applicant for insurance be evaluated in relation to the standards for acceptance adopted by that firm. This is the essential purpose of any underwriting inspection.

The theory behind the law of large numbers\(^{13}\) relates philosophically to observable indications that the universe operates on a pattern predetermined by some superhuman force. Due to limitations of the human intellect, man has never been able to fathom all the mysteries of the universe. This relative ignorance of natural law creates uncertainty, which is the basis of risk. It is observable, however, that natural law appears to operate on a compensatory basis: For every action there is equal and opposite reaction; periods of drought are assuaged by subsequent periods of precipitation; and, in the poetic expression, "If Winter comes, can Spring be far behind?" But it must be borne in mind that natural laws operate on a universal schedule.

The fate of individual elements making up the universe cannot be pre-

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standard or preferred risks. Many firms elect to insure only a preferred class of risk, which to these firms then becomes the "standard risk" and is used as the point of departure in fixing rates.


\(^{13}\)This is frequently referred to as the "Law of Averages."
established. It is certain only that the sum of the elements, the universe itself, will remain in balance.\textsuperscript{14}

The accumulative experience of thousands of years, however, indicates that a random sampling of like elements, if sufficient in size to be representative of the universe, also will tend to eventuate in a state of balance. As the size of the sample increases the achievement of balance is made more sure until absolute certainty is reached when the sample actually becomes the universe. This tendency toward balance, either of the universe or of a representative sample thereof, is considered to be subject to mathematical measurement, and the result is stated in terms of probability.\textsuperscript{13}

Importance of Empirical Data

Many risks of a physical nature are peculiarly susceptible to mathematical prediction in the mass. As has been implied, for the prediction to be of any value there must be a random selection of a large number of similar risks adequately diversified to be truly representa-

\textsuperscript{14} According to one writer [Allan H. Mowbray, Insurance, 3d ed. (New York: McGraw-Hill Book Co., Inc., 1946), p. 12], who defines the law of large numbers as the formal expression of the "tendency of mass phenomena toward regularity," the term was used by "the eminent French mathematician, Poisson, in an article on 'Researches on the Probability of Judgments,' and is defined in terms of probabilities."

\textsuperscript{13} The definition of probability given in The Oxford Universal Dictionary, 3d ed., Rev. with Addenda, Ed. by C. T. Onions (Oxford: The Clarendon Press, 1955), may add clarity to this explanation: "Math. As a measurable quantity: The amount of antecedent likelihood of a particular event, as measured by the relative frequency of occurrence of events of the same kind in the whole course of experience."

tive of the universe. Moreover, empirical evidence must be available in sufficient quantity and quality to justify extrapolation.

At the risk of overemphasis it may be said that, lacking a broad basis of accumulated data that expresses pertinent experience with accuracy and reliability, the application of probability theory for insurance purposes is ineffective, if not entirely useless. Experience that is reflected only by human judgment unsupported by empirical documentation, can hardly result in an accurate prediction of the rate of mortality. As will be realized from the historical review of insurance in the succeeding chapter, underwriting had no real scientific basis for development until there began to be collected, with some degree of precision and regularity, pertinent data regarding mortality experience; and no marked progress was achieved until the value of accurate empirical data was realized and underwriters learned how it might be given practical application in actuarial computations.

Rates Based on Standard Risks

As has been indicated, the "standard risk" provides the basis for establishing the net rate for life insurance. Risks are classified according to age. Considering any specific age group and having determined the class of hazard that is to be considered as the basis for the "standard risk," the insurer, using appropriate mortality experience data, must predict the total of his expected losses per unit of insurance. The sum thus apportioned becomes the net, or pure, premium based on actuarial cost. To this pure premium must be added the pro rate costs of operation, including the net cost of capital, and an adequate
provision for reserves.

This explanation covers in a greatly over-simplified way the general method of rate-making employed by life insurance companies. The point to be emphasized is that the data used represent an average of the past mortality experience of specific classes of risks.\textsuperscript{16} For sound operation the insurer must maintain his accumulative risk at or below the level of the established average. Assuming that future mortality experience will continue on the same trend that has been recorded over past years in the case of life risks, it is still necessary that the expected losses be figured for the same class and level of risk used in arriving at the "standard risk." The hazard represented by the present group of insureds, in other words, must accurately reflect its historical counterpart. Achievement of this result is the essential purpose of risk selection.

Until quite recently, there ordinarily has been no reduction in rates for the better-than-average life risk.\textsuperscript{17} On the other hand,

\textsuperscript{16}This may be the actual mortality experience for an entire country or any section thereof, and may include all risks indiscriminately or any certain class or risks (e.g., men, Caucasians, native born, etc.). More likely, however, the mortality experience of the particular firm or some combination of a variety of experience will be used.

\textsuperscript{17}Some companies write "special policies," or preferred risk contracts at rates lower than those charged for standard risks. According to Joseph B. Maclean, in \textit{Life Insurance}, 7th Ed. (New York: McGraw-Hill Book Co., Inc., 1951), p. 40, "A lower premium and cost may be justified by (1) limiting the issue of the special policy to a specified minimum amount; (2) limiting its issue to preferred risks, i.e., to groups which because of more rigorous 'selection' rules will experience a lower mortality rate than that among insured lives generally; or (3) limiting issue in both these respects."
known sub-standard risks, if taken at all, have from the early days been subjected to increased premium cost. The practice of charging the super-standard, or select, risk the same rate as that charged the "standard risk" tends to produce a sort of "unearned increment," which may be considered as an additional safeguard against possible loss from unwise or unfortunate selection, or as an additional source of profit or participation dividends. Until more definitive classes of life risks are set up, however, and the means of identifying them made more accurate and reliable, the practice appears to be amply justified.

The Problem of Adverse Selection

Not only may universal and social hazard as applied to a specific group serve to place an applicant at a level below the standard risk; personal hazard, also, although far more difficult to evaluate and so far not believed subject to mathematical prediction due to the vagaries of human nature, constitutes a risk-increasing factor that can be dealt with properly only by the process of individual inspection.

If a man could sign a life insurance contract and pay his first premium on his death bed he would secure a great bargain. By the same token, a man who experiences an impairment in health, or who is about to enter an exceptionally hazardous occupation, would welcome the opportunity to secure a life insurance contract at the rate established for the "standard risk." This "bargain-seek ing" tendency

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18 Mehr and Cam mack (op. cit., p. 667) state that: "..., the longer a man waits to buy life insurance the cheaper will be the total net cost of that protection."
on the part of insurance applicants is known as "adverse selection" or "selection against the company." Obviously it must be guarded against constantly by the scientific insurer.

If all selection barriers were removed and risks were assumed by the insurer solely at the volition of the applicant, a preponderance of applications would come from the weak and infirm; healthy persons, abiding by the laws of nature and of society, and confident of a normal life span, would be much less likely to insure. Thus, insurance would have little value for the group since its cost would have to approximate the high actual losses expected. It is likely that self-insurance, or individual risk assumption, generally would result. Self-selection, therefore, is tantamount to adverse selection. Only when the chance of loss approaches 50 per cent does insurance attain its maximum efficiency as a device for coping with risk.

Self-Selection Precludes the Random Sample

The permission of self-selection tends to load the insurer with a preponderance of the worst classes of risk. It also violates one

19Ibid. Mehr and Cammack observe that "Selection by the buyers that leaves the company on the short end of the selection process is called 'adverse selection.' A company plagued by adverse selection might soon be out of business and unable to offer insurance to anybody."

20In reviewing a draft of this material, Clifton L. Reeder, Vice-President and Medical Director of the Continental Assurance Company, in a marginal note referring to the term "adverse selection," wrote in October, 1957: "we call it 'selection against the company.'" The term has been defined in still another way by Mowbray and Blanchard. Discussing the surrender charge (op. cit., p. 168, fn. 1), they state: "Since it is optional with the insured to continue or surrender his insurance and since the insured in poor health will be ill-advised to
of the basic requirements for the successful operation of probability theory in that a controlled sample\(^\text{21}\) which is the best substitute for the practically unattainable random sample desired\(^\text{22}\) is itself impossible of attainment when self-selection is allowed. Under present underwriting procedures adverse selection may be balanced to a degree by the large number of above-average risks obtained through skillful merchandising and demand creation efforts.

To permit self-selection, or to fail to control the sample by all selective devices available, would invite a highly undesirable group of risks and would not, by any stretch of the imagination, fulfill the basic requirements of scientific underwriting. The careful screening process now employed generally is made possible only by virtue of the ready availability of accurate and reliable factual information on each applicant. It is the fundamental purpose of the insurance inspection agency to provide the underwriter with such information at reasonable cost.

surrender, it may be expected that those who surrender will on the whole be better risks than those who continue. Such consequence of the exercise of options by the insured is adverse selection.\(^\text{23}\)

\(^{21}\) A controlled sample is one in which representativeness is obtained by conscious adjustment of the sample to conform to the conditions existing in the universe according to one or more known characteristics.\(^\text{21}\) Martin A. Brumbaugh and Lester S. Kellogg, *Business Statistics* (Chicago: R. D. Irwin, Inc., 1941), p. 81.

\(^{22}\) Because life insurance is not a mandatory requirement for the individual in most cases, the insurer patently cannot select his risks by the method of random sampling. An effect equivalent to that obtained by a random sample can be achieved only through the exercise of strict control in accepting proposals to insure. This control is possible only by careful selection of the risks to be insured.
CHAPTER V

THE EVOLUTION OF MODERN LIFE INSURANCE

Because of the prolific literature already available on the subject, it is unnecessary to recount at length the chapters of insurance history. It does seem desirable, however, to summarize some of the major events and circumstances leading up to the time when the industry formally recognized its peculiar needs for information concerning risks to the extent that specialized agencies for obtaining it were evolved.

From the beginning the insurance industry has been concerned with the problem of risk selection. Yet, as a survey of its evolution reveals, the various sources of information utilized in the early days to determine the nature and degree of the individual risks incurred were barely adequate to the task.

It is surprising, considering the antiquity of the insurance idea, that the industry did not sooner appreciate the need for specialized information, or realize how essential to an unbiased judgment of the risk was the independent institutional source. But the fact remains that members of the insurance industry did not espouse the idea of specialized risk inspections until the latter part of the nineteenth century. And the independent inspection agency was not developed as an institution in its own right until after the beginning of the

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twentieth century. Some explanation for the tardy appearance of so important and not yet widely understood service is certainly deserved.

It would appear that the factors responsible for the stringent selection process basic to modern insurance have evolved somewhat slowly. It may be noted, also, that these factors reflect not only the changing status of the insurance device in the overall economic scheme, but also the broad social and economic patterns that have developed along with the growth of industry and commerce generally. A brief historic review of the institution of insurance should lend an insight into the problem of explaining the relatively recent development of efficient practices in the matter of risk selection.

Further, the destiny of the Retail Credit Company has been closely intertwined with that of insurance generally, and of life insurance particularly. For this reason a short survey of the field is almost essential if an objective evaluation is to be made of the service now rendered in all fields of insurance by this firm and other similar organizations.

Although major interest here is centered in life insurance, it must be recognized that the insurance idea is comprehensive, and many of the aspects of modern life insurance have evolved from other devices designed for the purpose of transferring risk.

Early Forms of Insurance

It is said that the insurance idea was well known, as a commercial activity, to the ancient Babylonians at least three thousand
years before the dawn of Christianity. To stimulate trade and commerce in the face of the tremendous risks of desert robberies about 2250 B.C., the Code of Hammurabi contained laws dealing with commercial contracts that "released the trader from penalty if he were robbed through no fault of his own." Several centuries later the Phoenicians had adapted the "Babylonian bottomry-like contract" to maritime usage, and very likely passed the system to the Greeks who used "an advanced form of bottomry as early as the fourth century before Christ."2

The "bottomry" contract was, in effect, an insurance device whereby the shipper pledged his ship as security for a loan.3 In addition to interest on the amount of the loan, he paid a "risk premium" intended to compensate the lender for assuming the risk of loss. If the security were lost, the debt was cancelled, thus providing the shipper a sort of insurance.4


2G. A. McLean, Insurance Up Through the Ages (Louisville: The Dunne Press, 1938), pp. 1-2. McLean recounts that "Livy alludes to assurances made in 215 B.C. by the praetor Fulvius to certain contractors that the Government would guarantee to protect them against marine loss if they agreed to ship needed provisions to 'P. & Cn Scipio,' then at the head of Roman legions in Spain." (Ibid., p. 7.)

3The pledging of the cargo is known as respondentia.

4John H. Magee, General Insurance, 5th Ed. (Chicago: R. D. Irwin, Inc., 1957), fn. 8 p. 900. Magee explains that "if a cargo of grain were to be shipped from one port to another, the owner of the grain could borrow its value from a money lender, paying a rate in excess of the current interest rate. If the cargo is lost, its owner is indemnified because he need not repay the loans, and the loss rests...
More than a thousand years later history picks up signs of a "Chamber of Assurance" chartered in Bruges about 1310 A.D., which enabled merchants to insure their goods exposed to the "Risks of the Sea, or elsewhere" upon payment of a stipulated percentage; and during the fifteenth century, as McLean states, "we see a comprehensive grasp of many marine insurance fundamentals in the 'Marine Ordinance,' issued by Barcelona magistrates."^5

It is generally conceded that these early mercantile practices were introduced into England through the Italian Lombards, and during the sixteenth century marine insurance was practiced generally and its principles were well understood throughout the maritime nations.^6

Early documentary evidence to this effect is found in "The Broke Sea Insurance Policy," dated the 20th of September, 1547, and in a policy issued to Richard May covering the voyage of the "Golden Fleece" from Lisbon to Venice in January of 1680.^7

upon the money lender. According to the custom developed by the ancient Greeks, the ship or the cargo was made the security for the money lent. There is the possibility that the money received from passage and freight was likewise pledged as security. . . . Because the lender assumed the risk of loss, the borrower, besides securing capital for use in his undertakings, enjoyed the benefits of a contract that in fact provided insurance protection."


^6McLean, op. cit., p. 9.

^7Frederick H. Haines, Chapter of Insurance History (London: Post Magazine and Insurance Monitor, Ltd., 1926), p. 21. According to Haines, the former is "preserved among the Admiralty Court Papers (File 27. No. 147, Record Office). . . . The original of the latter policy is preserved at Lloyd's and is believed to be the oldest original Marine Insurance Policy in existence."
Writing of the policies of the sedentary merchant, Professor Gras testified to their early adaptation of the insurance idea:

When a merchant wanted someone to help him bear a risk, he might take a temporary partner in the venture. Increasingly, it would seem, the merchant made use of mutual marine insurance in his business. This began not later than the fourteenth century, probably in Italy, and may be an innovation of the sedentary merchant class. The method was for a merchant planning a venture to let it be known among his fellow merchants that he would welcome their participation in underwriting insurance to the extent of £100 or £500, as the case might be. Perhaps five would come into his counting-house and write down their names at the foot of a policy, each for so much money.

By the sixteenth and seventeenth centuries brokers of insurance kept the books for many merchants' policies, found underwriters, paid premiums, and collected the principal in case of losses, all for a commission fee.

Early in the eighteenth century marine insurance began to be written by incorporated companies in London. But before such efforts as these, the merchants themselves had devised and carried through a system of mutual insurance. **

Certainly insurance was in general use in England before the seventeenth century, since at the very beginning of that period British law was enacted to provide for court hearings of disputes arising out of insurance contracts. 9

Forerunners of Life Insurance

With respect to life insurance, its peculiar origin is to be found, perhaps, in the ancient burial clubs of Egypt about 2500 B.C.,

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9Magee, op. cit., fn 27, p. 904. According to Magee, "the first English statute relating to the subject of insurance is the famous 43 Eliz., C. 12 of 1601, which has for its purpose the establishment of a tribunal, before which disputes arising out of the insurance contract might be settled. The preamble of the act refers to insurance as a well established business stating 'it has bene tyme out of mynde an usage amongste merchants. . . ."
and later in Rome, where the Collegia Tenuiorum are known to have existed as early as 136 A.D. 10 These Collegia made provision for the burial of their members through the collection of entrance fees and monthly contributions over a maximum payment period of fifty years.11

In Britain, following the Norman Conquest, a form of life insurance was practiced by the "Friendly Societies"; and later the British Guilds undertook to care for their sick and needy members out of their common funds.12 The first life insurance policy of which there is documentary evidence was written on one William Gybbons on June 18, 1583, by Richard Marting, a citizen and alderman of London.13 Shortly thereafter the tontine, a crude sort of annuity named after the Neopolitan physician, Lorenzo Tonti, attained popularity in England and on the continent, undoubtedly both reflecting and stimulating the growing interest in the idea of insurance.14


11 McLean, op. cit., p. 7. McLean states that though the early Romans lacked modern actuarial science and based their rates on a limited knowledge of how race and climate affected longevity, by "about 225 A.D. the juris-consult Ulpian developed a crude mortality table to help determine annuity values," and that "it is historically recorded that Roman underwriters after that date adapted this table to the fixing of rates on a more equitable basis."

12 Hutcheson, op. cit., p. 2. See also Magee, op. cit., p. 7: "Besides concerning themselves with almsgiving and the care and burial of the dead, the guilds established insurance funds for the benefit of the members."


14 Haines, op. cit., p. 35. Haines makes the statement that "it is now admitted that manifold abuses followed in the wake of the tontine,
By the seventeenth century it would appear that life insurance of a sort was fairly common, though not entirely in good taste and, as then conceived and written, susceptible to many frauds and abuses. Defoe reflects the opinion of thoughtful men of that day in the following remark, quoted by Haines from Essays on Projects, published by Defoe in 1697:

Insuring of life I cannot admire. I shall say nothing to it, but that in Italy, where stabbing and poisoning is so much in vogue, something may be said for it, and on contingent annuities, and yet I never knew the theory much approved on any account.

This attitude toward the institution of insurance, after more than four thousand years of increasing usefulness to man, implies scant appreciation or foresight of the powerful force in economic progress that insurance wields today. But Defoe wrote at a time when the insurance industry had made very little more progress than had been achieved in the days of ancient Rome. Shortly thereafter, the insurance industry began to give indications of approaching maturity.

Non-Scientific Life Insurance

The Mercers’ Company

It is possible to document the early awareness of a need for information regarding the selection of risks to be insured through the efforts of William Assheton, D. D., Rector of Beckenham in Kent. This and that the gambling spirit was, undoubtedly, at the bottom of whatever success it enjoyed; but there can be no question that it played an important part in developing the insurance idea.”

15Ibid., p. 241.
gentleman, in attempting to provide support for the survivors of clergyman, persuaded the Mercers' Company in 1698 to inaugurate an annuity scheme based on the payment of a fixed sum. In this venture it is apparent that certain information regarding the insured was desired. The primary source of the information was, however, the applicant himself. Haines relates that it is interesting to note that there appears to have been nothing in the nature of medical examination made, but that reliance was placed upon certain declarations and affidavits. Proposers residing within reach of Mercers' Hall apparently had to appear in person; those residing in the country were, at first, "admitted by proxy." But at a court held the 18th January, 1709, it was formally resolved that "it being found by experience that these affidavits are not effectual security to the Company" from that date forward "all whoever design to subscribe, shall personally appear before the Wardens in Court."17

The Widows and Orphans Society

Shortly after the Mercers' Company project got under way, in 1699, "The Society of Assurance for Widows and Orphans" was founded by "a Mr. Stansfield of St. Austin's Gate, near the east end of St. Paul's, London." According to O'Donnell, this was the first of the mutual life offices on record. Concerning the selection process and safeguards against fraud applied by this Society, O'Donnell states that a six-month's probationary period was required. Thereafter, an applicant had to appear before any three of thirteen trustees, and if not well known to the trustees he was:

required to produce a certificate of his age and make affidavit that he was in good health, without any manner of distemper.

Any person, clerical or lay, "excepting such as live in the marshy and unhealthy parts of England," could on proper recommendation be admitted as a member, provided he or she was not over fifty years of age and had their application supported by a certificate of good character from the clergy of three parishes.

Upon the insured's death, timely notice was required and a "visitor" was appointed to view the body. Also, an affidavit of death was required of the beneficiaries and the usual death certificate from the clergymen holding the funeral, or from three householders in default of a church burial.

The Amicable Society

Another early effort similar to those just mentioned was that of "The Amicable Society for a Perpetual Assurance Office," inaugurated on February 17, 1705, and chartered by Queen Anne in 1706. This firm continued "as an independent company for 160 years, amalgamating finally with the Norwich Union Life Office in 1866.

Among many other interesting and historically-valuable comments on the conditions and customs of the times discovered in his research, Haines relates that

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20 Ibid., pp. 185-186.
21 Ibid., p. 186: "Foreshadowing of later frauds during the palmy days of life insurance in England is shown by the society's strict rulings concerning the voidance of claims based upon impersonation of a decedent. There were the usual provisions against members becoming soldiers, dying in warfare or at sea, or in the foreign parts to which they had traveled. Such forfeited all claims against the Society."
22 Haines, op. cit., p. 262.
24 Haines, op. cit., p. 262.
fraud was encountered in a number of cases. Not only was the age and state of health of the applicant occasionally misrepresented; there was also the ever-present possibility of fraudulent claims. The directors of the Amicable Society, for instance, "discovered that a certain John Curry had obtained payment of several claims by 'forgery in counterfeiting certificates of death and Perjury in swearing the same to be true.'" In appropriate retribution "the offender was caught and lodged in prison but he 'dyed in Newgate before he could be brought to Tryal.'" 25

Although making little or no distinction in applicants with respect to age, provided he was between 12 and 55, 26 the Amicable Society, according to O'Donnell, was otherwise selective:

The court or board of directors used a curious method of prospect selection. Each proposer for insurance appeared at a meeting of the board, and any director was at liberty to ask him any questions he wished. The applicant for a policy then withdrew, and his eligibility was taken under advisement. The inconsistency of such a method is apparent. Average lives were declined, and for the applicant not in perfect health refusal of his selection was a matter of course. A healthy person, but who suffered a natural nervousness at the ordeal of examination, was refused by the directors for the simple reason that his pulse was racing! One London applicant, quite satisfactory otherwise, was declined because he was deaf, and therefore ran more danger of being run over by an omnibus. Another applicant was refused because he had gone through bankruptcy three times (/not an uncommon reason for rejection even today/). One man was denied the benefits of membership because he was too full of health and because his rubicund face hinted he might die of apoplexy. The consequences of this manner of passing upon the insurable character of the applicant was that there were numerous instances of the refused substandard parties living to a good old age. Many

25 Ibid., p. 280.
26 The maximum age was later reduced to forty-five.
such, after outliving the board of directors who had denied them insurance, presented themselves before a succeeding board, and were accepted.27

Early Methods of Selection

As indicated above, even at this preliminary stage in its evolution life insurance was intended only for selected risks. At this time what later came to be known as the "standard risk" was only approximated, and solely on the basis of a "common sense" judgment by men who were but poorly qualified from the standpoint of knowledge or training to do so. It is apparent, however, that age, occupation, health, habitat, habits, and character already were recognized as factors having influence on life insurability. Variations in age between the upper and lower limits, however, were not considered sufficiently important to warrant a corresponding variation in the rate. There was, in short, little evidence of the application of the scientific method in risk selection or rating.

The problem of fraud was ever present and, apparently, was dealt with on the basis of withholding payment of indemnity or benefits should it be brought to light that the warranties of the contract had been violated. Amrhein, tracing the legal aspects of the development of the insurance contract over the years, notes that

In the early days of insurance the insured needed no protection; on the contrary, it was the underwriter who was helpless, and even so brilliant a judge as Lord Mansfield

27O'Donnell, op. cit., p. 198
insisted upon a strict compliance of the warranties inserted in the contract for the insurer's benefit.\textsuperscript{28}

Clumsy and inaccurate as they were, efforts were made to be selective in the acceptance of risks for insurance. Even a sort of sub-standard insurance was written, with additional premiums charged when the applicant or insured fell into certain undesirable categories. Walford relates that--

In addition to the premiums named, extra rates were demanded for "youth hazard," "female hazard," and "occupation hazard;" while "officers on half-pay," and persons "licensed to retail beer," were charged no less than 11 per cent extra.\textsuperscript{29}

The full implications regarding the nature and degree of risk imposed by each of the factors considered apparently were not realized, however, nor were they evaluated either consistently or scientifically. This fact is borne out by the arbitrary rates that were charged. According to Walford, the \textit{London Assurance Corporation} charged, in 1721, 45 5s. as a twelve months' premium for an assurance of £100, and "the Amicable Office charged an entry fee of £3 15s. per cent, in addition to the 45 premium. . . ."\textsuperscript{30}

Scoffing at the non-scientific methods of rate-making then in use, Walford continues by citing the opinion of Mr. Babbage, an early nineteenth century authority on insurance, concerning the "circumstances

\textsuperscript{28}George L. Amrhein, \textit{The Liberalization of the Life Insurance Contract} (Philadelphia: Published by the Author, 1933), pp. 52-53.


\textsuperscript{30}\textit{Ibid}.
which led to the fixing of 5 per cent. premiums. . . .” His conclusion was "that it probably arose from its appearing that the annual number of deaths in London was nearly one in twenty of the population.”

Introduction of the Scientific Method

As with trade and commerce, so has the development of insurance been an evolutionary process, serving the conditions of its day, growing where growth has been needed for survival, and sloughing off useless appendages where the need for such has ceased to exist. Change sometimes has occurred so gradually that in order even to be so identified the perspective of many years is needed. Sometimes the reasons for change have been so numerous and varied and the factors supporting the movement so general and so kaleidoscopically intermingled with the basic pulse of living that even major milestones are not perceived as they are passed. Yet, it appears to be reasonably certain that two developments supplied at least the warp and woof for the maturing pattern of modern insurance. These were, (a) the deliberate accumulation of empirical data pertinent to the subject matter of insurance; and (b) the association of these data mathematically with the theory of probability concerning future expectations.

Both of these developments were essential to the establishment of the most rudimentary scientific approach to the problem of arriving at the "standard risk," which is the first step in the risk selection process.

31 Ibid.
Origin of Mortality Tables

The first organized effort to accumulate vital statistics appears to have been instigated by virtue of King Henry the Eighth declaring himself "Supreme Head of the Church" in defiance of papal authority. As a result, Thomas Cromwell was appointed Vicar General and among the various rules and regulations established to replace the old authority there was an injunction dated in September, 1538, requiring every Parson, Vicar, or Curate to keep a register of all weddings, christenings, and funerals occurring in his parish.32

When the Great Plague devastated London in 1562, abstracts from the parish registers were published, as "bills of mortality," in an effort to prevent complete panic among the citizenry. By 1594, on Queen Elizabeth's order, these bills were issued on a weekly basis. Unfortunately for the cause of scientific underwriting, the age at time of death was not included.33 But a start had been made and some data, though sketchy, were available to Captain John Graunt as the basis for his Natural and Political Observations Mentioned in a following Index and made up on the Bills of Mortality, published in 1661.34

Sir William Petty, a relative of Graunt's by marriage and a philosopher of some distinction, published among other essays a Dis­course on Duplicate Proportion in 1674, wherein he attempted to define

32Haines, op. cit., p. 290.
34O'Donnell, op. cit., p. 146.
the relative rates of mortality at different ages. Later, in 1693, Doctor Edmund Halley, a brilliant mathematician and astronomer of lasting reputation, submitted a paper to the Royal Society entitled An Estimate of the degrees of the Mortality of Mankind, drawn from curious Tables of the births and funerals of the City of Breslau, with an attempt to ascertain the price of annuities upon Lives. There is little doubt but that Halley was indebted to several others for the concepts of probability embodied therein, as will be shown presently.

Development of Probability Theory

Although by no means an unfamiliar concept even to the early Greek philosophers, the laws relating to the use of past experience as a guide to future expectations was not subjected to mathematical calculation until the middle of the seventeenth century. About this time, it is said, one of the Dukes of Burgundy, interested in improving his skill at gambling, engaged Blaise Pascal to discover mathematically what the chances were of a certain number recurring on successive spins of a roulette wheel. According to the Encyclopedia Britannica the theory of probability was evolved by Pascal in collaborative corre-

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35 Haines, op. cit., p. 296.

36 Magee, op. cit., 4th Ed., p. 227. Magee refers to this work of Halley's as "an important contribution to the development of insurance science, . . . for which actuarial science is heavily indebted."

37 Ibid., p. 219: "The theologians, . . . developing the fundamental hypothesis of Aristotle, indicated that no truth could be assumed from any of our ideas, but only varying degrees of probability . . . ."

38 McLean, op. cit., p. 33.
spondence with Pierre de Fermat, a King's Counsellor at Toulouse and a mathematical genius by avocation, "concerning certain questions as to the division of stakes in games of chance, which had been propounded to the former by the gaming philosopher De Mere." 39

Application of Probability to Life Expectancy

Regardless of his source of inspiration, Pascal's Properties of the Figurate Numbers was printed in 1654, and three years later the Dutch mathematician, astronomer, and physicist Christiaan Huygens, elaborating on Pascal's and Fermat's theory, published as a formal treatise on the subject De ratiociniis in ludo alicæ. This treatise came to the attention of the eminent Dutch statesman, John DeWitt, currently Grand Pensionary of Holland. He, assisted by his mathematically-skilled friend, Jan Hudde, incorporated the concept in a report to the States-General on July 30, 1671, proposing an annuity plan to finance a national loan. 40

In O'Donnell's opinion, this report is noteworthy since DeWitt proved therein that the current practice of selling life annuities on the same terms to annuitants regardless of age was fallacious. 41

39 Vol. 17, 1952, p. 351. 40 O'Donnell, op. cit., p. 117. 41 Ibid., p. 118. According to A. F. Shepherd, Links With The Past (London: The Eagle and British Dominions Insurance Co., Ltd., 1917), p. 23, the rate of the individual contribution of a member to the common fund for the purpose of replacing the loss to a family of one of its members was not varied with the age at which a member joined the association. This held true in England as late as 1705. Haines (op. cit., p. 297) points out, however, that as early as 1674 Sir William Petty had recognised in his Discourse that the rate of mortality varied with age and location, and recommended that the construction of "Indexes for several times and places would make an useful Scale of Salubrity for
ing the doctrine of chances "to data that had quite likely been de-
duced from former Annuity experiences," DeWitt

... constructed a mortality table that while later proved
erroneous in many respects remains to this day as the first
application of mathematical principles to questions of this
kind.\textsuperscript{42}

Though DeWitt's contribution preceded Halley's by more than a
score of years, the latter is generally accorded the distinction of
having created the first practical mortality table incorporating the
mathematics of probability. As a basis for the subsequent gradual but
exhaustive development of actuarial science the work of other contri-
butors should not be overlooked. Abraham DeMoivre, for instance, a
French Huguenot refugee in England, presented a paper to the Royal
Society in 1710 dealing with methods of calculating the probability of
events in gaming. First published as a book in 1718 entitled \textit{The
Doctrine of Chances}, DeMoivre in subsequent editions gave more and
more space to the subject of annuities, and in 1725 produced an im-
portant treatise dealing solely with the subject. He began his paper,
it is interesting to note, by paying due respect to the pioneer work
of Doctor Halley.\textsuperscript{43} Edmund Hoyle, a man whose name is well known to
card players, also made a contribution to the juncture of probability
theory with life expectancy. In a late edition of his \textit{Treatise on
Whist}, he dealt with probability as it related to life annuities.\textsuperscript{44}

\textquote{\textit{these places, and a better Judg of Ayres than the Conjectural Notions
we commonly read and talk of.}}"\textsuperscript{42 ibid. \textsuperscript{43} Haines, \textit{op. cit.}, 307. \textsuperscript{44} Encyclopedia Britannica, \textit{loc. cit.}}
Halting Acceptance of Scientific Method

But, despite these and other minor publications, Haines points out that not "until the coming of the Equitable in 1756 ... was life assurance sold at a premium founded on mortality experience." He also suggests, in decrying the failure of contemporary insurers to use Halley's tables, a reason for the relatively slow development of risk selection processes.

You cannot understand why they did not immediately recognize the importance of his "Observations" and forthwith adopt his suggestions. But, we must not forget, man is a conservative being and slow to change long established habits; the trader especially is resentful of innovations and clings limpet-like to "custom-of-the-trade," holding in particular abhorrence what he would term the idle speculations of mere theorists. To the traders and merchants of that day the mortality table would be a curious but meaningless juggle of figures, something to parade as learning but quite useless in practical affairs of life.

With the basic tools for identifying and evaluating risk now at hand, the function of the actuary slowly began to evolve and underwriting began to take a more scientific turn.

First Efforts at Scientific Underwriting

When Joseph Dodson, Master of the Royal Mathematical School, was declined insurance by the Amicable Society on the grounds that he was too old, he set out in 1756 to form "a new society upon a plan of assurance on more equitable terms than those of the Amicable,"

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45 Haines, op. cit., p. 304. 46 Ibid., p. 305.
46 Ibid., p. 311; Dodson "being then forty-nine and the age limit forty-five."
47 Ibid., p. 311.
which took the same premium for all ages. Thus, "The Corporation for Equitable Assurance on Lives" was proposed for Royal charter in the following year. The charter was not granted in this instance, nor again in 1758. After being refused a third time in 1759, "the Society sponsors, thoroughly exasperated, demanded of the courts a list of 'reasons why' their right to incorporate was consistently denied."\(^{49}\) Complying with the request, McLean states that the Government held, among other things, that the project was experimental; that the basic calculations used were considered to be speculative; that the mortality tables used were "'compounded of diseased as well as healthy, of those embarked on both hazardous and safe ways of life,' while insurance was supposedly available only to those enjoying good health and engaged in peaceful occupations;" and that from the experience the government itself had had in insuring lives, "they were extremely doubtful that profits could be made by the still further lowering of prices which Society members proposed." However, the Government "suggested that, since society members felt so certain of success, they might 'experiment' by entering into a voluntary partnership and 'if the scheme was so good it would work out.'"\(^{50}\) Thus, late in 1761 or early 1762, the Equitable began operations as a partnership. As Haines relates:

The great feature of the foundation of the Old Equitable undoubtedly was the innovation of an actuarial basis for its premium calculations; and as we have already seen, the rating arrived at by its founders was viewed with considerable suspicion by critics; yet experience proved that there was an ample margin for profit, nay, more, that the premiums charged would stand a considerable reduction and yet suffice.\(^{51}\)

\(^{49}\) McLean, op. cit., p. 49.  
\(^{50}\) Ibid.  
\(^{51}\) Haines, op. cit., p. 321.
Introduction of Medical Examinations

The Equitable, in accordance with the general practice of the times, initially did not require medical examination of its applicants, despite its revolutionary practices regarding the calculation of premiums. According to Haines, "if ever the question of a medical report was raised it was, we imagine, instantly pooh-poohed as non-essential and too costly to be entertained."^2

It was not until 1858 that the practice of medical selection was introduced into the Equitable,^3 although Doctor Richard Price,^4 an uncle of William Morgan who was actuary for the Old Equitable, had advocated as early as 1779 that the society appoint a medical assistant to aid in determining the applicant's physical status. Reliance still was placed upon the statements of the applicant regarding his present state of health and record of previous illnesses, and in his appearance before the Board of Directors. The applicant also was "obliged to submit references from two persons, 'one, if possible, of the medical profession.' This represented a distinct advance in the selection of risks."^5

^2Ibid., p. 327.

^3Ibid. Haines quotes Dr. Price as having made the claim that "'should such a regulation be the means of excluding but two or three bad lives annually, which otherwise would have been admitted, the expense attending it will be more than compensated.'"

^4A contemporary minister of the gospel celebrated for his mathematical ability - not a medical doctor.

Use of Friend's Report

As stated before, the practice of securing recommendations from the friends of applicants was not at all unusual in the early days of underwriting, and was a natural development that accompanied the expanding market for life insurance. It may be recalled that prior to 1709 the directors of the Mercers' Company had permitted persons to be insured "by proxy," allowing the applicant to substitute certain personal affidavits when circumstances precluded his actual appearance before the Board. When these affidavits proved to be unreliable, the Mercers' Company again insisted on the personal appearance of the petitioner. Undoubtedly this requirement was so incompatible with the practical demands of a broadening market that some alleviation of the restriction was found to be necessary. The Society of Assurance for Widows and Orphans compromised by allowing the personal affidavits to be used if supported by "proper recommendation" and "a certificate of good character from the clergy of three parishes." In due time the insurance companies regularly were relying on reports made by friends of the applicant to supplement information concerning the insured that they were able to obtain through other sources.

Interesting relics illustrating the principle of the "friend's report" in its more advanced stage of use were found in the files of the Eagle Insurance Company, London, and reproduced in Shepherd's Links With The Past, previously cited. They are reports on Charles Dickens made by W. C. Macready, a contemporary theatrical figure, and
by John Forster, Dicken's biographer, in November of 1841. These were submitted to the Eagle's actuary as part of the information on which the decision to insure the life of the novelist was based.

**Early History of American Life Insurance**

So far, attention has been given mainly to the development of the insurance idea in Great Britain. This is not to imply that other countries did not participate in its growth. According to Clough, the first successful company in France was founded in 1819; and the first in Germany in 1827. In America, too, the need for insurance was recognized.

**Early American Organizations**

As early as 1717 the Presbyterian Synod of Philadelphia established a "Fund for Pious Uses," similar in intent to the purposes that led Reverend William Asheton to prod the Mercers' Company to branch out into the business of life annuities less than a score of years previously. In 1721 a public insurance office was opened in Philadelphia after the fashion of the Coffee-House underwriting headquarters in England, and in 1724 the first Office of Insurance in Boston was established. As an outgrowth of the "Fund for Pious Uses," the Presby-

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56 See Shepherd, op. cit., pp. 120 and 124. A facsimile copy of the Macready report with a clarification of its content is shown as Fig. 7.


Fig. 7. Facsimile of "Friend's Report"
EAGLE LIFE ASSURANCE OFFICE
18 May 1841

SIR,

Having been referred to you for an account of the health and habits
of Charles Dickens, Esqre. / December
I request the favor of a reply to the following Questions.

On your answer, which shall be considered as strictly confidential, the validity of the
proposed Assurance must, in a great degree, rest; you will therefore, pardon me for reminding
you of the importance of a full and deliberate statement.

I have the honour to be,

SIR,
Your most obedient, humble Servant,
HENRY P. SMITH, Actuary.

How long have you been acquainted with
Charles Dickens Esqre.

How often are you in the habit of seeing him? when did you see him last?

In what state of health was he when you saw him last?

What is his general state of health?

Have you attended him in a medical capacity, and on what account?

Are you acquainted with his ever having been
afflicted with a rupture, gout, dropsy, asthma, consumption, vertigo, fits, hemorrhage of
any kind, cancer, insanity, or other disease, or of his having any symptoms of any disease?

Do you believe he is now quite free from any disease, or symptom of disease, and in perfect health?

Is he active or sedentary?

Are his habits perfectly sober and temperate?

Has his life ever, to your knowledge, been refused at any Insurance Office?

Did any member of his family die of pulmonary
or hereditary disease of any kind?

Are you acquainted with any circumstances
having a tendency to the shortening of his life, or which can make an insurance upon
his life more than usually hazardous?

Are there any other circumstances within
your knowledge which the Directors ought to
be acquainted with?

Signed W.C. Macready
Dated November 19th 1841.

Fig. 7. Continued. Clarification of "Friends Report"
terian Synods of Philadelphia and New York established "The Corporation for the Relief of Poor and Distressed Presbyterian Ministers and of the Poor and Distressed Widows and Children of Presbyterian Ministers." A charter for this organization, the first for any business corporation in America, was granted by the proprietary government of Thomas and Robert Penn on January 11, 1759. Thus, America's first life insurance company was officially born. Today the firm is known by the more succinct title of "Presbyterian Ministers' Fund."

The first American joint stock insurance corporation was the Insurance Company of North America, organized in December, 1792, primarily to insure marine risks, although authorized by its charter, issued April 14, 1794, to write life insurance also. After a few years the life policies were discontinued. Several other firms had begun operations shortly after the turn of the century, but Magee supplies the information that by 1800 there were not more than a hundred policyholders in the country.

eighteenth century there was a tendency for the merchants to be grouped around two or three insurance brokers and to insure all acceptable risks not just for mutual benefit but for the premiums. Of course, specialized marine insurance was under way also, reaching its greatest height in Lloyd's association which in the eighteenth century attained a strong feeling of group consciousness though it did not incorporate till 1870."

59 McLean, op. cit., p. 56.


Of the early nineteenth century firms, the first was the Pennsylvania Company for Insurance on Lives and Granting Annuities, incorporated March 10, 1812. The second was the Massachusetts Hospital Life Insurance Company, chartered in 1816. This latter firm did very little business in life insurance, however, contrary to the indications of its name. Founded primarily for the purpose of providing funds for the operation of the Massachusetts General Hospital, it achieved its success and major distinction by pioneering the development of the institutional trustee.

Growth of the Industry in the United States

The first real expansion of life insurance business in this country did not occur until nearly mid-century, when the Mutual Life Insurance Company of New York and the New England Mutual Life Insurance Company began to write insurance in 1843 and 1844, respectively. By 1851 ten other firms had begun operations, most of them on the mutual plan; and during the succeeding score of years the basic principles of modern life insurance were worked out and the pattern of operational procedure firmly established.

In the next chapter, as the background of modern risk inspection is explored more fully, more particular attention will be given to the development of life insurance underwriting practices in America.

