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CANADA LIFE
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MARINE INSURANCE NOTES.

There has been a good deal of discussion recently on the subject of Marine policy terms, particularly with regard to the changes which seem probable in connection with the closer relation of international markets, and the developments in foreign markets which are expected as an outcome of the war.

A writer in an American paper recently suggested that underwriters would do better to seek profit in the drawing of closer terms for policies, rather than in increasing rates. The argument in favour of this was that an increase of rate is borne by the community at large, while restricted policy terms fall upon the shipowner alone.

That this argument is fallacious is not difficult to prove; the application of any increase on the cost of any commodity is certainly eventually borne by the consumer, and since practically all commodities are subject to marine insurance at some time of their existence, it is true that increased insurance rates would result in a higher selling price, but so also would the infliction of increased liability upon the shipowner, and in a greater degree.

At the present time the Institute clauses common in the London insurance market provide the greatest possible protection to the assured. In the hull clauses all particular average claims are admitted over 3 per cent. on each valuation. Hull and machinery are valued separately, and, where necessary, refrigerating machinery is admitted on a third valuation. General average and charges are paid in full, on a basis by which the actual value of the interests contribute in proportion, and liability for damage done by collision is generally paid in full, though occasionally an owner prefers to run one fourth of this liability himself. For this adequate cover, owners are prepared to pay a fair rate, and the small margin of profit expected from hull business shows that the business is not rated excessively high.

If the marine policy were amended in such a way as to thrust a greater share of liability on the owner, he would have to seek another method of obtaining protection from the hazards to which his business is exposed. If the franchise of 3 per cent. were increased to say, 5 per cent., and this franchise applied to the whole of the insured value, irrespective of interest, owners would find that their expenses were increased by the sums disbursed in meeting the difference between the amount collectable under their policies, and their total expenses in connection with particular average claims. To meet this charge freights would be advanced, and with the increase in the cost of carriage the cost of the goods carried would be correspondingly increased.

So far it would seem that either way the community pays for any amelioration of Marine insurance conditions, however obtained, and this much is undeniable: the increase of insurance rates is the more beneficial to the consumer however, for the underwriter can collect a small increase from the number insured, while the owner with a much smaller number of vessels, over which to average his increased expenses, must make a correspondingly greater increase in his charges, to cover his less widely distributed liability.

Of still greater interest, however, is the manner in which this problem affects the insurance market, and the probable effect of any changes along the line indicated would have on the business itself.

At the present time there are several policies in common use which provide for a portion of the liability for casualties being borne by the assured. The "Free of particular average absolutely" clauses limits the liability of the underwriters to payment of total loss, general average and salvage charges, sue and labor charges, and damage done by collision. This is a development of the "Free of particular average" clause which admits liability under the above headings, and also provides for payment of particular average when caused by the vessel being sunk, burnt, in collision, etc.—practically a full policy excluding damage due to heavy weather. A

further development is the "Free of damage absolutely" clause, which will not admit liability for general average damage.

Another means of lightening the underwriter's burden, is for the assured to run a fixed proportion of the risk himself, either by warranting a certain amount of the insured value to be at the owner's risk, or by the owner running a line on the particular average. Thus, "Warranted that 25 per cent. of particular average at the owner's risk" is a frequent feature in insurances on a certain class of vessel, and it is noteworthy that this form is popular with vessels under the Greek flag, where the master is often the owner, or part owner, of the vessel.

Amongst British owners, however, the limited form of policy is not popular, except in the case of fleets of some size, where there are a number of vessels over which particular average claims can be adjusted.

To try and enforce any of these forms of policy upon the owner of a few vessels would be inflicting a hardship, and at the best would bring about a large increase in freights, while at the worst it would drive a large number of small owners out of the business altogether.

This much is obvious, but were confirmation needed, it can be found in the matter of a speech recently delivered at the Marine Insurance Club of New York by Mr. J. A. H. Hopkins.

According to this gentleman, the New York market in the early 90's was using a form of policy by which one third was deducted from all payments made by underwriters, as an allowance "new for old." Separate values for hull and machinery were unknown, and all claims were subject to a franchise of 5 per cent. on the whole value, while collision liability was only admitted for three-fourths of the sum of the claim. At the same time the same form of policy was used for all vessels from a barge to a liner. Under these conditions the business was small and not very profitable at that. Yet the introduction of the English form of policy was met with disapproval by the majority of American underwriters, who claimed that it gave the owner a blank cheque in the matter of claims. Mr. Hopkins, who was responsible for the innovation, persisted in his advocacy of it, however, and by gradual developments the American market became reconciled to it, and adopting as much of the new form as was applicable to their business, gradually evolved the American hull underwriter's clauses, which closely resemble those issued by the Institute of London Underwriters.

There is no need to emphasize the fact that with the increase of cover given by the new clauses the American market itself began to increase. The change has been of inestimable service in the establishment of a big national market, which is the avowed intention of the New York underwriters, and which is in a fair way of being accomplished in the near future.

To attempt to enforce any reduction of underwriter's liability upon the shipping confraternity would be a grave error of judgment, the present liberal cover, afforded by the existing policy, is necessary for the security of the assured, and restrictions in any form can only have the effect of driving business from the market.—Manchester Policy Holder.

MILLERS NATIONAL.

The Millers National Insurance Co. of Chicago issued its annual report on January 31st last. A decrease in losses of \$157,000 is reported over 1917 and it is pointed out that no increase in rates has been made in spite of hitherto unknown expenses. Total assets are given as \$3,338,490.03, while total liabilities stand at \$1,489,182.73. Total disbursements for the past year are \$1,208,144.59.