

MORAL HAZARD IN ACCIDENT INSURANCE.

The following is from an article on "The Moral Hazard" in the Union Casualty's "Monthly Review."

"Over-insurance is a most fruitful inducement to the presentation of claims, and a forceful incentive to the lengthening of the period of disability. It is frequently a matter of surprise to a claimant to learn that he is not entitled to the amount of indemnity provided for in his policy, regardless of his income, which demonstrates the lack of attention of many agents to that provision of the manual which says: 'No person is to be granted weekly indemnity in excess of three-fourths of his actual income.' Violation of this rule is a temptation to which no honest man should be unconsciously subjected, and which self-preservation demands should be proscribed by the company and its agents to all. Great care should be exercised in soliciting business men who have no stated regular income. The average of their earnings should be ascertained and the application written accordingly. The greatest conservatism should be exercised in this respect, and in the case of labourers, mechanics or others, whose earnings depend upon the length of their employment, just as careful attention and intelligent discretion should be given. It is an unfortunate, but well-known fact that men of this class, as a rule, are shifting from one position to another, with more or less frequent and protracted periods of idleness, enforced or otherwise, and this condition is frequently responsible for the exaggeration of injuries and the prolongation of disability. 'A man's a man for 'a that,' however, and in the case of business or professional men whose income is no more, or is even less than the indemnity provided for in their policies, the same tendency to exaggerate the effect and extent of injuries is encountered. The company's only safeguard against these evils, excepting the disagreeable, dissatisfying and more or less ineffectual exercise of the pro rata clause, is that loyalty, care, discernment and discretion which many agents possess, some exercise, and of which more seem to be utterly devoid. Lack of these qualities works an injustice and injury to the assured, to the company and to the agent himself. Their exercise promotes the best interests of all, and insures to the agent that position to which we all aspire in our various fields—the top. The men who are making the most money and the greatest name in the insurance business to-day are the men who

realize the importance of honesty and faithfulness, and who exercise it under all circumstances. They are the men who write the select, the morally perfect risks, the desirable business which gains the respect of their patrons and makes them invaluable to their company. Care in the selection of the moral risk and the warding against over-insurance are two rungs in the ladder of success, which, without them, is possessed of a hiatus so unsurmountable or a weakness so vulnerable that the top can never be reached, or being approached, the suddenness and violence of the collapse destroys all hope or chance of a second attempt for an honourable position in this most attractive and remunerative profession."

*The Blue Book is to the Agent
What Tools are to the Workman.*



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