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64 Clough, op. cit., p. 13.
CHAPTER VI

ADVENT OF THE INDEPENDENT INSPECTION AGENCY

It was not a matter of coincidence, surely, that the scientific concept of life insurance developed in concert with the Industrial Revolution in Great Britain. Nor was it by chance that its first vigorous growth took place during the period when Industrial Capitalism, nurturing the process that so aptly has been called "round-about-production," began to emerge from the era of Mercantile Capitalism. For insurance was a device designed specifically to cope with risk. And the character of risk-producing hazards experienced significant changes along with the metamorphosis of the social and the economic order.

Referring to the history of various types of insurance coverage offered by the industry, Clough remarks that

In each case, it will be noted, insurance sprang up where the capitalist system was already becoming important and hence where the consequences of total loss would be most keenly felt. This historical fact tends to substantiate the thesis that insurance came into being to leaven the effects of a situation which a money economy created.

Physical hazards tended to decline as the application of the scientific method of investigation began to disclose the secrets of the

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universe, and a better understanding of natural law enabled man to harness and direct more effectively the forces of nature to do his bidding. By contrast, the increasing interdependence of producing units and the elaborate systems of exchange fostered by mechanical invention, specialization, and the division of labor, served to increase materially hazards of a social and personal nature. The introduction of mass production techniques brought about increasing concentrations of individuals and capital resources, disrupting the natural diversification that society enjoys under the agricultural way of life, with its tendency toward individual self-sufficiency.

Neither social nor personal hazards can be coped with adequately on the basis of probability theory or the law of large numbers. Especially is this true of the latter, for the more complex and roundabout the economic process becomes, the more crucial is the relationship of man to man; and uncertainty is increased as regards the willingness and ability of each productive unit to perform its specialized function in a manner satisfactory to other productive units in particular, and to the ultimate welfare of society in general. Here there is an obvious need for detailed and specific information about the individuals concerned if the attendant risk is to be successfully transferred or reduced.

As the application of scientific methods fostered the development and extension of the insurance principle against the background of generally increasing hazard, so, within the industry itself, the growing awareness of and ability to identify explicit types of hazard
encouraged the development of specialized information sources on the individual risk. Certain early practices and problems peculiar to the insurance industry should be examined briefly in order to establish a clear understanding of the trend of this development.

**Special Problems in the Field of Insurance**

In addition to the problems created by increased social and personal hazard resulting from the Industrial Revolution, the life insurance industry found that it had problems peculiar to itself that created a need for specialized risk-reducing devices. As pointed out earlier, life insurance is intended essentially for the "standard risk," and whether or not any specific prospect constitutes a standard risk can be determined only by careful inspection, medically and personally, in each individual case. Until the prospect is sold on the idea that he needs insurance it is impractical to make this inspection. Thus, demand creation activity of a high order is needed to develop prospective buyers in sufficient numbers and of sufficient quality to insure a universe adequate to support a scientific selection process.

**Direct Selling Essential**

The need for a great deal of high quality sales effort in itself tends to make the cost of marketing insurance relatively high. Furthermore, insurance is an intangible that is particularly difficult to sell to the select customer. Unlike the sickly person who realizes his poor chance of attaining the normal life span and is a prospect
easy to sell, the healthy individual, human that he is, believes in his immunity to personal catastrophe or danger and does not readily appreciate the benefits to be gained from insurance coverage. In selling an insurance policy, the applicant must be induced to give up certain current income in exchange for future benefits which may accrue not to the purchaser, but to his family or estate. The true value and ultimate need of this protection, moreover, is shrouded by the uncertainties of future events. This calls for the exercise of altruistic motives on the part of the prospect, and these are not always easily aroused.

Still another reason for the relatively high cost of marketing insurance is the fact that an appreciable number of the prospects who are brought to the point of purchase by expensive promotional and sales effort cannot then be insured after inspection has revealed a disqualifying risk factor. To the competitive and cost-conscious firm, this situation might well suggest the desirability of inspecting some prospects or classes of prospects even before individual promotional efforts are attempted. Finally, because it is difficult to sell, because of the need for large volume, and because of the selective and individual nature of the contract, the normal sales approach must be by direct, personal contact. It is generally conceded that this is a more costly method than the "over-the-counter" approach through merchant middlemen. A further deterrent to the use of the latter channel of

2 Usually he is eager to gain the protection insurance would provide for his family, and thereby intensifies the problem of adverse selection.
distribution is the fact that in the sale of insurance there exists almost always, for acceptable prospects, a definite buyers' market that demands a high order of creative salesmanship. 3

Early Insurance Sales Efforts

To extend the geographical limits of insurance coverage, the earliest insurance firms in England had employed the agent, or broker, whose history extends back through the years as far as that of trade and commerce. That agents regularly were employed at an early stage, and were delegated considerable responsibility in the matter of risk selection, is evidenced by the following excerpts from instructions sent by the London Assurance Corporation in 1725 to its agent in Ireland.

INSTRUCTIONS FOR JNO. PORTER, Esqr., of the City of Dublin for assuring Lives in Ireland.

November, 1725

1st. All persons whose lives are to be assured must first appear before you, and then you are to take a convenient time to Enquire after their State of Health, & manner of Life, either by Persons in their Neighborhood, or by such other means, as you can best Inform yourself. 2nd. You are to be particularly careful, that the Person who appears, is really the person, whose Life is to be assured. You may give leave for any person assured to go from Ireland to Great Brittain, & back, upon their paying you $ a guinea,

But if any person Assured, desires leave to goe to any other Part of the World than Great Brittain, such leave is not to be given, but by the Court of Directors, and for

3James (op. cit., 356), speaking of Louis Brandels' scheme of bank insurance to provide low cost protection to the workingman, thus eliminating the agency system as an unnecessarily high cost sales medium (6 to 8 per cent of premiums for ordinary life sales commissions - higher for industrial insurance sales) states: "The problem was not so simple as Brandels had thought. Eliminating the agent as a major cost of distribution eliminated the distribution itself."
such Additional Premium as they shall think fitt. When you have agreed to an assurance on a Life you may take the premium & 5/- for the Policy & give a Receipt for the same .......................................................... 

With the notable exception of the Old Equitable, most contemporary British firms availed themselves of the services of agents, and in the course of time a highly specialized type of agency system evolved within the life insurance industry. There is little doubt but that the British system set the pattern for later insurance marketing practice in the United States. In fact, the British companies that solicited business in the colonies did so through agents, and Israel Whalen, agent of the Pelican of London, is credited with having established in 1807 the first life insurance selling agency in the United States. 

The earliest American life insurance companies, however, did not at first use agents, and perhaps as a result of this omission made relatively few sales. It was not until 1843 that Morris Robertson, founder of the Mutual Life of New York, "broke with previous American life insurance marketing traditions and became one of the first important users of the agency system." O'Donnell explains that "the 

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4 Harry W. Dingman, Inseurability, 2nd Ed. (New York: The Spectator Company, 1928), pp. 10-11. The first paragraph in these instructions appears to indicate that the agent was relied upon exclusively not only to sell the policy, but also to ascertain the nature of the risk by judicious inquiry among the applicant's neighbors or from other likely sources. It is interesting to note that the modern inspection agency utilizes essentially the same sources of information recommended to this eighteenth century agent-inspector-underwriter.


6 Ibid., p. 655.
British Agency System, when subjected to the far flung and isolated territories of the New World, became faced with an entirely new set of conditions. A more logical explanation for the relatively slow adoption of the agency system in America is the simple fact that suitable personnel to man it was not available in this country in those days. The Metropolitan Life Insurance Company, when it began to write industrial insurance in 1879, found it necessary even at that relatively late date to import several hundred experienced agents from England in order to get men who were qualified, in their opinion, to handle the job.

Moreover, insurance itself was poorly understood, its merits not widely recognized, and its cost too dear for ready sale to the masses. The industry had far to go before establishing itself in the position of trust and integrity that it holds today. The backing of prominent men was eagerly sought to lend prestige to the neophyte industry, and most of the early sales effort was in the form of pamphlets, circulars, and posters that attempted to explain the desirable features and far-reaching benefits of the insurance contract.

Much of this early literature would appear ludicrous to our relatively well educated and sophisticated citizenry of today. Some of

7 O'Donnell, op. cit., p. 678.

8 Louis I. Dublin, A Family of Thirty Million (New York: Metropolitan Life Insurance Co., 1943), p. 40. James also records (op. cit., pp. 78ff) that the experiment with imported agents for the most part turned out unhappily, but that many of the supervisors brought over from England proved valuable additions to the Metropolitan's field force.
it certainly would be considered to be in extremely poor taste. An
illustration is found in a Penn Mutual pamphlet circulated in the
1870's, entitled "Words to Wives Upon Life Assurance," here repro-
duced in part.

What town, neighborhood, or village has not its "destitute
widows"? Our cities are full of them.

Very often you meet one of these. There! She knocks at
your door. She has come because she must. Poor thing! Buy
a book or a picture, or subscribe for a magazine that she is
canvasing for. Help her; she needs it! How sad she looks,
and pitiful! She is young and handsome - ah! this may be
her ruin! The haunts of vice would tell many a story of those
driven to desperation, then to crime, then to ignominious death
and an unmarked grave! - and all from being tired of struggling
with poverty. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .
Help her; but oh! do not forget why she is this "poor thing,"
and why there are multitudes like her. It is simply because
life assurance was neglected, or only deferred! Even a moder-
ate insurance upon her deceased young husband's life had
saved her from all this. "

A great deal of the early literature was designed for the pur-
pose of recruiting agents, as well as to explain the intricacies of the
insurance idea and to create a healthy demand for it. Buley reproduced
the substance of a circular issued by the State Mutual Life Assurance
Company of Worcester in 1845, a portion of which reads:

A reply to the suggestion and proposed agency hereinafter
explained, is requested within ten days, and gentlemen who
are not disposed to comply with the conditions of appoint-
ment, will confer a great kindness by placing it in the hands
of some competent Physician, or faithful friend, located in

9John A. Stevenson, A Century of Security (New York: The New-
Buley in The American Life Convention (New York: Appleton-Century
Crofts, Inc., 1953), Vol. I, p. 47, refers to A Treatise on Life Insur-
ance, published by the Mutual Life of New York in 1844 as an earlier and
more restrained example of the promotional efforts of the early compa-
nies.
their vicinity, who would be likely to take an active interest, as no inactive agents are wanted.\textsuperscript{10}

Advertising alone, however, rarely succeeds in achieving sales in satisfactory volume. Life insurance did not really begin to develop into an important industry until agents were employed to actively solicit the business.\textsuperscript{11} In the beginning, American insurance agents were mostly employed on a part-time basis. Frequently they were a "makeshift" lot, as might be expected of any new sales medium for a service of such complex character as insurance. Probably because of the accepted aura of integrity enjoyed by the medical profession and the clergy, and because of their usually superior educational background, agents often were recruited from the ranks of physicians and ministers of the gospel;\textsuperscript{12} and those who could easily be weaned away from their professional calling undoubtedly were not of the highest order. For the Metropolitan Life, on the other hand, it has been stated that the majority of the early agents for industrial insurance came from the ranks of unskilled labor, and "the habitual drifters, sharers, and ne'er-do-wells" had to be weeded out from among the more than four thousand agents the firm employed in 1891 at approximately $11.00 per 


\textsuperscript{11}See Joseph B. Maclean, Introduction to Life Insurance, Vol. II, 1st Ed. (New York: Life Office Management Association, 1949), p. 63. Maclean states that the New York Life Insurance and Trust Company, in 1830, was the first firm to use agents actively. Clough (op. cit., p. 35) concurs with this and notes that by December 19, 1842, while still in the process of organization, the Mutual Life of New York had appointed eleven agents to solicit business.

\textsuperscript{12}O'Donnell, op. cit., pp. 684 ff.
week, to cover twenty states, the District of Columbia and Canada.13

Although the early agents for the most part were poorly equipped for their specialized and difficult jobs, and frequently acted only in a part-time capacity, they provided the only real link between the applicant and the firm. As the caliber of the agent improved, along with the development of the institution generally, they became more reliable as a source of information for underwriting purposes, as well as more effective in the promotion and sale of insurance. Over the years their importance in the selection of risks has become increasingly evident. The organization in 1927 of the American College of Life Underwriters marks public recognition of the agent not only as an aspiring addition to the "professional" class, but also as a lay underwriter with valuable potential for safeguarding the interests of the policyholder and the insurer.

Information Sources

As it has been seen, the first source of information used for evaluating the risk was the applicant's own statement. This was supplemented perfunctorily and observationally by the appearance of the applicant before the board of directors, or by the special inquiries of the agent. As the insurance market was expanded geographically, the limitations of time and space brought about increasingly the substitution of recommendations by the clergy, and later by friends of the applicant, for his personal appearance and examination by the board of

13James, op. cit., p. 96.
directors. These recommendations covered the subjects of character, health, and occupation, as well as particulars on the applicant's age and place of residence. Opinions of medical doctors regarding the applicant's general health also were sought; but not at first on the basis of a special medical examination. Later, this was done. Doctor George Plnckard, founder of the "Clerical, Medical and General," has been given credit for initiating medical selection about 1824 on a systematic basis. But the first evidence of the requirement of a standard medical examination by a physician appointed by the insurer is the practice adopted by the Old Equitable in England in 1858.

Another source of information that has been relied upon more or less heavily from time to time is the insurance agent. Depending on the quality of this indispensable link in the insurance marketing chain, the agent is capable of performing a valuable screening function, simply through the process of making a careful choice of the prospects he solicits. The vice-president and medical director of a well known insurance firm and an author of wide repute has emphasized the agent's importance in this respect:

Selection of risks for personal insurance is a study of human life values. Appraisal thereof is of vital concern to the applicant who buys, the agent who sells, and the home office selector. Seldom is insurance bought unless agents sell the idea: which makes agents the primary underwriters. Agents choose the prospects whom they regard as most likely to buy and from that field of prospects a certain proportion apply. This field of prospects indelibly reflects the agents who select them. In insurance no truth is greater than this, the kind of applicants that agents write is the kind of persons

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14Dingman, op. cit., p. 12.
they are themselves. A company goes far in determining the
grade of its business by its choice of agents.15

The agent, however, has not always measured up to the ideal in
this picture of his responsibilities in the selection process. There
is a basic conflict of interests that may partially explain this fact.
When an agent has discovered a likely prospect and has spent much of
his valuable time and effort in bringing him to the point of signing
an application for insurance, it is to be expected that he will be
biased in favor of his applicant's acceptability in the matter of
physical and personal risk. He can be relied upon to put the most
favorable interpretation possible on any indefinite indications of
hazard beyond the acceptable limit.

There have been instances, also, of outright dishonesty on the
part of the agent. Some have been known to practice fraud, sometimes
in collusion with the applicant, in attempting to secure insurance
coverage for prospects known by the agent to be unacceptable as risks,
and occasionally even for non-existent persons. There have been in­
stances when agents have acted in collusion with equally dishonest and
unscrupulous medical examiners. In cases of this sort, the insurance
firm is placed in an extremely awkward position, to say the least.16

Here, without doubt, an independent and unbiased source of information

15Harry W. Dingman, Selection of Risks (Cincinnati: The Nation­

16For numerous examples of specific legal action resulting from
the fraudulent practices of agents and medical examiners, see E. Paul
1927), particularly pp. 34-56.
is a most welcome safeguard for the otherwise unsuspecting underwriter. 17

The Incontestability Clause

During the period of "scientific insurance," which now covers little more than a century, there has been a continuing effort to improve the insurance medium as a device for the safeguarding and protection of the insured against the probability of loss. In the earliest days, working almost blindly in uncharted field, the insurer was at a considerable disadvantage. Thus, many insurance firms became so intent upon protecting the welfare of the corporation by the insertion of restrictive clauses in the contract that the insured's interests came to be all but overlooked. As an insurance historian has pointed out, legal stipulations were still so numerous and one-sided in favor of the firm in the late nineteenth century that even the "comic strips" of the day began to reflect the almost ridiculous partiality of the contract in favor of the company.

The policy was justly described as a "jug-handled" contract. One paper went so far as to publish an imaginary interview between a man of inquiring mind and the president of an in-

17 Odfrey Moorj, Associate Supervisor of Risks, Mutual Life Insurance Company, voiced a similar opinion in speaking on the subject, "How the Companies May Make Fuller Use of Inspection Services," before the Home Office Life Underwriters' Association on November 18, 1932: "Dependable inspection service is the right hand of the underwriter - it is the only disinterested source upon which he can rely for the facts and a true picture of the applicant whom he must appraise for insurance. The agent's interest is obvious, the examiner is interested to the extent of his fee and additional business from the same source. Only the inspector or reporter is immune to the element of self interest. . . ." (Proceedings of the Home Office Life Underwriters' Association, printed for private circulation; November, 1932, meeting, Vol. V, p. 141.
urance company. The attention of the president was called to the fact that the policy issued by his company contained a clause under which the claimant might be able to collect something. To this the president replied, "If the contract contains such a clause it is due to an oversight which must be corrected."\(^{18}\)

Only as risk selection has become a matter of careful and scientific appraisal has the insurer justifiably been able to extend and liberalize the coverage available today to the average man in the street.

In the United States, insurance companies generally, by 1843, had begun to require applicants to furnish information about their ways of life as well as the status of their health. With the Mutual Life Insurance Company of New York, selection was based on this information, on information supplied by the applicant's physician out of his general medical experience with the applicant, and by friends or friends of long acquaintance. Items of particular interest to the Mutual Life were the age, residence, occupation, history of diseases, habits and the current status of the applicant's health.\(^{19}\) The insurance company was, perhaps, well justified in relying on these rather general indications of insurability, particularly in relation to statements made by the applicant himself, since any false or fraudulent statement, made intentionally or unintentionally, might be used to render the policy void. Basing his statement on court records of Massachusetts and New York, Clough relates:


\(^{19}\)Clough, *op. cit.*, p. 76.
By 1857 the application had become a part of the contract and was so recognized by the courts. In 1869 The Mutual Life began the practice of attaching a copy of the application and of the medical examination to the policy - a practice which was not generally required by state law until after the Armstrong Investigation of 1905.

Nearly a decade earlier, the feeling had grown in England that the insurance contract was a sacred document and not to be used to thwart the trust reposed by the insured in the insurance company. Strict adherence to the warranties of the contract and voidance of the policy on proof of fraud or misrepresentation were, so far, the chief means of protection both to the firm and to its honest policyholders.

The feeling gained ground, however, that the policy should be made irrevocable upon issuance. So strongly was this idea supported that several companies stressing this feature were in operation in England around the middle of the nineteenth century. One such firm even adopted the style "The Indisputable Life."

In the United States, the Manhattan Life Insurance Company announced in 1864 that its policies were incontestable after five years "for or on account of error, omissions and misstatements in the application except as to age." And in 1878 the Equitable Assurance Society

2Ibid., p. 77.

21Amrhein, (op. cit., p. 147, fn. 106), quotes Walford who, writing of the year 1848 states: "Pamphlets were written and circulated in tens of thousands inculcating these views, and entirely ignoring the fact that the trust reposed in Directors and Managers implies that the honest policyholders must be protected from the frauds of the dishonest ones; that the funds are to be administered for the benefit of the members generally, and no preference be shown to dishonesty and craft."

gained much favorable publicity by paying promptly a death claim to
the estate of Colonel Walton Dwight, a resident of New York City, con-
cerning which there seemed to have been evidence of a possible breach
of warranty. When a number of other firms contested the same claim on
this and other grounds, the so-called "famous Dwight Case" brought to
a focal point the controversy regarding the advisability of the warrant-
ty clause, under which any misstatement of truth by the applicant,
whether material or immaterial, was considered ground for refusal to
pay the claim. After careful consideration, prompted by the furor
over the Dwight case, the Equitable decided to include a clause making
its contract incontestable after three years.23 This was done in 1879,
and other firms were quick to follow the example. The force of compe-
tition "gradually increased the liberality of this feature, until
policies were issued which were incontestable from date" of issue.24

There were many, however, who felt that the establishment of
a time period after which, with certain exceptions, the firm agreed
not to dispute a claim was more of a disadvantage than an advantage.
Quoting the Insurance Monitor of 1883, Amrhein records an unfavorable
reaction to the increasing popularity of the incontestable clause:

The new and beautiful lie-all-you-want-to-if-we-don't-find-
you-out-in-three-years policy is sowing the wind for its

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Equitable Life Assurance Society, states in a letter to the author
dated May 9, 1957: "later the period of contestability was changed to
two years and in 1892, one year from issue."

24 Amrhein, op. cit., p. 149.
authors and adopters, and in a few years they will reap a
whirlwind of swindling, lawsuits, and a fury of disappointed
greed and dishonesty. The Record teaches that the incontestable policy is not only a fraud in itself and a promoter of
fraud, and that it is perfidiously offered by the companies
issuing it as a bait which they intend to repudiate, but that
less care is given to the examination of applicants than is
given in ordinary cases.25

This dissenting voice obviously either misread the Record
(whatever that may have been) or based his findings on inaccurate data
insofar as the resulting care given to the examination of applicants
was concerned. On the contrary, the adoption of the policy of incon-
testability must be credited as marking a definite step forward in the
evolution of scientific risk inspection. For, with the institution of
this time limit, the possible inaccuracies in the applicant's statement
affecting his insurability as a standard risk could no longer be held
as a Damoclean sword until the eventual claim materialized. The incon-
testability clause became increasingly popular and by 1905, according
to Amrhein, only two out of fifty-one representative companies failed
to include a provision of this type in their contracts.26 Today, this
clause is so common that its absence from the insurance contract might
create in the applicant's mind some cause for alarm.

Improvements in Medical Selection

Regarding the further development of medical inspection as an
underwriting aid, it appears that by 1845 the Mutual Life was requir-
ing all applicants to be subjected to a special medical examination,
and had formalized this practice to the extent that in 1849 the title

25 Ibid., p. 150, fn. 119. 26 Ibid., p. 150.
"Medical Examiner" was created for the physician the company had been using on a part-time basis since 1842.27

In 1876 the Mutual Life published a detailed report of its mortality experience from 1843 to 1874, which gave evidence of a generally lower death rate among the medically selected insureds during the first five years after issuance of the policy.28 But it was not until 1890 when Doctor Oscar H. Rogers began his analysis of business accepted by the New York Life Insurance Company during 1870-89, giving critical consideration to the various phases of insurability, that a standardized system of medical selection generally became available. This system was known as the "numerical" method, since certain types of hazard, particularly those of a personal nature, were evaluated on a percentage basis. With a "normal" individual (as established from the experience of the using firm) rated at 100 per cent mortality appraisal, the percentage deviation of each item from the normal, averaged together, would permit a reasonably satisfactory measurement of the risk represented by each applicant. As a consequence, each applicant could then be classified as a "standard" or "sub-standard"

27Clough, op. cit., p. 77. As late as 1868, when the Metropolitan Life Insurance Company was founded, that company made no provision for a separate medical department; however, "in the by-laws of the company provision was made for the medical oversight of the selection of risks." (Dublin, op. cit., p. 400.)

28Ibid., p. 79. Henrietta Larson, in Guide to Business History (Cambridge: Harvard University Press, 1950), p. 200, states that an earlier report covering the fifteen years ending February 1, 1858, was "a landmark in American life insurance developments. There had been no earlier study of mortality experience."
risk for underwriting or rate-making purposes. Dingman explains the system as follows:

Average mortality of the average risk classified as "standard" is stated as 100%. It is advantageous if a person's parents and grandparents lived to be 70 years old. It improves the mortality estimate by 15%. But perhaps the applicant is enough overweight to counterbalance his favorable heritage. Each factor of insurability is appraised and assigned a numerical (percentage) value, and the summation of them indicate the variation of the individual risk from 100% mortality that the average "standard" risk is presumed to have.29

By 1896 the numerical system had been inaugurated by a number of firms, and medical inspection was accepted as standard procedure in the selection of life risks. In the years since the development of this system, however, the insurance industry has refined to a considerable extent the entire process of risk evaluation. The scientific approach has been aided by the constant accumulation of data regarding mortality experience, a great deal of which has resulted from joint surveys made through the medium of associations like The American Life Convention, the Home Office Life Underwriters Association, and others. And, although its merits are still subject to debate, the numerical system is widely used in one way or another to facilitate the medical evaluation of risks.

Inspection of Personal Hazard

With the improvement of medical inspection, which served to take reasonable account of the physical part of personal hazard, much progress was made toward attaining the modern insurance concept. Other

29Dingman, Insurability, pp. 16-17.
risks, however, could not effectively be evaluated by means of the medical inspection. These risks, popularly known as "moral hazard," derived from the character, attitudes, and habits of the applicant.

**Character and Attitude Hazard.**—Since the insurance contract is based on representations made by both parties, it is important to know to what extent the representations made are true and accurate. The insurer, being open to public inspection and often under more or less rigid control by the State, is otherwise bound by the laws of competition to represent his service and his intentions fairly. But the insured is subject to no such control, is apt to be less stable, and certainly is more difficult to evaluate in terms of risk. Harry Dingman describes in a colorful way the intangible quality, but none-the-less substantial effects of character hazard.

Honesty is relative. How high is up? A man may be ten dollars honest, a hundred, a thousand dollars honest. But a hundred thousand honest? He may be blond honest, brunette honest. But redhead? He may be passively honest but not actively so, unwilling to lie but not unwilling to tell only half a story. He may disdain initiating a false claim, but be willing to prolong it unreasonably if he can have a convalescence holiday.

Honesty cannot be classified on the basis of black hearts and lily whites. Most of us are grayish, one shade or another.

Misrepresentation is malingering and malingering may indicate weakness or strength. The malingering may be positive or negative, with or without collusion. Lies may be told. Truth may be withheld. Collusively, agents and examiners and attending physicians may abet. No individual can escape his own record of probity. The insurability problem is to learn the record as we ask the inevitable question - who says so? Is it so when he says so?

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Thus, it becomes necessary to evaluate the insurance applicant not only on the basis of hazards determined from information supplied in the application, from the contacting agent, and from assessment of medical criteria; but also the veracity of this evidence must be proven. Clough summarizes the difficulty facing the underwriter quite well:

Measuring the integrity of prospective policy holders has always been one of the most puzzling problems of selection, and yet it is one of the most important. False information in the application may upset the expected rate of mortality, financial inability to pay premiums leads to early surrenders, and general dishonesty may result in attempts to make false claims upon the insurer. These dangers were realized from the first, but the responsibility of meeting them was placed largely on the agent, who was supposed to "know" his client.  

Environmental and Heredity Hazard.--Character hazard, as important as it is to a fair evaluation of the risk, is usually of less concern to the life underwriter than is environmental hazard (except, of course, as essential facts relating to insurability are withheld or misrepresented). The insured's residence, occupation, and way of life; his vices, his companions, and the nature of his regard for the conventions of society, may have a far-reaching effect on his general health and life expectancy. Similarly important are the individual's inherited characteristics and habits. At an early date it was realized that some means for a systematic accumulation of pertinent information regarding all classes of personal hazard affecting the applicant's insurability needed to be provided.

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31 Clough, op. cit., p. 172.
Internal Inspection Departments

As the industry matured and operational policies began to be formulated more surely, the agent group became more expert in performing its appointed functions, gradually acquiring also greater responsibility in the overall underwriting process. By 1880, the Mutual Life was even requiring special reports from its agents verifying the death claims of their insureds. The agent, however, was not always able or, perhaps, willing to uncover the true circumstances in cases of suspected fraud. It was then necessary to hire a special investigator, or a private detective, to discover the evidence needed for the firm's protection.

The Mutual Life

The Mutual Life Insurance Company of New York found itself faced with so many situations of this type that, in 1876, Dan Gilette, brother of the Company's Medical Examiner, was appointed as a full time claim investigator. Through his close observation of the principles in a number of fraudulent claims he came to the realization that many such claims could have been forestalled had personal hazard been given adequate inspection before issuance of the policy. With this conviction in mind he proposed that the company create

... a Department of Revision ... not only to check death claims and the insurability of policy holders but also to scrutinize the integrity of and to secure other information about applicants before insurance on their lives was issued. So logical did this plan seem that in 1884 it was adopted -
the first thing of its kind in American life insurance.\(^{32}\)

In 1890, undoubtedly as a result of its early successes, the Mutual Life decided to expand the activity of its Department of Revision. The owner of a credit service bureau, Charles B. Holmes,\(^{33}\) was brought in with his established correspondents and credit files to provide the basis for a company-owned inspection facility called the National Commercial Agency, which handled practically all insurance inspections for the Mutual Life until about 1941. Though capable originally of inspecting only about twenty per cent of the Mutual Life's prospective risks, this agency in 1894 sent out blanks for reports on $43,300,100 of the $211,000,000 worth of new insurance issued by the company. Of these reports, $2,964,000 were definitely unfavorable and an additional $4,743,500 classified as questionable. This amounted to a healthy 17.8 per cent of all cases inspected.\(^{34}\) In the same year, Clough reports, "the Department of Revision tracked down an

\(^{32}\)Clough, op. cit., p. 173. The unique aspect of this department was found not only in the scope of its operations, but also in the timing of the inspection. Investigation after issuance of the policy apparently was not at all uncommon at the time, whenever there was an indication of a need therefor. The adoption of the incontestable policy, of course, lent added pressure in this direction.

\(^{33}\)Not to be confused with Bayard P. Holmes, founder, in 1899, of the claim reporting agency now known as the Hooper-Holmes Bureau, which later also began to inspect life insurance risks.

\(^{34}\)It is an interesting coincidence that in 1932, out of several thousand cases inspected, the Retail Credit Company obtained unfavorable information on 17.4 per cent of the cases, according to information given in the Proceedings of the Home Office Life Underwriters Association, Vol. V, November, 1932, p. 58.
The Equitable Life

The Equitable Life Assurance Society may have recognized the value of inspecting its assureds at an even earlier date than did the Mutual Life. Although its reasons for doing so cannot be documented fully today, due to a fire in 1912 which destroyed a major portion of the firm's old records, it is known that the Society "first instituted a system of inspecting the health, habits and environment of members already insured" as early as 1870. And, when all policies of the Equitable were made incontestable three years after issue in 1879, the firm "endeavored to inspect all policyholders during the period of contestability." About 1892, when the Equitable further reduced its period of contestability to one year from issue, "it was decided to inspect all subsequent applicants before the policies were issued." 36

During the period from 1870 to 1892, all inspections for the Equitable were handled by a Mr. T. C. Caskin who, being unable personally to inspect the voluminous number of policies issued during this period, undoubtedly made wide use of numerous individuals or local inspection services on a fee basis. Further implementing its decision to extend its inspection activities when the contestability period was

35Clough, op. cit., p. 174. On the same page fn. 34, referring to the Minutes of the Insurance Committee, February 12, 1895, Clough states that "correspondents usually received $.25 for a report. This was subsequently increased to $.50."

36Gordon K. Smith, in the letter previously cited.
reduced to one year, the Equitable organized in 1893 a regular inspection service, with a staff of local inspectors in the United States and Canada. Mr. Caskin was given the title Inspector-General and "all applicants for any amount of insurance were investigated before policies were approved." 37

The New York Life

Along with the Mutual Life and the Equitable, the New York Life Insurance Company had set up its own inspection department in 1892, employing a Mr. John C. Whitney to organize its operations. Prior to 1892, the Company had inspected risks in special cases, but

... with the issue of the Accumulation Policy, without restrictions upon the insured, it became necessary to exercise great care in the selection of all risks. The Inspection Department was therefore organized, and the inspection of risks was reduced to a system. The Company now requires a report upon each risk from a layman's point of view - independent of both the Agency and the Medical Departments - before a policy is issued. 38

In 1894, Mr. James A. Dolan was appointed superintendent of the Inspection Department and for thirty years continued to serve in that capacity. For some of the larger cities, salaried inspectors were employed; but this method could not be used economically for the smaller towns and rural areas. For this reason, the development of a correspondent system for getting reports evidently was one of the first problems that needed to be solved. A description of the solution

37 Ibid.

38 "Historical Background of the Inspection Department," a booklet published December 17, 1936, by the New York Life Insurance Company for distribution to its Company personnel, p. 4.
worked out by the NYLIC follows:

The correspondents were appointed by the Home Office and the branch offices. They were selected and appointed by means of correspondence with storekeepers, lawyers and others who were listed in the business indices such as that now published by Dun & Bradstreet. The salaried inspectors were also used in appointing correspondents. Whenever an inspector was working outside of his local area, he was instructed to appoint correspondents in the towns that he visited.

In the early days, almost all of the reports made by inspectors were on applicants for insurance. . . .

In the beginning the inspector and the correspondent used the same type of form when reporting on applicants for insurance. The form contained 7 questions, which is indicative of the inspection requirements of those times.\(^{39}\)

Independent Inspection Agencies

External sources of information, other than private detectives,\(^{40}\) available to Mr. Caskin of the Equitable from 1870 to 1893 when he attempted to superintend the inspection of all of the firm's policyholders, included individuals (attorneys, other professional people, or business men), commercial agents, and the mercantile and consumer credit reporting agencies. Although the best source for any specific firm naturally depended upon its individual requirements and circumstances, it is quite likely that in general the order of preference at that time would have been inverse to the above listing.

The consumer credit reporting agency, although just emerging as an organized element of the commercial activity of the day, was

\(^{39}\)Ibid., p. 1. A completed report form is shown as Figure 8.

\(^{40}\)Contrary to a popular notion, the private detective, although sometimes used on difficult claim cases, has rarely been employed to inspect applicants for underwriting purposes.
Fig. 8. Early Inspection Report Made for the New York Life Insurance Company
designed especially to develop information about individuals. The mercantile agency, particularly in view of the predominance of proprietorships and partnerships as the organizational forms in the contemporary small-scale business community, probably was just as effective then as the former. Certainly it was more highly developed from the standpoint of method, organization, and geographic coverage. That the two leading mercantile agencies then existing, R. G. Dun & Company and The Bradstreet Company, often were called upon for this type of service is attested to by Mr. O. A. Sheffield, former Secretary of Dun & Bradstreet, Inc. As a reporter for R. G. Dun & Company in Texas in 1905, and later in Virginia and Pennsylvania, Mr. Sheffield made investigations and prepared "life-risk inspection reports for some insurance companies."41

Commercial Agents, a term used to cover a wide variety of personal service activities, existed in large numbers during this period and were available for almost any task the agency relationship might call for. However, the very diversity of their undertakings on the one hand and their occasional narrow specialization on the other, did not recommend their general employment for supplying the highly exacting informational requirements of insurance underwriters. It is

41 This information was related by Mr. Sheffield to Roy A. Foulke, Vice President of Dun & Bradstreet, Inc., and relayed to the author by Mr. Foulke in a letter dated July 8, 1957. In the same communication Mr. Foulke comments that: "If this type of investigation was in existence in 1905, it might be a logical assumption that both companies /Bradstreet and Dun/ got into this field during the latter part of the nineteenth century. My impression would be, however, that the activity in this field was never large."
a matter of record that at least one such organization, the Manhattan Commercial Agency, operated in New York City by a Mr. J. H. Giles, was utilized for this purpose as early as 1886. An original inspection report was made on March 4, 1886, by a correspondent of this agency for the Massachusetts Mutual Life Insurance Company of Springfield, Massachusetts, on an applicant residing in Philadelphia.42

Lawyers and other individuals, finally, were not organized and were too limited in their geographic scope of operations to provide an easy solution to the problem facing Mr. Caskin. The necessity for making numerous individual contacts and the frequent changes within the available group did not augment the value of the individual as a primary source of information. The difficulty of recruiting and maintaining a reliable and properly located group of informants, in fact, prompted the development of an intermediary agency that could justify a service fee simply by making available to his client a network of contacts with qualified and reliable local correspondents, even if no other specific services were contemplated.

An independent source of information could eliminate or decrease greatly the possibility of bias, which was a factor detracting from the value of information derived from the applicant and from the agent. Also, it would tend to be more economical and effective than

42 The original inspection report is in the archives of the Retail Credit Company, and a reproduction, with the name of the applicant obliterated, is shown as Figure 9. The Manhattan Commercial Agency, J. B. Giles, Mgr., was found to be listed in the New York City Directories under the "Mercantile Agency" classification for the years 1883 thru 1889. It was not listed in the 1890 edition.
Manhattan Commercial Agency,
OF NEW YORK.

J. H. GILES, General Manager.

To ________________________________
Correspondent at ________________________________
County ________________________________ State ________________________________

Dear Sir: The Individual or Firm forwarding to you this Form are subscribers to this Agency, until ______ 1887. We hope this introduction will be to your mutual advantage.

Yours respectfully,

MANHATTAN COMMERCIAL AGENCY.

Fig. 9. Actual Insurance Inspection Report Made in 1886.
**INQUIRY.**

Dear Sir:—

Please forward by return mail, as per enclosed stamped envelope, such information as you have regarding the business standing of the above.

Name: [insert name]

Business: [insert business]

Address: [insert address]

Subscriber's Name: [insert name]

Address: [insert address]

<table>
<thead>
<tr>
<th>QUESTIONS</th>
<th>REPLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is his estimated wealth?</td>
<td>This party is estimated $25,000.</td>
</tr>
<tr>
<td>Does he have any others?</td>
<td>A man of good character and habits,</td>
</tr>
<tr>
<td>Does his appearance indicate robust health?</td>
<td>is apparently in good health, knowing</td>
</tr>
<tr>
<td>Is there any reason for inclining you to the opinion that he is not a desirable risk, except that he is over 60 years of age?</td>
<td>he is apparently in good health, knowing</td>
</tr>
<tr>
<td>He makes a specialty of compound oxygen treatment, is in partnership with Dr. Pan.</td>
<td></td>
</tr>
</tbody>
</table>

Moh. 8th, 1886.
the internal inspection method. By reporting for a number of firms that in total wrote a tremendous volume of insurance over a widely distributed area, the independent agency could afford to develop a highly specialized service system, including in many locations the full time inspector in preference to the part time correspondent.

It has been reported that at least two independent insurance inspection services were operating in the city of New York in 1880, each employing about three inspectors locally and maintaining correspondents in other important eastern cities. Although this allegation is to date undocumented, it is entirely possible that the underwriters' need for information regarding the applicant was sufficiently wide-spread by this time to have prompted specialization in this activity by a number of commercial agents or local mercantile agencies.

In any event, it would appear that an appreciable demand for underwriting inspections had existed for almost a score of years before the Retail Credit Company's first life inspection reports were made in 1901 for the Home Life and for the Equitable's Atlanta agent. It is equally apparent that the idea of inspecting the life risk prior to issuance of the policy was still in its infancy near the end of the nineteenth century. The concept of a highly specialized inspection service, operating internationally and designed to provide information

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43 J. Herbert Slack, "Inspection as a Factor in the Selection of the Life Risk," a master's thesis prepared under the supervision of Dr. S. S. Huebner, Wharton School of Finance and Commerce, University of Pennsylvania, April 28, 1941, p. 4.
on individual insurance risks of all kinds, but concentrating on those emanating from personal hazard, was left to be developed by the pioneering genius of Cator Woolford through the versatile medium of the Retail Credit Company.
CHAPTER VII

DEVELOPMENT OF LIFE INSURANCE REPORTING BY THE

RETAIL CREDIT COMPANY 1901 - 1916

For more than half a century before Cator Woolford initiated his consumer credit reporting service for Atlanta merchants and business men, there had been a rather wide recognition of the fact that "complete, reliable and constantly fresh" information about the personal and economic character of the customer was an essential requirement for successful credit selling.¹ The life insurance industry, also, was becoming increasingly aware of the need for more specific information concerning applicants--information that would make possible a more accurate evaluation of the personal hazard.

Population had grown rapidly in the United States and the vigorous expansion of industrial enterprise had resulted in higher incomes for many families. New occupational groups were growing up and the trend toward urbanization was gaining headway at a rapid pace. The simple fact of being separated from the atmosphere of security normally associated with a largely self-sufficient farm life evoked an appreci-

ation among new city-dwellers for the benefits of life insurance. At the same time, insurers were developing more popular and more flexible variations in their policies, while competition among members of the industry spurred sales effort more than ever before. The lure of rapid profits was attracting considerable capital to the life insurance companies, and for the first time many of these achieved the financial status necessary for the establishment of a network of branch offices in various parts of the country, thus insuring more intensive sales effort than was possible under the old agency system.

The need for careful risk selection was realized ever more clearly by life underwriters as the amount of claims began to approach the revenue from new business. This fact, fortunately for the Woolfords, created a fertile field for the development of the independent inspection agency. Underwriters, it had been found, would use as much knowledge of the antecedent history of the applicant as could be obtained with a reasonable expenditure of time and money. The applicant had to be identified positively as being the person upon whom the insurance contract was to be drawn. Statements made by the applicant regarding his personal habits, occupation, environment and insurable interest often were somewhat less than accurate. These errors sometimes were unintentional, and could be traced to ignorance or poor memory. Frequently, however, misrepresentations were willful and designed to secure undeserved benefits. Particularly during the latter days of the 19th century, efforts by applicants to defraud insurance companies seemed to occur with disturbing frequency. The medical in-
specification also required supplementation, since an accurate medical history of the applicant cannot be deduced from the limited revelation of a current examination.

