## SURETYSHIP—A TEN TALENT BUSINESS.

*(By Wm. H. Burgess, Secretary, Canadian Surety Co.)*
*(Continued from last week).*

The form of protection has also come up through a process of evolution. Take the ordinary fidelity bond for illustration. Formerly it was a long technical document which required the services of a lawyer to decide what it did and did not mean, and often the lawyers disagreed, so it had to be left to the determination of a Court. The covering was restricted, the bond full of warranties and conditions precedent, and employers had to make written declarations as to the duties to be performed and the manner in which the accounts would be safeguarded, and then, at the end of each year, certify that the employee's accounts were correct, thus estopping himself from later making a claim based on any transactions prior to the date of such certificate. But business of to-day requires protection, not lawsuits; it wants cash when a claim arises, and not controversy, and, as a result, the present form of fidelity bond has evolved, short, with language simple and readily understandable by a layman, without warranties or conditions, not based on any statement by the employer, and affording continuous protection against all forms of dishonesty from the time the party enters his employer's service to the date of his retirement, in any position, and at any place.

### WHAT IS SURETYSHIP.

There is also need of ability of the highest order to help solve the problem of what is and what is not suretyship. In the Dominion Insurance Act of 1910, "Guarantee Insurance" is defined as "the guaranteeing of the fidelity of persons in positions of trust, public or private, guaranteeing and becoming security for the due performance of any contract or agreement or of the duties of any office; and executing bonds in legal actions and proceedings." The language of the New York Insurance law is practically the same. This language makes possible a very wide range of activities, especially those words, "guaranteeing and becoming security for the due performance of any contract or agreement." The tendency of business to carry on its operations on borrowed capital seems to be gradually forcing the surety companies into a credit or banking business. People seek, through the medium of a bond of a surety company, a credit standing to which they would not otherwise be entitled. I recall a case where a contractor purchased an old building and remodelled it into an attractive theatre. Being a contractor, he was able to do the work at a comparatively low price and to obtain the material on credit from his usual supply men. When the building was almost completed he leased it for a term of ten years at a satisfactory rental to a couple of young men in the city who had been for years connected with other playhouses. The lease contained an option to purchase at a figure, which, if exercised, would have netted a handsome profit to the builder. But it further provided that the lessees should give a satisfactory surety bond to guarantee the rental. The reason was this, as I afterwards learned. The contractor had mortgaged the premises for something more than the property cost him originally and his bank had agreed to loan him on his note, backed up with an assignment of the lease, guaranteed by a surety company, a sum sufficient to cover the balance of the cost of the alteration. He thus had a very fine investment so long as the theatre was leased and a clear profit of several thousand dollars if it should be purchased, and all without any investment of his own funds. In other words he proposed to trade on the credit of the surety company, but, instead of dividing profits with the partner who financed him, he thought the Surety Company should be satisfied with an annual premium of one per cent. upon the amount of the bond. That is not suretyship any more than is that constant demand which is made upon us to guarantee the purchase price of goods sent to the order of the consignee or for guaranteeing the payment of principal and interest of mortgages, although anyone of these could be described as "becoming security for the due performance of any contract agreement."

### DIFFICULT TO DRAW LINE.

Necessarily, a party's credit must be taken into consideration in connection with many kinds of bonds issued, and it is often exceedingly difficult to draw the line between suretyship and out and out guarantees of credit. Nevertheless, the requirements of legitimate business cannot be ignored, and it is the problem of the successful surety man when he finds a general demand for a form of protection to supply that demand and, at the same time, afford a reasonable measure of profit to his company. I use the words "general demand" purposely, for we get all manner of what might be termed "freak" requests for suretyship. One of the oddest of this kind that I recall at the moment was that of a man who was seeking protection against the consequences of his own illegal acts. He was a hotelkeeper in a community where the number of licenses was restricted by law, and by reason thereof his license was of considerable value. If caught violating the provisions of the liquor law, he was liable to have his license forfeited, and there was always the possibility of the law being changed so as to abolish licenses entirely, so he sought indemnity against himself and a possible hostile legislature as well.

### CONCLUSION.

Many more qualifications desirable in our ideal surety representative might be mentioned had I the time at my disposal, but I trust that enough has been said to convince you that corporate suretyship is a business which demands of its devotees their highest abilities, most noble endeavors and their best thought—in other words, it is a ten-talent business. It is intensely interesting because there is something about almost every case that comes before you to differentiate it from any other; each case has to stand on its own merits; it is educational; it is young but large with promise, and withal is so full of the unexpected as to satisfy the most adventurous. The president of one of the largest companies engaged in the business was reading his annual report and was speaking of the progress made during the year when one of his enthusiastic shareholders interrupted: "Isn't that great, isn't that great," he said, "and to think that he is handling dynamite every day of the year."

Needless to say this ideal surety man has not yet been found, but for any young man who will diligently apply himself to the attainment thereof there is a good competence assured, for the demand for trained, experienced and successful surety men far exceeds the supply.