

## THEN AND NOW.

NOTES ON SUNDRY CHANGES IN CANADIAN FIRE INSURANCE  
CUSTOMS AND PRACTICE DURING THE LAST 25 YEARS.

(Continued.)

Who first drew up the famous "Mortgage Clause" with its excellent provisions for the interest of the Mortgagee, I do not know, but doubtless it was somebody's legal adviser, judging from the wording and style of it. Very likely it had its origin with some of the Loan Societies, who considered an insurance Policy without "Conditions" would be more to their advantage, as a collateral security, than one with. We find the first proviso reads as follows:—

1st Proviso.—*It is hereby specially agreed*, That this insurance, as to the interest of the mortgagee only therein, shall not be invalidated by any act or neglect of the mortgagor or owner of the property insured, nor by the occupation of the premises for purposes more hazardous than are permitted by this Policy.

Here the Insurance Company agrees to pay the Loan Company, or mortgagee, the whole amount insured, if called for, although,

1. The property may have been wilfully destroyed by the owner, or,

2. By reason of extra-hazardous occupation. That is to say, the building insured and paid for as a barn or shed, may be destroyed as a planing or woollen mill, so occupied without the knowledge and consent of the Insurance Company.

2nd Proviso.—*It is also provided and agreed*, That the mortgagee shall notify the Company of any change of ownership or increase of hazard (not permitted by this Policy to the mortgagor or owner) on each renewal of this Policy, and sooner if the same shall come to assured's knowledge, and shall, on reasonable demand, pay the additional charge for the same according to the established scale of rates, for the time such increased hazard may be or shall have been assumed by this Company during the continuance of this insurance.

By this clause the Loan Society undertakes to notify the Insurance Company of changes of ownership and of hazard:

1st. As soon as it becomes aware of either.

2nd. And to pay any additional charges on reasonable (?) demand.

This promise reads fairly enough, but we must consider, in estimating its value, how ready and how anxious the owner or occupant of premises insured may be expected to be to notify the Loan Company of increase of hazard, etc., and so render himself liable to be called on for additional premium, it greatly depends upon what kind of man he is. If he never notifies the Society he cannot do himself an injury, because the liability of the Insurance Company is provided for in any case.

3rd Proviso.—*And it further agreed*, That whenever the Company shall pay the mortgagee any sum for loss under this policy, and shall claim that, as to the mortgagor or owner, no liability therefore existed, said Company shall at once be legally subrogated to all the rights of the mortgagee under all the securities held as collateral to the mortgage debt, to the extent of such payment, but such subrogation shall not impair the right of the mortgagee to recover the full amount of his claim; or said Company may, at its option, pay to the mortgagee the whole principal due or to become due on the mortgage, with the interest then accrued, and shall thereupon receive a full assignment and transfer of the mortgage and all other securities held as collateral to the mortgage debt.

Not to be too hard with the Insurance Company the Loan Society very kindly undertakes to hand over to it the Society's rights, privileges and securities (either wholly or to the extent of the payment for loss), as against the owner or mortgagor; provided—

1st. That the Insurance Company first pays the loss money to the Loan Society.

2nd. That the Insurance Company claims it is not liable to the owner under the policy.

3rd. If the Insurance Company chooses to pay the Society the money loaned in full, and assume its (the Society's) position as mortgagee.

The bait held out to the first Insurance Company, name unknown, to waive its "conditions," and give an indisputable policy, and who, like our great ancestress, Eve, fell before temptation to the hurt of all, was no doubt the introduction of a large and scattered business, the premiums for which were certain to be promptly paid each month by the Loan Society. The concession thus made by one Company naturally led others to do likewise, until it came to be a general thing to grant these conditionless policies to loan, building and kindred societies. True, at the outset many refused to grant such favors, and objected vigorously, but with all, or nearly all, their prudent objections were overcome, and the competition for the business of these societies became keen. Then came another concession. Seeing the efforts put forth to win their patronage, the shrewd managers of Loan Societies felt that some consideration was their due if they favored the claim of any Company for the coveted business, and so it came round that, for the privilege of issuing a conditionless policy, the Insurance Companies gladly pay ten and twelve and a half per cent. to the managers of these societies, on the premiums introduced by them. In return, the Society undertakes to send all the insurances it can control to the Company selected. There are occasionally, of course, cases that cannot be controlled; usually new borrowers who insist on insuring where they please, and, owing to competition amongst Societies themselves for business, too much is not insisted on, but parties already on the books, and who are not in a position to resist, are coerced, and without redress. We have seen a written communication to a borrower informing him that if he did not at once place his insurance with such and such a Company the Society would do it and charge the premium to him. An independent, spirited man might feel sore at such dictation, but the "borrower is servant to the lender."

As granting these special privileges to Loan Societies is still continued, We presume some of the Companies make money by it, or hope to. The chief objections to the system are:

1. However good a case the Insurance Company may have to prove arson on the part of the owner of the property insured, they must, nevertheless, pay the Loan Society the loss in full without question.

2. If they choose to accept subrogation of the rights of the Society it may happen they find themselves in possession of some smoking ruins and a lien on the land, of more or less value, and upon which they realize at a loss, with perhaps a lawsuit thrown in.