The scientific underwriter, therefore, could be expected to seek out more accurate and convenient sources of personal information about his applicants. Yet, so involved was the typical firm with competition for business, and so acute its "growing pains" during this early period of rapid expansion, that the industry as a whole was slow to devise an internal solution for this pressing need. It has been said that the first real recognition of the seriousness of the problem did not occur until about 1890. "In that year death losses were unusually high, and life insurance companies uncovered widespread evidence of fraudulent claims. Clearly the life insurance industry needed to find some way to make it reasonably certain that the business it was writing was fairly represented."  

Development of a Sideline

The greatest concentration of insurance company home offices at the beginning of the century was located in the heavily populated East, under the financial wing of the major sources of American capital. The Southern portions of the United States still were regarded as the hinterlands, and it is said that many residents of Boston, New York, Philadelphia, and other staid bastions of New World civilization, thought of the South as a swampy wilderness inhabited for the most part

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by semi-savages. Even by the more enlightened insurance underwriter it generally was considered that many sections of the South were poor markets for standard-risk policies. Mortality rates were considered to be higher in a number of Southern states than for the nation as a whole, and increased premiums for "location hazard" frequently were imposed. But the increasing competition in the insurance field made development even of the Southern market necessary. Obviously, there was a need for greater care in selection procedures under such conditions. The Eastern underwriter, moreover, was far removed from the scene of action, and few existed who were either willing or able to write the volume of Southern business necessary to support efficiently a far-flung internal inspection effort.

To Cator Woolford, who had a more sanguine opinion of the South and who was favored with the perspective of the interested but uninvolved observer, the desirability of an objective source of information quickly became evident and was interpreted as an opportunity to diversify with profit the services offered by his firm. At the turn of the

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3Dingman, Selection of Risks, previously cited. Speaking of the findings of the American-Canadian mortality investigation, published in 1918, Dingman states that this investigation "showed six southern states to have a mortality 35 points higher than the 89 per cent ratio of six northern farming states." (p. 152). He explains by saying: "This appears to be a study of habitat, but more than that it is a result of certain people choosing to live in certain regions because of occupation and racial background." (p. 152-53). Regarding the malaria hazard, he states further that "Deaths were 131 per cent of expected in Southern States policyholders, 85 per cent in policyholders elsewhere in the United States, with history of malaria." (p. 223). To insure with safety in these regions, particular care had to be exercised in evaluating each individual risk, especially from the standpoint of personal hazard.
century there were scattered about the country many small credit in-
spection agencies, local and impermanent in nature. The major portion
of these were quite small, and depended for their field information on
numerous but temporary correspondents of varying ability and reliabili-
ty.

With an appetite whetted by his successful initial efforts with
insurance inspections, Mr. Cator was inspired to conceive of a great
national network of such reporting agencies and independent corre-
spondents working under the aegis of the Retail Credit Company to pro-
vide the insurance industry with information about all prospective
policy holders through one central source. It was his idea that his
company would act in the manner of a commercial agent, relaying re-
quests for information to the most appropriately located agency or
correspondent, who would then investigate the applicant, write the re-
port according to a prescribed formula, and forward it to the request-
ing insurance company. For establishing and maintaining these sources
and for supplying them with forms and supervising the methods and
techniques of inspection, the Retail Credit Company would receive
commissions which in total would stagger the imagination.

Very quickly, however, it became evident that such a scheme
represented an impractical approach to the problem. The agency re-
lationship did not provide a degree of control sufficient to insure the
quality of inspection work needed; nor was there likely to be a profit
margin adequate to allow a reasonable commission for the supervisory
efforts required. But, though this elysian economic dream was short
lived, another more practical approach soon began to take on the form of substance and reality. This contemplated the development of branch offices through which the reporting efforts of carefully selected and trained correspondents could be supervised effectively.

Undoubtedly, Cator Woolford wondered why other consumer credit reporting agencies were not already specializing in this field. It was possible that other firms simply had not yet realized the vast potential in life insurance reporting. Perhaps many were content with their current scope and volume of business, or, if they had considered this field of specialization, were unable or unwilling to give the quality of service required for its exploitation. Whatever the reason, it was evident to him that as yet no firm had developed the type of service actually required by insurance underwriters. The usual credit report, although used with considerable frequency as a rough gauge of the insurance applicant's character, was not calculated to reveal the various aspects of personal hazard about which the underwriter needed specific information. Its primary virtue was its availability from one of the many scattered credit reporting agencies then in operation. At best it was a makeshift tool.

Recognizing the need for research in this matter, Woolford inquired into the specialized problems of the underwriter, attempting to identify the factors underlying his peculiar informational needs - i.e., what kind of information was wanted, what were the best sources for its discovery, and how could it be elicited with a minimum of expense and a maximum of efficiency and reliability? He was unwilling to sell the insurance companies his credit reports as an aid to underwriting simply
because they were already available. Instead, he set out to create an informational service tailored to the specific requirements of his prospective customers. This proved to be a far greater task than first was anticipated.

**The Branch Office System**

At least one large insurance firm, by hearsay the Home Life Insurance Company of New York, had been having considerable difficulty in securing adequate information for proper evaluation of the personal hazard on its applicants in the South and Southwest. As stated earlier, the use of Retail Credit Company reports had been of material assistance to their Atlanta cashier, and early in 1902 officials of the Home Life are said to have approached Mr. Woolford with a proposal that he establish an office in the Southwest to render the same type of service that had been supplied so successfully in Atlanta. Despite Woolford's ambition to expand, the Retail Credit Company was hard pressed for cash to finance such a move. The improvement in volume and revenue since insurance reports had been inaugurated, however, created an aura of optimism that made it difficult to refuse such an earnest request on the part of a good customer. It was felt that the firm should accede to any reasonable demand by its customers for services which were needed and could be rendered effectively, and it was at this time that the policy of subordinating all activities to the single purpose of service to "the companies" was conceived.

4"The Companies," refers to firms in the life insurance industry which over the years, have provided the major portion of the Retail
The very nature of the inspection business made it less difficult than might be expected for the firm to branch out in the manner suggested. Operating expenses were relatively low and predominantly variable. Particularly in the early days, little fixed expense was incurred in the operation of a branch office. Terms of sale called for cash with order or monthly billing, and insurance companies generally remitted promptly for such services. It was decided, therefore, that an office should be opened in Dallas, Texas, as soon as possible. This proved to be the first step in a long range program to blanket the country with a reporting net that, through one agency, could provide a consistently good quality of inspection reports on any individual regardless of location. Such a standardized, coordinated service could not possibly be duplicated by any local or regional reporting agency.

So it was that in March of 1902, T. Guy Woolford arrived in Dallas by train, his trunk bulging not with clothes--of which he had few and for which he cared little--but with printed blanks, report forms, and supplies of all kinds needed to duplicate the Atlanta insurance inspection operation on a small scale. The only immediate prospects for business consisted of reports for the Home Life and for three or four other customers of the Atlanta office who had promised their Texas business to the new branch on the strength of favorable past experience.

Mr. Guy did almost all of the local reporting himself, in addition to lining up correspondents in the surrounding area and doing Credit Company's volume of business.
what he could to promote business from local offices and agents. Corre­pondents were selected mainly from attorneys listed in Martindale's Directory, but occasionally other credit reporting agencies, local merchants, or other business men were employed on a fee basis to make inspections. The credit reporting agencies, on the whole, made less satisfactory insurance reporters than other correspondents. They seemed to be unable to understand the difference between the convention­al credit report and the insurance report. The information they de­veloped usually applied only to the character portion of the personal hazard information needed by the underwriter. In fact, it appeared to be easier and more satisfactory to teach a properly qualified lawyer or business man the fundamentals of insurance reporting than to change the long established inspection habits of the credit reporting agency.

By dint of long working hours and meticulous supervision of expenses, however, the Dallas branch showed a profit almost from the first month of operation. So confident were the Woolford brothers of their ability to develop successfully this type of reporting that Claude Frederick was sent out late in July, 1902,\(^5\) to take over the Dallas office while Mr. Guy returned to Atlanta to make preparations for the opening of additional branch offices.

By October, when enough money had been accumulated to initiate the effort, Mr. Guy again packed his trunk and left for Cincinnati.

\(^5\)Although there is no record of the exact date of this event, according to the original book of accounts the managers' salary re­ported for the Dallas office increased temporarily from $75 to $100 in July, 1902, thus indicating a possible overlap of about one week while two managers, at a rate of $100 per month, were charged to that branch.
Here another office was opened with even greater success than had been enjoyed at Dallas. On January 1, 1903, Claude Frederick again followed Mr. Guy, moving from Dallas to Cincinnati when the latter gentleman returned to Atlanta, and R. E. Hudson took over for a time the Dallas operation. Unfortunately, Hudson fell seriously ill and left the firm about the middle of 1903, being replaced in Dallas by D. Smith Hill who for the preceding few months had been assisting Frederick in Cincinnati. By July of 1903, the insurance operation in Atlanta had grown so healthy that an insurance department had been set up in the home office completely separate from the credit and financial reporting work, and inspections were being made by specialized reporters under the supervision of Mr. Guy, who now carried the title "Assistant Manager" of the Retail Credit Company.

By June 30, the end of the fiscal year for 1903, the Company's position was definitely improved. Assets for the first time exceeded liabilities, and by the healthy margin of $838.58. The following summary breakdown of the firm's business, showing reports made and excluding subscriptions to the Merchants' Guide, indicates quite clearly the rapidly increasing importance of the insurance business which the firm had taken on a little more than a year previously as an experimental sideline.

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6 No relation to Walter C. Hill.

7 Retail Credit Company Annual Report for the fiscal year 1903.
### Number of Inspections and Financial Reports

<table>
<thead>
<tr>
<th></th>
<th>Number of Inspections</th>
<th>Out-of-Town Financial</th>
<th>Local Financial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlanta Office</td>
<td>10,993</td>
<td>3,482</td>
<td>4,522</td>
</tr>
<tr>
<td>Dallas Office</td>
<td>3,507</td>
<td>636</td>
<td>-</td>
</tr>
<tr>
<td>Cincinnati Off. (8 mos.)</td>
<td>3,447</td>
<td>250</td>
<td>-</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td><strong>17,947</strong></td>
<td><strong>4,368</strong></td>
<td><strong>4,368</strong></td>
</tr>
<tr>
<td>Out-of-town, financial</td>
<td></td>
<td><strong>4,368</strong></td>
<td></td>
</tr>
<tr>
<td>Local, financial</td>
<td></td>
<td><strong>4,522</strong></td>
<td></td>
</tr>
<tr>
<td>Augusta, Macon, etc.</td>
<td></td>
<td><strong>528</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total Reports</strong></td>
<td><strong>27,365</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*This refers to inspections made for insurance purposes only. The "financial" inspections were made for credit purposes, the fee being 15¢ each as opposed to the $1 fee earned for insurance reports.*

The annual report for 1903 also indicates that there were eleven employees on the payroll in the Atlanta Office, including Cator and Guy Woolford. The office itself, having outgrown the two rooms available in the Gould Building, had been moved during the year to 319-20-21 Atlanta National Bank Building (then known as the Century Building), at an increase in rent from $15 to $35 per month. In addition to the Atlanta staff, there was D. Smith Hill at Dallas and Claude Frederick in Cincinnati, each of whom, presumably, employed office help only on a part time basis, as needed. O. B. Andrews had received an attractive offer of employment from the Fidelity Mutual Insurance Company as a field inspector and had left the company. Garland Pryor, in ill health, also had resigned. The number of "signed," or regularly employed correspondents had been increased materially, however, as the demand for reports became greater with each successive month.

Insurance firms were now expanding their business rapidly. The increasing pressure exerted upon their salesmen and agents to produce
a large volume of sales was not conducive to careful risk selection at
the grass roots, and underwriters began to become more receptive to the
idea of inspections made by an independent agency. The sale of insur-
ance was now being distributed more widely among various occupational
groups, and individuals in the lower as well as the middle and upper
income levels were beginning to buy. This increased the range of
customer classes to be evaluated by the underwriter. New types of
contracts were being offered to meet the needs of various classes of
buyers. In short, the field of life insurance was growing increasingly
complex, and the limited sources of information on applicants hereto-
fore utilized were rapidly becoming over-burdened with demands for a
more accurate and specialized type of intelligence. The field of insur-
ance reporting, consequently, was ripe for development by any firm
that could supply a suitable network of qualified correspondents, work-
ing efficiently with a standardized set of procedures, forms and tech-
niques. Cator Woolford was confident that a large demand for insur-
ance reporting existed. He needed only to develop an organization
capable of claiming it.

Time was required, however, to absorb the great spurt in the
volume of reports that resulted from the inauguration of the branch
offices. Dallas and Cincinnati had produced together as much business
as had been done by the entire operation in 1902. Dedicated as he was
to the principle of the "baker's dozen," Cator Woolford preferred to
"make haste slowly," despite the temptation to grasp any additional
volume possible at the expense of service quality. But Mr. Cator was
never known to be content with his current success, or to take advantage
of his customers for a short term gain. At the same time, he was not
loath to benefit from any and every opportunity that came his way. His
attitude is expressed clearly in a letter written to his two branch
office managers on the eve of a sales trip East, reproduced below in
its entirety. 8

Atlanta, Ga., 9/30/03

Office Managers:-

In saying Goodbye for my trip - I wish to ask everyone
connected with the Company to be as careful as possible with
the work while I am away. Let us see if we cannot have our
reports full and complete and furnish them promptly; have
them well written - in other words, let us cut out all mis-
takes for the next thirty days at least. Nothing gives me
quite as much of a set-back as to walk into some big insur-
ance office just full to the brim of the talk I am going
to give them and have them incidentally show me a report
that is not complete - or have to see one on the Medical
Director's desk that is poorly written. The companies are
not going to say anything about these little things, but
they certainly count with them.

I am going to take a bold stand and make the assertion
that we are in position to furnish them with prompt and
reliable service, and I can only do this with the co-
operation of everyone connected with the Company.

I feel very much encouraged at times by looking over
reports we made up a year or more ago to see the improvement
we have made in our service in that time. It makes me feel
that perhaps at some distant day we can have the inspection
agency we hope for and Medical Directors dream about, but as
yet they have only seen such an agency in their dreams. As
we gradually improve our service we will get more business
from all of the companies; that is, they will do more in-
specting - get more reports. The reason they have not done
so in the past is because the inspection service has not been
satisfactory. I firmly believe that we are giving them better
service than any other agency, yet I see where our service can
be improved, and I think we are improving it all the time. Let
us not be satisfied, but try and make it an agency that we can
all be proud of.

Yours truly,
(Signed) Cator Woolford
Manager

8 Archives of the Retail Credit Company.
The volume of reports from both old and new customers gained rapidly during the last half of 1903 and Cator Woolford was encouraged in his plan to expand his branch office system to cover the nation. By this time underwriters had access to an ample number of information sources in the Eastern territory, even though there remained something to be desired in the quality of the reports they were receiving. By contrast, the Western areas still presented a difficult problem. A number of local agencies were available, it is true; but there was the problem of making contacts and maintaining coordination with them. The advantage of dealing with a single firm, the quality of whose reports had been proven, gave the Retail Credit Company an advantage over this local competition. Thus, by the end of 1903, Mr. Cator was ready to branch out again and late in February, 1904, an office was opened in Kansas City by George A. Bland, who had recently been added to the force.

Early Personnel

Personnel was recognized as a key factor in the success of this business at quite an early date. So far, of the dozen men who had been employed with the expectation of developing them into successful reporters and branch managers, only two or three in addition to Claude Frederick had displayed or developed the qualities desired. Since insurance reporting was still in its infancy, there was no pool of experienced personnel from which to draw recruits. The only logical source for good management material with an adequate background of knowledge was from the ranks of insurance men. It was natural, there-
fore, for Cator Woolford to seek out again his good friend, James A. Morris, for assistance. He disclosed his need for good men with which to build the organization in such an urgent and attractive way that a member of Morris' own staff, George Bland, had been recommended and employed on February 1, 1904. Considering the primitive state of the insurance reporting business at this time, Bland was considered an expert in his field. With only the most rudimentary indoctrination by Cator and Guy Woolford, he had been sent out to Kansas City to organize the office to be opened there. By November he had the new venture well on the way, and R. C. Banks, who had been given training in Atlanta since January 25, was sent out to relieve him.

By this time, Mr. Cator was almost constantly on watch for likely candidates for his growing corps of employees. Early in 1904, he had even addressed a letter to Walter Barnard Hill, Chancellor of the University of Georgia, asking that he recommend a "bright young man with college training and some business experience" for a position then open in the Retail Credit Company. Without replying to Mr. Woolford, Chancellor Hill forwarded this letter to his own nephew, Walter Clay Hill. The latter had begun his business career in his father's insurance and loan business, had moved to the New York Life Insurance Company as a special agent, and later had joined the Union Central Insurance Company as cashier in their Savannah office, a position he was about ready to relinquish.

Walter Hill already had heard of the Retail Credit Company through Mr. Robert L. Foreman, Manager of the Equitable Life in Atlanta.
Discussing with Hill his practice of taking premium notes from agents, Foreman had spoken of getting credit reports on these agents from the Retail Credit Company, and of how reliable the reports were. As cashier for the Union Central Insurance Company in 1903, Hill also had made some insurance inspections, one of the few duties of his job which he had enjoyed. Although discouraged by his father and unable to find the Retail Credit Company listed by the Bradstreet Agency, Walter Hill was so intrigued by the possibilities of a connection with this firm which appeared to be pioneering a new industry that he wrote a formal letter requesting employment to Mr. Woolford. He was most unhappy when he received an immediate reply that the position in question already had been filled.

In the meantime, Walter Hill had been elected Surveyor of Jasper County, Georgia, a job his father had held for many years previously and which he continued to handle as his son's deputy. The younger Hill, it may be noted, knew little or nothing at the time about the technical side of surveying. Under his father's tutelage, however, he acquired sufficient proficiency in short order to justify taking the job of surveying a 40,000 acre tract in the neighboring state of Alabama.

On his way to Alabama, Hill stopped by the Atlanta office of the Retail Credit Company to renew in person his application for employment. Unfortunately, since both of the Woolfords were out and his time was limited, he could only leave his new address. Near the completion of his surveying job, however, he received a letter inviting
him to come by the office for an interview on his way home. Thus it came about that on September 23, 1904, after a 15 minute session with Mr. Guy Woolford, Walter C. Hill was employed as a clerk at a salary of $30 per month, and went to work the same day. This was the last full time business connection he ever made, since he remained with the Retail Credit Company in an active capacity for more than half a century, and moved up steadily through the ranks to the position of Chairman of the Board of Directors. Even to the present day, while enjoying his currently active and fruitful period of "retirement," Mr. Hill lends the company his sage advice and practical counsel as the oldest active director of the firm.

A branch office in Chicago was next on the agenda for the Retail Credit Company, and Bland moved there from Kansas City, taking H. H. Rast along as an assistant. In May, Rast took over the management. After working out of the Cincinnati office for a month, Bland moved in July, 1905, to San Francisco, where an office was opened in the Flood Building.

A month or two after Bland had opened the San Francisco office, Walter Hill was sent out to join him. Hill showed so much initiative and skill in the performance of his duties as Assistant Manager that Bland was recalled to Atlanta in October, 1905, to take over the insurance department at the Home Office, leaving Hill to continue as Manager after only a couple of months on the job.

Walter Hill's tenure in San Francisco was destined to be, perhaps, the most exciting and at the same time the most exacting task
ever to fall to the lot of a Retail Credit Company branch manager. He had been on the job scarcely seven months when his office building, along with a major portion of San Francisco itself, was demolished by the great earthquake and fire of 1906. Hill was fortunate to escape with his life. All of his clothes (excepting the few he had hurriedly thrown on during the quake), his money, and personal belongings were engulfed in the wreckage of his residence and his office building. The firm's petty cash, equipment, and records all were destroyed. Only by chance and by dogged persistence was Hill able to rescue the thread of current operations, by claiming the company correspondence from the disorganized stacks of mail laid out on long tables in the Oakland Post Office across the Bay.  

As a result of this catastrophe the firm's volume in San Francisco dropped in April to about 40% of the preceding month's total. By June, however, business not only was restored to normal, but was increased to the highest total ever secured in the short history of the San Francisco branch.

The Armstrong Investigation

Prior to this disaster in San Francisco, another upheaval of far-reaching effect was in full swing within the insurance industry. The same "trust busting" fervor that had culminated in the passage of the Sherman Act in 1890 had been focussed, finally, on the relatively

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9\ A letter from Walter Hill to his mother, written shortly after he found safety from the inferno in Alameda across the Bay, gives an eye-witness description of this historic tragedy. This letter is reproduced in its entirety, as a matter of general interest, as Figure 10.
My dear Mother:

San Francisco, the proud City of the Hills, has been obliterated. The thirsty flames are now licking up the last remnants of the homes of half a million human beings. I am sending you a paper which will give you an idea of the calamity which has befallen the Metropolis of the West, and some of her sister cities.

I telegraphed the Company last night that I was safe across the Bay, and instructed them to wire you.

Will give you here only a little of me and my movements in the face of this disaster.

Wednesday night I had not been very well and was awake a good deal. About daybreak, at 5:15, I got up for some water. As I turned to the bed, the demon which has laid a city in ruins seized me with its giant hand and dashed me against the dresser, then back, square into bed. That fearful, heart-rending, crashing roar! It fills me with terror to recall it. I was paralyzed with fear when I heard it. The building was swaying and scraching with a deafening violence. I threw myself out of bed and seized the door. It was jammed! I was then thrown to the floor, and rising saw the door open. I grabbed for some clothes in sight and rushed down the stairs and into the street, just as the fearful convulsions ceased. Others came pouring into the street, all in night dresses, the women screaming and the men groaning. A brick building across the street was still tumbling down. From the city around could be heard the crash of buildings still falling. No one appreciated then the calamity we all faced. I began to draw on my clothes, and found I had one shoe, three vests, two white ones, and a gray top coat. These I put on over a suit of pink pajamas.

I then remembered Miss Welch, a young lady living alone on the floor above me. She is a stranger in the city, without relatives. I rushed back into the house and up four flights of stairs for her. As I passed my room on the floor below her, she
was knocking and calling me. She was as cool and collected as could be. I hurried her up to get dressed, pulled on a more complete outlay myself, and as I came down the second shock, with that terrible, deafening, unspeakable roar, began to rock the earth with its incomparable strength. This, however, was not nearly so severe as the first. The street was then filled with terror-stricken people. From our position on the hill, great, slow-ascending columns of smoke could be seen climbing skyward through the still haze of the morning light. These soon gave way to sharp red tongues of flame. They were stretched in a semi-circle, starting north of the Ferry Building and sweeping southward, clear around the southern border of the city. This cut off all means of escape from the doomed city. I left Miss Welch on the hill and went down to reconnoiter. As soon as I got down into the flat part of the city, the wreckage made me heartsick. Great blocks of buildings were a mass of tangled ruins. The streets were covered with broken glass and other debris. I came back by the Jas. Flood Building and saw this beautiful structure a windowless, shivered wreck. My heart failed me. Already frantic women, with their babies and a few scant belongings, were plodding breathless up the hillside. Their misery was fearful; they were being driven by the fast-increasing conflagration away from the "South of Market" and "Mission" districts. The men were laboring along, dragging trunks or bundles, seeking safety. I went back up to the hotel, and from there could see the then unbroken semicircle of flame that was sweeping over the city. I hurried to my room and got a couple of blankets, and Miss Welch and I started for the Presidio, towards the sea.

That was a fearful march, with the homeless - along a street half filled with debris, seeing wrecks of palatial homes on either side. Carriages were rambling over the wreckage; automobiles went screaming here and there; and hatless riders went dashing here and there. You alone were to look after your own safety. In the street were great ridges, or wrinkles; the asphalt was rent here, clear across the street, in a crevice a foot or two feet wide, - there, it was doubled over, or gabled up. In some places, - a few - the earth would sink four or five feet, breaking in a sheer declivity.

To make a long story short, we went prepared to sleep in the park, but feeling the city's doom. I immediately began to negotiate for a boat passage across the bay. This was 9:30 A.M. when we began to make our way along the beach, offering all I had to every possible boatman. I finally hired a naptha launch,
and at 3:30 landed on this side. Nothing to eat, nothing to drink, witnessing scenes of horror and despair. I was almost all in.

Miss Welch has an aunt in Alameda; at 5:30, we finally reached them here in Alameda, - one of the most beautiful spots I ever saw. I am now, welcomed, at the home of Dr. Perry, a well-to-do druggist, and am better situated than 99% of the former residents of San Francisco.

The water mains were all broken in San Francisco by the shock. Fire was fought only with dynamite. The hapless citizens face a water famine. Martial law prevails - no one is allowed to go to the city. The people are surrounded by soldiers, in Golden Gate and at the Presidio. They are a howling mob. Refugees are pouring across the bay and are being marched in bunches to places of refuge in parks, etc. In Oakland and in San Francisco, the soldiers shoot to kill for any transgression of their commands.

Last night we went to the beach and saw the fearful conflagration in all its grandeur. A line of twelve miles of solid flame, and sparks mounting sky high as some monster building fell in. The continuous boom of dynamite which has been resounding since 10 A.M. yesterday adds a horror to the scene.

It is now 2:30 Thursday afternoon; the catastrophe began yesterday at 5:15 A.M., and the spectre column of smoke still rises from the site of the once proud city. The remnants are being licked up, and by morning nothing but ash will mark the site of its former magnificence. All yesterday, occasional deep rumblings and frequent recurring shocks kept the people in a nervous tantrum. These continued until about 2 A.M. this morning.

Don't know what the final outcome will be. Will await results. Have as good chance as anyone, and better than hundreds of thousands. Have wired for money and may go to Sacramento if necessary.

The general opinion is that San Francisco is done for.

Pray for the tens of thousands of homeless, helpless people.

Your lucky boy,

Walter C. Hill.
unregulated insurance industry. Rapid expansion, together with an almost total lack of state regulation in this field, had invited and entertained many abuses. Various types of financial manipulation and cut-throat competition in rating and pricing by some of the more irresponsibly managed firms began to take its inevitable toll on the industry, as well as on the insurance contracts covering the lives it purported to protect. So obviously was the policy holder’s security being trifled with that a committee was appointed in New York State under the leadership of Senator William W. Armstrong to investigate activities within the life insurance industry. Public hearings began on September 5, 1905, and a report of the committee was transmitted to the New York Legislature on February 22, 1906, resulting in the enactment of statutes designed to eliminate many of the improper and sometimes fraudulent practices within the industry.

The conditions within the industry in New York and elsewhere were found to be so distressing that at a conference of Governors, Attorneys-General and Insurance Commissioners held in Chicago in 1906 a “Committee on Uniform Legislation” was appointed to study the situation carefully and specifically. As a result of this study, many other states adopted the changes recommended for insurance laws. The general

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10 Insurance was not considered by the courts to be “commerce” until nearly half-a-century later, and thus was not subject to Federal regulation.

11 The counsel retained to conduct the proceedings was headed by Charles Evans Hughes.

12 This was popularly known as the “Committee of Fifteen.”
tightening up of administrative practices that naturally would follow
the enactment of regulative statutes, and the closer supervision of
the industry that resulted, gave a decided impetus to the movement
toward risk inspection by the life insurance industry generally. Denied
the unfettered use of policy reserves for securing new business and for
expansion, prevented from forming investment syndicates and from issu­
ing certain types of policies that were expensive for the majority of
the policy holders, the established companies suddenly were faced with
greatly increased competition, and a sharp though regulated rivalry for
business ensued. The need for operating on much closer margins forced
a more careful inspection of risks by the industry generally. Some
firms, in fact, seeking to expand their potential market by the issu­
ce of sub-standard policies, discovered an especial need for more
accurate and detailed knowledge concerning their applicants.

Within this favorable climate for inspection services, the
Retail Credit Company continued to expand almost everywhere except in
the East, a market where the bulk of the insurance business was being
written. Cator Woolford had delayed his efforts to open a branch
office in this part of the country for two reasons: There was too much
competition on the one hand, and too little money on the other. Here,
close to the home offices of the larger insurance companies, were al­
ready established a well-rooted and fairly competent group of reporting
agencies. Moreover, due to the density of the population and the
relatively large volume of local business, the larger insurance firms
were enabled more efficiently to inspect their own risks. The plan
worked out by the Retail Credit Company was to flank the major ob-
jective and establish branches to serve the periphery of the market,
where competition would not be so intense, where operating costs were
lower, and where the firm could offer a needed service. Accordingly,
an office was opened in Baltimore in January, 1907, by Walter Hill.
By July it was felt that a sufficient foothold had been obtained to
warrant the invasion of New York, and Walter Hill also opened an office
there. In October an office was established in Greensboro and at the
end of November, 1907, Hill left New York to open an office in Phila-
delphia. Of all these branches, only the one in New York continued
without interruption, Baltimore being closed on December 1, 1907, and
Greensboro and Philadelphia in December, 1908. All of them, however,
were to be re-opened on a permanent basis some years later, as the
young firm's business grew in volume and scope sufficient to support
them.

With the establishment of the New York office in July, 1907,
the Retail Credit Company had achieved a significant step toward its
objective of furnishing for the life insurance industry an inspection
service that could supply with efficiency, economy, and dispatch the
"personal information" needs of the underwriter. With seven control
points set up, through which a network of competent correspondents
might be developed and supervised, the company could provide a "Nation-
al Inspection Service" capable of producing information of uniform
quality in accordance with an established standard of procedure.
For any given insurance firm, regardless of the location of its home office where the final decisions to insure must be made, any individual in the country could be subjected to a careful scrutiny in accordance with a predetermined inspection standard. This could be done, moreover, at a cost far below that which would be incurred if the individual firm conducted its own inspections. To make such a service possible, it was essential to develop and adhere closely to a uniform system of procedures. If the Retail Credit Company has developed a "secret formula" for insuring the successful operation of a service industry, it is probably to be found primarily in its early development of systematic procedures and its judicious adherence to such procedures.

By the end of 1907 Mr. Cator had led his company through a period of intense "growing pains," and had developed an operational framework of six branch offices in addition to the Insurance Department in Atlanta. In this process he had developed certain systems and policies designed to improve the quality of service rendered by the firm. These may be considered under three major categories: (1) Service Systems; (2) Internal Operating Systems; and (3) Personnel Development.

See Figure 11 for a map showing locations of offices as of 1913. Except for the addition of some Sending Out Stations and Local Lock Boxes, this branch office system is the same as that in effect in 1907.
Fig. 11. Location of Retail Credit Company Offices As of 1913
Service Systems

It was pointed out in Chapter V that life insurance companies generally were slow to develop internal methods for evaluating personal hazard other than that due to the applicant's state of health. Many underwriters considered this phase of risk inspection to be a minor problem, feeling that only rarely would a poor risk escape detection from at least one of the screening factors provided by the agent, the medical examination, and the applicant's own signed statement regarding his health and medical history. In addition, many underwriters had developed an almost uncanny ability to sense the existence of a sub-standard risk. On the other hand, many underwriters were dissatisfied with the limited information available, and constantly sought to improve the volume and accuracy of facts used in risk analysis.

Because of these divergent opinions and practices, there was little or no uniformity in the early requests for information coming to the Retail Credit Company. To Cator Woolford's orderly nature, this lack of standardization and system was reprehensible. To him it seemed essential that all reporting activities be conducted in a highly standardized manner, not only for the sake of economy, but also to insure that the underwriter be given the consistent aid needed for proper evaluation of personal hazard.

Early Report Forms

Andrews' eastern sales trip, described earlier, had revealed the eagerness of insurance men to obtain pertinent personal information
about their applicants. It also had made clear that few systematic procedures had been evolved within the life insurance industry for the development of such information. Not very many firms had even formulated standardized questions regarding applicants to be answered by their irregular correspondents. The usual procedure seemed to be for the underwriter to base his queries on the specific needs in each individual case. When a printed form actually was employed, it sometimes was necessary for the underwriter to phrase his own questions and insert them with pen and ink in the spaces allotted. Only a few firms had developed for themselves a regular inspection report blank. The New York Life Insurance Company, the Mutual Life of New York, and the Equitable Life were among this small group. The questions covered a wide range, both in number and in the variety of information desired.

As may be noted from Fig. 8, the New York Life form used in 1893 consisted of seven questions intended to establish identity, age, appearance of health, drinking habits, character, reputation, and miscellaneous undesirable factors. Blank forms used by some companies provided only for short answers regarding "occupation, health, and habits." Others might include as many as 68 detailed questions on the foregoing, or on other points that might represent a particular interest of the individual underwriter.

14See Figure 9, Chapter VI, "Insurance Inspection Report Made in 1886."

15An early report form used by this firm is reproduced as Figure 8, Chapter VI.
With the advice of James A. Morris undergirding the idea they had developed themselves from a careful study of current practices, the Woolfords' first effort to produce a standard blank represented an improvement over most of the forms previously in use. Printed on a standard sized (8½ x 11) sheet of paper, the top third was designed to carry the letter of inquiry and supply essential identification of the applicant to be reported on. The balance of the sheet was arranged in block form, with fourteen carefully worded questions arrayed on the left side of the sheet so that corresponding blank spaces would be available on the right side for the insertion of the answers. At the bottom of the page a note to the inspecting correspondent indicated that further pertinent information, when obtainable, could be added on the reverse side. Figure 12 represents what is thought to have been the first report blank used by the Retail Credit Company.

While the general appearance of the life report form has not changed markedly over the years, the same cannot be said for the type of questions included thereon, or for their wording. It was obvious that each question should be sufficiently general and suggestive to develop the information desired from the field inspector. At the same time, the question had to be specific and definite enough to allow accurate interpretation of answers by the underwriter. Quite naturally, as social and economic patterns have changed and as members of the industry have acquired experience, skill, and accuracy in their evaluation of reports for the purpose of risk analysis, the content and wording of the questions asked has been improved. The life insurance
RETAIL CREDIT CO.,
Atlanta, Ga.

Gentlemen: Please furnish us a report on the party named below, and oblige,
Yours truly,

Name
Occupation
Address
Age

REPLY

1. A—Do you personally know above party?
2. B—If so, for how long?
3. A—Is he older than age given above?
4. B—Or, what is his age?
5. About how much is he worth?
6. About what is his annual income?
7. Does his appearance indicate good health?
8. Do you know of the applicant or any of his family having had consumption, insanity, or any hereditary disease?
9. Does he ever drink to excess now? If so, about how often in month or year, and duration of excess?
10. If not to excess, to what extent does he drink?
11. Has he drunk to excess in the past?
12. If so, about how often during the year, and duration of excess?
13. If reformed, about how long since?
14. Has he ever taken Morphine or any other drug?
15. What is his general reputation?

16. A—Do you recommend the acceptance of the risk for life insurance?
17. B—If not, how do you rate it? First-class, good or fair?

Date Signed

REMARKS. State on other side of this sheet any other features that might affect the risk, e.g., Sanborn mortality, family history, etc.

Fig. 12.--Early Form of Report Blank
Used by the Retail Credit Company, about 1901.
report blank used early in 1911, shown as Figure 13 is indicative of the changes made. Not only did the later form specify "Man's Inspection Report"; but also the questions, now thirteen in number, covered more ground while at the same time were more specific.

Beginning with the earliest forms, which were produced by mimeograph in the company's office, and extending through the stages of outside job orders by local printing firms to the company's own Supply Division, the report blanks were adapted to typewriter spacing and questions were designed to permit "yes" or "no" answers. 16

Introduction of Riders

Because many underwriters had their own notions regarding the type of information best suited to their needs, and desired that varying topics be explored in some detail, the development of "riders" paralleled the history of the blanks themselves. At first the firm typed out, and at a later date printed, the specialized questions required by each underwriter. 17 In time, however, the riders were developed to fit particular situations rather than the needs of individual customers. To illustrate the evolutionary nature of service

16 In earlier days the Retail Credit Company used colors to distinguish the different types of blanks - the Man's Life blank being white; the Woman's blank a delicate pink; the Agent's blank a lemon yellow; Medical Examiner blanks a deep blue; and the Death Claim blank a deep buff. The color scheme was continued in use until 1927, although shortages during the years of the First World War made it both expensive and difficult to secure the correct shades required and led eventually to the decision to abandon this practice.

17 For an illustration of the early rider forms used, see Fig. 14.
**Fig. 13. Man’s Life Report Form (About 1911)**
Hotel, Restaurant capsers and in some sections, Storerooms.

SPECIAL.

Is there a bar on retailing of intoxicants on the
premises?

If a bar attached, what character of patronage has
the place?

If a bar attached, does he personally tend it if so,
regularly, or now and then only?

Fig. 14. Early Rider Forms Used by Retail Credit Company.
system development, the riders at first were white slips cut to the width of the report blank and were pinned at first, then gummed, to the left side of the blank at the top. It was found that in this position the rider covered up both questions and answers, frequently resulting in the inspector not answering those questions covered over by the rider. It took until 1914 to recognize and correct this elementary difficulty, and at that time Mr. Walter Hill suggested a reduction in the size and shape of the riders. The result was an oblong slip gummed at the top, which was attached on the left side of the blank immediately under the heading.

The Inquiry Ticket

Another elementary requirement, that resulted in the development of a system to simplify the customers' ordering of reports, was the need for a record of authorization and direction. First called the "request ticket," these forms were printed almost as early as were the report blanks themselves. Some of the very early requests were made on the insurance companies' own blanks or letterheads. These varied considerably in form and content and the necessary information usually was cut off from the heading and preserved by the Retail Credit Company as a record of authorization for the inspection work. The resulting variety of shapes and sizes was a source of much trouble and confusion. The obvious solution appeared to be to furnish all insurance customers with a uniform blank that would facilitate the company's routine of handling them.
The first inquiry tickets were made up in booklets and perforated so as to leave a stub for each ticket on which the requesting firm might keep its record of the request. With the development of the Rapid Plan, to be described presently, which permitted the request to originate with the agent writing the insurance, the inquiry tickets were prepared in triplicate, each set printed on yellow, white, and blue paper stock. The agent would mail the white copy to the location where the report was to be made, the yellow copy to his home office as evidence that a report had been requested, and the blue copy to the appropriate branch office of the Retail Credit Company to insure a close follow-up of the request. The third ticket actually proved to be a considerable nuisance, with little offsetting value to be gained; eventually it was eliminated and subsequent inquiry tickets made up only in duplicate. The size of the tickets also has been reduced in the course of time.  

In February, 1914, the Executive Committee adopted a suggestion that booklets of five inquiry tickets be sold for $5 to business men in irregular lines, for use in requesting the occasional reports they needed. The intended purpose was to increase the business of the local credit office in Atlanta. These booklets carried for each ticket an address slip that could be detached and used as an address label for the finished reports. This address-slip idea later was extended to some of the company's earlier fire and casualty accounts where the volume was small, and actually was the forerunner of the address slip

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18 An illustration of the double inquiry ticket is shown in Fig.
INSTRUCTIONS

Tear out the entire blank along perforated line at the left; fold the top half back at perforation through the middle, and insert carbon to make a copy. Carbon sheets will be found at the back of this pad.

The spacing is adapted to typewriter. If typewriter is not used, print name plainly with pen.

Bear in mind that the inspector, to whom the applicant may be unknown, must locate and report on him. Therefore, exact identification will hasten the report. The reverse side of the form may be used for any additional data which you think will help inspector to locate the applicant quickly.

FOLD BACK AT THIS PERFORATION.

LIFE INSPECTION INQUIRY.

Co. No

Name

Address

Age

Birth State

Examined by

Form in

Front

Reverse

Fig. 15. Inquiry Ticket Used in 1913. (Actual size in booklet form, before being extracted and folded for insertion of carbon, 5 3/4" x 6 3/4".)
and outlook-envelope scheme now used for mailing all reports to customers.

The Rapid Plan (Direct Reporting)

To be of value in decision making, information must be made available quickly. For the life insurance underwriter this requirement posed a particularly difficult problem. Under the agency system a proposal to insure originated with the promotional efforts of the agent. The prospect's application, along with the medical report, was forwarded by the agent to his home office. At this point the underwriter often felt the need for corroborative information and requested a report from whatever outside inspection source he felt would be satisfactory. The request for a report usually would be forwarded by the inspection agency to a correspondent who, in turn, either would send the completed report back to the inspection agency for forwarding to the underwriter, or mail it directly to the home office of the insurance firm. Considerable loss of time resulted, and competition frequently forced the insurer to write a policy before all the facts necessary for a fair evaluation of the risk had been obtained.

The general use of the incontestability clause placed an even greater emphasis on early evaluation. Fretting over the delay caused by this multiple handling of inquiry tickets, Mr. Harrison S. Gill, of the Penn Mutual Life Insurance Company, arranged for Bagley and Willett, the firm's Atlanta agents, to deliver requests for reports in the Atlanta area directly to the Retail Credit Company, with the reports
to be sent in to the home office of Penn Mutual. This method cut
several days from the time required to obtain underwriting information
of a personal nature. It was not, however, accepted widely at first,
primarily because of the reticence of the insurance firm to reveal its
sources and methods of investigation to its agents.

