

FIDELITY INSURANCE AND ITS SOCIAL EFFECTS.

RESPONSIBILITIES OF FIDELITY INSURANCE COMPANIES IN DEALING WITH DEFAULTERS.

On the introduction of corporate suretyship into the United States, some fifteen years ago, it will be recollected that its promoters advanced arguments pointing to its necessity as a system of underwriting, alike from the view of the guaranteed, the principals and the individual guarantors.

That the utility of the insurance has been recognized may be accepted, the amount of bonds issued by companies reporting to the New York department alone, during 1892, showing \$230,000,000; and it is fair to assume that at present nearly every prominent corporate interest in the United States and Canada requires this form of security from trusted employees.

Prominent among the claims made on behalf of corporate suretyship has been the argument that its operations would serve to reduce the frequency of defalcations; that selected risks only would fill positions of trust, and that defaulters would be traced, and prosecuted to conviction, if only for the sake of example.

It may be readily realized from the volume of business transacted that the managements of fidelity insurance companies control extensive influence in the personal relations between employers and employed, for in the selection of their business they can dictate who shall be acceptable for a place of trust and what shall constitute a satisfactory basis of accounting and supervising, and when defaults occur in what cases punishment is to be inflicted, clemency allowed, or restitution accepted.

It is the purpose of this communication to remark briefly upon the unfortunate social conditions likely to result from the conduct of fidelity insurance on other than the most approved systems of underwriting, and while the writer is not in possession of statistics showing the particulars of claims made upon the companies, and their individual adjustments, he has been afforded considerable opportunity for observation.

Of recent years, owing to the multiplicity of companies, fidelity insurance has been the object of keen competition, and it is to be feared the examination of risks assumed has been largely ignored in the desire for premium revenue, and reduction of inspection expenses. As a natural result employers have learned to take the position that the risk of indemnifying them against loss, through dishonesty of employees, is mainly a question of the lowest current rate, and that by paying for such indemnity they should be largely relieved from the responsibility of selection and oversight of employees. It will appear, therefore, that laxity by fidelity insurance companies in the scrutiny of an employer's accounting methods, or if the personal character of individual cases, must in the long run produce a higher average of default than if the system did not exist.

Assuming that the managers of fidelity companies regard the interest of their stockholders as paramount, their first efforts are probably directed to obtaining reimbursement for any loss sustained, and it may be assumed that this is frequently obtained under the alternative of criminal proceedings. Under such circumstances relatives of the defaulter usually suffer, they being principally interested in preventing family disgrace. Should no recovery be obtainable, or the benefit of example be apparent, the law is no doubt allowed to take its course. In either case it will be seen indirect suffering is inflicted, and it cannot but be recognized, in this view, that the fidelity insurance companies have exceedingly grave social responsibilities.

It will be found upon inquiry of fidelity loss adjusters that their duties have often brought under their observation cases in which severe domestic hardship has been entailed by defalcations, and furthermore, they will not deny that in probably the majority of cases more extended investigation would either have revealed the unfitness of the employed for the position assigned to them, or demonstrated an undue exposure to loss through opportunities afforded for concealment of theft by loose accounting methods.

Fidelity insurance occupies a different position to that of any other line of underwriting in that it deals more closely and directly with personal relations, hence it would seem incon-

bent upon officials of the companies to realize that they have other responsibilities beside an active search for revenue, and that they are under moral obligations to society to devote their fullest energies to a thorough analysis of risks presented.

The future success and progress of the business will largely depend upon the policy of the managements in this respect, and as experience is gained it is to be hoped that public sentiment will be trained to understand that fidelity insurance when scientifically conducted can exert only a beneficial influence in social effects.—*W. H. L., in Christmas Chronicle.*

The stocks of grain in store at Port Arthur on 16th December were 1,295,519 bushels. During the week there were received 84,020 bush., and shipped 677 bush., leaving in store on the 23rd December 1,378,873 bushels.

MONTREAL STOCKS IN STORE.

| | Dec. 18, '93. | Dec. 11, '93. |
|----------------------|---------------|---------------|
| Wheat, bushels | 615,882 | 612,476 |
| Corn " | 2,021 | nil |
| Oats " | 58,191 | 30,046 |
| Rye " | 36,708 | 35,704 |
| Peas " | 95,335 | 105,941 |
| Barley " | 46,858 | 45,975 |
| | \$854,995 | \$830,142 |

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