

**MORTGAGE INSURANCE.**

In this, as in every other matter, in order to arrive at a perfectly just and legitimate mode of operation we should study the actual necessities of the cases, and the best methods of providing for them.

The owner of the property mortgaged is liable for the full amount of the debt and interest, the mortgage is only a covenant to pay, with a prior lien on the property, as security; should foreclosure be made, then, if the sale of the property does not satisfy the debt, etc., the mortgagor is liable for the deficiency.

If there be buildings upon the land, and they are included in the mortgage, then the burning of them would decrease the security for the payment of the debt, but might or might not make the security inadequate or insufficient; in other words, the burning of the buildings might not affect the mortgage in any degree, especially as loans on mortgage are generally supposed to bear a certain proportion to the security and not to be to its full extent.

It is evident, therefore, that the owner of the property is always interested in the protection of the buildings either from fire or by insurance, whilst the mortgagee may not always be so interested.

It follows, then, that insurance upon the buildings should always be procured by the owner and enure to his benefit, either for the purpose of enabling him to replace the buildings or to pay off the whole or part of the mortgage debt.

If the insurance were payable to the owner the amount payable would be part of his ordinary estate not primarily affected by the mortgage, and might be garnished by any of his creditors, so reducing the mortgage security; therefore it is usual to make "the loss, if any, payable to the mortgagee, as his interest may appear,"—the words "as his interest may appear" being introduced for the purpose of requiring the mortgagee to show the extent of his interest and to prevent him from collecting, as has been tried by some of them, more than the amount remaining unpaid of the mortgage debt.

Inasmuch as the creditor may be a harsh man and may care more for the collection of the debt than for the justice of the case, it would appear that the mortgagee should not be enabled to do more than to retain the amount *due* to him, and that the remainder of the amount payable under the policy should be expended in the erection of new buildings, especially as, without buildings for the shelter of himself, his family, or his crops, his cattle and implements, the mortgagor or owner may be unjustly prevented from following that occupation which would enable him to repay his debt.

Clarke on Insurance, edition 1873, pages 258 and 259, states that 14 Geo. III. c. 78 is in force here, and recites the various provisions made for the expenditure of insurance money in the erection of new buildings; but very few know anything about the matter, and so the powers under the Act are not used so generally as they should be.

When the insurance is effected by the mortgagee at the expense of the owner, either by direct or covenanted consent of the owner, the insurance monies must enure to the benefit of the owner, let the bargain between the mortgagee and the insurance company be what it will; at whosoever cost the

insurance is effected, to that person's benefit it must apply when the fire has occurred.

Some mortgagees and some of the loan companies try a quadruple dodge; they insert in their mortgages a clause which enables them to charge the owner a certain rate per annum for insurance; they then make a bargain with an insurance company for insurance at a less rate than they charge their debtors; then they demand an arrangement with some officer for payment of commission on these premiums; and, finally, after a fire, they will transfer the mortgage, unreduced by the amount payable for losses which have occurred, to the insurance company under a subrogation clause which they have introduced for the special protection of themselves at the expense of all right and equity on the part of the owner.

There can be no objection to a proper mode of insurance of mortgage interest against losses by fire, but losses under this form of insurance should be the actual impairments of the mortgage security only; reinstatements and repairs should be at the option of the insuring company, and, if the mortgage debt was not made insecure by the fire, no loss should be payable.

Fire Insurance should never be a means of securing a debt which was insecure by any reason, either of worn-out lands, unsuitable buildings, or loans made on the strength of the insurance rather than on the fact of the security actually afforded by the properties mortgaged.

Covenants by companies to take all insurances of certain mortgagees and loan companies are very apt to cover a large proportion of properties upon which loans could never have been effected but by means of such arrangements, and, consequently, such covenants contain the germs of many losses which would never have occurred but for the insurance.

Taking a wide survey of the insurance field, it would seem necessary for the fire insurance companies to consider very carefully the liabilities to loss under mortgage policies generally, and adapt their practice to the circumstances individually, rather than be bound by contracts to their own detriment.

There are many causes at work to-day which affect seriously the values of lands and properties in various parts of the country; they are not all general to the country at large, but affect certain localities very strongly and therefore we deem it our duty to ask the consideration of the companies to these facts for their own protection and the good of the business in general.

**CONFEDERATION LIFE ASSOCIATION.**

It is with pleasure we draw attention to the very complete annual Report of the Confederation Life Association, which will be found on another page, and which reflects great credit on its management, and must be highly satisfactory to insurers and stock-holders.

The policies issued show a total of 5,378, insuring \$8,159,663, which is a gain during the year of \$1,235,000. We also note a reduction of four per cent. in the ratio of expenses. The death claims of the year amount to \$40,546, which are comparatively low. A new issue of stock has been authorized, mounting up the capital to \$1,000,000. Six per cent. of this is paid up by taking \$20,000 belonging to stockholders, which was set aside in 1879 as a special reserve, and adding to it \$10,000 from their share of the profits in the Quinquennium just closed.

The Association is to be congratulated on its yearly increasing business.