As noted earlier, some years passed before the agency system
was developed in America to anything like the degree of efficiency and
reliability it enjoys today. Originally, the agent was not sufficient-
ly identified with the interests of the company to insure selection
action that always was in complete good faith. Many underwriters, al-
though anxious to speed up their reporting service, were loath to use
a system that might permit collaboration between agent and investigator.
One such firm, the Washington Life (now extinct), was interested in the
beneficial possibilities of the Rapid Plan. Mr. Andrews worked out a

19Noting this early development in a speech made on Mar. 22,
1914, at the Twentieth Anniversary Dinner of the Retail Credit Company,
Mr. H. M. Willett commented: "I remember when I came to Atlanta, about
seventeen years ago, the Penn Mutual, in competition with other compa-
nies, would frequently be able to get its policies back several days in
advance of the other companies, sometimes a week, and they began to
wonder how we could get them back so promptly. The secret really was
one that we had with the Retail Credit Company. The suggestion was made
by them, that instead of having the inquiry sent out from the home of-
office after the application reached there, and having to come back and
return again, . . . which took from two to three weeks, we, the agents
here, file requests for the reports.

"Under this reporting system, which the Retail Credit Company
started, we could get our statements /reports/ back in about five days,
and we found that a great advantage to us frequently in cases of compe-
tition.

"I think Mr. Woolford stated tonight that the suggestion of what
we call the rapid report system came to him from the Penn Mutual. We
used it to good advantage. Afterwards it was adopted by other compa-
nies and is used now by practically all of them."
special arrangement with them which provided for the rental of post office lock boxes in the towns where the Retail Credit Company operated branch offices. The agent would then mail his request for an inspection in a plain envelope, bearing no designation other than the post office box number given him by his home office for the particular location. This was styled the "Sub-Rosa" plan. Special inquiry tickets were provided their agents by the Washington Life bearing only the number "18." Other inspection services used in the same way were, presumably, given other numbers, in order to conceal the identity of the inspector from the insurance agent. This was a positive effort to forestall collaboration between agent and inspector.

As agents generally became more familiar with the advantages of inspection, and as their calibre steadily improved, the "Sub-Rosa" plan gave way to the undisguised Rapid Plan and the lock boxes were eliminated. In time, Mr. Claude Frederick was able to make arrangements for inquiries to be addressed simply to the "Retail Credit Company" in whatever town was indicated, and the correspondent located there would pick up his mail at the general delivery window. This system first was employed in Galveston, Texas, and proved to be so practicable that special rental boxes were eliminated in all but the larger cities.

Fee Direct Reporting Stations

As noted previously, almost from the beginning the Retail Credit Company had favored the use of young attorneys as correspondents, although merchants and other business men occasionally were selected for this purpose. These correspondents were employed on a fee-per-report basis. When the average number of reports from a particular locality
had increased to as many as 50 or 60 per month, the Company would designate that point as a Fee Direct Reporting Station and, under the Rapid Plan, requests for reports were addressed directly to the Retail Credit Company in that town. When the firm's report volume in a particular place developed to the point that it required more time than a young attorney could spare while attempting to develop a legal practice, the company appointed a full-time salaried inspector to handle reports in that vicinity. According to early company records, the first such full-time salaried inspector was a young man named Harry B. Washburn, who in 1910 was assigned to operate one of these Direct Reporting Stations (DRS) at Los Angeles, California, at a salary of $100 per month.

Since early life insurance agents generally were antagonistic toward inspectors and the inspection process, insurance firms were inclined to regard their agents as producers only. At this time, they neither expected nor desired the agent to make a contribution to the underwriting process. From the agent's point of view, consequently, the inspection of his prospect could have no effect other than to deny him, in many cases, the just fruits of his promotional labor. One of the first to realize and take remedial action about this situation was, perhaps, Mr. William H. Sargeant, Assistant Secretary and later President of the Massachusetts Mutual Life Insurance Company. At his request Mr. Cator Woolford made calls on agents of the Massachusetts Life at every opportunity, attempting by an educational process to overcome their antipathy toward this phase of the insurance process. So effective a salesman was Mr. Cator that his efforts in this direction
assisted materially in the enlistment of the agents’ sympathy for inspection reports, and contributed to the growing use of the agent’s judgement as an initial risk selection factor.

Wire Systems

Still another system designed to speed up service to the insurance underwriter involved the use of the telegraph. When the insurance company desired to hold up the issuance of their policies until receipt of the inspection report and wished to reduce the time lag, a system known as the "good wire" was introduced. This meant that if the inspection report was favorable a wire to that effect was dispatched to the home office. Later this system was expanded to designate not only the "good" cases, but also the bad ones. The wire to the underwriter would list under the caption "good" all favorable cases, and under the heading "Hold" those cases in which unfavorable reports had been developed. The underwriter then would release the policies indicated as "good," and hold for perusal of the report those listed under "Hold."

The straight "Hold Wire" system was developed some time after 1907 and was worked out by Mr. Cator in conjunction with Colonel Howard of the Travelers Insurance Company. Under this system the insurance company issued and released to its agents all policies where the application and medical examination were entirely regular, and depended upon a Hold Wire from the inspection agency to catch those cases where the inspection turned up unfavorable information. This wire gave the name of the case and indicated the unfavorable feature in code. Upon receiving this information, the insurance company would then wire
their agency to hold up delivery of the policy. This system further speeded up the delivery of the policy to the insured.

Much later, some time during the 1920s, the "Release and Hold Memorandum" system was developed. Under this plan the insurance company would release the policy to its general agent and then depend upon the Retail Credit Company to notify the agent directly whether he should release the policy or hold it for further consideration by the underwriter in the event an unfavorable inspection report was developed. This system reduced still further the time lag involved, and also reduced telegraphic expense for the insurance company. As time has passed more elaborate systems have been adopted utilizing the telephone as well as the telegraph to insure the maximum speed in reporting consistent with the circumstances involved.

**Internal Operating Systems**

The success of the Retail Credit Company is based to a large degree upon the ability of the firm to handle a mass of details accurately, rapidly, and economically. The product of the company is information - pertinent, timely, and reliable information about specific individuals who may be located anywhere, geographically, and who must be reported upon by a vast number of different inspectors. At the same time, all reports must be uniform with respect to construction, appearance, and the types of information sources utilized. The use of many branch offices for supervising this reporting activity in itself might result in variations in the character of reports made. A further complication in the early days was the fact that almost all inspectors were employed on a part time "fee basis," and relatively little control
could be exercised by the company over their activities. Since extensive training and close supervision was out of the question, the only practical course of action to be taken with unsatisfactory inspectors was to discontinue their services. This increased the turnover in personnel and introduced a further difficulty in securing uniformity in reporting methods. Reports from all parts of the country might be required by a single insurance firm and a high degree of standardization was imperative, regardless of the diverse conditions under which the reports had to be made, or the great variety of "raw materials" that went into them.

Within this framework of "mass produced craftsmanship" there is little margin for variations that may produce inefficiencies. At a very early date it was realized by the company that systems must be devised and adhered to in order to achieve the uniformity necessary in reports. Mr. Guy Woolford explained the situation in the following way:

New people in the organization are puzzled that we insist so strenuously upon a uniformity of little details, often feeling that some system they have been accustomed to is better. As a matter of fact, the latter may be true. It was early realized, however, that if we were to run a Branch Office institution, the branches must be run alike as to details. This was not true in the early days. For instance, if a Home Office man went to relieve in Cincinnati, he would have to be there a week or so at least to learn the details and systems of that office. Then if he went to Chicago, for instance, he would have to do the same thing in Chicago. So the principle was laid down that each office must be run the same as to systems and details, so that if the Manager closed the door at night and was never able to go back, the relief man would have no difficulty in picking up the business right where it was dropped and carry it along to a conclusion without confusion as to just what had been done or what remained to be done. This is the fundamental idea and origin of the insistence upon uniformity.
It was early realized also that we had one problem condition in our business that few other institutions had which operated Branch Offices. In most Branch Office organizations, the Branch serves its own customers exclusively; that is, the customers in its own territory. In our organization, some of our customers use every Branch Office. Most of them use a considerable number of our Branches and it was, therefore, necessary that the service, blanks, etc., going to these customers, should carry a uniformity so that Retail Credit Company service would be recognized as a uniform service from Maine to California as well as from Halifax to Vancouver.

Most of our apparent peculiarities have underlying principles which are simple but fundamental. To look back and see how they have established themselves is interesting, and the knowledge that we have but barely entered upon the threshold of service and development is encouraging.20

Instructional Aids

In order to insure compliance with systems developed, an instruction manual was prepared late in 1907, and copies sent to all branch offices to guide their operations. This early manual consisted of seven sections, the first five entitled Office System, Soliciting Business, Correspondents, Inquiries, and Reports. The last two sections dealt with the methods of using two special services developed by the firm, (1) to aid insurance firms in their selection of Medical Examiners, and (2) to facilitate the dissemination of information regarding individuals with known medical impairments.

Typical of Mr. Guy's economy-mindedness, these manuals were typed on the backs of old printed report forms. His Instinct for detail is indicated by the hand drawn diagrams, appearing at the beginning of each section, which trace the various office procedures covered therein.21

21For an example, see Fig. 16.
Fig. 16. Diagram of Instructions for Office System, From First Instruction Manual (About 1907)
In addition to this early manual, instructions were typed out and made a part of the equipment of each desk, to cover the operations being performed at that desk. This system preceded the manual and was, perhaps, the basis for it. So deeply ingrained into employees is the necessity of following exactly the predetermined system for handling all matters that even today the name of the company is often paraphrased as "The Detail Credit Company."

Customer Education

Not only was careful, detailed instruction regarding his responsibilities given to each employee of the Retail Credit Company; it also was given freely to the insurance companies making use of its facilities.

In 1913 a booklet was assembled entitled Information About Retail Credit Company, and copies were put in the hands of all regular customers of the firm. The Preface to this booklet made clear its objective:

We have compiled this book as a guide and reference file for the officials and clerks who handle the Inspection proposition in the Home Office of the Companies. It contains the literature and forms in which they are interested, with a brief explanation of the purpose of each form. They are bound into the loose leaf binder so other data, such as new forms or letters which bear on the principles of the work, may be inserted from time to time.

We present this copy for whatever help it may be to you, and for the furtherance of the quickest and best Inspection service.

Any books or forms shown herein that you may desire will be sent upon request.22

22Archives of the Retail Credit Company.
The last section of this booklet contained general information about the reporting system used by the company, and explained questions frequently asked by the insurance companies. Actually, it went much further than this. The insurance companies were instructed in the values of the inspection report and in the need for giving accurate and complete data in requesting inspections. Portions of this section are reproduced as Figures 17 and 18, since they not only portray authentically some of the problems of the reporting business in its period of adolescence, but also illustrate the elaborate systems developed by the Retail Credit Company and the meticulous care with which details of the work were supervised.

Suggestion Plan

Another early development designed primarily to improve the efficiency of operations was the Suggestion Plan. This was initiated on a formal basis in 1913 by Mr. Cator Woolford, although the principle had been employed at a much earlier date. It is thought that the Retail Credit Company was the first firm in the Southeast and one of the earliest in the United States to formally adopt such a system. Its purpose, as outlined in an early employee handbook, was as follows:

The suggestion plan is maintained for the benefit of both the employees and the Company. It affords a channel through which the employees, regardless of their positions, may present their ideas for consideration, and whereby the Management may receive ideas which will benefit and further the interests of the Company. The operation of the Suggestion machinery is independent of the usual channels of authority. Its endeavor is to give individual and unbiased consideration to each suggestion. Since the Company wishes to secure all worth-while ideas, each employee is urged to submit his suggestions for consideration.²³

²³Archives of the Retail Credit Company.
EXPLANATION.

We are continually receiving letters from Insurance Companies, which indicate that they do not clearly understand our system of handling certain features of the inspection proposition. There is a wide range of subjects on which there seems to be more or less doubt. We are also frequently requested to give information as to best systems for getting results in one or more phases of the business.

In the following list you will find several subjects which are fully covered in the following pages. These are all written on the basis of actual experience, and for the purpose of establishing a closer working basis between us and our clients. It is believed that if the companies will refer to these subjects for information, before taking up with us by correspondence any of the features which have been covered, that we will be able to co-operate with the least amount of friction and lost motion. It is our purpose to cover further subjects from time to time as correspondence with the companies indicates the necessity for same.

It is necessary for the man handling the details to be thoroughly familiar with these pages and the executive in charge of the department should read them over carefully.

Agents' Reports.......................................................... 16
Alternate Reports.......................................................... 9
Applicant Not Located.................................................. 22
Application Form........................................................... 2
Calling on General Agents Using the Rapid Plan.............. 12
Cancelling Inquiries..................................................... 18
Complaints—General..................................................... 13
Complaints from General Agents..................................... 14
Follow-up System for Pending Business.......................... 5
Getting Names of Insurance Companies.......................... 10
Giving Out the Name of Our Inspector............................ 11
Inquiries......................................................................... 3
Making Irregular or Unusual Reports................................. 17
Monthly Statements....................................................... 19
Supervision of Inspections............................................. 1
Supplies.......................................................................... 23
Telegraphing for Reports............................................... 21
Tracing........................................................................... 6
Unfavorable Reports...................................................... 8

Fig. 17. Title Page to "General Information Section," Information About Retail Credit Company, 1913.
SUPERVISION OF INSPECTIONS.

The best results are obtained when the inspections are handled under the supervision of an executive officer. This is frequently a part of the Policy Department. In some companies, it is handled as a part of the Medical Department, under the supervision of the Medical Director. This is usually satisfactory where the Medical Director gives his entire time to the company, but it is frequently more or less unsatisfactory where the Medical Director comes into the Home Office only at irregular times in the day. In all cases the connection should be centered in one clerk, who is responsible for the proper handling of the details. This clerk should have possession of our Information Book and should understand the organisation and system of our company.

As a general proposition, the companies do not provide clerks of sufficient ability to handle the details of the inspections. It is a proposition that will not run itself, and requires considerable ability in order to establish the proper cooperation between the company and our Division Offices and get the best results for all concerned. It is entirely too big a job for the average stenographer without very close supervision from an executive officer.

The old idea was to give the inspection agency the name of the applicant and a dollar, and let them do the best they could. If the results were not satisfactory, the company would make a kick and have the matter done over again. New conditions require closer cooperation and the new handling produces more satisfactory results.

To get the best service the companies should deal with us just as if we were a department of their company. In the last analysis, our company is really the inspection department of a great number of insurance companies. We should have your closest cooperation in keeping our company up to the same standard which you would require if we were the actual inspection department of your company. Your interests are best served by helping us to keep down the expense and irregularities in handling business, for it enables us to put more time and money into the improvement of our organization, and the bettering of conditions generally. It is our object to work this inspection proposition out to where it is of the most service to the greatest number of companies, and we need the active interest of some executive in the Home Office of each of our clients, to help us keep on our main course with the minimum amount of lost motion.

The tendency is to turn the matter over to a stenographer and let it rock along until some badly handled case happens to reach the executive's attention; then after a letter of criticism on the whole inspection proposition the matter is left again to struggle along. What we need is to have the sustained attention of the executive. All irregular matters should be referred to him by the detail man. We like to play up to ability in the companies, and receive letters that are actually dictated by the man whose name is signed to them. As inspections affect every case you write, the matter is of sufficient importance to warrant the proper supervision. The efficiency of the service you get through us is largely determined by the ability of the man handling the matter in your Home Office.

Fig. 18.--Page 1 of "General Information Section," Information About Retail Credit Company, 1913.
Beginning with eleven suggestions from the total of some twenty-eight persons comprising the organization in 1913, the Suggestion Section has handled an increasing number of ideas for improvements. By 1926 suggestions were being submitted in such large volume that a printed suggestion blank was adopted, and in place of the personal letter of appreciation that had been used earlier a printed acknowledgement card was substituted. By 1938 suggestions were being handled at the rate of nearly 1000 per year, and a few years later the figure exceeded 2000. Since many of the suggestions made were repetitive and concerned unimportant details, some effort was made to control the flow by limiting the areas in which suggestions were acceptable. In 1957 some 829 ideas were submitted. Of these, 375 were accepted as eligible for cash awards, and 81 (nearly 10% of all suggestions made) were adopted.

Although the records indicate that actual savings effected as a direct result of suggestions made normally do not cover the cost of administering the plan, valuable results of an intangible nature have been obtained. The suggestion plan has aided in the development and maintenance of morale; it has provided a feedback system for employee communication; and often it has suggested "trouble spots" which an alert management can identify and relieve.

Duebill System

An early example of the fruits of Mr. Cator's effort to make his employees practical contributors to the efficiency of his firm, prior to the formal adoption of the suggestion system, is the develop-
ment of the Duebill System. Mr. Walter C. Hill is credited with having
developed this method of paying correspondents, and, according to his
recolletion, he was given a cash prize of $100 for making his sug-
gestion.

At the time, about 1908, Mr. Hill was manager of the New York
office. He conceived the idea of using bellows-type envelopes, one for
each inspector, into which would be placed a "duebill" for each report
sent in. The duebill was a form acknowledging the fact that a report
had been made and that payment was in order. Mr. Hill proposed that
these envelopes be used as a record of reports made by each inspector,
and that one payment be made to each man for all reports turned in
during the month. Prior to this time, each inspector had been paid for
the report at the time of its receipt, the fee being remitted either in
cash or the equivalent amount of postage stamps.

When Mr. Guy received this suggestion he was quick to perceive
its merit as the basis for a central accounting system in addition to
its cash conserving feature. Heretofore, each branch office had handled
its own payments to inspectors, and close control of finances was
lacking. Even more important, perhaps, was the relief such a plan
would provide by reducing the amount of cash required to operate each
of the branch offices. Claude Frederick, for many years Treasurer of
the Company, recalls vividly the need for a rapid shifting of cash
from office to office, so as to keep current accounts in balance during
this period of very limited capital. The use of duebills, in effect,
gave the company a "line of credit" without cost, inasmuch as payments
to correspondents, or "duebill inspectors," for reports made, were
withheld until the end of each month. Clerical costs, also, were cut somewhat by using this new device.

After clearing the matter with the office of the district attorney to be sure there were no legal objections to the use of this method of payment, Mr. Guy followed through with the development, being careful to make the promissory payment coupon sufficiently dissimilar to United States Currency to avoid any difficulties with the law. At a field meeting held in Cincinnati later in 1908, attended by Cator and Guy Woolford, Frederick, Bland, and Hill, a formal proposal was made to adopt such a system. The votes were two for and two against the proposal. Mr. Guy, acting as Chairman, refrained from voting although he was favorably inclined to the idea. After further discussion over a period of time, it was decided to give the duebill system a trial in the offices of Frederick and Hill, who had voted for adoption of the plan. From the start the method was successful and soon was inaugurated throughout the country, with payment of fees from that point on being made from the Home Office in Atlanta. To insure accuracy in the payment of fees, each inspector was required to attach a duebill, properly initialed, to each report as it was sent in to the branch office. These were forwarded each month to the Home Office, where checks were made out and sent directly to each inspector.

Personnel Development

Cator Woolford always was a very busy man. Especially was this true during the first period of rapid expansion in life insurance reporting by the Retail Credit Company.
By 1904, it became evident that the steadily increasing load he had assumed must be shared more evenly if his goal of a vastly improved and expanded service to the life insurance companies was to be attained. Organizational changes were indicated, and a plan to delegate authority along functional lines was announced to the branch managers in the following letter:

Atlanta, Georgia, Sept. 14, 1904

Office Managers:

I leave on my trip Wednesday night, and will make a few stops in Virginia and Tenn. Then after stopping a few days in Maryland I will be with the companies soliciting business. It has been so arranged that Mr. T. G. Woolford will devote more of his time to the general management of the business; that is, will do some of the work that I have done heretofore, and I will devote practically all of my time in the future to visiting the Companies, Offices, and Correspondents- and I hope to be able to bring them closer together. As a matter of fact- we are practically working for the insurance companies, and so are our correspondents, and we want to learn the companies' wishes and have the business done in accordance with the same.

The rapid increase in our business has made it necessary to departmentize the same. Mr. Fort and Miss Allen with the assistance of Messrs. Gheesling and Zachry will take care of the Local Office. Miss Ida with the assistance of Mr. Phillips, Mrs. Henderson, Mrs. Buckley and the two boys can handle the insurance work- except the questioned cases and doubtful reports, which are always referred to Mr. T. G. Woolford. Miss Bell with the assistance of Miss Lottie will look after the reports from the other offices- making the slow, and prospect cards, and refer criticised and questioned cases to Mr. T. G. Woolford; also file requests, make out the bills, figure time, and keep up with the detail information.

We are going to secure a room for supplies, where they will all be kept, and a competent boy will be in charge. Supply records will be furnished you shortly.

In carrying out this plan we ask the cooperation and assistance of the Managers, and I feel sure that every possible assistance will be rendered by them- as well as at this end of the line.

We learn much from every office by going over their reports, and we try to render them every assistance in our power to bring the service up to the highest standard possi-
Suggestions are not made with the view of criticizing the service but in the hopes that they may prove a benefit to the Managers.

By keeping up with the details and Monthly Records we have been able to see where we are weak, and to improve our service a hundred fold during the past year. Our business is one where service counts; in fact, it is essential for us to reach the highest standard of proficiency possible. I believe we are the best equipped agency handling this class of work, but let us not be satisfied with this but try and break our record each month, and I am sure we can do this by studying the points where we are weak and avoiding these little errors that we have made in the past and regulate our system so that they will not occur in the future.

Our systems and plans at times may seem a little ahead of your office, as things are gauged by the business done in the Atlanta Office, but it will be a good idea to have your office equipped to take care of the increased business as I feel sure it will come and is not very far off. We can't remember all the details, so let's make records that will lessen our work and make our office more complete. SYSTEM, which means Service, is the keynote of this business.

Yours truly,

Manager.

P. S. I will be pleased to see a copy of your weekly letter.

The Put-Up System

The amount of time Mr. Cator had available for making decisions was limited by the variety of his activities. As his organization began to expand, he devised a procedure which anticipated the need for the development of initiative and judgment on the part of his subordinates. This was the "Put-Up" System. It has endured the test of more than half a century of use and has contributed greatly over the years to the development of the firm's most valued asset - its personnel.

Peculiar to the Retail Credit Company, the term "put-up" refers generally to the process whereby a subordinate may propose to his superior that some course of action be taken, with an analysis of his
reasons therefor. By having the subordinate work out a solution that is based on his intimate knowledge of the circumstances and backed up by a summary of the facts pertinent to the individual case, certain benefits are derived. The Company is enabled to handle, according to predetermined policies, the bulk of its work at the clerical level, while at the same time providing executive ability and supervision in matters that deviate from the ordinary. Further, while saving the executive's time, each employee is given the opportunity to exercise his initiative and judgement, and to gain valuable practice in the art of decision-making. And, finally, each executive is afforded an opportunity frequently to observe and supervise the reactions of his subordinates to a variety of situations, and on a progressive basis.

Two features in particular make the Put-Up System distinctive, and have contributed materially to its success. First, it is based on a definite time schedule. Each employee has one or more times daily when he reports to his supervisor. Both superior and subordinate schedule their work to meet the time allotted for the Put-Up.

Second, the employee gives his solution to the problem at the outset, followed by whatever background information is needed. This makes it possible for the supervisor to cut short superfluous explanations, and to reach an early agreement or disagreement regarding the proposal made. Time consuming recitation of facts is cut to the minimum.

In a memorandum, apparently prepared for one of the company's publications, Cator Woolford's opinion of the advantages of the put-up system were quoted as follows:
The put-up plan gives our executives time to be real executives and not mere detail men. At an appointed time each day, throughout the offices, each executive clears his desk and his mind to handle his put-ups. He isn't impatient at the thought of giving the time. He knows that when an employee comes in with a put-up he has in mind a matter that his special training has taught him to differentiate as an irregularity. No executive who is really interested in the business can possibly find anything irksome in a concise, clean-cut statement of a proposition within his jurisdiction. Most of us, as a matter of fact, look forward to our put-ups with pleasure. They bring us our pictures of the business. But there is another phase of the working of our plan - and that is the development of our subordinates. We are making each one, whether he is a department head, or a division head, or has charge of a section or occupies an individual desk, a thinking, responsible administrator of this business. Our subordinates are thinking about the business, thinking intelligently and constructively. And that, to my mind, is the important thing. Equally important, possibly, is the fact that we are not, in the strictest sense, teaching our employees to use their brains. We are merely giving them the means, making it possible for them to do so. Each one has been brought to see how important his own work is.24

Incorporation

By 1913 the volume of business had increased to the extent that Cator Woolford, despite his great energy and ability to handle details without loss of initiative, considered it wise to delegate to others a portion of his growing burden of authority. So far, the firm had been operated as a sole proprietorship. With volume currently in the neighborhood of $350,000 per year, and the anticipation of a need for more branch offices with a consequent increase in supervisory effort, Mr. Cator decided to incorporate his firm. It was evident that such a move would assure more fully the perpetuation of his enterprise by broadening the base of owner-interest, opening new sources for the capital further expansion undoubtedly would necessitate, and limiting

24"History file" of Retail Credit Company.
the liability of the owners in a business peculiarly susceptible to expensive damage suits. 25

The incorporation was accomplished, on December 29, 1913, by the formal acceptance of a charter dated December 20, 1913. This granted the Retail Credit Company for a period of 20 years (with the privilege of renewal) the right to engage in the business of making reports to insurance companies concerning the propriety or advisability of accepting applications for insurance; the making of financial reports on all matters of financial concern to its patrons; the making of investigations for the purpose of furnishing information in reference to investments and credits; the doing of a general reporting business and the issuing of such publications as may from time to time be deemed necessary or advisable in the conduct of its business; the lending of money upon such security as its corporate authority may approve; the acquiring of real estate and personal property necessary and proper to conduct its business; and the power to borrow money and to secure the same in such way as may be known to law. 26

As the sole proprietor of the old firm, Cator Woolford made the initial and only original subscription to the capital stock of the new corporation. He exchanged all assets, including both tangible and intangible properties of the old firm, for 3000 shares of the capital stock of the new corporation.

His management philosophy of recognizing individual accomplishment with something more tangible than voiced appreciation was here proven in deed. Mr. Cator proceeded to make gifts totaling one-fifth

25 This legal liability was considered such a grave danger that a sizable reserve fund was accumulated in earlier years as a precautionary measure. So carefully was the reporting work supervised, however, that the fear of an incapacitating judgement was never realized, and the maintenance of a special reserve fund eventually was discontinued.

26 Fulton County Daily Report, November 22, 1913.
of the corporation's capital stock to the men who had helped create a successful enterprise out of the production and sale of information about individuals to the rapidly growing insurance industry. He was quoted later as having said at the time of this presentation:

A leading executive was described as one who can organize, deputize and supervise, and I would add properly reward his men. One needs to know their value and worth to an organization and reward them accordingly."

Further, "in order to protect the interests and business of the Retail Credit Company," 280 shares were assigned to the firm as treasury stock.

After By-Laws had been adopted, Cator and Guy Woolford were elected for full three-year terms as directors, George Bland and Walter Hill for two-year terms, and Claude Frederick and Emory Hyde for one-year terms. This filled the Board which served the firm without interruption or change in personnel for the ensuing 15 years. At this time, no person was designated as Chairman of the Board. Officers for the new corporation were elected as follows: Cator Woolford, President; T. Guy Woolford, Secretary and Treasurer; George A. Bland, Walter C. Hill, and Claude M. Frederick, Vice-Presidents. All officers were elected to serve for one year, or at the pleasure of the Board of Directors, in accordance with the By-Laws. Until 1925, this same group of officers found considerable favor with the Board, and no deviations were considered desirable.

An Executive Committee also was elected, Mr. Cator and Mr. Guy, along with Walter Hill, being the incumbents for the first one-year term. The record of continuity in the membership of this committee is even more remarkable than that of the officer group, in that the three original members served without change through the year 1926. At this time Cator Woolford ascended from the Presidency to the newly activated office of Board Chairman, and was replaced on the Executive Committee by Claude Frederick. Until Frederick's replacement in January, 1938, by James C. Malone, no further changes, prior to 1956, occurred until Guy Woolford assumed the honorary title of Founder in January of 1946, being replaced by Louis C. Brooke. Thus, for a span of more than forty-two years this three-member committee was manned by a total of only six men. One of these, Walter Hill, served consecutively for the entire period.

The Company Library

The fact that the initial executive group of the Retail Credit Company was adequate to meet the progressive demands for leadership required by the steadily increasing size and complexity of the firm's organization structure is remarkable. This achievement is indicative not only of the quality of judgement used in the selection of key personnel; but also of the fact that even highly competent men can be improved and their abilities broadened to meet changing situations through a continuing process of education and development. One of the methods employed by Cator Woolford to expand the horizons and develop the judgement of his executive group had its beginnings before 1907. In the company's first Instruction Manual, published in that year, the diagram of Office System included the word "Library" under the heading...
"Miscellaneous." Directions detailed in the printed text, under the caption "LIBRARY PAPERS" read as follows: "Papers sent to you to read and forward, don't hold, but read and send to next office as promptly as possible. If unable to read in two or three days, forward without holding."

The papers referred to included, in addition to instructional memoranda, articles and publications relating to insurance underwriting and to management philosophy which Mr. Cator felt would assist in broadening the outlook and developing the skills of his subordinates. Mr. Woolford has been quoted as having said that the idea of a company library originated as a result of his own sense of need for self development as an executive, as he felt that his firm was growing more rapidly than was his ability to direct effectively its affairs. The thought was crystallized into action in 1910 when, seeking guidance, he asked a young librarian in New York City, Miss Rebecca Travers, to recommend some recent publication dealing with management. She selected two books for him and he carried them along on his trip, reading when he found the time. He received so much stimulation from these volumes that he determined to encourage his employees to follow his example. Accordingly, Miss Orpha Zoe Massey was appointed librarian and a definite reading program for employees was established. Mr. Cator's account of this development follows:

We realized that an organization develops only as its employees develop; and we realized that an employee develops only as he has opportunity for progress outside his immediate work. We had to help him find that opportunity.

Miss Travers later became the bride of Walter C. Hill.
After months of planning and discussion, we came to this conclusion: Our one hope to inspire and encourage all employees to greater self-development lay largely in establishing a business library.

We established our Library in a meagre way, purchasing only a few volumes, devoted strictly to business. We had no experience by which to measure the value of our idea. Each book, however, was carefully selected. And they soon became so popular among our employees that it was necessary not only to increase materially the number of books, but also to broaden the range of subjects.

In innumerable instances, the personal development and business advancement of men and women in our organization has been largely due to the Library.30

Initially, each new employee was required to complete a reading course mapped out for him by the company librarian, after she had made a careful analysis of the new employee's application papers and "Personnel Folder." Comment cards were sent to each employee with each book, and he was expected to record his reaction to the volume and return the card to the librarian. For about 15 years, progress made with the library reading course and an analysis of his comment cards played a rather important part in each employee's advancement possibilities.

In 1926, however, Mr. Guy Woolford suggested that a change in attitude regarding the library course would be desirable. He felt that there should be an invitation and encouragement to use the facility, but no pressure exerted upon the employee to participate in the program. Accordingly, the library records were disassociated from the personnel records, and all reading was done on an optional basis.

Since these early years the library has grown steadily in size and activity. By 1957 about 7,000 to 8,000 volumes were listed, of which 80 per cent were designed to stimulate personal development.

30Related by Mr. Woolford to Mrs. H. H. Halpin and preserved in memorandum form in the files of the Retail Credit Company.
Operating somewhat in the manner of a "book-a-month" club, the library now circulates about 1,000 books per month among the company personnel scattered all over the United States, Canada, and several foreign countries. Any employee who wishes to follow a specific pattern of reading may enroll in the appropriate Library Reading Course. The courses include, among others, such subjects as "Insurance," "Personal Development," "Public Speaking," and "Credit and Finances." These books are mailed at company expense. In addition, the library provides a valuable reference and information service to assist employees in their regular work or any special assignments.

About seventy-five business periodicals and recreational magazines are maintained in the library and many "give-away" pamphlets relating to hobbies, health, economics, and general information are distributed from an employee "Information Rack." In short, the company library has been found to be a most effective tool for personnel development. Its objectives, as stated below, have been attained with increasing effectiveness over the years:

The Library of the Retail Credit Company is operated for the purpose of increasing the efficiency of employees in their business, personal and social affairs; to provide a source through which all employees will receive inspiration and a conception of the ideals of the Company to assist in promoting morale throughout the personnel; and to maintain a point of contact between field employees and the Home Office organization.

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31 A facsimile of the Reading Course enrollment form is shown in Figure 19.

32 A sample page from the Fall, 1958, "Selected Library List" appears as Figure 20.

33 As stated in a memorandum by Miss Martha Tigner, Company Librarian.
LIBRARY SELECTION CARD

NAME ____________________________

B. O. or Dept. ____________ If Sub-Office, 

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Fig. 19. Reading Course Enrollment Card, Retail Credit Company Library, 1958.
### LEADERSHIP (Recommended for Managers and Supervisors)

<table>
<thead>
<tr>
<th>Title</th>
<th>Author</th>
</tr>
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| Art of Clear Thinking | Plisch  
| Business Success Handbook | Simmmons  
| Developing Management Ability | Plenty  
| Developing Your Executive Skills | Uris  
| Dynamics of Interviewing | Kain & Connell  
| Effective Leadership in Human Relations | Lindemann  
| Effective Supervision | Brown  
| Effective Talking in Conference | Cline  
| Efficient Executive | Uris  
| Employment Psychology | The Interview | Bellows  
| Executive Thinking & Action | DeArmond  
| Functions of the Executive | Bernard  
| A Guide to Modern Management | Styrk  
| How Am I Doing? | Moore  
| How to Be A Successful Leader | Uris  
| How to Develop Your Executive Ability | Stark  
| How to Develop Your Thinking Ability | Kaye  
| How to Get Ahead in Modern Business | Simmons  
| How to Interview | Bingham & Manra  
| How to Pick Leaders | Freeman & Taylor  
| How to Supervise People | Coniper  
| How to Train Supervisors | Buckman  
| Human Factors in Management | Harless  
| Management Can Be Human | Stowers  
| Management in Action | Appley  
| Modern Office Management | Littlefield & Peterson  
| New Psychology for Leadership | Laird  
| New Ways to Better Meetings | Strauss  
| Office Organization & Management | Wible & Nichols  
| The Organization Man | Whyte  
| Personnel Interviewing | Weiland & Genes  
| Practical Business Psychology | Laird  
| The Practice of Management | Drucker  
| Selecting & Developing First | Drake  
| Line Supervision | Haley  
| Successful Leadership in Business | Ceram  
| Supervision of Personnel | Phillips  
| Technique of Administration | Schell  
| Technique of Executive Control (Revised) | Schell  
| Technique of Getting Things Done | Laird  
| Technique of Handling People | Laird  
| Working With People | Uris & Sheppia  

### TO STIMULATE YOUR SELF-DEVELOPMENT

<table>
<thead>
<tr>
<th>Title</th>
<th>Author</th>
</tr>
</thead>
</table>
| Applied Imagination | Osborn  
| Art of Problem Solving | Lindament  
| Effective Personality Building | Vaugban & Robb  
| Getting Along With People in Business | Wilson & Wright  
| Guide to Confident Living | Peile  
| How to Gain an Extra Hour Every Day | Josephs  
| How to Have Confidence & Power in Dealing With People | Giblin  
| How to Improve Your Personality | Newton & Nicholls  
| How to Remember Names & Faces | Nutt  
| How to Sell Yourself to Others | Wither  
| How to Stop Worrying & Start Living | Carnegie  
| How to Turn Your Ability into Cash | Presta  
| How to Win Friends & Influence People Carnegie | Increasing Personal Efficiency | Laird  
| Iried Live and Help Live | Kreiner & Tobin  
| Mature Mind | Overstreet  
| The Mind Alive | Overstreet  
| The Mind Goes Forth | Overstreet  
| Power of Positive Thinking | Peile  
| Power to Manage Yourself | Walker  
| Psychology of Human Living | Teylor  
| Putting Yourself Over in Business | Dyer, Evans & Lovell  
| Success Is Within You | Whitman  
| Technique of Personal Analysis | Laird  
| Ten Days to a Successful Memory | Brothers & Exton  
| Wake Up Your Mind | Osborn  
| Winning Your Way With People | Ingram  
| Your Creative Power—How to Use Imagination | Osborn  
| Your Way to Popularity & Personal Power | Bender & Lee  

### PUBLIC SPEAKING

<table>
<thead>
<tr>
<th>Title</th>
<th>Author</th>
</tr>
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| Art of Forceful Speaking | Reager  
| Effective Speaking for Every Occasion | Young  
| How to Make Better Speeches | Hissman  
| How to Say a Few Words | Poore  
| How to Talk Your Way to Success | Simmons  
| How to Talk More Effectively | Bodman  
| How to Write a Speech | Speer  
| Public Speaking as Listeners Like It | Bodman  
| Road to Persuasion | Alsb  
| Showmanship in Public Speaking | Neary  
| Speaking for All Occasions | Rucker  
| Successful Public Speaking for Salesmen Simmons  
| Tested Public Speaking | Wheeler  
| The Toastmaster’s Manual | Donahue  

### EFFECTIVE SPEECH AND LETTER WRITING

<table>
<thead>
<tr>
<th>Title</th>
<th>Author</th>
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</table>
| Art of Conversation | Wright  
| Art of Plain Talk | Fleish  
| Art of Speaking Made Simple | Gandin & Mammon  
| Complete Handbook of Effective English | Fleish  
| Effective Letters in Business | Shorter  
| Effective Personal Letters | Butterfield  
| Guide to Good Speech | McBurney & Wragge  
| How to Read Better & Faster | Lewis  
| How to Speak Better English | Lewis  
| How to Write Better Business Letters | Buckley  
| Letters (Revised) | Buckley  
| How to Write Great Letters | Dury  
| How to Write Successful Business Letters | Reish  
| In 15 Days | Reish  
| Improving Your Vocabulary | Streissin  
| Language in Action | Hayhawen  

Fig. 20. Excerpts from "Selected Library List," Retail Credit Company, Fall, 1958.
### CLAIM

- Art of Detection
- Claims Philosophy & Practice
- Common Sense of Claims
- Introduction to Medical Science
- Modern Criminal Investigation
- A Prime of Adjustments
- Principles of Claim Adjusting
- Questionable Life & Accident Claims
- The Story of Medicine
- Successful Handling of Casualty

### ECONOMICS—POLITICAL SCIENCE

- America's Next Twenty Years
- Beckoning Frontiers
- Capitalism
- The Changing American Market
- Controlling Factors in Economic Development
- The Dynamics of Capitalism
- Economic Reasoning
- Economics for You and Me
- Economics in One Lesson
- Facing the Future's Risks
- Getting & Spending
- Man, Money & Goods
- Road Ahead
- Useful Economics

### CREDIT—FINANCES

- Credit & Collection in Theory & Practice
- Credit & Collections Principles and Practices
- How to Invest Wisely
- How to Plan Your Financial Security
- How to Gain Security & Financial Independence
- The Interpretation of Financial Statements
- Investment Trusts and Funds from Inpector's Point of View
- Managing Personal Finances
- Managing Your Money
- Moneywise
- Success With Your Money

### PHILOSOPHY & RELIGION

- Faith is the Answer
- Gift from the Sea
- Greatest Book Ever Written
- Greatest Story Ever Told
- Mr. Jones, Meet the Master
- Peace of Mind
- Peace of Soul
- The Prayers of
- Story of Philosophy

### HOBBIES—RECREATION—HEALTH

- All You Need to Know About Dogs
- Art of Growing Miniature Trees
- Colour Photography for the Amateur
- Complete Book of Bulbs
- Complete Book of Home Decorating
- Decorating on a Budget
- Fishing is Fun
- Five Lessons—Modern Fundamentals of Golf
- Fresh Water Fishing
- A Guide to Home Landscaping
- Know Your Doctor
- How to Enjoy Good Health
- How to Live 365 Days a Year
- How to Teach Yourself Chess
- Indoor Aquaria
- Nine Bad Shots of Golf
- Relax and Live
- Release from Nervous Tension
- Say It With Your Camera
- Study Gardens—How to Plant & Grow Them
- Southern Garden Book
- Successful Photography
- This Is Photography
- The Truth About Cancer
- What to Listen for in Music
- Your Blood Pressure
- You and Your Heart

### TRAVEL—ADVENTURE—HISTORY

- All the Best in Hawaii
- All the Best in the Caribbean (Revised)
- All the Best in Mexico
- Canada—Tomorrow's Giant
- Day of Infamy
- Forty Plus & Fancy Free
- Georgia's Land of Golden Isles
- Glory Road
- Guestward Hal
- Hawaii & Its People
- How to Enjoy Your Western Vacation
- Inside Africa
- Kon-Tiki; Across the Pacific by Raft

(See Back Page)

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**Fig. 20. Continued.**
The First World War

The entry of the United States into the war on April 6, 1917, had the effect of draining the Retail Credit Company's manpower, but did little to reduce the total volume of business done by the firm. Although in the latter part of 1914 and early 1915 new sales of life insurance had dropped markedly, the industry had recovered considerably by the time America entered the conflict. Mr. L. S. Brooke, Assistant Sales Manager of the company in September of 1917, commented at that time that

The prospects for a steadily increasing business are splendid. War makes the average man realize his unpreparedness. It emphasizes to him the protection offered by life insurance. This has been forcefully illustrated in Canada, where insurance has been taken freely since the beginning of the war. 34

The Retail Credit Company, however, used the temporary lull in new insurance contracts to build up its organization, particularly during 1915, when five new offices were opened. Not counting the Atlanta office, the number of branches was doubled. After opening an office in Portland, Oregon, in December, 1914, new branches were established at the rate of about one every ten weeks during 1915, in Minneapolis, Boston, Richmond, Memphis, and Denver. The first departmentization of the company in 1914 placed the three vice-presidents, Hill, Frederick, and Bland, in charge of three major divisions of the work: Service, System, and Employment. Each had full responsibility for developing the work embraced within his department. In addition

to the new branch offices, nearly 100 new Direct Reporting Stations were set up. The declining rate at which new business increased was opportune, in that incorporation, departmentization, and geographic expansion of the business were permitted to take place under less pressure than would have been felt had the nearly 25 per cent per year average volume increase of the past five years continued unabated.

