

NEITHER TOO LITTLE NOR TOO MUCH.

In supplying a client with life insurance the agent should avoid very carefully supplying either too little or too much insurance; of these two evils the graver one is that of supplying too little insurance, as the applicant who is investing in insurance frequently fails to consider that the amount of insurance which he leaves to his widow or dependents in the event of his death will take the place of his earning power, and when the earning power of the amount of the insurance computed at a reasonable rate of interest such as will admit of the principal being invested in securities that are safe and the taxes are deducted from the interest, and the net income afforded by the insurance is developed, the applicant readily can see upon what amount his beneficiary must depend in case of his death in lieu of his earnings. Measured by this standard, a great majority of those carrying life insurance are carrying a sum far less than their needs, and when this fact is forced home by the agent it frequently results in the insured supplying himself with at least some part of the additional insurance he and his beneficiaries need. The danger of over-insurance largely is the result of the vanity of applicants who frequently permit a strong agent to write them a larger policy than they can afford to maintain permanently rather than admit their inability to continue the payment of the premiums; this is as much the fault of the agent as of the applicant, if my conception of an agent's duties be correct, because I believe it to be the duty of the agent to secure the confidence and friendship of his clients and make them realize that in anything which pertains to their life insurance they may be as free to impart their thoughts to him as they would be to unfold any of their secrets to their priest or to the lawyer they had retained. I say this with all deference but with genuine and deep earnestness, because I believe there is no duty in life more sacred than that which requires a son, husband or father to protect absolutely his dependent mother, widow or child from poverty or distress in the event of his death, and in no other way can he so easily and so certainly do this as by making intelligent arrangements for the life insurance adapted to his needs. * * *

At the recent annual meeting in London of the Corporation of Insurance Brokers and Agents, Sir John Runtz, the chairman, said that in 1884, the expense ratio of 18 leading British fire offices was 29.7 per cent. In 1907 it had risen to 35.1, in 1908 to 35.9 and in 1911 it was 36.08; so that since 1884 it had increased nearly 8 per cent. During the same period, the offices had quadrupled their premium income. Presumably part of the increase in expense ratio is due to fire preventive work.

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Fire insurance has materially aided in the development of trade, the maintenance of commercial credit of which it is the basis, and has minimised in many thousands of individual cases the disasters of fire and accident. Its beneficence has time and again rebuilt stricken cities, blessing whole communities, and without the safeguards of its protection, capital would be paralysed and commerce restricted.—*The Policyholder.*

SURETYSHIP: ITS RELATION TO BUSINESS ACTIVITY.

(*W. H. Hall, Manager for Canada, American Surety Company of New York, before the Insurance Institute of Toronto.*)

What is a surety bond? A surety bond is a written instrument, except in cases where a recognizance in open court is required by law. It is a contract in which usually three parties are interested. The principal, which is the person, firm, or corporation that enters upon an undertaking; the surety, the individual or corporation which guarantees the undertaking of the principal, and the obligee, the one who relies upon the security of the instrument for the faithful performance of the principal's undertaking. The relation of principal and surety is created by the positive acts of the parties, as where they in terms bind themselves to the creditor or obligee, as principal and surety, respectively, or it results from the position the parties have assumed towards each other, or towards the property out of which the debt or obligation due the obligee is to be paid.

Before surety companies were organized, persons signed bonds as sureties for their friends gratuitously, and as a matter of friendship and courtesy, and in many cases without the thought of ever being called upon to pay the obligation. This custom, until the organization of surety companies, was necessary. In many quarters it prevails at the present time, because there are persons who still wish to impose upon their friends and obtain their bonds without expense, ignoring or unmindful of the personal obligation under which they are placing themselves, and the possible pecuniary loss to which they may be subjecting their friends.

RISE OF THE SURETY COMPANY.

In our time it was seen that the protection of a surety bond would be a good thing in connection with positions of trust generally, altogether outside of court jurisdictions, and thinking men realizing the necessity therefor, organized the surety company, primarily as a source of profit to themselves, but basing their ideas on the broad principle that it was preposterous that a private individual should run the risk of impoverishing himself or his family by signing the bond of a friend, often to the full extent of his resources, and for which risk he received no compensation. The financial accumulations of a lifetime, the provision against discomfort in old age, the established business might be swept away in case the friend proved false to his trust. On the other hand the corporate surety, with its capital, premium receipts and other resources pledged to support its bond, was the logical solution of a troublesome question, and the looked for profit was legitimate. To arrange the fees for its services large enough to meet the losses under its bonds was the only problem; and a loss would not mean ruin, as in the case of the individual. History has shown that the idea was sound. From a small beginning the business of furnishing corporate suretyship has grown to be of the greatest importance, involving immense sums of money in premium receipts and claim payments. At first the rates were high, owing to uncertainty regarding the percentage of losses, there being no statistics upon which to prepare a basis, but at present they are most reasonable, due largely to the fact (in so far as