The attitude of company officials regarding the firm's service objectives is reflected in an editorial appearing in the first edition of the Inspection Service Journal published by the Retail Credit Company:

Our judgment in going ahead with our promotion work has been fully vindicated. The returning volume came before we had finished our work and now with business picking up in every quarter and a volume in excess of any previous records, we can see the tremendous service advantage of having the larger facilities for handling it. We have distributed the load and are able to move the business without pressure at any point and give a service above par where there would have been straining at the peak load and in some quarters actual confusion had we not stood on our faith and accomplished our preparedness. 35

For two decades the Retail Credit Company had bent every effort toward the single purpose of giving the life insurance industry an efficient and economical inspection service. Before the end of World War I the firm admittedly was a well established adjunct to the business of life underwriting. Since its inception there had not failed to be an increase in sales volume with each succeeding year. This was mute testimony to the effective way in which the company had fulfilled its primary service objective with the life insurance industry. The recog-

nition of a wider field of service had not been overlooked, however, and the time now appeared ripe for the development of additional markets.
Those who have read Herman Melville's *Moby Dick* will recall the excitement and danger of early whaling expeditions. Once the harpoon was lodged in the flesh of the mighty mammal, the hunters followed in a perilous wake. If the small craft could survive the surging, frenzied, chase, however, a prize of great value was attained.

So it had been with Cator Woolford in the early days of his firm's development. Woolford had been seeking different prey, it is true, and had set his harpoon in the whale of life insurance almost by chance. In the first mad rush of insurance reporting, his organizational "boat" constantly was in danger of being swamped. Business was so abundant, and the organization available for handling it so limited, there might have been some question as to the firm's ability to survive its rare good fortune. That it was able not merely to survive, but to achieve a degree of success far beyond Mr. Cator's most optimistic dream, is evidence of the basic need for the service and the effectiveness with which it was rendered to the insurance industry. It is, also, a worthy tribute to the leadership qualities of Cator Woolford and of those associated with him in his pioneering venture.

Service to the life underwriters had been, since 1901, the principal goal of the Retail Credit Company, and its fortunes were
linked closely with those of the life insurance industry. Every sale of life insurance increased the potential for inspection reports. Both underwriters and medical directors were eager to have a reliable and low cost source of information that would facilitate more accurate evaluation of personal hazard. When Cator Woolford proved through his initial efforts in the inspection of life insurance risks that his company could handle the task economically as well as effectively, the firm's volume of sales increased precipitously, and without apparent relationship to the rate of sales of life insurance. Despite the more than $600 million drop in annual purchases of life contracts subsequent to the Armstrong Investigation, the Retail Credit Company's volume of insurance inspections continued to climb, although at a decreasing rate.¹ The same relationship held true, also, for the brief decline in the sale of ordinary Life policies resulting in 1914 from the outbreak of war in Europe.²

By the end of 1915, the Retail Credit Company was operating from fifteen branch offices in principal cities throughout the country, with approximately 180 salaried employees coordinating the reporting efforts of many thousands of part-time correspondents. Within this year alone, its facilities for making insurance inspections had been

¹During the period of this upheaval within the Life Insurance industry, from 1905 through 1907, the firm's sales increased only 67 per cent, whereas for the years 1902 through 1904, the increase had amounted to more than 114 per cent.

²In this instance the Retail Credit Company's sales of life insurance reports increased about 13 per cent over the preceding year, in contrast to an approximate 3½ per cent decline in the volume of life insurance contracts written.
increased more than 60 per cent, and for the first time in its existence the firm had attained the physical capability for handling, without undue strain, most of the business that was so readily available.

A comparison of the trend of purchases of ordinary life insurance with life insurance inspections made by the Retail Credit Company, as shown in Figure 21, indicates that by 1915 the firm had practically closed the gap between the trend of insurance purchases and inspections made by the company. After this date, a positive correlation between the two indices became clearly evident, indicating that if an increasing proportion of life insurance sales was to be inspected by the Company it could be accomplished only through skillful merchandising and promotional effort.

Since achieving its early success in life insurance reporting, the Retail Credit Company had swung sharply away from the local credit reporting field, and had concentrated on improving the quality of service rendered life underwriters. This does not imply that the credit business had been abandoned. On the contrary, its volume had more than held its own. Even so, the exceptional increase in insurance reporting activity had, by comparison, rapidly dwarfed the operations of the local credit office. By 1905, as demonstrated graphically in Figure 22, life insurance inspections were accounting for more than 91% of the firm's total revenue. This trend increased until, in 1915, insurance reports were responsible for more than 98% of all sales. Such a high degree of specialization favored the rapid and effective development of a superior type of service for the life insurance industry - a field of endeavor that had enjoyed a high rate of growth since
Fig. 21. Relative Volume of Retail Credit Company Life Insurance Reports and Purchases of Ordinary Life Insurance
Fig. 22. Percentages of Total Volume by Major Lines, 1899-1957
its inception in the United States, and one which appeared destined for even more auspicious development in the future. Close affinity with so successful an industry seemed not only to be desired, but also worthy of intensive cultivation.

Incorporation of the Retail Credit Company at the close of 1913, with its subsequent departmentization, resulted in the distribution of authority among a number of able executives and afforded Mr. Cator time for reflection and forward planning. The extreme specialization which, so far, had been considered an important contributing factor to the firm's success in life insurance reporting was not conducive to the diversification of risk. Indeed, in the light of sober reflection, it became a significant danger. The consequences for the Retail Credit Company well could be disastrous, should some evil fortune befall the life insurance industry. The insurance of lives could be taken over wholly by the government, for instance. This eventuality easily might have transpired following the disclosures made by the Armstrong Investigation. Again, insurance underwriters, already using their own organizations to make medical inspections, might decide either to do the same for inspections of other types of personal hazard or might abandon entirely the safeguard provided by the latter type of inspection. Executives of the Retail Credit Company, therefore, began to seek practical ways and means by which the firm's base of operations might be broadened without sacrificing the intimate and beneficial relation-

3 The former contingency actually occurred on a small scale when, in 1919, the American Service Bureau was organized by the American Life Convention. See pp. 326ff.
ship with the life insurance industry it had enjoyed since 1901. The result of these efforts dominated the company's activities throughout the subsequent period of its existence. It is apparent from the perspective afforded by passing decades that, for the Retail Credit Company, the period between World Wars I and II evolved primarily as one of lateral expansion largely within the field of general insurance reporting. The following pages will be devoted to a summary of the diversified reporting activities developed by the firm during these years, following to some degree the order in which each activity was introduced or gained prominence. A graphic portrayal of the relative growth of each major line of reporting service during this period is shown in Figure 23.

Credit Reporting Activities

In view of its previous experience, the most obvious method by which the firm might achieve greater diversification was to expand its activities in the field of credit reporting. Since 1903, credit and insurance reports had been handled separately. Information for each type of report was accumulated by different inspectors, and the routine of processing information secured was such that separate physical facilities were desirable for each. The financial accounting for credit reporting was carried under the heading of the "Local Credit Office." This still was conducted as it had been in the early days of operation, before the insurance "tail" had begun to "wag the dog." Solicitation for credit business was confined almost exclusively to prospects in the immediate vicinity of Atlanta. Special credit reports were made
Fig. 23. Relative Growth in Volume by Major Lines, 1915-1941
for local accounts and the publication of the Merchants' Guide was continued. Except for this limited activity, the firm's efforts had been devoted entirely to the strengthening of its national organization and to the development of a highly personalized type of reporting activity for the life insurance industry.

It appeared unlikely that diversification on a scale large enough to serve effectively as a hedge against a possible decline in life insurance inspections could be achieved. At this time, the operation of credit bureaus was essentially a local activity. Such an establishment could be sustained only through the willing cooperation of local merchants, and its volume of business was limited by the economic activity of the community it served. Prior to World War I, the population of the United States was hardly mobile enough to support even a regional effort in consumer credit reporting. Growth through this medium was bound to be slow and tedious and would require in each case a meticulous cultivation, from within, of the merchant group in each locality entered. Except for possible administrative guidance, the national organization in which the Retail Credit Company had invested so much of its energy and resources could make little contribution toward the operation of additional credit offices. There were many occasions, it is true, when the company could use local credit bureaus to good advantage, as, for instance, to check records of persons at their former addresses; but the national organization would be able

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4The 1916 edition of this publication contained 168 pages listing 21,800 names of persons living in Atlanta. By 1921 the number of pages had been increased to 253.
to contribute little in return to the local bureau. No machinery was available to it for gathering ledger information, and the personal type of inspection normally made would prove too expensive for credit bureau use. Nor was there, in 1916, a national association of consumer credit reporting agencies through which out-of-town information could be secured on a reciprocal basis.\(^5\)

In view of the foregoing, the organization of additional credit bureaus was not looked upon with favor as a basis for the protection desired against the possible loss or decline of life insurance reporting.

National Vs. Local Credit Reporting

The name "Retail Credit Company," although most appropriate and descriptive of the firm's operations at the time of its establishment, lost its significance when the inspection of life insurance risks became the dominant activity. The fact that its original credit reporting effort first was segregated from the insurance reporting organization, then incorporated separately as a partially owned subsidiary, and later abandoned completely, is not widely known. Nor is the fact that a distinct change subsequently occurred in the character of reports made for credit purposes generally understood. Yet the difference between credit reporting, as originally carried on by the local credit

\(^5\)It was not until 1921 that the Retail Credit Men's National Association found it both desirable and feasible to establish its Credit Service Exchange Division for handling the credit interchange requirements of its local credit bureau members. According to Beckman (op. cit., 5th Ed., p. 411) The National Association of Credit Men provided for a similar service on a national basis when its Credit Interchange Bureau Department took over, in 1921, the central interchange bureau that had been organized at St. Louis in 1912.
bureau, and the character credit reports later made by the Retail Credit Company through its national organization, is quite significant. As a local credit bureau, the firm normally acquired its information largely from the ledgers of local retail establishments. This information reflected the credit experiences of merchants with individual charge customers. It was almost entirely objective and, once obtained, the information might be sold to numerous users as an impersonal and often out-of-date statistic. Inquiries to the agency concerning a credit applicant usually were answered directly from information in the bureau's files. Moreover, publication of ratings thus obtained in a widely circulated reference book could produce increased revenue at little or no additional cost.

The type of report developed by the Retail Credit Company after it first entered the insurance inspection field, on the other hand, was entirely personal. It reflected subjective as well as objective evaluations of the individual, based on facts obtained from a number of persons who were in a position to know the applicant personally. For each inquiry a new inspection was made by well trained and closely supervised inspectors. The report was sold only to the firm requesting it, moreover, and additional inquiries on the same subject were handled by making a completely new inspection, with file information being used only in a supplementary manner to insure accuracy and completeness of the later information developed. This type of report cost more and required a different kind of organization for its preparation. The average price differential of 85 cents between the credit bureau report and the insurance type inspection appeared to be well justified.
Although there were relatively few cases in the early days where firms seeking credit information alone were either able or willing to pay the price of a personalized inspection, two exceptions should be noted. Shortly after the establishment of its branch office system the company developed two national accounts from reports rendered initially to the Atlanta offices of the Loftis Jewelry Company and the Wing and Son Piano Company of Cincinnati. In view of the average amount of the purchase and the extended duration of the credit terms offered, these firms apparently considered the higher price of a more detailed, personal report to be justified. Between 1903 and 1908 a fair volume of business was done with both of these companies without the benefit of active solicitation on the part of the Retail Credit Company.

Another early use of the national organization for making personalized financial reports came about in connection with mortgage loans. Prior to the incorporation of the firm in 1913, most of the Retail Credit Company's cash reserves were invested in bonds of the Chickamauga Trust Company of Chattanooga. The latter firm was heavily committed to making farm loans and requested the Retail Credit Company to inspect these applicants, particularly with reference to their character and ability to pay. Seeking to develop greater volume for this type of inspection, the Retail Credit Company inaugurated a promotional campaign in 1916, in an effort to sell a similar type of service to the investment departments of life insurance companies who were known to invest heavily in real estate loans. Although a number of accounts were secured, the business did not grow to the proportions
anticipated. The door had been opened for this type of report, however, and over a period of years other mortgage lending companies were added to the growing list of clients, though the life insurance companies continued to be the major users of the service.

At about the same time the mortgage loan reports were introduced another type of credit report was offered, known as the Note Settlement Report. Offered on a prepaid basis of $8.75 for 25 reports, this would appear to be an exception to the company's policy of maintaining the $1 minimum rate that had been the standard since the first insurance reports were made. The rate did not really constitute a price concession, however, since this short-form financial report was sold at the prepaid rate to the General Agents of insurance firms only in combination with an inspection report of a life insurance applicant. In the event the Note Settlement request was unaccompanied by an inquiry for an insurance inspection, the agent was obliged to send three of the prepaid tickets instead of one. This service never became popular with the agents, and in less than a year all active promotion was discontinued, even though the reports continued to be made for those agents who requested them specifically.

Although not achieved intentionally, the introduction of the Note Settlement Report gained an important benefit for the Retail Credit Company. Heretofore, life insurance agents in general were prone to feel some animosity toward the inspection agency which could so easily undo, with an unfavorable report, all that had been accomplished toward selling the prospective life insurance purchaser. The lockbox plan adopted to prevent the agent from discovering the identity of the
inspector gave the agent a further reason to feel excluded from the relationship developed between the insurance company and the inspection agency. By making the services of the Retail Credit Company available to agents even in this limited way, the latter's antagonism appeared to diminish. Heretofore they had, as it were, fought desperately to penetrate a closed door. When the door was opened, even to this slight extent, the agents generally began to gain confidence in the inspection idea. Not only has the Note Settlement Report persisted, but also the relationship between agent and inspection agency has since grown to be quite favorable.

Despite the steady but small additions to revenue made by the addition of the credit services described above, relatively little progress was made by the national organization in the credit reporting field between 1917 and 1927. Even local credit reporting languished and, for a space of three years, disappeared completely from the picture.

Demise of the Credit Office

The only source of retail credit information in Atlanta at the close of the first World War, other than the Local Credit Office of the Retail Credit Company, was the Merchants Credit Association. This had been organized in 1914 by a group of Atlanta merchants under the leadership of Mr. Fred J. Paxon, a partner in the firm of Davison-Paxon-Stokes Company, a local department store which many years later was acquired by R. H. Macy and Company as an affiliate. The Merchants Credit Association had been unsuccessful in achieving its original objective - that of supplanting the Retail Credit Company's local credit reporting activity. Instead, the effectiveness of both efforts deteriorated, due
partly to the limited demand for service, but more importantly to a
general lack of cooperation between the two agencies themselves in
developing sources of information. A tentative offer on the part of
the Merchants to buy out the Retail Credit Company's Local Credit
Office was declined. Instead, the Merchants Credit Association was
purchased by the Retail Credit Company on July 1, 1919, and a Credit
Advisory Board was set up to promote cooperation among the local mer-
chants in the acquisition and distribution of retail credit information.
Early in 1920 an experienced credit reporter, Mr. L. S. Gilbert, was
employed in Minneapolis, later transferred to the Home Office, and put
in charge of the Local Credit Office on October 1, 1920. Despite the
harmonious relationship that resulted from the merger of the two credit
reporting agencies, and the skill and perseverance of Mr. Gilbert in
pushing the company's credit service, the Office made little progress
toward improving business. The sharp recession that developed in 1921
caused a disinclination on the part of merchants to extend retail credit
in any appreciable volume. The low price of the service made it
essential that a large volume of business be secured in order to insure
profitable operation. Meanwhile, insurance reporting volume was grow-
ing rapidly. To the life insurance business had been added other im-
portant new sources of revenue - reports on auto insurance, fire insur-
ance, and claims. This combination of factors discouraged the Retail
Credit Company from pressing the effort to exploit local credit re-
porting as a diversifying gambit. As a result, at their annual meeting
in 1923, the stockholders authorized the complete separation of the
Local Credit Office from the insurance reporting operation. In evidence,
the following resolution was passed:

RESOLVED: That the Directors of this Company be, and hereby are, empowered to organize such a company, transferring such assets and liabilities as now regarded as belonging to the credit office and to take capital stock in the new Corporation as our interests may appear. The carrying out of this resolution is left to the judgement and discretion of the Board of Directors. This resolution is not obligatory but permissive.⁶

Very soon thereafter the directors did elect to set up the new corporation, and in February, 1923, the Credit Service Exchange was formed, with Gilbert in charge of operations as President. When the next few years failed to improve materially the status of the subsidiary organization, the Retail Credit Company sold its holdings to Mr. Gilbert on very liberal terms, and in November, 1926, although maintaining cordial relations with Gilbert, it severed completely its connection with local credit reporting activities in Atlanta. The Credit Service Exchange, under Mr. Gilbert, barely survived the next decade. After weathering the trough of the Great Depression, however, it became a successful local enterprise and is today an active member of the Associated Credit Bureaus of America, Incorporated.

National Credit Reporting After 1916

At the time of the entry of the United States into the First World War, a customer desiring to make use of the Retail Credit Company's national organization to secure general credit information had only one alternative. This was to request a Personal Report. Designed in August of 1916 primarily for use in matters of employment,⁷ the

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⁶Minutes of the Meeting of the Stockholders of the Retail Credit Company, January 10, 1923.

⁷See Personnel and Loyalty Reports, p. 289.
Personal Report blank was the only medium the company had developed for making reports through the insurance inspection organization that would provide the type of information needed as a basis for general credit decisions. Although used sparingly at first for credit reporting purposes, it fitted the need so well that when a specialized Employment blank was developed in 1918 the Personal Report blank was adopted for use in making all financial or credit reports.8

Two firms, the Bobbs-Merrill Company of Indianapolis, and the William S. Merrill Chemical Company of Cincinnati, provided the bulk of the business done in Personal Reports for credit purposes between the end of World War I and 1926. But changes in marketing practices which accompanied the boom period of 1926-1929 increased the interest of national distributors in more direct customer contact, and, by 1930, there was quite a diversity in the lines of business represented by the users of Personal Reports. Most subscribers were interested only in the credit standing of their customers or prospects. A significant number, however, desired more information on the character of the individual than normally was revealed by a simple credit rating.

Still other opportunities in credit reporting were afforded the company subsequent to the sale of the Credit Service Exchange to Mr.

8Early in 1922 another special blank was introduced for reporting on firms as opposed to individuals. This was labeled the Personal-Firm or Corporation blank. In addition, a Farmer-Financial Report blank was adopted, about 1928 or 1929, specifically to serve the farm implement dealers and oil companies who then were expanding their credit sales to farmers. In June of 1929, in the interests of economy and simplification, an effort was made to replace the Personal Firm or Corporation and the Personal Report blanks with a single form called the Business Report blank. It was found that one form was inadequate for serving both firms and individuals, however, and after a trial of several months the combined blank was discontinued.
Gilbert. One which appeared to hold considerable promise at the outset was the making of credit reports on retail dealers for the oil industry. Direct mail promotion was used extensively during 1926 and a large number of prospective oil accounts were developed. The first actual customer in this category appears to have been the Standard Oil Company of Indiana, executives of this firm signing a blanket agreement for service on June 2, 1927. Other accounts were opened during the next few months, including the Roxana Petroleum Corporation (now Shell Oil Company), Union Oil of California, Richfield, and the Shaffer Oil Refining Company (which later became known as the Deep Rock Oil Corporation).

By 1931, the Retail Credit Company was making reports to oil companies at the rate of about 1600 per month through its Kansas City branch, and about 700 per month at Dallas. In August of that year, several Texas Oil Companies approached the firm regarding the possibility of providing an abbreviated credit report on retail customers at the rate of 50¢. This proposal was declined, primarily on the basis that the company simply could not offer its standard quality of service at this price. Furthermore, it was unwilling to risk the possibility of initiating a "trading down" process. There appeared to be, however, a large potential market for a report that was based on a limited personal inspection of individual risks, and tailored to specific requirements. The wide divergence in the cost of this type of report over that made by credit bureaus generally was a strong deterrent to its use by buyers of credit information, and suggested to the company that an entirely new type of service was needed.
As early as the Fall of 1929 the officers of the Retail Credit Company had been concerned about the quality of the "full service" type of credit reports being made by the firm. It was contended by some that the company was not sufficiently "credit minded," and had lost its ability to make good credit reports. The idea had been advanced that the firm might advantageously establish a few local credit bureaus and attempt to regain its touch with credit reporting by first-hand experience in the field. Also, requests for a short-form, low priced, credit report had been cropping up with increasing frequency, following the early experiment with oil company reports.

As the demand for Personal Reports made for credit purposes increased further, the Retail Credit Company began an extensive study of its overall credit service. Early in 1930, a special Commercial Report Division was established under the Standards Department, and in July the Executive Committee assigned Mr. C. M. Frederick the project of setting up separate offices or units to specialize in credit reporting only. An experiment was conducted in Philadelphia, and by December the Company had adopted Frederick's recommendation that the commercial, or credit, business be segregated in all offices where volume would permit. This policy was continued for some time. Further studies were conducted on operational techniques, particularly with respect to the possibilities of improving the use of the telephone in securing credit information.

One worthwhile result of these studies was the complete reorganization of the Credit and Financial service offered by the firm. In July, 1931, the old Personal Report blank was retired and three new
forms issued under the general heading of Character-Credit Reports. One was designed for use with individuals, another for business firms, and the third for farmers. At the same time, a Bank and Trade Reference rider was adopted. This latter was the first attempt to develop actual trade experience in reports made by the national organization; but its utility and application was decidedly limited by the lack of widespread and regular facilities for securing ledger experience and trade reference. Out of this situation, however, the concept of broadening the company's activities in the field of credit reporting gained strength and direction. It appeared impossible to make a limited credit report, using the standard system regularly employed for reporting on personal hazard, at a price competitive to that charged by other credit reporting agencies. Thus, the conviction grew that the firm should develop subsidiary credit bureaus as a means of acquiring flexibility and for handling the less elaborate type of reporting in question.

Re-entry to the Credit Bureau Field

The decision having been made to re-enter the field of work it had hesitantly abandoned several years previously, the method of doing so had still to be decided. Although Mr. Gilbert was unwilling at this time to relinquish control of the Credit Service Exchange, he suggested that a new subsidiary might be established for the purpose of initiating local credit bureaus in other Georgia cities where a need existed for better credit reporting facilities. Accordingly, the Georgia Credit Exchange was chartered on March 6, 1930, with Mr. Gilbert serving as President. The files of Mr. William Lester, an Augusta attorney who
had been operating a collection agency in that city, were purchased for a nominal sum. The only other credit bureau then in existence in the city of Augusta was being operated by the local Chamber of Commerce.

In the Fall of 1930, with the approval of the officers of the Savannah Retail Merchants Association, a branch office of the Georgia Credit Exchange was established in that city, and Mr. Gilbert was successful in affiliating both offices with the National Retail Credit Association. When the National Consumer Credit Reporting Corporation was formed as a subsidiary of the NRCA in 1932, and sought to finance its operations by the sale of stock to member firms, the Georgia Credit Exchange initially declined to participate, and finally did so only when the NCCRC threatened to establish competitive credit bureaus in Augusta and Savannah. The friction created by this development proved embarrassing to Mr. Gilbert, who was quite active in the NCCRC through his Credit Service Exchange in Atlanta. As a result, Mr. Gilbert resigned as president, along with other officers appointed by him, and the Georgia Credit Exchange was restaffed by Retail Credit Company personnel.

The Retailers Commercial Agency.--By 1932 the Retail Credit Company was doing a fair amount of local credit reporting in certain sections of the Southeast. Its connections with the NRCA and NCCRC served to extend its resources for gathering consumer credit information; but the firm still was handicapped in its efforts to supplement the credit reporting facilities of the parent firm by the lack of a wide network of credit bureaus. Stronger representation by local bureaus in the East appeared vital if the credit reporting affiliates were to fulfill their
proper role. A possible solution to this problem was offered when a letter was received from William P. Thompson, in November, 1933, proposing the sale of the Retailers Commercial Agency to the Retail Credit Company.

Mr. Thompson was prompted to sell his business because of his own advancing age, coupled with the bleak economic prospects then confronting business in general, and the credit reporting business in particular. He professed to a long-time admiration for the high business standards Mr. Cator and his firm had maintained over the years, and, anticipating that the Retail Credit Company might be interested in broadening its credit contacts in the East, he proffered Mr. Woolford the first opportunity to buy his business.

The Retailers Commercial Agency, whatever its shortcomings may have been at the time, boasted an excellent heritage in the field of consumer credit reporting. It had been founded by William P. and Frank C. Thompson in New York City on January 1, 1896, and was incorporated in 1898. In 1906, the Retailers Commercial Agency had purchased from Herman T. and Conrad E. Selss the Mercantile Protective Agency, an organization that had been founded in 1873 by a Reverend Douglas, who operated initially on Atlantic Avenue in Brooklyn. This business subsequently had been bought by the Selss brothers who had, according to the best records available today, established in Brooklyn in 1869 the first consumer credit reporting agency ever to be operated in the United States. The Selss brothers, for some reason unknown, had retained the name of the Mercantile Protective Agency. Frank Thompson, it is interesting to note, had first entered the credit field as a
reporter for the latter firm in 1890.

Purchase of the Retailers Commercial Agency appeared to offer a reasonable investment in a field in which the Retail Credit Company planned to expand its activities. Its reputation was in keeping with that of Cator Woolford's firm and it would supply a sorely missing link in the chain of credit reporting agencies the company needed to supplement its insurance reporting facilities. Further, it seemed appropriate that the insurance reporting agency that had been first to operate on a national basis should also acquire ownership of the first credit reporting firm established in the United States. Accordingly, a contract was executed by the Retail Credit Company on June 27, 1936, covering the purchase of the Retailers Commercial Agency. The charter of the old business was withdrawn and a new charter granted to a corporation of the same name on July 13, 1934.

Continuing its expansion in the credit bureau field, the Retail Credit Company formed another subsidiary in May, 1934. This was the Credit Bureau, Inc., organized under the laws of South Carolina to absorb the Columbia Credit Association and the Merchants Retail Credit Company of Columbia. Although immediate application for membership in both the NRCA and the NCCRA was made by the Credit Bureau, Inc., neither of the applications was acted upon. Instead, the memberships in both organizations of the Augusta and the Savannah offices of the Georgia Credit Exchange were cancelled, and the stock held by these offices in the NCCRA was bought up by that organization. As a result of this action, the Retail Credit Company found it necessary for a time to make most of the out-of-town inspections required by their subsi-
ary credit bureaus through the branch office facilities of the parent organization.

In order to further extend its coverage, the Retail Credit Company bought or established additional local credit bureaus during the next few years. The Fayetteville, North Carolina, Merchants Association was purchased on September 20, 1934. On November 21, 1935, a branch of the Credit Bureau, Incorporated, was established at Orlando, Florida, and one year later the Orlando Credit Association was purchased from A. E. Dixon. On January 27, 1937, the Credit Bureau, Incorporated, of Georgia was organized to consolidate the operations of the Credit Bureau, Incorporated, and the Georgia Credit Exchange; and in June of the same year the new organization with its branches was successful in renewing its memberships in the NRCA and in its newly formed affiliate, the Associated Credit Bureaus of America, Incorporated.

The addition of a network of credit bureaus increased the facilities of the parent organization considerably, permitting much greater flexibility than heretofore had been possible not only in pricing and in the types of services offered, but also in the development of new customer groups. In order to further broaden this potential, the Retail Credit Company organized on the 7th of May, 1954, the Credit Bureau of Montreal, Ltd. ⁹

⁹See Figure 24 for a chart showing the chronological development of the Retail Credit Company, Inc., its subsidiaries, and antecedents.
Fig. 24. Chronological Development of the Retail Credit Company and Its Subsidiaries
Further Developments in Credit Reporting.

The reports to the oil industry that, among other things, had served to stimulate a reawakening of interest in credit bureau work in the early 1930's, began to increase in volume as the nation attempted to fight its way out of the depression. New report forms were designed to suit the needs of various groups as occasion demanded. Early in 1932, several oil companies located in the Southwest were having credit difficulties with the local governments of towns and counties to which they had been selling gasoline and oil. They requested specialized information from the Retail Credit Company and, as a result, a form labeled Character Credit - Political Subdivision was introduced on July 5, 1933. Along with the announcement of this new service, the firm began to solicit not only other gas and oil companies, but also manufacturers of tires, farm implements, and road construction equipment which carried on extensive dealings with municipalities. It soon developed that this business had undesirable features. The reports were expensive to make and there was some question as to whether the information was sufficiently accurate for effective use as a basis for credit extension. Many inspectors, as well as their informants, were loath to report unfavorable information because of their civic pride. Within the year the firm discontinued all solicitation for this type of report, and in 1936 the Retail Credit Company made a definite effort to retire the service by actively bringing its inherent deficiencies to the attention of the oil companies. The latter, however, did not receive this negative sales attempt favorably, and it was decided that
the service would be continued, but only as an accommodation to the few concerns that insisted on having it.

In addition to the oil company business, other prospects for credit reports were developed. Some fertilizer accounts had been sold as early as 1927, although the company made little real progress with this line of business until a Property Check - Record Search report was initiated in March, 1932. Even so, the business was highly seasonal, with practically all reports being requested between November and April.

Reporting for Government Agencies

Government Agencies also required credit information. When the Federal Government first established funds for making mortgage loans on homes, the facilities of the Retail Credit Company were brought to the attention of the directors of the Home Owners Loan Corporation in Washington. As a result, this agency ordered reports on prospective borrowers, and accounts were opened in September, 1933, authorizing a number of HOLC branch offices to use the firm's Character Credit Reports.

In October, 1933, because some State Managers of the HOLC felt that the regular blank called for information that was inappropriate, blanks were designed to elicit more specialized information. The new form was standardized and in November the Home Loan Board in Washington both approved and required its use by all branches of the HOLC. The Retail Credit Company bid a flat rate of $1.00 for all reports made on the standardized blank, and in 1934 made a total of 356,000 HOLC reports. The total volume of credit reports, as a result, reached its
highest point since the switch to insurance reporting, and accounted
for more than 18% of the firm's total revenue in that year.

In addition to the reports on borrowers, the company designed
a Contractor's Report for use by the HOLC in reporting on the business
ability, experience, and reliability of contractors engaged on jobs
that were to be financed by HOLC funds.

When the National Housing Act became effective, providing for
insurance by the Federal Government of both new and existing mortgages
on homes, the Retail Credit Company, Dun & Bradstreet, Inc., and the
National Consumers Credit Reporting Corporation, were selected as the
official agencies to make reports for use in underwriting the business.
A standardized blank was worked out in Washington, to be used by all
agencies. Entitled Factual Data Report for Federal Housing Adminis-
tration, this blank was released to the branch offices of the Retail
Credit Company on January 10, 1935. A flat rate of $1.00 prevailed.

Accounts were opened with the sixty-one underwriters of this
business throughout the country and they were instructed by Washington
to apportion the business equally. The underwriters, however, had the
authority to discontinue the use of any agency that they felt did not
properly serve them. This left an open field for whichever firm could
and would give the best service. By May of 1935, however, restrictions
were imposed by Washington providing for a geographical distribution
between the three agencies. Contracts were awarded for a fiscal year
beginning each July 1. As time passed, more agencies came into the
picture, bidding particularly for business in concentrated areas. With
the introduction of numerous additional agencies, the allocation system
became ineffective, and underwriters were permitted to use any one of the several named agencies they preferred.

When the bid for the fiscal year beginning July 1, 1937, was opened, the specifications, in addition to the regular Factual Data Report, called for a check of property records, a check of court records, and the records on suits and judgments. The Retail Credit Company at first was not willing to bid on such a combination report for a flat rate of $1, and for a time was excluded from this business.

By the close of 1937 credit reports were being made for nearly eighty different kinds of business; but reports to mail order and to oil companies still accounted for almost a third of the credit reports handled. The $1 minimum rate continued to act as a strong barrier to expansion of this type of reporting activity, particularly with respect to the mail order houses. Numerous studies and surveys had been made in the course of more than a decade in an effort to find some way to provide a lower priced service. The nature of the standard report to insurance firms, requiring close adherence to a rather elaborate and highly standardized system, and eliciting a variety of information in greater detail than most credit report users desired, had always been a deterring factor when the question of a reduced price had come up for decision. However, since acquiring the Retailers Commercial Agency and establishing branches of this organization, as well as additional branches of the Credit Bureau, Inc., the firm had developed a good framework of credit bureaus extending from Chicago East and Southeast. In March of 1937, arrangements were initiated for each regular branch office to secure ledger experience through the subsidiary credit re-
A number of credit agency men in the Southwest, who were prominent in directing the affairs of the NCCRC, were successfully contacted in an effort to develop a reciprocal arrangement for the exchange of information. By May of 1937, many branch offices of the company had been able to work out satisfactory arrangements with credit bureaus in their localities, and also with bureaus in towns where Retail Credit Company salaried inspectors operated without the benefit of a branch office. Sight-of-file information was either to be traded with these bureaus or purchased from them, usually at a fee of fifteen cents for each case where information was developed. In some few cases, sight-of-file information was available at no charge.

The ledger experience thus made available tended to enhance the value of many reports, inasmuch as it provided an objective basis for arriving at conclusions regarding the applicant's past and current record in credit transactions. By obtaining this information from the local credit bureau, the Retail Credit Company could avoid soliciting credit experience from specific merchants, a task that did not fit appropriately into the routine of the company's operations.

A system of "dual rates" had been installed by 1936, whereby the facilities of the regular branch office system were supplemented by the offices and correspondents of the subsidiary credit bureaus. Thus, without endangering the standard routine of the regular insurance reporting effort, a supplementary organization capable of gathering the particular kind of information needed, and of rendering the most
abbreviated type of report desired by credit grantors, was available as a normal adjunct of the business. In effect, the tools of the trade had been improved materially, and credit reporting continued to grow.

A field that offered an attractive potential for good volume was the mail order business. Firms in this line of retailing began to stress installment sales during the late 1930's, and evidenced a great deal of interest in securing a specialized type of low cost report. Due largely to the flexibility afforded by the sight-of-file plan and the dual rate system, it now seemed feasible to offer such a service. Accordingly, a new form called the Credit Verification Report was announced to the trade on March 13, 1939. The sale of this report was restricted to mail order houses at a rate of 75¢. Consisting of two short-form reports, Individual and Farmer, it was designed to verify the accuracy of statements made by the customer in his application for credit.

The installation of this report marks the first departure of the Retail Credit Company from the minimum base rate of $1. It appeared to be justified, however, by distinct savings which were effected in the routine of handling. The following factors accounted for the lower cost: (a) the name and address of the applicant were filled out on the report blank by the subscriber, rather than by the Retail Credit Company; (b) current files of the company were not checked for additional information; (c) no copy of the report was retained on file by the Retail Credit Company; (d) no guarantee was made as to the length of time to be covered in the report; (e) no ledger experience was to be furnished, eliminating the need even for employing the sight-
of-file arrangement; and, finally, (f) no "remarks" (i.e. detailed explanations) were required of the inspector. The Credit Verification service quickly became a substantial item of revenue for the company.

Still another type of service intended to aid the credit grantor was inaugurated in March of 1931. This was the Delinquent Purchaser Report, which was designed originally to serve only the automobile finance companies by assisting them to determine the financial status of their delinquents as a collection aid. An outgrowth of this service was a Skip or Locate Report, which would assist creditors in their efforts to come to terms with absconding debtors.

By 1940, credit reports made by the Retail Credit Company, excluding the business of the subsidiary credit bureaus, accounted for nearly 20 per cent of the company's total volume. Prospects for continued expansion appeared bright, and a "credit bulletin" released to managers on December 27, 1939, predicted that by 1945 "credit business of all kinds will be nearly 40 per cent of all Retail Credit Company business and half of this will be in the two important lines of credit verification and petroleum credit."\(^\text{10}\) Although the entry of the United States into World War II interrupted this trend, credit report volume nearly doubled in the decade following the War, despite its failure to show a material gain in its relative contribution to total revenue.

**Reporting for the Automobile Industry**

For the first two decades of its existence the Retail Credit Company experienced an increased volume of business in each successive

\(^\text{10}\)The term "petroleum credit" referred to reports made for oil companies on their applicants for regional or national credit cards.
year, both in unit output and in dollars of revenue. By the end of 1920 a total of thirty-four branch offices were in operation in the United States and three in Canada.\(^\text{11}\) Prior to the opening of the Toronto branch, some Canadian business had been handled from conveniently located offices in the United States. This service, however, was slow and generally unsatisfactory both to the Company and to its clients. At the request of some of the life insurance firms, the Canadian branches were established, using native inspectors and employing for the first time foreign language report blanks, printed in French.

Despite the significant geographic expansion, the economic depression of 1921 interrupted momentarily the record of progressive growth in the firm's volume of business. For the first time in its history the revenue curve dropped below the preceding year, although only by 3 per cent. It would have dropped much more precipitously, perhaps, had it not been for the rapid and substantial development of a new line of reports for the automobile industry.

The Retail Credit Company is known to have made reports for automobile insurance underwriters as early as 1908, when some 335 inspections were reported in the annual summary of business done. Gradual increases in this volume had pushed the total to 2,191 reports by 1910, or a little more than 1.2 per cent of the number of automobiles sold by United States manufacturers in that year.\(^\text{12}\) Although the date

\(^{1}\)The first Canadian office was established in Toronto, Ontario, on June 9, 1919, followed by another in Montreal, Quebec, on October 13 of the same year, and by a third in Winnipeg, Manitoba, on February 19, 1920.

\(^{12}\)Passenger cars numbering 215,340 were produced in the United States in 1910. In 1917, the output increased to 1,053,506. (The
of introduction of the first automobile liability report blank is a matter of doubt, it is certain that such a form was in regular use by 1913. A sample of this blank, noted as "Form 57"," was included in the company's first issue of "Information About Retail Credit Company," published in that year.

In 1915 the company was advertising an Automobile Liability Inspection Service "for casualty companies only," and by 1917 the volume of automobile reports made had grown to 7,400, and accounted for revenue in the amount of $7,452. This was clear evidence of progress. However, the ratio of reports made by the firm to factory sales of autos had dropped to less than .5 per cent. During 1918 and 1919, for some unexplainable reason, no automobile inspections were reported. It is unlikely that this fact was due to an internal curtailment of record analysis as a war-time expedient, since the volume records of other minor services continued without interruption. It is a fact, however, that production of automobiles dropped nearly 46 per cent in 1918, drastically reducing the demand for new liability inspections on the part of insurance firms. In 1920 the reported revenue for this type of service was up to $7,897, and by 1921 had nearly doubled this amount.

The addition of an Auto Fire and Theft Report late in 1920 was responsible for nearly $140,000 of new business, and by 1922 auto insurance reports accounted for more than 21 per cent of the firm's total

figures relating to automobile production were derived from the 1948 Statistical Abstract of the United States.)

13A reproduction of this blank is shown as Figure 25.
### Fig. 25. First Auto Liability Report Blank - In Use 1913
revenue. This windfall of new business came at a most opportune time, since revenue from the two main lines, life insurance inspections and credit reports, declined a total of about $283,000 during 1921, or more than 19 per cent and 15 per cent, respectively.

There were several reasons for the exceptionally rapid increase in automobile inspections following World War I. In the first place, the widespread use of automobiles was increasing steadily.\(^{14}\) Production of passenger cars in the United States, after dropping 46 per cent in 1918, recovered sharply in 1919, and by 1920 was in excess of 1.9 million, with an average factory selling price of $949.\(^{15}\) This relatively high investment in a mechanically imperfect product undoubtedly induced a large number of car owners to insure their property against fire and theft, as well as against liability from property damage and personal injury. Automobile insurance underwriters, in turn, needed relatively more information about insurance applicants in order to make up for their limited experience with this class of risk. Even with careful and experienced drivers, fires due to mechanical malfunction were quite common in those days.

Another cause of the increased demand for inspection of auto risks was the increasing emphasis placed on installment sales of cars

\(^{14}\)According to Clyde William Phelps, in his study of The Role of the Sales Finance Companies in the American Economy (Baltimore: Commercial Credit Company, 1955) p. 60: "In 1900, the automobile was definitely a luxury; at that time there was only one automobile for every nine hundred and fifty persons. In 1910, there was one car for every two hundred, and by 1920, with one car to every thirteen persons, the automobile was already coming to be regarded as a necessity."

\(^{15}\)This represented an increase of $306 over the average wholesale price of passenger cars sold in 1915.
to the consumer. A San Francisco automobile dealer, L. F. Weaver, has
been credited with introducing this sales method as early as 1913. 16
However, it was not until the success of the General Motors Acceptance
Corporation, formed in 1919, became generally apparent that the move­
ment assumed major significance. Seligman states that, subsequent to
the formation of GMAC,

the movement rapidly spread to the smaller organizations, so
that the period from 1921 to 1925 may be called the boom
period in automobile finance. By 1922 there were about one
thousand finance or credit companies dealing with automobile
paper and covering about 17 per cent of all the automobiles
sold.17

Insurance companies obviously benefited from the rapid increase
in automobile installment sales, since the finance companies required
fire and theft insurance to protect their equities. In view of these
developments, it was to be expected that the volume of automobile in­
surance inspections would increase proportionately.

Still another factor gave added impetus to the unusual growth
of automobile reporting. This was the increase in personal hazard
applying to the insurance of cars. In 1920, 1,906,000 passenger cars
had been sold at an average factory price of $949. Increasing sales
due to higher personal incomes and easier credit had put autos in the
possession of a new class of buyers. With the depression of 1921, the
average price of cars fell more than 25 per cent. This was enough to
wipe out or seriously impair the equity of those who had purchased

16Phelps, op. cit., p. 55. Further discussion of this develop­
ment appears on p. 275, under the heading "Automobile Finance and Dealer
Reports."

17Edwin R. A. Seligman, The Economics of Installment Selling
automobiles on the installment plan. The newer cars, moreover, were less expensive to operate and more desirable to own. Under the terms of most of the early automobile insurance contracts, the loss of the property required the insurer to pay the original purchase price of the car. These factors, coupled with the pinch of declining incomes, undoubtedly induced many car owners to take the easy way out by the more or less deliberate burning of their vehicles, or by claiming theft of the vehicle, in order to collect the original purchase price from the insurance company. It is reported that the Atlanta branch manager of the Fireman's Fund Insurance Company, Mr. Baxter Gentry, was at that time experiencing a loss ratio of 125 per cent in his automobile business, and appealed to Mr. Cator Woolford "for character reports to help him weed out the undesirables."¹⁸

This situation prompted the Retail Credit Company to design its first Auto Fire and Theft Report in 1920. Separate forms were used for men and women, and these remained in use, along with the earlier Auto Liability Report blank, until 1928, at which time the men's fire and theft and the liability forms were consolidated into one Automobile Report form.¹⁹ The first report form designed to cover company owned automobiles was not put into use until June, 1929. It was labeled Automobile Insurance (Business Blank Including Fleet and Garage Pay Roll).

¹⁸Memorandum in the files of the Retail Credit Company.

¹⁹An effort toward simplification in May, 1934, resulted in the discontinuance of the separate women's blank and the incorporation in the Man's blank of a special paragraph to deal with female risks.
Effects of State Legislation. -- The passing of State Laws requiring automobile drivers to show evidence of financial responsibility stimulated greatly the development of auto liability underwriting, and, as a consequence, a rapid growth in this type of reporting by the Retail Credit Company. The first such law was passed in the State of Massachusetts on May 1, 1924, to become effective January 1, 1927. Since that time practically every State has adopted this type of legislation in some form. But in few, if any, cases have the acts represented so drastic an innovation, or required so much special handling on the part of inspection agencies, as did the Massachusetts law.

The Massachusetts Act was compulsory, requiring that every application for an automobile license tag be accompanied by a certificate showing that the applicant had furnished security for the payment of possible claims for personal injuries that might be caused by the vehicle to be registered. The potential effect of this law on the Retail Credit Company's business in Massachusetts became a matter of great concern and study early in 1926. All indications pointed toward an avalanche of auto inspections between November, 1926, and March, 1927, which was the period when most of the 1927 tags would be issued.

Because there was no precedent to serve as a guide to the firm, an unusual amount of time and effort was devoted to evolving the organization and methods necessary to handle the situation. The organization in Massachusetts was expanded, with three men of managerial caliber heading up special offices established in Boston to handle liability business. An additional sixteen salaried inspectors were employed specifically for this purpose, and placed under the direction of a special
supervisor. In addition, some twenty reserve inspectors were lined up. These extensive preparations marked a distinct departure from the company's policy of keeping all business on a routine basis; but they were considered to be justified in view of the emergency nature of the automobile underwriters' problems. As the situation developed it became apparent that the firm had made more ample preparations than were needed. The reserve organization was not called into action at all, and after the first peak of business had passed the services of some inspectors were dispensed with, and several were transferred in February, 1927, to other branches. The first batch of this new business resulted in a net loss of approximately $600 for the firm. Valuable experience was gained, however, which would serve as a guide for future operations of a similar nature.

Automobile Finance and Dealer Reports

In 1916 Mr. Walter Hill noticed an advertisement in an Atlanta newspaper indicating that the Commercial Investment Trust Corporation, then of St. Louis, was prepared to finance automobiles purchased from the Atlanta dealer for the Everett-Metzger-Flanders automobile. He called on the dealer and found him to be poorly informed of this development, and not particularly interested in it. Up to this time most auto dealers who sold cars on installment credit terms had handled their own notes or arranged terms through local banks when their clients were able to meet the rather rigid terms required. 20

20According to Seligman (op. cit., p. 42), the widespread use of installment credit in the sale of automobiles did not come about until after World War I, although "the year 1910 . . . marks the inception of automobile installment sales" through Mr. Arthur J. Morris and his Morris Plan banks.
Within a short time thereafter, the CIT moved to New York City and Mr. Hill called on them there in an effort to sell them the idea of using character reports on persons for whom they financed the purchase of cars. This initial promotional effort was unsuccessful, as the CIT thought at the time that the recommendations of its dealers alone would constitute an adequate basis for the credit decision. With the experience of two or three months of operating on this assumption, however, the CIT must have realized the inadequacy of the information supplied by dealers, for the Retail Credit Company received an "SOS" from this firm for information about the inspection service available. It was in this manner that the company's first automobile finance account was opened.

For some time this business was concentrated in the New York City area. The finance companies were growing rapidly. Due to the intensive and rapidly increasing competition in automobile selling, they were subjected to considerable pressure to pass judgment on their auto finance risks on very short notice, usually being pressed to give a decision the same day on which the request was presented. As a consequence, they were demanding information from their sources by telephone. The difficulties this imposed on the Retail Credit Company's system were so great that the firm did not, for a time, actively solicit further business in this field. Early in 1919 the General Motors Acceptance Corporation was organized, however, and by 1920 the potential had grown so attractive that the Retail Credit Company again began to push this type of reporting quite vigorously, using the regu-
lar Personal Report blank as a medium. As a result, the volume obtained from this source increased from less than $6,000 in 1919 to more than $68,000 in 1920, and to nearly $73,000 in 1921. In April, 1922, a new report form was designed especially for this business, and called the Auto Purchase blank. In addition to character and credit information the new form supplied details regarding the condition, value and probable use of the automobile.

So rapidly and intensely did competition build up in the auto finance field that terms made to purchasers became increasingly liberal. In the scramble for new business, the finance companies became unwilling to wait for inspection reports. They began to act more frequently on the less informative but more readily available information that could be obtained from credit bureaus by telephone. In view of this fact, it is not surprising that the Retail Credit Company's volume of auto finance reports declined more than 40 per cent in 1922, particularly in view of the general economic conditions of the time.

The natural sequel to financing cars for individual purchasers was the financing of cars for dealers. Installment sales to individuals placed the dealer "in the middle," so to speak. Hard pressed to

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21 Seligman (op. cit., pp. 48-49) states that "... the period from 1921 to 1925 may be called the boom period in automobile finance. By 1922 there were about one thousand finance or credit companies dealing with automobile paper and covering about 17 per cent of all the automobiles sold. By the year 1925 the number of companies had grown to sixteen or seventeen hundred, and the automobiles sold on installments were supposed to amount to from 70 per cent to 75 per cent of all automobile sales ... ."

22 Seligman found that "the scrutiny as to the reliability of the purchaser was relaxed, and all effort was centered upon making the greatest volume of initial sales." (Op. cit., p. 50).
maintain an adequate inventory, even when sales were made to the ultimate consumer for cash, the relatively small down payments collected by dealers who made installment sales obviously demanded that the dealer either increase his operating capital or receive credit sufficient to carry his financed sales. Since additional capital seldom was available in sufficient quantity, and local banks were unable generally to supply this need, the automobile manufacturers found it necessary to arrange credit terms for their dealers through the finance companies.

To protect the latter against the misrepresentations of unscrupulous dealers, specialized sources of information were needed. The Retail Credit Company first attempted to supply this intelligence in November, 1917, by means of a new service called the Dealer Car Check. This service required the inspector to visit the dealer's place of business, and to identify specifically the make, model, and serial number of every car in the hands of the dealer on which the finance company had advanced funds. This was, incidentally, the first experience the Retail Credit Company had in making inspections of physical property.

By June of 1919, it became evident that this type of service was not returning a profit at the rates charged. To rectify the situation, the company devised a new Auto Finance Report to replace the Car Check. The new form provided the additional service of checking notes at the bank when a car was sold. At the same time, the charge for the report was increased to $1.50 for checking the first four cars, with an additional 25¢ for each car over four, plus $1 for checking notes at the bank when the latter service was required. Even with the higher
rates, which were increased again within a year's time, problems in-
curred in the physical inspection of risks caused the company to dis-
continue for a number of years the active solicitation of this type of
business.

When insurance underwriters began to extend coverage for fire
and theft on cars in the possession of dealers, the Retail Credit
Company developed still another type of report for the automobile indus-
try. The Auto Dealer Report, first used in 1919, was employed prima-
rily by insurance underwriters. In August of 1927, however, the Auto
Dealer Report was revised in order to serve both underwriters and the
finance companies which required detailed character credit information
on the dealers they served. Formerly, the finance companies had used
the old Personal Report blank for this purpose.

Claim Reporting

Death claim reports were made by the Retail Credit Company from
the beginning of its entry into the life insurance reporting field.
Insurance companies needed positive assurance that persons reported as
dead were actually the same persons covered by the insurance contract.
Many instances of fraudulent claims were revealed through inspections,
wherein insured persons, having been reported as dead and buried,
actually were found to be very much alive. Reports in the files of the
company indicate that the carcasses of dogs and other animals frequent-
ly were found to occupy the graves of the "deceased," when circumstan-
ces warranted exhumation of the corpus delicti. This type of report-
ing business was not sought after by the firm at that time.
The nearest competitor of the Retail Credit Company today, the Hooper-Holmes Bureau, began its operations in the same month and year as did the former, but specialized initially as a claim reporting agency. In the early days it was customary for these two firms to refer customers to each other--claim reports going to Hooper-Holmes and insurance inspections to the Retail Credit Company. Thus a number of years elapsed before claim reporting assumed for the Retail Credit Company any appreciable significance. The volume from this class of business never amounted to more than $1,000 annually until 1920. Even until 1926 this service was responsible for less than one per cent of the firm's total revenue.

A number of years passed before the first Disability Claim blank was developed, and it was not until 1928 that the demand for this type of service began to grow materially. Two occurrences in that year gave impetus to the development of claim reporting. In the first place, the life insurance companies began at that time to be somewhat critical of the firm's disability claim reports in connection with life insurance contracts. Any dissatisfaction expressed by the company's major customer group was immediate cause for self examination by Mr. John King who, as Medical Director of the Mutual Reserve Life Insurance Company (now extinct), is said to have referred the first large batch of inspection reports to Woolford's fledgling agency about 1901, joined the Hooper-Holmes Bureau that the latter firm began actively to solicit life insurance inspections. (M.M. Halpin, "From the Archives," The Roundtable, November, 1941, p. 32.)

\[23\] It was not until Mr. John King who, as Medical Director of the Mutual Reserve Life Insurance Company (now extinct), is said to have referred the first large batch of inspection reports to Woolford's fledgling agency about 1901, joined the Hooper-Holmes Bureau that the latter firm began actively to solicit life insurance inspections. (M.M. Halpin, "From the Archives," The Roundtable, November, 1941, p. 32.)

\[24\] Claim reports were designed to aid underwriters whose firms issued Income Disability contracts. In the event a policyholder suffered a loss of income because of a disability due to sickness or injury, he might be eligible to receive a predetermined compensation. Personal hazard tended to increase materially under these conditions, and attempts to prolong the "disability" were frequent.
Cator Woolford, and he usually insured that steps were taken at once to improve the service.

In the second place, the question of making claim reports for the Accident and Health Departments of life insurance customers began to crop up with increasing frequency. In 1928, the disability and claim underwriters of the life insurance companies were admitted to membership in the International Claim Association. Representatives of the Retail Credit Company who attended the annual meeting of this body at Old Point Comfort, Virginia, on their return gave such a favorable report of the opportunities in this field that the executives of the company decided to promote the accident and health claim business aggressively. Developments were more rapid from that time on. A Present Condition Report soon was added to the line, for use as a check-up of approved disability claims. In 1930 the death claim service was revised and new forms introduced for the Death Confirmation Report and the Death Claim Investigation.

Early in 1931, a committee representing four of the large Eastern companies suggested that a standard report system be adopted for handling disability claims. Proposed forms included a Disability Claim Report, a Continuance of Disability Report (to replace the Present Condition Report), and a Special Disability Claim Report. Executives of the Retail Credit Company met with this committee and arrived at a decision on the wording of these blanks. The work of this committee was important in another respect, also, in that a revised rate schedule was approved which made it possible for the inspector to

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give more time to each case. Previously, the relatively low rates had encouraged inspectors to curtail the scope of their investigations, which frequently resulted in the claim examiner getting too little information on which to render a wise decision.

Because of the unusual techniques required in claim reporting, the Operating Department of the Retail Credit Company had set up the objective of designating a special claim inspector in each branch office employing two or more local inspectors. An intensive study of the claim business was begun in 1930 with the explicit purpose of developing more efficient techniques for claim reporting. In 1931 a claim reporting training school of four weeks duration was inaugurated, which continued for a number of years. In order to provide better claim service for the insurance companies while specialized inspectors were being trained, an experienced investigator was made available, during 1931, to survey approved claims throughout the Southeast. Insurance companies were notified in advance of the investigator's travel schedule, and they in turn would submit lists of the claims they desired to be checked. This service later was extended and, altogether, the company surveyed some forty states and two Canadian Provinces one or more times each. Through these surveys the insurance companies were enabled to weed out many of their doubtful claims. After three years of continuous operation, these surveys were discontinued, inasmuch as trained investigators then were available for inspections as needed in practically any section of the country.

Adjustment of Claims

Periodically, the question of the company handling adjustments
was raised by individual customers. The Retail Credit Company consistently refused to solicit such business, preferring to confine its activities to the investigation of claims. Occasionally, however, special cases were handled for good life insurance customers when those firms had no facilities within their own organizations for making adjustments, and a substantial amount of trouble and expense could be saved them through the assistance of the Retail Credit Company.

Claim reporting frequently involves a type of investigation that borders on detective work. The Retail Credit Company has always taken great care to avoid this type of activity, both because of the nature of the work itself and because of the legal liabilities involved therein. Detective work does not lend itself readily to standardized and systematic procedures, which are fundamental elements of the company’s business. When, in April, 1938, a New York Senate Bill became effective which defined for licensing purposes certain types of detective investigations, the company found it necessary to make immediate changes in some of its services, particularly "third-party" claim reports dealing with personal injury, subrogation, and salvage, in order to avoid being classified as a Detective Agency in the State of New York. Similar regulations have been adopted in many other states and the high license fees, as well as the irregularities usually imposed on the system, make it impractical to undertake this

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26 This policy toward "adjustments" has continued to the present day. However, a related activity, claim settlements, was inaugurated about 1955 to assist insurance firms in their efforts to settle life and accident and health claims in cases when disputes might arise due to a lack of information of extenuating circumstances, prior conditions, and the like.
Fire Insurance Reporting

Active solicitation for fire insurance inspections was begun by the Retail Credit Company as early as 1913 or 1914, when Mr. Hill made two or three trips East to discuss the possibilities for this type of service at the Home offices of several leading fire insurance firms. He concluded that most of the executives of fire insurance companies had financial backgrounds, and considered their major source of profits to lie in the field of investments rather than in underwriting. The inspection of physical risks, long an accepted practice with fire insurers, required a specialized and technically trained inspector, and it was customary for most fire underwriters to get their information through their own inspection departments. They were, moreover, accustomed to supplementing their own inspection activities when necessary with reports from the large national mercantile agencies, whose rating books were considered valuable tools in evaluation of the personal or "moral" hazard. As a consequence, Mr. Hill's early efforts were unproductive.

The first contact of any consequence made with the fire insurance industry occurred about 1920, when the large scale inspections of automobile fire losses described previously began to be made by the Retail Credit Company. The good work done in this area demonstrated to the fire insurance industry the capabilities of the organization, and provided an easier contact with fire underwriters in other fields of fire coverage.
The depression of 1921 tended to impress two facts upon the executives of fire insurance companies. First, it became evident to them that property and stock investments were not an unfailing source of profits, and as a consequence they began to take a greater interest in the underwriting phase of their operations. Second, the importance of careful evaluation of the personal hazard became more evident as economic pressures increased with the growing depression in business activity. Both of these facts made the fire companies acutely conscious of the need for more effective underwriting procedures. Encouraged by the successful use of Retail Credit Company reports by their automobile departments, many fire underwriters began to request reports on applicants for fire insurance coverage. These were sent through their automobile departments and, in routine fashion, were handled on the regular auto report blanks. When the practice became evident to the Retail Credit Company, these fire underwriters were approached with the suggestion that a Personal Report form would be better adapted to their underwriting needs. As a result, by the middle of 1922 more than seventy fire companies were using the company's Personal Reports in underwriting their fire business.

By the Fall of 1922, in fire insurance circles, the problem of personal hazard had grown to disturbing proportions. Insurance Commissioners in several states accused the fire companies of passing on to the general public, in the form of higher rates, the enormous fire losses sustained— they claimed— because of carelessness and inefficiency in risk selection. Newspapers in many sections of the country carried editorials endorsing the attitude of these critical Commission-
ers. Because of this situation the Retail Credit Company launched a direct mail campaign to promote the further use of *Personal Reports* in fire underwriting, and to solicit suggestions from the users for a proposed new blank to be designed solely for reporting on fire insurance risks. By November, 1922, a new report form was available. It was patterned very much along the lines of the Personal Report, but contained questions designed to elicit more information on antecedents, construction, location and occupancy of the property. It was intended to be used for all fire reports, both mercantile and dwelling. The results were more than satisfactory. From a volume of a few hundred dollars in 1922, fire insurance reports jumped to about $22,000 in 1923, to $60,000 in 1924, and to $111,000 in 1925.

Between 1925 and 1928 the fire reporting business nearly tripled. During this period three new services were introduced, none of which, however, added greatly to the total volume derived from inspecting fire risks. A *Farm Fire Report* blank was released on May 10, 1926, at the request of a number of fire companies located in Chicago. These firms wrote, at that time, about seventy-five per cent of the total farm fire business. Despite careful inspection, losses in this class of risk continued to increase as farm property values deteriorated. Underwriting experience finally became so unsatisfactory that some of the fire companies retired completely from the coverage of farm property, and many others refused to promote it for a number of years.

A blank designed especially for use where the insured was a woman was introduced in June of 1927. This was continued until April, 1931, at which time special questions covering pertinent information on
female risks was incorporated in other blanks and the woman's fire blank was eliminated.

The third addition during this period was the **Location and Occupancy Report**. Many of the Fire Companies insured, under binders, a great deal of property in Florida during the period of that State's real estate inflation. When the boom collapsed, many properties that had been bought speculatively on margin became distinct liabilities to their owners. In January, 1928, Mr. Hill surveyed the situation carefully during a trip through the area. As a result, the company designed a report that would assist the fire underwriter to determine the present value and possible uses of those risks already insured. The **Location and Occupancy Report** was confined to the Florida territory. Contrary to the company's expectations, it was not used widely and was withdrawn in December, 1930.

An important event in the fire inspection field occurred in 1928. At that time, fire companies were receiving, in addition to those made by their own inspection departments, reports from such firms as R. G. Dun and The Bradstreet Company that emphasized financial and business history information. From the Retail Credit Company and the Hooper-Holmes Bureau they obtained reports that stressed the character of the applicant or assured. Little or no uniformity existed in the report blanks used. With the stated purpose of improving fire underwriting efficiency, Mr. Paul L. Hald, President of the America Fore Group, called a meeting of the National Board of Fire Insurance Companies. A special committee was appointed, with Mr. Frank A. Christensen as Chairman, to do research on the work of inspection agencies. As an
outgrowth of this committee's report, the National Board of Fire Underwriters adopted a standard blank to be used by all inspection agencies in reporting on business property to fire insurance companies. For reports on individuals, however, each inspection agency continued to use its own forms.

The standard blank drawn up by the committee represented a radical departure from standard usage, both for the mercantile agencies and for the independent inspection agencies. The former were required not only to develop character information they previously had omitted, but also to change from the narrative to the question-and-answer type of report. For the independent inspection agencies the new form necessitated the development of more complete financial and antecedent information. The latter requirement was simplified to some extent for the Retail Credit Company by virtue of the fact that in October, 1927, the firm had begun to experiment in the interviewing of business firms in several large cities. In this connection it had already begun to secure, when possible, a financial statement from those firms inspected. This service was incorporated as a regular feature of the salaried inspector's report in April, 1928, and special printed forms were provided for securing the financial data.

Quite a number of blank revisions and new services were introduced in the field of fire reporting, during the next several years, in an effort to secure increased revenue from this source. Although fire insurance reporting has become a standard line, and has grown steadily in volume, it has never been spectacular insofar as its relative share of the total business is concerned.
Personnel and Loyalty Reports

An expansion of activity in the field of employment reporting would appear to be a logical step for the Retail Credit Company in its program of diversification in product lines. For few other purposes would the detailed information normally gathered by the company, relating to the individual's character, habits, and reputation, seem to have so pertinent an application. This type of service had been performed for the life insurance companies since 1901 or 1902, as an aid to their selection of agents and medical examiners. Yet, the legal liability involved in the possibility of depriving a person of his means of livelihood through an unfavorable report, together with the opportunities for misuse of the service by employers in checking on their present employees, created an undesirable situation and deterred the company from developing this type of reporting for a number of years.

Even for purposes of selecting its own personnel, the company operated for more than a decade without making use of its "built-in" facilities. In October, 1915, the Executive Committee considered, but did not take action on, a proposal that a blank be designed for regular use in reporting on applicants for employment. With respect to its own personnel selection problem, it was not until 1910 or later that the firm had adopted a special blank to be used for internal selection purposes only. There are indications that this step was not actually taken until 1915, when the Company's Personnel Division was first organized.
In August, 1916, a **Personal Report** blank was released as the basis for a sort of general purpose inspection, the charge for which was set at $2. At first it was used primarily for credit and employment purposes, although later it was given many other applications.\(^1\) By October, 1917, the **Personal Report** had been adopted in place of the special employment form for securing information on all prospective employees of the Retail Credit Company, and shortly thereafter the **Personal Report** was advertised in **SYSTEM, The Magazine of Business**, a publication circulated nationally as an "aid to efficient employment."\(^2\)

From a total revenue of slightly more than $500 reported from this type of report for the year 1916, the volume jumped to more than $7,000 in 1917.

During the Spring of 1918 the Retail Credit Company was made aware of a need that was being experienced by some departments of the Federal Government, and by relief organizations engaged in War activities, for information on prospective personnel. As a contribution to the War effort, the company designed a special employment report which was made available for this purpose at a cost of $1. These reports were made at some financial loss to the firm, and in January, 1919, when the need in connection with war activities no longer existed, the service was withdrawn.

\(^1\)See the section entitled "National Credit Reporting After 1916," beginning on page 251.

\(^2\)This periodical was superceded September 7, 1929, by the current McGraw-Hill publication **Business Week**. Vide: **Union List of Serials in Libraries of the United States and Canada**, edited by Winifred Gregory (New York: H. W. Wilson and Company, 1943) p. 1646. Miss Gregory notes that a complete file of the publication is available at the Detroit Public Library, Technology Department.
In November, 1918, an Employment Report blank was designed from
selected elements of the Personal Report and the employment form that
had been used in reporting to the Government. All questions led directly
to the development of information generally required in the selection
of employees. Customers who at that time were using the Personal
Report for employment purposes were switched to the new form. To
stimulate the wider use of this service, managers and salaried inspec-
tors were offered a commission of ten per cent for one year on all
sales of the reports made to new customers other than insurance compa-
nies. Priced at $2 each, the new reports were offered on a prepaid
basis, and inquiry tickets were prepared in pads containing ten, fifty,
and one hundred.

To further promote the use of Employment Reports, the company
supplied several blank forms to each customer entitled "Qualifications
for Employment." These forms, when filled out by the using firm,
served as an abbreviated job description and provided a helpful guide
to the inspector in gathering pertinent information. An advertising
campaign also was initiated in 1919, which included one full page ad-
vertisement in Sales Management magazine and a series of half-page ads
in System. The latter advertisements listed employment reports as one
of the company's specialized services.

Although a number of new Employment Report accounts were opened
through these promotional efforts, they generally were small, and few
of them were considered profitable. The reports, moreover, introduced
some irregularities in the company's system, and in January, 1920, it
was decided to drop all promotional effort in this connection. Es-
tablished accounts were continued, but no additional ones were opened. This dormant condition continued in effect until May, 1927, when a Personal History Report was launched as a new service at the basic rate of $1. No active promotional effort was expended on the new service at this time.

To reduce as much as possible the legal liability incurred in personnel reporting, the company adopted a special form of indemnity agreement that was required of all customers using Agent, Personal History, Medical Examiner, and Employment Reports. The agreement was printed on slips of paper, one of which was to be attached by the customer to each inquiry for any of the above mentioned reports. It read as follows:

RETAIN CREDIT COMPANY: In requesting this report, we understand that information given by Retail Credit Company is for the sole purpose of determining the acceptability of the person or firm named for a business transaction, and shall be held in strict confidence and shall not be revealed to the person reported on nor to any other person, unless he be in our employ in such capacity as to make it necessary that he know such information for our protection and benefit. We understand that the Retail Credit Company reserves the right to submit this information verbally.

We give you the best information we have as to address and occupation.29

A degree of specialization was introduced in personnel reporting by the development, in 1934, of a blank designed solely for use in reporting on prospective sales employees. This was done at the request of several clients who felt that the regular Personal History Report did not develop adequate information on this class of applicant. When a campaign to reduce the growing stock of different blanks was launched

29Historical Records of the Retail Credit Company.
In 1937, the Salesman's Report was eliminated, along with a number of other forms, and pertinent questions applicable to sales employees were incorporated in a revised Personal History Report. Except for certain Government forms, it was not until after World War II that a high degree of specialization in personnel reporting again was made available to all clients.

From the standpoint of sales volume, personnel reporting did not begin to assume major importance until the beginning of World War II. When Federal Housing Authority personnel were brought under Civil Service in 1939, the company secured some business in making Personal History Reports for the Federal Government. It shared the domestic reporting work with other inspection agencies, but enjoyed an exclusive arrangement for all reports made in Hawaii, Alaska, and Puerto Rico for the fiscal year beginning July 1, 1939. This was the beginning of a great surge in volume for this type of reporting. In 1943 it accounted for about thirty-six per cent of the firm's total revenue, and effectively offset the decline in other areas of effort caused by wartime conditions.

Reports for Defense Industries.—As the United States girded itself for all-out war, the necessary employment of huge numbers of workers in critical industries created a hazard of considerable importance. Opportunities for sabotage were abundant, particularly in sensitive and highly technical industries. As early as 1940, the desire to employ only persons loyal to the principles of Democracy induced the Lockheed Aircraft Manufacturing Corporation of Burbank, California, to utilize the facilities of the Retail Credit Company. In May, some 545 Personal
History Reports were billed to the Lockheed account which had recently been opened by the Los Angeles branch office.

Impressed by the twin opportunities of revenue for the company and a needed service to the war effort, President Hill addressed a memorandum to the Sales Department on May 21, 1940, suggesting that the Retail Credit Company consider the possibilities of offering a special reporting service to war industries on new employees. Such reports, he suggested, should be designed specifically to single out “fifth-columnists” and persons with subversive tendencies.

In connection with employment reporting, it should be noted that prior to July, 1940, the company had maintained a policy of reporting on applicants only, as opposed to persons already employed. Because of the conflicting ideologies fired up by the impending conflagration of total war, the firm’s policy was amended to permit the making of reports on present employees of armament manufacturers.

Miscellaneous Services

Many special types of reports have been developed by the Retail Credit Company since 1900. Some have grown out of related services, or from specific requests made by clients, or have been induced by competitive action. Others have been instigated by the company itself when opportunities for service became apparent to members of the firm.

Prior to 1918, the Retail Credit Company had made numerous special investigations of conditions existing within industries or in specific plants for certain insurance companies, particularly for the Sun Life. Over a period of time a considerable amount of detailed information was accumulated in this way. In 1918, the idea was conceived
of making this information generally available to all customers with
the expectation that insurance underwriters in particular would derive
valuable aid therefrom in evaluating their risks. It was decided that
such information might be disseminated most effectively through the
medium of a company publication, Inspection News. The first subject
selected for publication covered general conditions in the steel and
wooden ship construction fields, and similar articles dealing with other
industries were published irregularly until February, 1926.

In the meantime, the company had encountered difficulty as a
result of some customers requesting more complete information on the
duties of the subject than had been furnished in the original report.
To handle this situation with dispatch, Mr. Frederick recorded the
names of all known occupations and the duties generally required of
workers employed therein. Some effort was made, unsuccessfully, to
market this information. Thereupon the company proceeded to develop
a Duties Handbook, which proved to be of considerable value to inspec-
tors in their reporting efforts. This led to the practice of including,
from time to time, descriptions of particular areas of occupational
specialization in various company publications.

The favorable reaction of customers to these articles led the
company in February, 1926, to edit them as a separate publication
called Industry Report. Its size increased from one page to two, then
to four, and finally to eight pages. It was distributed gratis to all
insurance clients as a bulletin of information on occupational hazards.
When the collapse of the New York Stock market, in the Fall of 1929,
tolled the death knell of the long bull market, free distribution of
Industry Report had to be curtailed, particularly in view of the fact that most of the reports made since 1928 had been prepared by an independent researcher at a cost of $100 each. Accordingly, the publication was put on a subscription basis as of January, 1930, and the services of the outside specialist were dispensed with. Despite the subscription support received from customers, Industry Report was published for several years at a net loss to the company. After surveying leading subscribers and other customers late in 1934, it was decided that the publication had served its purpose, and in view of other information of a similar nature which subsequently had become available, the relatively short but useful life of Industry Report closed with the December issue of 1935.

Casualty Reports

Prior to 1921, the Retail Credit Company had been making a few reports to Burglary insurance underwriters on the old Personal Report blank. Late in 1920 and in 1921, a crime wave born in the aftermath of World War I and its subsequent economic depression swept across the country. Armed robbery and burglary were rampant. Casualty insurance companies generally capitalized on this situation in their promotional efforts, with the result that burglary insurance reports grew rapidly in volume.

In January, 1922, the Retail Credit Company designed its first Burglary Report blank, in collaboration with the Travelers Indemnity

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30 Notably, the "Occupational Section" of the Proceedings, published annually by the Home Office Life Underwriters' Association.
Company. Separate forms were provided for residence and mercantile risks. In August, 1925, a Special Burglary and All Risks Jewelry Floater Report was added, but without notable success. In an effort to improve the qualifications of inspectors for this type of work, a special study of burglary underwriting was conducted late in 1926. Although this bit of research was helpful in other ways also, one of the major benefits resulting therefrom was the preparation of an underwriting handbook for use by inspectors. This was the first of a complete line of handbooks that later served to disseminate essential underwriting information to all members of the organization.

One of the basic policies adopted by the firm, when it first began to inspect for the life insurance industry, was that the subject of the investigation should not be advised when he was undergoing inspection. This was consistent with the general policy of secrecy that pervaded all life insurance investigations in the early days. As the firm's range of services broadened, however, and as both business men and consumers developed a more objective viewpoint regarding the need of underwriters for personal information, occasional deviations from the basic policy were allowed. By 1928 it was deemed advisable to permit salaried inspectors to interview the casualty risks upon whom they reported, when logical sources for securing complete financial information or antecedent history were unavailable. Although this policy applied primarily in connection with fire inspections, it was later extended to include mercantile burglary inspections also. In addition to securing leads for other sources of information, the inspector was able, by interviewing the subject to be reported on, to obtain first hand
information concerning the physical aspects of the risk.

The occasional need for physical inspections had become apparent at a much earlier date in connection with reports for fire insurance companies. As a general rule, however, physical inspections were avoided, when possible, because of the higher costs involved. In December, 1930, however, as an accommodation to the Fidelity and Deposit Company of New York, the company agreed to make physical inspections of mercantile risks on blanks furnished by the customer. The charge for this service was triple the basic rate.

Another casualty line that began to receive emphasis in the late 1920's developed in the Inland Marine field. An analysis made in January, 1929, of the origin of inquiries received for the widely used Personal Report revealed that some eight per cent came from the Inland Marine Departments of fire companies who were securing an increasing volume of All Risks Jewelry Floater and Personal Effects policies. Because the underwriting information required on these risks was similar to that needed by burglary companies, the Retail Credit Company first switched this business from the Personal Report blank to the Residence Burglary Report form. After some study of the particular requirements of these customers, however, a new form was designed for the All Risks Floater coverages. At the same time these new blanks were released, a special Inland Marine Handbook was issued, which pointed out the underwriting hazards pertinent to the many different coverages in this field.

Still another area in which services were found to be needed was for those firms insuring merchandise transported by motor truck, and covering the truckers' liability. Although written by Inland Ma-
rine companies, the information needed for underwriting these two cargo coverages was the same as that developed by the firm's Commercial Automobile Report, with the addition of a few specialized items. For some time, therefore, the latter report form was used for reporting on these risks.

A physical inspection of a sort also was found necessary in connection with reports made on applicants for workmen's compensation insurance. This is an example of a service that the company, for all practical purposes, was forced to render its casualty insurance clients. Prior to June, 1934, requests for this type of report had been handled by using one of the credit report blanks, and writing in answers to specific questions that had been included with the inquiry. So often did the request come up, however, that a special blank was drafted for experimental use with a limited number of accounts. When the trial proved successful, the Workmen's Compensation Report (Small Lines) was announced on November 26, 1934, as a regular service. Active solicitation and direct mail advertising began the following month, and has been continued periodically since that time. The report blank includes a note to the inspector which directs him, among other things, to "Report what you SEE as well as what you are told."

Market Research

As early as 1928 the possibility of the Retail Credit Company employing its far-flung and highly developed organization for performing marketing research jobs was given serious consideration. The idea is said to have been stimulated by discussion with other delegates, at a convention of advertising specialists in New York City, regarding the
need for more satisfactory sources of statistical information. To determine if the idea merited further consideration, a number of New York advertising agencies were contacted, and the Retail Credit Company arranged for membership in the American Marketing Association. Although no new business resulted immediately from these tentative efforts, in November of 1929 the company received a proposal from Time Magazine that a survey of some 1000 of their subscribers be made to determine occupations, income and standard of living. Knowledge of the Retail Credit Company's facilities had been passed on to Time executives by mutual friends in the casualty insurance field.

Deciding to undertake this job as an experiment in a new field, the Retail Credit Company designed a special Statistical Report blank the following month. The results of the survey made by the company proved highly satisfactory to the client. In reporting its survey to the "Audit Bureau of Quality," Time revealed the source of its data, thus providing the Retail Credit Company an excellent recommendation for additional business of this type. The service was continued with moderate success, and in May, 1936, the name of the basic form used for this type of service was changed to Circulation Quality Report. This appeared to be a more specific label, and thus more suitable, for the service rendered.

The first regular market research job initiated by the company was sold to the Campbell-Ewald Company, who were promoting at that time the sale of the A. C. Sparkplug. The task involved placing men in garages and parking lots early in the morning to interview car owners relative to their preferences for sparkplugs. This research job was
completed in December, 1931. A similar service was sold to the Chrysler Sales Corporation in March, 1932, and involved getting public reaction to the advertising slogan "Floating Power," which currently was being used in advertising the Plymouth automobile.

About 1936 the Retail Credit Company's major competitor, the Hooper-Holmes Bureau, advertised extensively to the trade that they had employed an advertising man and set up a Market Research Department. Following this announcement, considerable debate ensued among the executives of the Retail Credit Company as to the wisdom of pursuing further this line of endeavor. To assist in reaching a decision, an exhaustive study of the field of market research was undertaken. The resulting report indicated that, although a great many firms were engaged in this type of activity, none existed which had organizational facilities comparable to those of the Retail Credit Company. A recommendation that an allotment of $10,000 to $15,000 for further experimental effort in promoting the company's market research facilities was adopted the latter part of 1938. The proposed service was advertised in the Journal of Marketing, and a special representative was assigned to the New York Sales Department for full time promotion of the service.

Further experience soon convinced the Retail Credit Company that the average marketing research job did not justify the employment for this purpose of the relatively high salaried inspectors used by the company. It appeared evident that the greatest returns were enjoyed by those who initiated, planned, and sold the job, rather than by those who performed the actual task of interviewing. Since the facilities of the company were geared to provide the latter rather than the
former service, and because of the numerous irregularities connected with market research, it was decided in February, 1939, that active solicitation for this type of work generally would be temporarily discontinued. The policy was adopted, however, that bids would continue to be made on special types of research when it appeared that the firm's facilities were suitable therefor.
If it were literally true that one could "lift himself by his own bootstraps," the saying might well apply to the Retail Credit Company. From the point of view of organizational survival, possibly the most dangerous and difficult period the firm ever experienced, after its tenuous beginning, occurred between 1901 and 1916. From 1907 to 1914, particularly, the operation was on uncertain ground. It was during these years that the company attempted to furnish, primarily to the life insurance industry, a nation-wide reporting service which depended for the gathering of its information almost exclusively upon correspondents - lawyers, merchants, and others who made reports on persons in their communities when called upon by the company to do so. For the supervision of many thousands of these typically independent correspondents the firm depended on the ubiquitous Cator Woolford, supported by the frail skeleton of a seven-branch office organization.

As the number of life insurance reports made by the firm increased, the mounting revenue that resulted made it financially possible to establish additional branches, each one of which nurtured its own crop of correspondents. It also became feasible for the company to enlarge slightly the hard core of workers employed on a salary basis,
some of whom were reporters. This expansion of facilities demanded,
in turn, an even greater volume of business for its effective support.
And so it went; greater volume begat a more elaborate branch office
structure which, though providing the basis for better service to the
companies, required still greater volume for its efficient operation.
The extension of reporting services to other branches of the insurance
industry, largely after World War I, not only provided a far greater
potential than heretofore had been considered possible, but also made
its own demands for an even larger and more diversified corps of spe­
cialized reporting personnel.

In the forty years since its first efforts at reporting for life
insurance underwriters were initiated, the Retail Credit Company had
successfully dealt with and advanced through two critical stages in its
evolution. At first the company acted as an agent for the life insur­
ance industry almost exclusively; later, its services were expanded to
serve the insurance industry generally. As the attack on Pearl Harbor
plunged the United States into World War II, the firm was approaching
the threshold of still another period in its history, and one notable
for its unprecedented growth and development.

As had been demonstrated at an earlier date, the Retail Credit
Company was not immune to the far-reaching impact of total war. A siz­
able proportion of its skilled employees either volunteered or were
drafted for military service, since the firm employed many young men as
reporters and to fill supervisory positions. Two reasons for this
accent on youth were the relatively low salary scale initially paid,
and the high degree of mobility in manpower desirable for the mainte-
nance of a far-flung branch organization. Another difficulty brought on by the war was that other employees—women and older men, and those exempt from the draft—were enticed away from the company in some instances by the opportunity for greater earnings in the drastically expanding war industries. In 1942 alone, some 1200 persons were lost directly to the war effort, and the Retail Credit Company resorted for the first time in its history to the practice of hiring women as reporters. When circumstances were favorable, the wives of inspectors who had been called into the service were invited to take over their husbands' jobs, on the theory that they were already familiar with the nature of the task and, therefore, would require much less indoctrination and training than would a total stranger. Various other emergency measures were tried in an effort to keep the business on a current basis. When experienced stenographers could no longer be found, high school typist-trainees were employed during after-school hours, and a corps of housewives was enlisted to type reports and correspondence in their homes during their free time.

As a consequence of total war, the number of reports handled by the company declined for three years running, dropping from nearly seven and one-half million annually in 1941 to slightly more than six million in 1944. The major lines of reporting—life and automobile insurance—experienced the greatest setback. Most of the other lines also lost volume, and personal history reporting was the only service that recorded a gain. The almost universal need for screening the backgrounds

1The term now used to describe this general type of reporting is “Personnel and Loyalty.”
of persons identified in one way or another with the war effort had caused a more than ten-fold increase in this type of reporting service before the end of 1942. During 1943 a total of 1,844,000 loyalty reports were made by the Company. These involved not only persons who were seeking employment in the war industries, but also those being considered for service in the Offices of Navy and Marine Officer Procurement, the Women's Army Corps, the Supply Services, the Alien Property Custodian, and other Government organizations. Had it not been for the extremely large expansion in personnel and loyalty reports, the company's total volume would have dropped rather precipitously. Even so, although it was only the fifth time in 45 years that the Retail Credit Company had failed to increase its sales over the total of the preceding year, the 14 per cent decline in revenue was by far the greatest setback the firm had experienced to date.

By the end of World War II, the organization was in its worst condition, personnel-wise, since the turn of the century. This was true despite continuing efforts to select new employees carefully and train them assiduously. A thorough job of rebuilding appeared essential if the quality of service was to be brought back to its pre-war level of excellence. Several facets of this rebuilding task are deserving of special notice, to wit: (1) the extension of the policy of using salaried and full-time fee inspectors to replace correspondents; (2) the expansion and intensification of programs for employee selection, training and development; (3) the reevaluation of pricing policy in terms of the firm's service objectives; and (4) the increasing emphasis placed upon the development of a marketing management concept in the
operation of the firm.

The Full-Time Reporter

When the business first was founded in Atlanta, most of the credit inspections were made by Cator and Guy Woolford. When the business expanded beyond local bounds and life insurance inspections were added, it became necessary to develop a network of correspondents, or local residents who were paid a fee for each inspection made. These correspondents had to be situated so as to cover adequately the major towns and cities from which reports would have to be made. As brought out in Chapter III, the Retail Credit Company preferred to use young lawyers for this purpose, when they were available. Presumably, when a report was called for in a locality in which the firm had no regular correspondent, Mr. Cator or Mr. Guy would consult Martindale's Directory and select therefrom the name of a young attorney residing in that place. To this individual a special letter would be sent, requesting that he report on the subject of the inquiry, and outlining the terms under which he might be able to supplement his income regularly by acting as a local correspondent for the Retail Credit Company. The bulk of Mr. Cator's time was taken up during this period in traveling about the country to select, train, and stimulate correspondents in their work, as well as to supervise the operations of the branch offices and to contact customers and potential clients in an effort to build up the business.

After the initial branch office system had been established, it became increasingly encumbent upon the managers of the several branches to take over much of this effort within limited geographic areas. Mr.
Cator, however, continued to travel almost incessantly in his efforts to develop his organization and his clientele. As long as the volume of business was relatively low in any specified area, the use of correspondents was an essential means of keeping the overhead expense at a reasonable level. But, as business improved in the larger centers of activity and the local report volume became sufficiently large and consistent, salaried reporters were hired to replace the local correspondents. Mr. Walter Hill's account of how the Company first began to replace correspondents with salaried personnel is both interesting and pertinent. He wrote:

Our original fee inspector in New York City was attached to a big law office and worked for us as a straight fee man... on the a-la-carte basis. For the time we had only one or two reports in two or three days, and he performed very well. But when we had two or three reports every day, they overcrowded his available time, and complications followed. For a time, I dusted around and made enough reports to keep them from piling up on us, but that crowded me. I then set out to find a full-time salaried inspector - and, in September, 1907, employed... the "Adam" of our salaried inspector personnel.²

Although the shift to full time reporters was slow at first, as the organization's volume of reports grew and as branch offices were added to insure adequate supervision, the number of salaried personnel also expanded. In November, 1930, a new plan was introduced that provided for the use of a few full time reporters who were paid on a fee basis instead of on a salaried basis. This method had been tested in the Southwest and Central Divisions for at least two years prior to its adoption as a regular system. During the first six months during which this policy was generally in force, the Company estimated direct savings

In the amount of about $24,000 resulting from this more flexible plan. The "fee basis" reporter received the same training and supervision as the salaried reporter, differing from the latter only in respect to certain fringe benefits enjoyed by the salaried reporter.

By 1937, some 73 per cent of all reports were being made by full-time employees, either salaried or fee-basis. During the intervening years this trend has increased to the extent that, currently, more than 90 per cent of all reports made in the United States are handled by full time salaried personnel, and an additional 7 1/2 per cent by full time fee inspectors, leaving only 1 1/2 per cent of all reports to be made by correspondents. In Canada, a larger number of correspondents still are used, as might be expected where the volume of business and the density of population is generally less than that of the United States. Even so, revenue from full-time territory (i.e., salaried or full time fee inspectors) in Canada now runs to about 84 per cent, with 75 per cent of the total being made by salaried reporters.

The primary benefits resulting from the increased use of salaried personnel, both from the standpoint of the Retail Credit Company and its customers, may be summarized as: (1) increased opportunity for initial selection of qualified personnel; (2) more intensive training and supervision of inspectors; (3) more effective employee motivation, gained from their closer identification with the firm; (4) reduced personnel turnover; and (5) more effective control of operations, leading to greater overall efficiency.

Employee Training and Development

The position of leadership attained by the Retail Credit Company
in the first crucial years of its existence cannot be ascribed to mere
good luck; for Dame Fortune is notoriously fickle, and those who aspire
to reach the altar of success solely through the courting of her favor
are usually doomed to failure. The sure consistency with which the
Retail Credit Company achieved and held the dominant role in its field
is proof enough that something more than luck was responsible. Mr.
Walter Hill has offered a succinct and plausible explanation for the
firm's continued successful growth:

Our Company brought to the insurance business the then revo-
olutionary practice of receiving the inquiry from the field
agent and making the report directly to the head office of the
company. In our early days, each life insurance company had
some form of inspection unit in its home office, through which
reports in odd cases were secured on blanks of their own
arrangements. Through field facilities, we improved the pro-
cedures. Through improved results, we increased report use.
Through consolidating the best principles of many company
blanks, we developed and sold uniform use of a standard report
blank.

We made a business and created an industry out of a mis-
cellaneous practice. We took a long-time need that had never
had better than small-time treatment, and gave it the big-
time works. We pioneered in a field that had never been an
organized business before. We sold and established the system-
atic use of reports, an activity that had never been the
general practice before.

It was fifteen years after our beginning before other in-
terests developed to share the growing business of personal
reporting, by setting up field organizations. The first com-
petitor, and all who have come later, followed our pattern of
organization, of procedures and blanks. They have also followed
principles of honest dealing, fair treatment and integrity of
service, which have distinguished the management of our Company.
These factors have given us a creditable industry... Our
competition is honorable, and it is non-destructive. . . . . . .
What differences there are, or may be, between the several ope-
rators in the industry are solely differences in the accom-
plishment of the people in different companies. . . . . . . .
Our position of leadership in our industry is secure so long
as we will keep it so.3

3Walter C. Hill, "This Business of Yours," a pamphlet prepared
for distribution to new employees of the Retail Credit Company. (Form
329B - 3/58).
As early as 1913 Mr. Cator realized that the continued addition of branch offices, needed to properly supervise the reporting activities of the firm, would require the development of a large number of loyal men possessing managerial qualifications. The legal training received by attorneys obviously was an advantage to the new inspector. Not only had Mr. Guy's knowledge of law proved to be an asset to the firm, but also it had been demonstrated by the successful records of two other young men, both of whom had practiced law before joining the company in 1909 and 1910, that a legal background was a highly desirable qualification for new reporters to possess. Between 1913 and 1916, four more young attorneys were hired, the intention being to develop them into branch managers. Their training was conducted in the Atlanta and Cincinnati branches, and was of the "on-the-job" variety. After several months working at each desk in the office, they were given experience in running offices as relief managers for short periods of time, until final assignments as regular branch managers could be made as new offices were opened.

Shortly after the incorporation of the firm, the Executive Committee undertook for consideration, as one of its first serious assignments, the problem of employee development. This had been prompted by a memorandum by Cator Woolford on the necessity of developing new office managers, and proposing that a training school be set up for this purpose. After much discussion by all members of the committee, the following resolution was adopted:

That we recognize the necessity of educating our Managers and employees, and that we should get the educational plan on a definite basis; that our present plan of educating should be
enlarged on in whatever way possible; the matter to be handled under the direction of the President, he to use his discretion in the plan to be used in carrying out the idea.⁴

No definite action on this matter was taken, however, until May, 1919, at which time a Training Division was created in the Home Office under Mr. C. M. Frederick. Men from the branch offices, either service reviewers or inspectors, were assigned to the Home Office in various capacities in order to give them a chance to get acquainted with the systems employed, and to adjust from the operations of a branch office to the broader perspective of the Home Office. They were then placed in what was called the "South Carolina Office." The State of South Carolina at that time was under the control of the Atlanta Branch Office, and all business for that state was set aside to be handled by the students of the training school. Each person had an opportunity to perform every task necessary to the operation of a branch office under the watchful supervision of the Home Office executives. In April, 1920, after a full year in the "South Carolina Office," thirteen managers were graduated.

Although these men became highly skilled in the performance of routine office duties, this type of training did little toward enlarging their capacity for leadership and supervision. This shortcoming caused the firm to revert to the former branch office routine of training. Men were hired and assigned to specific branches for the duration of their training period. Although a number of men received reasonably effective training in this manner, the procedure was not

⁴Minutes of the Executive Committee, Friday Afternoon, February 20, 1914.
considered by any means to be an ideal long run solution to the problem. Besides the time demanded of the branch managers in whose offices the new men were trained, the fact that they would be sent elsewhere as soon as they were considered ready, and would be replaced by new recruits, gave the branch managers little incentive to do a thorough job of training. As a substitute, therefore, it was decided that the Atlanta Office would again be used as a training center, where the firm's executives could give the matter their close and constant supervision. It was agreed, however, that the "South Carolina Office" routine would have to be improved upon.

Mr. James C. Malone, then manager of the Cincinnati Office, was placed in charge of the new program. Having demonstrated an exceptional proficiency in training the men sent to the Cincinnati Office, Mr. Malone appeared to be well qualified for the job. He seemed to have an intense interest, as well as a natural bent, for this sort of thing. The Atlanta office was organized so that there would be three or four trainees at various stages of progression at all times. When selected for the job, a new man would start on the office service desk, then be moved up in turn to the tasks of checking and service reviewing; finally, the most advanced trainee would be assigned as manager of the Atlanta office under Mr. Malone's immediate supervision. New men were fed into the process as required.

This system of training proved to be the best that had been designed to date, and succeeded in accomplishing the training job efficiently and effectively; however, it was quite slow and relatively inflexible. So rapidly were new offices opened during the "roaring
twenties" that the system could not keep pace with the firm's demand for new managers.

To rectify this situation, Mr. Guy recommended to the Executive Committee that a school patterned after the public schools and colleges be set up to teach selected candidates the theory and fundamentals of the business from textbooks, lectures and demonstrations, followed by carefully supervised exposure to practical experience. The Executive Committee adopted this suggestion, and Mr. Malone was selected to organize and run the new training school. The first problem, it was agreed, was that of locating a number of men qualified to take the training course and to be given subsequent assignments as branch managers. The current organization was found to contain, at the time, no more than three men who were considered to be of managerial caliber. As a result, advertisements were run in the local papers of various branch office cities. From the 400-odd men who submitted job applications, eight were chosen to join the three who had been selected from the organization to initiate, on March 14, 1922, the company's first Managerial Training School. A series of additional classes followed, of about ten men each, beginning in September.

The course set up was of three month's duration, and was found to be eminently successful in accomplishing its task of training men for managerial positions. So great was the need for new managers that, during the early stages, it was not unusual for two classes to be in process at the same time. Because the branch offices could not continue to supply the number of new men needed during this period of rapid expansion, Mr. Malone began, in 1924, to visit several colleges in an
effort to recruit suitable trainees from their graduating classes. A total of thirty men were selected in this manner, and were trained in schools starting in July of 1924, 1925, and 1926. It was found, however, that the subsequent turnover in this group was quite high. In view of the unusually heavy expense involved, this source of trainees was abandoned after the emergency needs had been satisfied.

In 1929 the curriculum of the Managerial Training School was shortened to five week's duration. This was made possible by returning the men to their own branch offices for their supervised practical experience, after giving them an intensive course of training in the fundamentals and theory of the job. Not only were out-of-pocket costs reduced by this innovation, but also those men who were able to progress more rapidly through their period of on-the-job training could be promoted sooner to managerial positions. With minor variations this type of school continued until after World War II.

When it became evident that a method of instruction employing theory followed by practical application was feasible and effective in developing new managers, executives of the firm decided to extend the system to include the training of all employees on a branch office basis. Courses were worked up by the Home Office staff, to be used in training branch office personnel, with the branch manager acting as instructor. Classes of about two hours duration were conducted on the first and third Thursdays of each month, beginning in February, 1924. Although a number of the offices undertook this training course, the method did not achieve popularity with the managers or the employees. The time required for class work caused the office work to pile up and
the workers to get behind with their jobs. By February, 1928, this
plan was abandoned and all course work that had been prepared was placed
in the Company Library for voluntary use by anyone desiring it.

In 1927, a system of training similar to the branch office
course for employees was worked out for Home Office personnel. Instead
of discontinuing the normal office routine while classes were in
session, however, only a portion of the employees were enrolled at any
one time. Further, the task of instruction was shared by a number of
executives. The curriculum included eight lectures on a variety of
subjects, three series of talks by Division Heads concerning the work of
their Divisions, and three periods of round table discussion on different
topics. The curriculum and proposed operating schedule of this
school is shown as Fig. 26. After all qualified personnel had been
given an opportunity to attend this school, the course was discontinued.
Subsequent low turnover in Home Office personnel, together with the de-
velopment of other types of training, have made it unnecessary for this
particular course to be scheduled in subsequent years.

Several other types of training were conducted from time to
time prior to World War II. These included classes for Service Review-
ers held in 1936 through 1939, and for inspectors in large cities such
as New York, Boston, and Chicago in 1926 and 1927. The latter courses
were made desirable because of the high seasonal demand for reports in
the Spring, which necessitated the temporary addition of a number of in-
spectors to keep the reporting work on a current basis during the period
of high volume.

Various correspondence courses dealing with the fundamentals of
OPERATING SCHEDULE

(A preliminary meeting will be held for outlining the purpose of the course, and inviting the personnel to attend.)

<table>
<thead>
<tr>
<th>Session</th>
<th>Topic</th>
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<tbody>
<tr>
<td>FIRST SESSION</td>
<td>&quot;MANAGEMENT&quot; (LECTURE)</td>
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<td>SECOND SESSION</td>
<td>&quot;USING INFORMATION IN BUSINESS&quot; (LECTURE)</td>
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<tr>
<td>THIRD SESSION</td>
<td>TALKS BY DIVISION HEADS - #1&lt;br&gt;&quot;THE EDUCATIONAL DIVISION&quot;&lt;br&gt;&quot;THE RESEARCH DIVISION&quot;</td>
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<td>FOURTH SESSION</td>
<td>&quot;COOPERATION&quot; (LECTURE)</td>
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<td>FIFTH SESSION</td>
<td>ROUND TABLE DISCUSSION - #1&lt;br&gt;&quot;THE PUT-UP SYSTEM&quot;</td>
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<td>SIXTH SESSION</td>
<td>&quot;SELLING SERVICE&quot; (LECTURE)</td>
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<td>SEVENTH SESSION</td>
<td>TALKS BY DIVISION HEADS - #2&lt;br&gt;&quot;SUPERVISING SUPERVISORS&quot;&lt;br&gt;&quot;THE PERSONNEL DIVISION&quot;</td>
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<td>EIGHTH SESSION</td>
<td>ROUND TABLE DISCUSSION - #2&lt;br&gt;&quot;COSTS AND BUDGETING&quot;</td>
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<td>NINTH SESSION</td>
<td>&quot;RELATIONS OF THE HOME OFFICE AND THE FIELD&quot; (LECTURE)</td>
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<td>TENTH SESSION</td>
<td>TALKS BY DIVISION HEADS - #3&lt;br&gt;&quot;HANDLING FILES IN THE HOME OFFICE&quot;&lt;br&gt;&quot;SUGGESTIONS&quot;</td>
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<td>ELEVENTH SESSION</td>
<td>&quot;CHARACTER&quot; (LECTURE)</td>
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<td>TWELFTH SESSION</td>
<td>ROUND TABLE DISCUSSION - #3&lt;br&gt;&quot;HOME OFFICE EFFICIENCY&quot;</td>
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<td>THIRTEENTH SESSION</td>
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<td>FOURTEENTH SESSION</td>
<td>&quot;LEGAL LIABILITY&quot; (LECTURE)</td>
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BRIEF SUMMARY OF THE COURSE BY MR. CUY WOOLFORD

Fig. 26. Curriculum for Home Office Educational Course, 1927.
the business, entirely voluntary as regards participation, were initiated on a trial basis in 1928. The latter were adopted as a continuing feature in February, 1930. In recent years, some thirty correspondence courses have served as a valuable means of educating both Branch and Home Office personnel in various aspects of the firm's operations, and in extending the range and depth of interests and knowledge of both employee and executive groups. Other courses intended primarily to educate employees in the various lines of service were begun in 1933. Specialized training in claim reporting, for instance, was started during the early 1930's.

Current Policy and Method in Training

Between 1939 and the end of World War II no major changes were made in the firm's educational program. When, in 1945, the firm's operating revenue began to show evidence of returning to its pre-war rate of increase, careful thought again was given the matter of providing trained personnel for the needs of an expanding program.

Turnover of employees during the war years had increased tremendously. This was to be expected in view of the circumstances prevailing at that time. However, when this figure continued to increase during the readjustment period of 1946, reaching a new high rate of 98 per cent for inspectors and 80 per cent for total employees, considerably more attention was devoted to the matter of bringing about a drastic reduction in turnover. The result of various studies crystallized into the Employee Development Plan, a refined version of which is used currently by the company.
In general, after employees had been selected through a careful process of screening against a well developed job description, their development was based on three areas of activity. First, the correspondence courses and directed library reading programs were made available to all personnel. Second, those persons noted as good candidates for increased responsibilities were rotated through a variety of field assignments, during which they were kept under watchful surveillance and subjected to constructively critical appraisal. Finally, promising personnel were given particular encouragement to participate in worthwhile civic and cultural activities. From those whose efforts in the foregoing areas showed up favorably, some were chosen to participate in the regular Employee Development School and the Managerial Training School. As evidence of the effectiveness of this special emphasis on training and development the rate of employee turnover dropped in 1947 to 78% for inspectors, and to 65% for all employees.

In February, 1948, a definite plan was introduced for developing the younger men in the organization who were considered likely candidates for promotion, along with a program for its immediate implementation. The major elements included were: (1) a definitely established pattern for the selection of the men believed to possess the potential for handling an increasing share of the responsibilities of management, and (2) a program designed to speed up and further their development, along with a definite system for evaluating their progress.

The selection plan included a summary of the personal characteristics considered essential for an individual to possess in order to be included in the "promotional" group. These were set forth in an "Em-
ployee Appraisal Report" designed to establish a fair and uniform procedure in rating each candidate. Each Division Manager and Manager was instructed to "contemplate answers to the following questions as they pertain to the man being considered:"

- Has he demonstrated ability to make decisions?
- Does he assume responsibility without strain?
- Has he the proper education and background?
- Do his personal habits, appearance and manner build confidence?
- Has he the qualities of fairness, sincerity, and integrity?
- What is his degree of forcefulness, energy, and perseverance?
- Has he the ability to inspire, teach, and develop?
- Is he open-minded?
- Does he demonstrate use of tact and self-control?
- Is he active, energetic, and in good health?

Initial recommendation of an individual generally was expected to be made by the branch office manager, then endorsed by the Division Manager and forwarded to the Home Office where a searching study of the personnel file was made. Whenever possible, a representative from the Home Office would interview the candidate, preferably during a routine visit to the Branch Office, and a group appraisal would be made. If it had not been done previously, a patterned interview would be arranged for. All information available finally would be analyzed in the Home Office and a decision made as to whether the candidate should be included in the potential "promotional" group. If selected, the person would be scheduled for an individually designed developmental program under the supervision and guidance of his Manager.

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5A reproduction of the "Employee Appraisal Report" is shown in Fig. 27.

6Home Office Memo to Division Managers and Managers, Feb. 18, 1948.

7A description of the "Developmental Program for Younger Promotional Men" is reproduced in Fig. 28.
# Employee Appraisal Report

**Including:**
- Leadership Rating Guide

### Directions:
- Place "X" mark opposite each item on this list at the point you believe indicates its relative value.
- (10 represents highest possible rating for each item. 1 represents lowest possible rating for each item.)
- (100 represents highest possible total rating.)

Complete report in duplicate, send original copy to your Division Manager. After approval by Division Manager, send the report to Employee Relations Dept., Human Office.

<table>
<thead>
<tr>
<th>Leadership Characteristics</th>
<th>1</th>
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<th>Relative Value</th>
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<td>Loyalty to Men and Management</td>
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<td>Willingness to Accept Responsibility</td>
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**Total Point Rating**

### Comment on Developmental Progress

### Description of Present Duties

### Personal Data

- **Age**
- **Length of Service**
- **High School Graduate**
- **Height**
- **Marital Status**
- **College Undergraduate**
- **Weight**
- **Children**
- **College Graduate**

**Appearance**

(Please place any additional Comments or Remarks on reverse side.)

(Manager's signature)

(Division Manager's signature)

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*Fig. 27. Early Employee Appraisal Report Form*
DEVELOPMENTAL PROGRAM FOR YOUNGER PROMOTIONAL MEN

Here is an outline of the developmental plan which will be followed in Branch Offices by those men who are initially selected as "promotional material." It includes three primary phases:

1. DEVELOPMENT THROUGH STUDY AND READING

(a) Correspondence Courses. (Specific courses to be recommended including course on "Employee Relations" as a requirement.)

(b) Study of Manager and Sales Manuals. (Discussion with Manager once a month.)

(c) Selected Library courses of reading. (Developmental books on business administration and handling of people.)

2. DEVELOPMENT THROUGH PRACTICAL TRAINING AND ACTUAL PARTICIPATION in Operating and Sales activities. (Other than those entailed in his own job.)

(a) Where and when possible assign responsibility other than those which his own daily work entails. (During low volume periods - during vacation periods - during absence of employees on other jobs.)

(b) Get your man in on certain problems facing the manager. Have him think them out and give his ideas. (This will teach him to think for himself and enable the manager to test his judgment.)

(c) Have him call on certain General Agents and give him some sales or contact responsibilities with small customers. (During light volume periods or on special situations.)

(d) Teach technique of analyzing propositions or situations, using actual cases or situations as examples. (Special monthly session with manager for this purpose.)

(e) Give him ample opportunity to express himself in group meetings.

(f) At times send him to other offices where there is a heavy business "bulge" (financial responsibility sites, etc.) to organize and supervise groups of inspectors.

(g) Consider giving him experience in handling a larger or Amplified Direct Reporting Station.

(h) Consider having him handle temporary special relief assignments in other offices, or in the Home Office, when such are available, to broaden his experience and over-all viewpoint.

3. DEVELOPMENT THROUGH HIS OWN OUTSIDE EFFORTS. The extent of development through this channel depends on the man's own initiative as there is no way of making any specific set of rules mandatory. Manager, however, can encourage or stimulate the man to follow some specific courses of action, offering suggestions such as:

(a) Taking public speaking or business economic courses.

(b) Cultivating personal associates in other lines of business.

(c) Taking or making time for proper recreation.

(d) Detecting and overcoming complexes.

(e) Improving vocabulary.

NOTE: The success of any plan or program depends on systematic application and follow-through. While the principal responsibility for the success of this developmental plan lies in the hands of the Manager, the Division Manager should play an active part from an advisory and supervisory standpoint.

Fig. 28. Outline of Early Developmental Program for Younger Men
Once selected for the Developmental Program, individuals could expect to be given consideration when classes were being scheduled for the Home Office Development School\(^8\) or the Managerial Training School. It was recognized that when younger men were selected for training in preference to the older employees, there was some danger to the latter's morale. The importance of the program to the future success of the firm, however, was considered to justify this risk. A specific indication of the program's value was the continued reduction of employee turnover. For the year 1948, inspector turnover dropped to 66 per cent, while the figure for the entire organization fell to 56 per cent. Still further improvement occurred in 1949, as inspector turnover was reduced to 47 per cent, and that of the organization as a whole to 40 per cent.

This favorable trend was interrupted by the crisis in Korea, and further improvements were not made until after 1951. During 1952, in an effort to simplify the program and reduce the overhead expense involved, the Home Office Development School and the Managerial Training School were consolidated into one course of instruction, referred to as the Development Training School. A number of improvements in the methods and techniques of personnel appraisal also were instituted. Employees selected for the Developmental Program, after having completed the Development Training School, were considered a part of the "Promotional Reserve Corps" and were available for advancement into key positions as they might develop. Such close attention was given to the problem of developing efficient and effective personnel that the general trend of turnover continued to drop. By 1958 the turnover rate was

\(^8\)Initiated Feb. 23, 1948, this was a course of four weeks duration.
definitely lower than that existing prior to World War II, with indications pointing toward continued improvement.

**Pricing Policy**

Prior to World War I, the Retail Credit Company's problem of pricing, as well as that of the inspection industry as a whole, was relatively simple. The Company had inherited the basic rate of $1 per report that insurance companies traditionally had paid to local inspection sources. As they had been accustomed to making special credit inspections for reference book subscribers at 15¢ each, Cator and Guy Woolford considered the $1 fee a munificent price for insurance reports and, as suggested earlier, this undoubtedly was a major factor influencing them to actively develop life insurance inspections as a field of specialization.

One might speculate as to the reasons for the existence of such a wide disparity in the customary charges for credit and insurance inspections. The 15¢ fee charged by the Retail Credit Company to its reference book subscribers for credit reports was calculated to produce a sizable volume of inspections within a limited geographical area. Further, the special reports contributed to the store of credit information needed for expanding the scope of the Merchants'Guide, and for keeping its credit ratings on a current basis. No such "joint cost" operation was possible, on the other hand, with life insurance inspections.

Since the use of commercial checks for transferring funds was still quite limited in 1900, and almost always involved the payment of exchange, small obligations frequently were settled by the simpler and
less expensive method of transferring currency. The one dollar bill was much easier to send through the mail than were coins of smaller denomination. Further, the relative infrequency with which individual correspondents were called upon for reports made it difficult, if not impossible, to obtain their services for insurance inspections for much less than $1, and the inspection agency ordinarily found it necessary to pass on to the correspondent making the report at least fifty percent of the fee remitted by the insurance company. It appeared likely, therefore, that $1 represented the minimum price that could reasonably be charged for the inspection of a life insurance risk. Certainly, when an insurance company maintained its own inspection facilities, the costs of inspection would be considerably higher.

Accustomed as they were to a slender operating margin in credit reporting, the more than 6½ times greater fee customarily paid for insurance inspections must have seemed, at first, quite generous to Cator and Guy Woolford. However, the initially limited volume in this field of reporting and the greater expense of establishing and maintaining a wide network of local correspondents did not produce the easy profits that were, perhaps, expected. Yet it was apparent that the $1 minimum fee provided the company a far better profit potential than had been enjoyed heretofore. As the volume of insurance reports increased and as more efficient operating systems were developed, it was discovered that consistently good profits could be made, even while steadily improving the service rendered the companies. The fact that the firm was able to finance the establishment of a nation-wide system of reporting facilities out of current earnings, aided by the judicious use of credit, and
still retain a reasonable profit for its owners, is a notable achievement. Especially is this so in view of the long-term degeneration in the value of the dollar.

The American Service Bureau

The efficiency with which the Retail Credit Company developed its national organization, and the consistency with which its service to the companies was improved with no increase in price, invited little competition of a serious nature. As a result, until about 1916 the Retail Credit Company enjoyed a practical monopoly in the field of national reporting on individuals for life underwriting purposes. This fact, as a natural consequence, became a matter of increasing concern to the life insurance industry. As early as 1913, members of the American Life Convention had considered the establishment of "an inspection bureau to be organized and operated under the Secretary" of that body. Its Executive Committee, at its annual meeting on August 19, 1913, had gone so far as to appoint a special group to study this proposition. According to Buley, "it was thought that with a service made available to all companies on a voluntary basis at $1 for each report the bureau would be self-maintaining; any profits could be distributed to the companies in proportion to the number of inspections ordered."

Apparently no definite conclusions were reached by this committee of the American Life Convention, for a number of years elapsed before the question again came up for serious consideration. At the 1918 meeting, it was estimated by that organization's incumbent president, Harry

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9Buley, op. cit., p. 417, fn. 50.  
10Ibid.
L. Seay, that inspections made for Convention Members alone were costing a half million dollars annually. President Seay suggested that another committee be appointed to study the possibility of organizing an inspection agency for its members. Results more tangible than the abortive effort of 1913 were achieved by the second committee, and a report favorable to the organization of a reporting agency was read and approved at the Convention's annual meeting in September, 1919.

The details of organization were left to the Executive Committee, and this body referred the matter for study to a special group appointed by President E. G. Simmons. A report was made to the Executive Committee in December, 1919. Ruley records the major elements of the Committee's report, along with other information of interest, as follows:

The immediate circumstances which brought about the organization of the inspection bureau was the prospect of increase in inspection fees by one of the leading national inspection services together with the requirement that the companies buy a minimum number of reports. But the idea of saving money was not the chief motivating factor. Presidents Seay and Simmons, as well as other company officers, had often talked of the enlarged benefits which might derive from an inspection bureau managed by the Convention - the enlargement of field reporting services to include reports on agents, medical directors, and examiners, as well as applicants for insurance. Further, "the profits" from these expanded services might be used to pioneer studies on the effects of occupational hazards and the effects of diseases in different sections of the country in relation to life insurance risks. Since the Convention companies were estimated to be ordering approximately a million inspection reports a year, it was hoped that the Convention's Service bureau would be able to get 75 per cent of these and thus provide about $75,000 a year above expenses for the promotion of these studies. (This estimate was perhaps 30 per cent above the actual figures.)

A majority of the companies . . . were favorable. Dr. Simmons' committee . . . reported . . . that it had agreed: 1) that the bureau be called the American Inspection Service Bureau with capital not to exceed $10,000, and should be organized and conducted as an independent corporation; 2) that a contract for the services of the Bureau should be made by the
Executive Committee on behalf of the Convention; 3) that each individual company should make a separate service contract with the Bureau; 4) that the price for ordinary inspection reports should be $1 each; 5) that George S. Galloway of Chicago be engaged as general manager of the Bureau; and 6) that articles of incorporation and agreements between the Bureau and the Convention be drafted.  

As a result of this committee's efforts, the American Service Bureau began operations in July of 1920. In order to give the new venture a firm footing, the rights, franchises and interests of the Hooper-Holmes Bureau in the "Western territory" had been purchased for $50,000. George Galloway, employed to manage the new Bureau, had formerly been in charge of the Chicago office of Hooper-Holmes. After establishing its main operating office in Chicago, the American Service Bureau made plans to set up branches in Omaha, Kansas City, Indianapolis, Des Moines, Dallas, Atlanta, Los Angeles, and San Francisco.

By September, 1922, the American Service Bureau was reported to be functioning efficiently, although "its operating costs were about 5 per cent in excess of its income." It was not until 1926 that Mr. E.G. Simmons, titular head of the organization, voiced the thought that the Bureau was capable of standing on its own feet. In 1927 the American Life Convention established the American Service Bureau as a separate corporation, and five years later cancelled the contract which initially had been made with the Hooper-Holmes Bureau to get the agency off to

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11 Ibid., p. 564.  
12 Ibid., p. 565.  
13 Ibid., p. 566.  
14 Ibid., p. 593. Buley reports (p. 604) that "establishing the Bureau had proved a larger undertaking than some of its most enthusiastic advocates had anticipated," and the American Life Convention found it necessary to levy a special assessment to give the Bureau needed financial resources.  
15 Ibid., p. 640.
a good start. Funds which had been advanced by the American Life Convention during earlier years were finally repaid in full by 1942.16

The entry of the Hooper-Holmes Bureau into the insurance inspection field and the cooperative inspection effort, through the American Service Bureau, of members of the American Life Convention, stimulated the Retail Credit Company to improve its services to the life insurance industry, and to seek ways of diversifying its activities. These developments tended further to establish the basic $1 price for reports as an inflexible maximum. The expansion of reporting services to other fields of insurance provided the firm, for a time at least, with an increase in volume potential sufficient both to improve its reporting facilities and to spread the fixed costs of doing business over a wider base, thus making it possible to continue operations on a profitable basis.

The heavy dependence upon human labor, however, made it difficult to secure the full economies of large scale operations. As indicated in the previous chapter, the Company made every effort to improve organizational efficiency through skillful recruiting, selection, training, supervision and stimulation of its personnel. But the fixed ceiling of the $1 basic price posed a serious dilemma. The economic depression of the 1930's, with its tremendous pool of manpower, undoubtedly aided the company to employ men of good caliber despite a relatively low salary scale. But the war time demands on manpower so drained the country's reserves that by 1941 the annual turnover rate for Retail

16Ibid., p. 931.
Credit Company inspectors was up to 48 per cent, from 17 per cent in 1939. By 1943 turnover had climbed to 70 per cent.

In the meantime, inflation had begun to take its toll and after more than 42 years without a change in the basic price of its service, the Retail Credit Company instituted an average price increase for reports made in the United States amounting to slightly less than 9 per cent. Subsequent to this first increase in basic prices, the company, forced to compete strongly for qualified personnel and plagued with rising costs on every hand, put through several additional increases in price until, in 1937, the average price per report in the United States had advanced approximately 134 per cent over the 1943 rates.

The Marketing Concept

The major institutional objective of the Retail Credit Company, from the time when Cator and Guy Woolford established their first office in one small room in Atlanta's old Gould Building, has been "service to the customer." The firm's ability to achieve this goal proved to be dependent upon the development of a market-oriented organization as well as a system of operation designed to insure accuracy, speed and uniformity in reporting facts about individuals. To obtain and maintain these qualities a high degree of organization morale and enlightened management was essential. An early and often repeated statement made by Cator Woolford has been the keynote of the firm throughout its history: "Service is largely a matter of attitude. The desire and willingness to serve go a long way in giving service."17

17 This thought was inscribed in bronze over the entrance of the Retail Credit Company's old Home Office building, and today is prominently displayed in the company's Education and Training Department.
To say that the company always has followed the policy that is widely referred to today as the marketing concept would be inaccurate. Yet, it is certainly true that the firm, wittingly or not, has been in the forefront among those business organizations which now discover themselves to be proponents of this currently popular business philosophy.

In essence it would appear that the marketing management concept involves the adoption of a philosophy that the major objective of any business is to serve the needs and wants of the consumer, and provides for the development of an organization purposefully designed to effectively plan, coordinate and control all the processes of production (of form, time, place and possession utilities) necessary to achieve this goal.

This concept of the role of marketing has not burst full blown on the current scene. Rather, it has evolved slowly since the Industrial Revolution gave the first impetus toward a recognition of the marketing functions as something distinctly separate from the creation of form utility. Defoe, in the early eighteenth century emphasized the importance in retailing of giving the customer what he wants. Adam Smith, some fifty years after, noted the growing interdependence of society, and the need of recognizing the other man's self-interest motive in achieving economic cooperation. By the middle of the nineteenth century Cyrus McCormick, an accepted authority in the field of business management, is said to have been "the first man to recognize marketing as a unique and central function of a business enterprise, and the
creation of a customer as the responsibility of management,® More than half a century later, an early and able prophet anticipated the marketing concept with great insight when he wrote that:

Our accepted system of distribution was originally built upon the satisfying of staple needs. With production still lagging, the pressure of the market made it unnecessary for the businessman to search out unformulated needs. Only in more recent years, when the development of production, potentially outstripping the available market, has shifted the emphasis to distribution, has the businessman become a pioneer on the frontier of human wants. Today the more progressive businessman is searching out the unconscious needs of the consumer, is producing the goods to gratify them, is bringing to the attention of the consumer the existence of such goods, and in response to the demand so aroused, is transporting the goods to the consumer."  

In 1901 Cator Woolford took a long first stride in the direction of the modern marketing concept when he consciously adopted the philosophy that his firm's best interests lay in serving the best interests of his customers. Upon first becoming aware of the need of the life insurance industry for a better inspection service, his efforts to de-


19 Arch W. Shaw, writing in 1912 on "Some Problems in Market Distribution"; Changing Perspectives in Marketing, ed. Hugh W. Wales (Urbana: Univ. of Illinois Press, 1951) p. 37. More recent writers have noted the long history of development of this concept. Fred J. Borch, in "The Marketing Philosophy As a Way of Business Life" (New York: The American Management Association, Inc., Marketing Series No. 99, 1957) p. 4, states that "years ago, when our economy was much younger, customer orientation was a built-in feature of a business enterprise. Before the days of mass communication, national markets, and mass production, the business pioneers were cognizant of their customers and their markets. They knew their customers individually, and these individual customers formed their collective market. These predecessors of ours built their relationships through personal contact and got very rapid feedbacks of customer needs and wants. They were their own market researchers, analysts, salesmen, product planners, advertisers and promoters. Beyond question, their businesses were customer-oriented because they knew that this was the only way to run a business."
velop a product of a quality suited to his customers' needs, and to improve that quality over the years within a relatively fixed price schedule, give additional evidence of the trend his business was to take.

Like Arch Shaw's "progressive business man," the Retail Credit Company effectively brought to the attention of the consumer the existence of the service it was prepared to offer him. As the company grew in terms of territorial coverage and in the number and variety of its customers and services, it became increasingly difficult to maintain the personal relationship with the market that had fostered the firm's early success. A brief review of the efforts of the company along these lines may be helpful in demonstrating how the firm has, over the years, attempted to maintain its orientation with the market.

During earlier days the preparation of material for printing and distribution customarily was assigned to individuals who had shown a definite ability to express themselves in print. About 1927 or 1928, responsibility for this function was assigned to the Educational Division. Both the messages and the need for them were conceived largely in the Service Department (which later became the Sales Department) and the design and final preparation of material was handled in the Educational Division. In 1931 an Advertising Division was created and given sole responsibility for this function. An advertising manager was named in 1935 and the title "Director of Advertising" adopted in 1953. At first the Advertising Division consisted only of two people. It has now developed to the point of employing the full time services of five persons.
Although records of the expenditures for advertising over the years are not available, it is thought that direct appropriations for this purpose have been quite small. Since the creation of the Advertising Division, however, a definite budget has been set up for this function each year. In 1958 this amount was $92,400, and in 1959 $100,000 has been budgeted to take care of the actual expense of production and mailing. The personnel expense of the Advertising Division is not included in this budget.

Although much of the firm's advertising work has been produced in its own print shop, now called the Supply Division, a fair portion has been turned over to commercial printers in order to get the advantage of their experience and facilities for display advertising. Commercial Letter Shops frequently have been used for the production, insertion and mailing of letters and bulletins.

In general, the Retail Credit Company has used three principal methods, other than direct personal contact, to create demand for its service and to maintain a close relationship with its customers. These are (1) direct advertising, (2) publications, and (3) miscellaneous promotional efforts.

Direct Advertising

The first contact established by the Retail Credit Company with the life insurance industry, it may be recalled, occurred when Cator Woolford addressed a form letter to Life Insurance General Agents in Atlanta about 1901. This letter was intended merely to solicit the use of credit reports in connection with the acceptance of notes for life insurance premiums. Actually, it figured heavily in shifting the firm's
interests and activities to an entirely new line of effort. Although occasional bill stuffers were used at least as early as 1910, most of the communications mailed to customers and prospects prior to 1927 or 1928 were in the form of letters. The Company owned at least two Hooven typewriters on which these letters were produced in a manner that took them out of the circular letter classification. Each was signed individually.

Beginning about 1928, other communications more typical of the direct mail classification were used. Color and art work was employed to increase the attractiveness of the message. Circulars, folders, booklets, bulletins, and other typical direct advertising have been used consistently since that time, in addition to the various report forms described earlier in some detail. These related either to specific services and their benefits, to specific sections of the market, or they displayed the facilities and overall service of the company. One of the early examples of direct advertising, and one which contributed a great deal toward establishing the firm's reporting system, was a rather elaborate loose-leaf book entitled "Information About Retail Credit Company." Bound with genuine leather and handsomely printed, and containing facts about the company and its methods of operations, specimen

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20 An example of Cator Woolford's success with direct mail, followed up by personal contact, is shown in Appendix C. Some old correspondence with the Retail Credit Company was discovered in the files of The Prudential Insurance Company of America in October, 1948. Mr. Pearce Shepherd, then Vice-President and Associate Actuary of The Prudential, had copies made of these letters and forwarded them to the Retail Credit Company.
copies of forms, maps showing the location of facilities and complete instructions for the mailing of inquiries, it constituted a complete catalogue of inspection services available to life insurance companies. In later editions, information relating to inspection services for fire and casualty companies was added. This book probably was distributed largely through personal contact with customers and prospects, though some undoubtedly were sent out through the mail. It became a "bible" for customers in their early use of Retail Credit Company inspection services, as well as a textbook in the early training schools for managers. By 1925 the book was discontinued, since the services offered by the firm had become so numerous that multiple booklets were required.

There is no question but that this book played an important role in the life of the Retail Credit Company, and also in the general development and use of the insurance inspection system.

Two others of the more notable pieces of direct advertising are described briefly for illustrative purposes:

The first Atlas of facilities was released in 1934. This was a comprehensive collection of maps showing the location of Branch Offices and Direct Reporting Stations. It was conceived and created in the Advertising Division and printed by Rand-McNally and Company.

Perhaps the most notable campaign was a series of "Historical" folders released during 1935-36. The objective of this campaign was to obtain recognition of the Retail Credit Company as the leader in the inspection business. Each folder contained what purported to be an authentic report on an early President of the United States, beginning with Washington and closing with William Henry Harrison. For the Canadian market a report on Alexander Graham Bell was included. The folders were printed on hand-made antique-appearing paper and the copy described the methods by which the reports would have been made had current inspection procedure been applied to the inspection of the early leaders who were involved. This campaign was also a sampling campaign in that it showed to the entire market the various types of services Retail Credit Company was rendering. It
generated much comment and without question accomplished its objective.\textsuperscript{21}

The bulk of current advertising continues to be done by mail. In 1958, advertising pieces were mailed to some 387,000 contacts within the market, and a total of 509 jobs involving printed pieces were produced by the Advertising Division.

An accurate, current and judiciously selected mailing list is an indispensable adjunct to the effective use of direct advertising for promotional purposes. Originally, the Retail Credit Company derived its mailing list through careful study of Insurance trade journals and various Directories of Insurance companies. More recently, responsibility for this task has been assigned entirely to the field sales force. Names of companies and individuals, with correct addresses and titles, are turned over to the Advertising Division with a notation of the classifications of materials to be distributed.

Currently, the sales force is asked to revise one third of the mailing list each year, broken down by (1) life and accident insurance companies; (2) fire and casualty insurance companies; and (3) industrial and commercial firms. The Central Division of the Sales Promotion Department is responsible for handling details of the mailing list and the Duplication Section of the Maintenance Department maintains the Addressograph Plates and runs the list as requested by the Advertising Division.

\textsuperscript{21}J. S. Roberts, Director of Advertising, Retail Credit Company, in a memo to the author dated February 4, 1959.
Publications

The value of House Organs for influencing customers, prospects and employees was recognized by the Woolford brothers at an early stage. By 1901 a small, four page Magazine entitled "Credits" was circulated to the merchants of Atlanta for the purpose of generating use of the original credit reporting service. It suffered an early demise, hastened no doubt by the company's quickly aroused interest and success in reporting for the life insurance industry.

A more comprehensive house organ was begun in 1916. Initially entitled "Inspection Service Journal," the name was changed in 1917 to "Inspection News Bulletin." This magazine has been released continuously to employees and customers since that date. Under the current title "Inspection News," it contains articles of interest to employees and customers concerning, primarily, conditions in the insurance field related to the preparation or use of inspection reports.

Other publications have been produced for distribution to the trade, some of which were continued only for brief periods in order to develop specific sections of the market or to meet a current need. "Inspection Service," a magazine for life insurance agents, was begun in 1920 and still is published on a quarterly basis. A publication called "Inspection Report" was distributed to automobile underwriters from 1921 to about 1928, at which time it was merged with "Inspection News." "Firescape" was begun in 1929 to assist in the development of fire insurance reporting, continued for a few years, and then combined with "Inspection News." A magazine titled "The Claim Investigator"
followed the same pattern after being issued in 1931.

Magazine advertising has been used sporadically by the Retail Credit Company. Late in 1917 advertisements offering the Personal Report as an aid to efficient employment practices were published in System magazine, and one full page ad covering a new Employment Report was placed in Sales Management in 1919. Also in 1919, a series of half-page ads covering in sequence practically all services available at that time appeared in System.

During 1932 and 1933, magazine advertising was published in Business Week, Credit Executive, and in Credit and Financial Management. Although institutional in nature, these ads were slanted in such a way as to promote the use of credit reports by sectional and national distributing firms and finance companies. Business Week was used again just prior to World War II to feature personnel reports for war industries. On the occasion of the firm's Fiftieth Anniversary, in 1949, full page institutional ads were placed in most of the insurance trade journals. Beginning in 1953, small advertisements have been run continuously in The Mortgage Banker to stimulate the use of reports in connection with mortgage loans.

The company's Personnel Selection services have, in recent years, received the major portion of magazine advertising. During 1953, 1954 and 1955, advertisements were inserted in Business Week, Fortune, U. S. News and World Report, and Time. Magazine advertising used in 1958 consisted of 12 small ads in The Mortgage Banker; four full-page ads in the magazine Industrial Security; and two experimental ads in Connecticut Industry, published by the Connecticut Chamber of Commerce.
Advertisements in the latter two publications were designed to promote a wider use of Personnel Selection Reports.

Miscellaneous Promotional Efforts

Because of the company's highly specialized market in earlier days, a great deal of its reputation was based on the word-of-mouth advertising of satisfied clients. For a number of years, Mr. Cator bore the brunt of the efforts made to insure that customers were given ample statistical information attesting to the value of Retail Credit Company service. As branch offices were added, their managers took over much of this individual promotional work, in addition to handling their other duties. Later, decentralization of the field work under Divisional Managers and Resident Vice-Presidents insured increasingly closer and more favorable contacts with both customers and prospects. Creation of the Advertising Division strengthened this type of promotional effort, and as the size of the company's field sales force has increased it has provided effective printed material to supplement the personal relationships developed.

Executives of the firm have participated, also, in the various organizations and associations of the insurance industry whenever possible. Much favorable publicity has been gained for the company through speeches and reports made at conferences, conventions and other assemblies of insurance men, bankers and credit men, and at a variety of civic and educational group meetings. The provision of voluntary information on risks previously reported on, and the occasional establishment of bureaus for the exchange of vital information, are other examples of long range promotional activities.
A very recent promotional tool developed by the firm is a sound slidefilm depicting the actual conditions under which Retail Credit Company inspectors work. The film attempts to picture each step in the Inspection Process, using regular employees of the company engaged in the real-life collection of information from a variety of sources. It has been used with great effectiveness before various groups of prospective customers, insurance agents, schools and colleges and civic clubs.

The Marketing Posture of the Retail Credit Company

When the marketing concept is consciously and fully adopted by the firm, its expression is by no means confined to the cultivation of a favorable market through effective advertising and promotional effort. Rather, as already suggested, it affects the very heart of the business enterprise, conditions its central nerve system, courses through the veins of the organization, and pervades every member and appendage of the corporate body. While the term has been used with increasing frequency during the past few years, it has gained popularity far more rapidly than it has achieved precise and definitive usage. The result, as expressed by the President of the American Marketing Association, has been that at this point in time the so-called marketing concept appears to be an umbrella term that is being used to describe one or more, preferably all, of the following developments in the basic components of effective marketing operations: (1) a marked increase in the degree of market orientation of top management thinking; specifically, marketing considerations are increasingly coming to provide the framework within which other factors are positioned and analyzed; (2) increased recognition of the importance of planning marketing activities,
and using the marketing plan as the springboard for overall plans and budgets; (3) a trend toward positioning marketing executives in the organization structure in ways compatible with effective market orientation and planning. 22

With respect to the Retail Credit Company, it would appear that a major reason for its remarkable record of growth and achievement over a span of 60 economically and politically difficult years is the fact that there has been, from the very start, an incipient attitude of market orientation among its executive group. Further, it has made service to its chosen market the central criterion in its planning of organizational and operational policies and procedures. And, finally, it has demonstrated an awareness of the importance of a marketing philosophy and for market-directed thinking at the executive level. This is evidenced by the steady increase both in the number of specialized marketing personnel provided throughout the organization, and in the specialization and division of labor in marketing activities in the higher echelons of the organization structure.

Most of this overt acknowledgement of the marketing concept has come about since World War II. Not until 1939 was the title of Sales Manager conferred on the individual performing that function. And the promotion of the Sales Manager to the rank of Vice-President did not occur until July, 1943. Following the War, while devoting much time and energy to the task of rebuilding the organization, executives of the Company neglected neither their product nor their market. Services

were improved and brought up to date. New variations were added and the desirability of obtaining a broader market was recognized clearly. The number of Home Office Sales Department personnel was increased from sixteen persons in 1946 to thirty-six in 1955.

During 1955, plans were firmed up for further refining and specializing the staff approach to the solution of marketing problems. This was to be accomplished by the addition of a Sales Development and Training Department designed generally for the exploration of new products, new markets, and new procedures, while the old Sales Department was to retain its responsibility for the promotion of established services.²³

This trend toward specialization naturally has demanded a high degree of cooperation and coordination between all areas of responsibility in the management of the firm. When a new service, customer group, or marketing procedure is conceived, it is studied thoroughly by the appropriate section of the Sales Development and Training Department. If the proposal appears to have merit, a "put-up" is made to the Operating Department. If it meets with approval there, it is turned over to the Research Department to be analyzed with respect to the development of specific procedures, techniques and rates. Upon its adoption as a standard service or procedure, the Sales Promotion department assumes responsibility for its implementation in the marketing program.

²³Fig. 29 charts the new organization structure of the Home Office Sales Department and outlines the functions of each subdivision thereof. The emphasis currently placed on marketing is evident from the size of the Field Sales Organization. See Appendix D.
Home Office Sales Department Organization

Fig. 29. Home Office Sales Department Organization
The new Sales Development and Training Department began to operate in 1956 with a staff of six persons under the Department Head, growing to ten by 1958. As of the latter date, senior officers and Home Office Department Heads directly responsible for the various phases of marketing management included a Vice-President-Sales Manager, an Associate Sales Manager, and two Assistant Vice-Presidents for Sales, one of whom headed up the Sales Promotion Department while the other assumed responsibility for Sales Development and Training. In addition, forty-four persons in the Home Office were engaged exclusively in staff work dealing with the marketing activities of the firm. In the Field there were 109 Regional and District Sales Managers and Salesmen, nearly double the number devoted to full-time sales effort in 1950, and 105 more than were used in 1942. These facts alone attest to a market-oriented business.

J. B. Mckittrick, in approaching the definition of the marketing concept from the standpoint of the firm's objectives, has unintentionally though aptly described the current status of the Retail Credit Company. Noting that there has been a shift "first from a focus on profit for the owner to a striving for market position and success against competition, and most recently to a focus on growth in which there is a continuing planned effort to enlarge the size of the market," he states that the crux of the marketing concept is expressed in the latter orientation. When a company sets out to increase its sales, not by depriving its historical competitors of the market position which they already have captured, but by the application of research and insight to the task of creating new markets - indeed, new businesses - then we know that we are dealing with a management that has fully embraced the marketing concept... So to say it precisely, a company committed
to the marketing concept focuses its major innovative effort on enlarging the size of the market in which it participates by introducing new generic products and services, by promoting new applications for existing products, and by seeking out new classes of customers who heretofore have not used the existing products.24

Largely as a result of added emphasis given to marketing activities, the Retail Credit Company has broken with tradition in several instances in the fields of physical inspections and personal services, and in specialized marketing research activities. These tentative probes into new areas of effort have been quite promising. Care has been taken, however, not to permit experimental activities to endanger the firm's ability to render efficient service in its primary fields of insurance inspections and the various types of character reporting. As the company has gained in physical stature it also has acquired balance and perspective as a skilled and well-coordinated management team. Today it possesses a highly organized and excellently supervised branch office system interlacing every major community in North America, ably supported by its credit reporting subsidiaries. Its versatile and carefully trained corps of full-time inspectors, backed up by an experienced and loyal office staff, is capable of making an estimated 100,000 personal contacts per day throughout the United States and Canada.

The nearly six-fold increase in sales volume that has occurred since the end of World War II, gained not at the expense of competitors, but by the improvement of current reports and techniques and the aggressive development of new services and wider markets, is clear evi-

dance of the Retail Credit Company's marketing posture. Excerpts from
the introductory pages of the Company's Sales Manual, shown in Figure
30, give the strength of long-standing policy to the firm's attitude of
service that has played so large a role in its successful pioneering
in a new field—a field of service that appears to broaden and gain in­
creasing importance as our society becomes ever more specialized, com­
plex and interdependent.
BASIC SALES POLICIES

The following policies are quoted directly from the Company Policy Book. They have served as a guide for our activities with customers, prospects, competitors, the public and employees over a long period.

Field of Operation
Our field is primarily the making of character reports on individuals.
We should expand our business to serve worthwhile business concerns, such as commercial houses, finance companies, and other lines, but it is vital to our success to keep our organization and service pointed for the insurance customers. They constitute our basic field.
We should avoid mergers or contracts counter to the above objective, or which seek to develop individual reporting lines distinctly different from those needed by our customers.

Sales, Service, and Customers
Our soliciting policy is to develop our business with insurance companies and other commercial concerns whose needs are essentially character and credit information.
We should not attempt to promote our reporting service in lines which research does not indicate we are equipped to serve.
We must continually study changing needs of our customers, and be willing and alert to meet the demands of those whom we serve.
We should accept our responsibility to cover the field in which we operate. This means giving customers what they need.
We should guard against having the business of our regular customers become taxed by demands of offline customers.
We should make good whenever opportunity is offered on both regular and irregular requests within reason and within policy limits—always, however, making exceptions when legal complications are likely.
We should cultivate customers, both Home Office people and agents (where permitted), on a friendly business basis in contrast to a friendly personal basis.
We can be friendly without necessarily becoming personal.

Charges
We should give every customer the best return for his money, after taking out a reasonable profit.

We should not foster or maintain systems which produce more revenue than a similar system which would serve the customer just as well, though it produce less revenue.
We should adjust all bills from the customer's viewpoint. If the customer is unreasonable, we should follow the adjustment with a fair explanation of our point of view so as to protect ourselves on future business.
Customers are to be charged at a fixed rate for regular service, according to the average cost of the service rendered, and at a reasonable profit. The average cost of the service rendered may vary, due to the type or location of the service rendered.
When our customers are served on special or unusual requests, each report is to be charged on the basis of cost plus a reasonable fee for profit.

The Public
We should handle our business so as to protect the public in the field in which we operate.
We are to be fair in what we report; to recognize the rights of the individual.

Publicity and Advertising
Our purpose in seeking publicity should be to expand the use of our service.
Publicity merely for the sake of publicity is indefensible. All our publicity should be of a conservative type, and centered to reach the people who will react favorably toward us.
Our advertising should be designed either to create good will for the Company as a whole, and thus extend the use of our service, or to push particular services among those who are logical prospects for such services.

PUBLIC RELATIONS (Making Public Utterances):
Neither Directors, Officers, nor employees should make any public utterances that would bring the Company into disfavor with any group of people. Public utterances should be few, and confined to non-controversial subjects.
Our people should not be parties to any criticism or
Critical attitude toward those in authority, such as officials, policemen, firemen, the clergy or special interests. Any critical attitude might easily exclude the Company from information, or prejudice information against us.

**Public Relations (Position on Political Issues):**
The Management should not, through clubs or through letters to employees, take a position on political questions, or on candidates for office—local, state, or federal.

**Competitors**
We should deal fairly, openly, and above board with competitors.

Knowledge of all of these policies and standards is essential in working with customers, prospects, and competitors, and also the public.

In applying the above policies and standards to our sales activities, we have established the following principles and systems. It is, however, recognized that conditions change and policies and practices are subject to official reconsideration when circumstances warrant. For this reason, salesmen should be quick to bring up any policy or provision that seems to limit their activities under existing situations.

Selling is recognized as a distinct and highly essential function of our corporate activity. Our practice is to separate selling functions from operating or production functions wherever practical. A Field and a Home Office Sales Organization are maintained and financed with specific budgets. (See Sales Point Administration Manual, Chapter I.)

**Sales Objectives**
To hold and increase our volume of business from customers.

To develop additional business from new customers and in new lines.

In other words, we aim to saturate all present markets, to extend into other markets, and develop other uses of our facilities whenever we find opportunities that are proper and profitable.

**Attitude Toward Customers**
Treat fairly and equitably all customers, both large and small.

Fit our service to their needs, giving full return for their money, expecting only reasonable profit for ourselves.

See that the business of regular customers does not become impaired by individual customers whose service demands or aggressiveness may require a disproportionate amount of time and effort.

Study and be constantly alert to changing needs of customers and be willing to alter or add to our services to meet their needs.

Cultivate customers—both their Home Office and Field Personnel—on a friendly cooperative basis, recognizing that close mutual acquaintance and understanding lead to the best service results.

**Attitude Toward New Lines and Prospects**
Our attitude should be to initiate new lines of service and use by prospective customers aggressively and studiously.

We operate a valuable business resource; namely, facilities and processes for obtaining facts anywhere in North America. A positive attitude and creative thinking will enable us to extend the use of this resource.

New lines are essential to keep the business alive and growing. Every present line was once new. All markets will be considered to determine whether our business resource can serve a need. New types of customers and of uses or purposes of service will be considered if they meet the basic qualifications indicated by the following questions:

1. Is the need bona fide and legitimate, or is it improper and not in the public interest?
2. Is the need continuing and expanding, or is it limited or non-repetitive? If the latter, will a specific job put an undue tax on the capacity of the organization?

(Further discussion of acceptable and unacceptable new business is given in the chapter, "Working With Prospects.")
APPENDIX A. COPY OF ARTICLE BY J. R. TRUESDALE.

"AGENCY MEN ORGANIZE"

*Published in 1906 in Mercantile Monthly (location, date and volume unknown). Reproduced through courtesy of the Associated Credit Bureaus of America, Incorporated, St. Louis, Missouri.*

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AGENCY MEN ORGANIZE

As an event of national importance in Mercantile Agency circles, and one which is to be considered the forerunner of a new era for the protection of retail creditors, is the official formation and business operations in New York on Aug. 14 of a new National Association of Retail Credit Agencies. For a long time the need of such a co-operative association has been felt, and preliminary steps were taken last February toward such an end. The convention in New York, which over 50 members were represented, showed the results of active and conscientious work in proving the interest of the various retail agencies, and was marked by enthusiasm and good will from the start to finish.

The Mercantile Monthly was fortunate in securing the minutes of the meeting, and believes them to be of worthy and valuable, deserving of a naturalized to an article toward a new epoch—mercantile affiliation for mutual protection and the promotion of best interests of legitimate agency service.

The address of President Burr is especially valuable, noteworthy, as it does the prevailing situation in the agency field and outlines the proposed plans and methods of the association.

President Burr addressed the members present, saying: "Gentlemen, let me come to order. Upon this occasion we do not think any extended remarks are necessary. We are here from all parts of the country, representing various interests in the mercantile world, and it is my purpose to say, which will be valuable to others. We have business to transact, however, and I shall keep to the point of order."

The following is a record:

PRESENT


Indianapolis, Ind., Merchants' Mercantile Agency Company, by I. A. Lewis.

Louisville, Ky., Credit Rating Company, by H. A. Appling.

Milwaukee, Wis., Union Credit Company, by A. J. Rieth.

Newark, N. J., by the Credit Reporting Company, by Wm. S. Rauch.


Richmond, Va., Bureau of Credits, by G. M. Sherwood.

Rochester, N. Y., Commercial Record Company, by Wm. H. Burr.

Springfield, Mass., Credit Endorsement, by C. A. Royer.

BY PROXY.


Cleveland, O., Rating and Collection Company, by T. A. Robinson.

Memphis, Tenn., Merchants' Credit Association, by B. W. Lockwood.

Minneapolis, Minn., Elliott Credit Company, by H. K. Minick.

New Orleans, La., Wilson Agency, Ltd.

Oakland, Cal., Wellman Robbins Mercantile Agency.

Omaha, Neb., The Trust Book and Credit Company.

Portland, Ore., Ames Mercantile Agency.

Pueblo, Colo., Retail Mercantile Agency.

St. Louis, Mo., St. Louis Credit Agency Company.

Salt Lake City, Utah, Gates American Mercantile Agency.


The president: "We will proceed to the transaction of business. It has been decided by the board of directors that no one, except members of this association, is entitled to take part in its 35154715046, and I understand Mr. Goodman, representing the Union Credit Company of Baltimore, is here, and we cannot extend to him the courtesy of the floor."

Here followed quite a lengthy discussion, in which nearly every member took part, pro and con, concerning Mr. Goodman's being allowed the privileges of the convention.

Final action, however, was favorable to his remaining, the reliability of his agency being vouched for by Mr. Rauch.

Next followed the reading of the minutes of the organization meeting, which was held in New York, July 24, 1895, and by vote they were approved as read.

The reports of officers were then ordered in order. President Burr then called the members as follows:

As President of your Association, I have the honor to submit to you here with my first annual report or message, as you may desire to regard it, in which I shall briefly review what the Association has accomplished since its formation and further call your attention to certain measures which in my judgment should be taken.

In response to a roll issued by our secretary, Mr. Thompson, a few of those interested in the formation of the National Association met in New York on the 25th of December last year, and we forthwith proceeded to execute a certificate of incorporation under the name of the National Association of American and afterward proceeded to meet and perfect a constitution. After these sessions, the last one beginning at 9 o'clock in the afternoon, and we have been in the following morning, we decided upon the present Constitution, which was then ordered printed and has been delivered to all of our members and prospective members for inspection. The adoption of that Constitution, we hope we have been shown at the present time, is more than any one present at that time anticipated. Considerable correspondence between our members and prospective members and between our members and those at the present time, and the reports of that era, I have the pleasure to report to you that we have as members, reputable agencies from thirty States, and many small ones in the United States that have resources which are similar to those in the larger ones.

In addition to those which have already been mentioned, I have had communications with agencies from Pittsburgh, Cleveland, Buffalo, and Washington, D. C., and have been met with cordiality and good will, and I have reason to believe that our next National Convention we shall have as members practically every reputable and strong agency in the United States.
The purpose of the formation of our National Association as I have before said, was for the mutual benefit of all concerned. The problems which confront us and with which we are trying to work out, where practical questions I think may be comprehended within the following:

First. How to produce sufficient and satisfactory services and then to perform sufficient and satisfactory work at a reasonable cost.

Second. How to obtain all -wise. How to estimate fix and to take both of prices, and sell in those prices work in a manner which is just and fair, and which in no wise need be valuable to them.

Third. How to increase the volume of business so that the Association may be able to deal in the most substantial manner with its clients.

Fourth. In no wise to increase the volume of business, but to deal in the most substantial manner with its clients. For this purpose, the services of our members may be rendered to us in the most substantial manner with its clients.

Concerning the first question of how to produce sufficient and satisfactory services, I think that an association, which has been in existence for many years and is extensively organized, as the American Association, is in a position to give some idea of the rapid progress which has been made in this direction, and we can say with the assurance that it is such work that is now being done. The progress which can be made in this direction, and the work that is now being done, is in my judgment, in the most substantial manner with its clients.

I think that the most important question for the future is how business can be produced at the best possible cost. I presume that the purpose of the Association of the practitioners of the art of writing, which has been in existence for many years and is extensively organized, as the American Association, is to deal in the most substantial manner with its clients. For this purpose, the services of our members may be rendered to us in the most substantial manner with its clients.
I hope to get the subject of some change. One of the principal objects for which our members are interested is to protect the business published in the daily operation of distributaries and people, and there is an reason why we feel that the National Association should act as a responsible committee for the few dishonest operators who maintain an atmosphere through defrauding and fraud.

In conclusion I desire to say that the officers and directors of the Association desire to respond to all of those who have so bravely co-operated in the formation of this Association and to some of those who have not yet joined, our appreciation of the support which they have given us. We cordially believe that, under our power, every eligible concern in the United States, if a member of this Association, and with the assurance that as far as lies within our power, this Association shall be rendered a benefit and honorable benefit upon a whole to the public, a support, in the sense of the public's confidence, and that the members and the officers make every man.

Upon motion of Mr. Thompson, seconded by Mr. Morgan, the president's report was received and accepted, and placed on the table.

Mr. Morgan, when called upon for a report by the president, stated the Constitution does not call for much work on our part, but the heart is in the future of the association, and I have worked hard and I hope always will work hard for the interest of the association. I have done all I could by my own personal efforts and through the employees of our agency, in trying to impress upon others the advantages of the National Association, and I will continue to do so. (Applause)

Mr. Rausch submitted the idea that the reports should be given to our members, and after deducting all expenses to date the treasurer had a small balance to the credit of the association.

On motion of Mr. Lewis, the report was adopted and filed. The following communications were then read:

"Accept our congratulations and support in this convention assembled. Your task is great, but success is certain. The National Association shall be the guiding star of all reliable mercantile agencies.

LOUIS MARTIN, Secretary Ames Reporting Agency of Spokesman."
APPENDIX B. COPY OF ARTICLE BY E. G. MCINTIRE. "LIFE
INSURANCE INSPECTIONS AND DEVELOPMENT."

Some twenty or twenty-five years ago medical directors of the
larger life insurance companies began to demand information as to the
habits, morals, living conditions and general surroundings of policy­
holders and prospective policyholders. Traveling inspectors were em­
ployed who visited the towns and investigated the local standing of the
policyholders and applicants, giving particular attention to the
following points:

1. Habits regarding the use of intoxicants.
2. Moral habits of the subject.
3. Working conditions and hazard of occupation.
4. Home life, and whether residence was in a good, healthful
   section of the city.
5. General appearance of the applicant as regards health.

Incidental attention was also given to financial standing, and
habits of payment, which information increases in importance as the
premium payment and policy benefits increase in amounts, as over-insur­
ance and insurance speculation are naturally regarded with disfavor.

Later, several of the larger companies set aside considerable
amounts of money and established departments of inspection and revision

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1 Published in the Bulletin of the National Association of Mer­
cantile Agencies, October, 1917, Vol. 11, No. 4, p. 100-103. At that
time the Bulletin was published quarterly by J. R. Trussdale, Newark, N.J.
for the handling of this work. These departments appointed correspondents in the towns and cities of the states in which they operated; compiled blanks with questions to be answered, etc. In general, correspondents have been paid on a fee basis of so much per report.

As the volume of business increased and the smaller companies began inspecting, the difficulties and excessive expense of each company having its own reporter in each city was recognized. An effort was made to get a common source of information, and the use of reporting agencies was commenced.

At first the great National Mercantile Agencies, whose principal business was to furnish financial information to manufacturers and others, and the local Retail Credit Agencies were employed, but special agencies, giving attention only to insurance reporting began business in many of the principal cities. As the demand for this service increased, one or more of these agencies expanded to national proportions, with district offices, handling a group of states. Later, to speed up the service, sending stations were established, whose business it was to forward to correspondents inquiries received from companies in the particular city in which the station was located. Lock box stations were also established in some principal cities, where the companies could send their inquiries direct and have their replies returned to them direct. As now operating, these national agencies in many cities have their own salaried employees who do nothing except attend to these inquiries.

The total inspection business of life insurance has increased to large proportions, and it is estimated that between $1,000,000 and
$2,000,000 per year is expended for this service, of which 65 per cent goes to agencies specializing in insurance work, 25 per cent is spent by the companies on departments of inspection and revision, and the remaining 10 per cent goes to the great national commercial agencies' local reporting agencies and members of the National Association of Mercantile Agencies.

As between the credit man and the sales department of a corporation, there is always a certain amount of friction and disagreement, so there is between the medical director and the agency department of a life insurance company. When an agent takes an application for life insurance there is a certain sum of money that will be due him when the application is accepted and policy delivered, and he is quite often inclined to look with disfavor on anyone who criticises the applicant or causes him to lose the commission which he would otherwise receive. For this reason, particular attention must be given to the accuracy of criticised reports, as a medical director dislikes to reject an applicant and later have the agency department prove to him that the information received was misleading, or from an untrustworthy source.

This brings us to the question of why the members of the National Association of Mercantile Agencies are not receiving a greater portion of the business. It would seem that, with their offices always open for business, with a staff of reporters in the principal cities, who know local conditions, are acquainted with business men and credit men, these agencies should be in a position to give much better service than the young lawyer who has lately arrived from law school and does
not know the city any too well. The mercantile agency also has the advantage that they remain year after year in the same business as soon as he has enough law practice to take care of himself and family.

In spite of these natural advantages, it seems, however, that our members have not been favored with any considerable amount of this business, and I have tried to arrive at just the reasons why this condition exists, and believe that the following is a fairly good explanation:

1st. Because there is no organization among us to obtain inspections in but a part of the territory. We can handle the cities pretty well, but the country districts are almost impossible.

2d. Because all inspections furnished in town, city and country cannot be billed from one source and included in one statement.

3d. Because some of our members are indifferent to the business, and either refuse to handle these reports or are slow and give but a part of the desired information.

4th. Because too much credit information is given and too little regarding the habits and environments. Members who want this business should remember that the report goes to a medical director, interested in finding out the chances of applicant living out his expectancy and not to a credit man to pass on financial and credit responsibility.

In closing, I believe that if it is a desire of the National Association of Mercantile Agencies to take advantage of their natural position and develop the life insurance inspecting business that they would need to give all their reporters a pretty thorough training in
what the medical director wants, and how to obtain the information.

That it is essential that some kind of a central organization be es-
tablished, with an accounting department, so that one bill could be
sent to the company for the business forwarded to all of its members.
That the manager of this central bureau be empowered to select from
among the members those who are both quick and efficient in making
these reports, and to eliminate those who are slow or inefficient.

With this change made, and each of our members actively soli-
citing the business from companies located in his city, I believe that
a few years would see a wonderful development in this department, and
hundreds of thousands of dollars added to the income of members of the
National Association of Mercantile Agencies.
APPENDIX C. REPRODUCTION OF SIX LETTERS REPRESENTATIVE OF
EARLY SALES CORRESPONDENCE BETWEEN RETAIL CREDIT COMPANY
AND THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

RETAIL CREDIT COMPANY
ATLANTA, GEORGIA
CATOR WOOLFORD, MANAGER.
Gould Building Phone 645

10/9/01

Prudential Life Insurance Co.,
Newark, N. J.

Gentlemen:

Our Mr. Andrews is now in New York in the interest of our Company, and we have asked him to call and see you.

We issue Reference Books and make up special reports covering individuals in Alabama, Florida, Georgia, North Carolina, South Carolina and Tennessee. We also do inspection reporting for a number of the old line insurance companies. Our experience with them has led us to make a specialty of this branch of reporting, and we are in a position to give you prompt and reliable service in the above named territory.

It is impossible for us to explain by letter the many advantages of our system, and we trust that you will give Mr. Andrews a hearing in order that he may do so. We beg to assure you that any courtesy shown him will be greatly appreciated.

Yours very truly,

Retail Credit Company,

(Signed)
Cator Woolford, Manager.
Dear Sir:

Relative to your conversation with our Mr. Andrews, a few days ago in Newark, we beg to state that at present we have the states of North Carolina, South Carolina, Georgia, Florida, Alabama, Tennessee and Mississippi covered with our corps of correspondents, with whom we have contracts. We are in a position to furnish you reliable and prompt information in any of the above states—the ordinary time being one week from the date which request leaves the Home Office.

We publish Reference Books in a number of the towns in these states, but due to the fact that it is customary and insures better service, we prefer to have requests sent to our Home Office. However, we will be glad to furnish you the names of our reporters in any towns where you have reason to doubt the same.

We have spent a number of years perfecting this system, and due to the fact that we are right on the field, and are taking special pains in this particular branch of reporting, we do not hesitate to say that we have the most complete system in the country.

Our regular price for reporting, where we have no contract, is one dollar per each report, but where we have contracts, or a Company agrees to give us so many or all of their requests—we make the reductions shown by the enclosed price-list. If you will consider that this covers alike large and small towns, irrespective of the size of the policy, you will find that the cost is reasonably low, as is consistent with good service.

If good strong reports—made up usually within seven days time are what you want, we can undoubtedly give you service which will be satisfactory.

Trusting that you will see fit to favor us with some of your southern business, we are,

Yours very truly,

Retail Credit Company,
(Signed) Cator Woolford, Manager.
Inspection Reports.

Cator Woolford, Manager,
Retail Credit Co.,
Atlanta, Ga.

Dear Sir:

We are in receipt of your favor of the 18th inst., regarding
inspection reports in the southern states, and, in reply, would say
that your charge of $1.00 per report is satisfactory to us, but we do
not care to enter into any contract guaranteeing a certain number of
cases in a year, but if the total number of inspections should amount
to two hundred or over, as per your table, we would expect to receive
a rebate of three cents on each report.

If this is satisfactory to you, we will be pleased to write you
further.

Very truly yours,

Medical Director.

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RETAIL CREDIT COMPANY
ATLANTA, GEORGIA
CATOR WOOLFORD, MANAGER.
Gould Building Phone 645

10/23/01

Dr. Edward Hammill,
Medical Director The Prudential Ins. Co.,
Newark, N. J.

Dear Sir:

We are in receipt of your esteemed favor of Oct. 21st, and in
reply will say that the price-list sent you some time ago will hold
good on all business sent us the same as if you had a regular contract.
We shall be pleased to have you favor us with some of your business,
and feel satisfied that we can give you the service desired. If there
is any particular points in connection with the risk you want brought
out at any time, you can make these known and we will try and cover
those points very carefully.
Thanking you for the consideration given our company, we are,

Yours truly,

Retail Credit Company,

(Signed)

Cator Woolford, Manager.

*********

THE PRUDENTIAL INSURANCE COMPANY

OF AMERICA

Newark, N. J.


Robert L. Burrage, Medical Director,

Office.

Dear Sir:

The Vice President approved the following recommendations of the special committee concerning the inspection of business in the Southern States. Arrangements are to be made with a reliable inspection agency, The Retail Credit Company, if practicable, by which the Prudential agent can send to the inspection agency headquarters in his State, immediately upon writing an application, a form containing the name of the applicant, his age, occupation, residence and the amount of insurance applied for. The inspection agency will make the inspection through its local inspector and then send its report direct to the Prudential Home Office. As a rule the inspection report will reach the Home Office about the same time as the medical examiner's report.

The Prudential, in order to get the best service, would give practically all of its business in the South to the inspection agency chosen. The Prudential would know the names of the local inspectors of the inspection agency, and would have the right to have the inspectors changed if they were unsatisfactory. The Prudential's own traveling inspectors would be of great assistance in determining the character and ability of the local inspectors of the inspection agency. In cases of amounts of $5,000 and over the inspection agency would telegraph its reports to the Home Office.

Will you kindly send for the Manager of the Retail Credit Company, or for some one who is authorized to represent the Company,
and arrange details for this new system of inspection? The representa­
tive of the Credit Company would come here at the Prudential's expense.

The new system should go into effect by September 1st.

The States to be included are North Carolina, South Carolina,
Georgia, Florida, Tennessee, Alabama, Mississippi, Arkansas, Louisiana
and Texas, and Indian Territory and Oklahoma.

Very truly yours,

(Signed)
John K. Gore,
Actuary.

*********

RETAIL CREDIT COMPANY
ATLANTA, GEORGIA

August 4, 1904

In re: Inspection Service.

Dr. Robert L. Burrage, Medical Director
The Prudential Insurance Company,
Newark, N. J.

Dear Sir:

I have the pleasure to acknowledge your favor of the 3rd to
our Mr. Cator Woolford as he happens to be out of the City.

The matter has been taken up with him by wire and, while we
have not yet had time to hear from him, I feel safe in assuring you
that he will be in Newark to see you during the coming week. As to
the exact date will advise you later.

Yours truly,

(Signed)
T. G. Woolford
Assistant Manager.
APPENDIX D. FIELD SALES ORGANIZATION AND BRANCH OFFICE LOCATIONS

AS PUBLISHED IN "INSPECTION NEWS," NOVEMBER, 1958

### Home Office Department Heads

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
<th>Location</th>
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</thead>
<tbody>
<tr>
<td>General Attorney</td>
<td>R. W. Hixson</td>
<td>New York</td>
</tr>
<tr>
<td>Assistant Secretary</td>
<td>G. R. Rodgers</td>
<td>New York</td>
</tr>
<tr>
<td>Aasst. Vice Pres.—Sales</td>
<td>W. E. Callahan</td>
<td>San Francisco</td>
</tr>
<tr>
<td>Controller</td>
<td>E. L. Honey</td>
<td>Cincinnati</td>
</tr>
<tr>
<td>Assistant Secretary</td>
<td>M. L. Howell</td>
<td>Detroit</td>
</tr>
<tr>
<td>Aasst. Vice President</td>
<td>E. E. Jenkins</td>
<td>Chicago</td>
</tr>
<tr>
<td>Aasst. Vice President</td>
<td>G. N. Mitchell</td>
<td>Chicago</td>
</tr>
<tr>
<td>Aasst. Vice President</td>
<td>B. E. Priddy</td>
<td>Chicago</td>
</tr>
<tr>
<td>Aasst. Vice President</td>
<td>R. A. Richardson</td>
<td>Chicago</td>
</tr>
<tr>
<td>Aasst. Vice Pres.—Claims</td>
<td>R. E. Root</td>
<td>Chicago</td>
</tr>
<tr>
<td>Aasst. Treasurer</td>
<td>W. J. Shivey</td>
<td>Chicago</td>
</tr>
<tr>
<td>Aasst. Treasurer</td>
<td>Earl W. Williams</td>
<td>Cincinnati</td>
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### Division Managers

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<thead>
<tr>
<th>Region</th>
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<th>Office</th>
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<tbody>
<tr>
<td>South Central</td>
<td>L. S. Adams</td>
<td>Cincinnati</td>
</tr>
<tr>
<td>West Central</td>
<td>W. L. Bunselle</td>
<td>Pittsburgh</td>
</tr>
<tr>
<td>North Central</td>
<td>W. L. Fields</td>
<td>Detroit</td>
</tr>
<tr>
<td>Midwest</td>
<td>A. G. Hanks</td>
<td>Toronto</td>
</tr>
<tr>
<td>Southwest</td>
<td>A. T. Hart</td>
<td>Dallas</td>
</tr>
<tr>
<td>Southeast</td>
<td>H. N. Smith</td>
<td>Atlanta</td>
</tr>
<tr>
<td>Northern</td>
<td>W. J. Smith</td>
<td>Boston</td>
</tr>
<tr>
<td>Northwestern</td>
<td>C. T. Thomsen</td>
<td>Minneapolis</td>
</tr>
<tr>
<td>Central</td>
<td>W. M. Thomsen</td>
<td>Chicago</td>
</tr>
<tr>
<td>Western</td>
<td>W. H. Yarnell</td>
<td>Kansas City</td>
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### Field Sales Organization

<table>
<thead>
<tr>
<th>District Sales Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pittsburgh</strong></td>
</tr>
<tr>
<td><strong>Cincinnati</strong></td>
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<tr>
<td><strong>New York</strong></td>
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<tr>
<td><strong>Chicago</strong></td>
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<tr>
<td><strong>Cleveland</strong></td>
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<td><strong>Philadelphia</strong></td>
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<table>
<thead>
<tr>
<th><strong>Assistant District Sales Managers</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>Atlanta</strong></td>
</tr>
<tr>
<td><strong>Baltimore</strong></td>
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<tr>
<td><strong>Birmingham</strong></td>
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<tr>
<td><strong>Boston</strong></td>
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<tr>
<td><strong>Buffalo</strong></td>
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<tr>
<td><strong>Charlotte</strong></td>
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<tr>
<td><strong>Chicago</strong></td>
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<tr>
<td><strong>Cleveland</strong></td>
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<tr>
<td><strong>Columbus, Ohio</strong></td>
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<table>
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<tr>
<th><strong>Special Representatives</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Atlanta</strong></td>
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<tr>
<td><strong>Baltimore</strong></td>
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<tr>
<td><strong>Birmingham</strong></td>
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<tr>
<td><strong>Boston</strong></td>
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<tr>
<td><strong>Chicago</strong></td>
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<tr>
<td><strong>Cleveland</strong></td>
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<tr>
<td><strong>Cincinnati</strong></td>
</tr>
<tr>
<td><strong>Columbus, Ohio</strong></td>
</tr>
<tr>
<td><strong>Dallas</strong></td>
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<tr>
<td><strong>Denver</strong></td>
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<tr>
<td><strong>Detroit</strong></td>
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<tr>
<td><strong>Los Angeles</strong></td>
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<tr>
<td><strong>Minneapolis</strong></td>
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<tr>
<td><strong>Montreal</strong></td>
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<td><strong>Philadelphia</strong></td>
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<td><strong>Phoenix</strong></td>
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<tr>
<td><strong>Portland</strong></td>
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<td><strong>San Francisco</strong></td>
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<td><strong>St. Louis</strong></td>
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<table>
<thead>
<tr>
<th><strong>W. H. Stupplhoff</strong></th>
<th>Regional Vice President New York</th>
</tr>
</thead>
<tbody>
<tr>
<td>C. E. Kannap, Regional Sales Manager</td>
<td>Chicago</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>F. F. Linhart, Regional Sales Manager</strong></th>
<th><strong>M. R. Wimbler, Regional Sales Manager</strong></th>
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<tbody>
<tr>
<td><strong>Chicago</strong></td>
<td><strong>Cincinnati</strong></td>
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<tr>
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<td><strong>Los Angeles</strong></td>
<td><strong>Minneapolis</strong></td>
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<tr>
<td><strong>Philadelphia</strong></td>
<td><strong>Pittsburgh</strong></td>
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</tbody>
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AUTobiography

I, William Adams Flinn, was born in Atlanta, Georgia, on May 11, 1912. I received my secondary school education in the public schools of DeKalb County, Georgia, and at the Darlington School, Rome, Georgia. My undergraduate work was done at Davidson College, and that institution awarded me the Bachelor of Science degree in 1933. From Harvard University I received the degree Master of Business Administration in 1936. From 1936 to 1939 I was employed in sales and promotional work with Reynolds Metals Company, Inc., and from 1939 to 1941 as a service manager with Rich's, Inc. The years 1941 to 1946 were spent in the United States Army and included two years as Instructor at The Infantry School. Following the war, I took employment as Purchasing Agent, and later organized and operated a subsidiary retail and wholesale dairy, for Irwindale Farms, Inc. In January, 1949, I entered the field of education, as Instructor in the School of Business Administration at Emory University. In September, 1949, I became Assistant Professor in the School of Industrial Management at the Georgia Institute of Technology. In 1952 I obtained a leave of absence in order to complete residence requirements for a terminal degree at The Ohio State University. While there, I served as Graduate Assistant and taught classes in the Department of Business Organization. I was admitted to Candidacy in August, 1953, then returned to my teaching assignment at the Georgia Institute of Technology while completing requirements for the degree Doctor of Philosophy.