

**LIVE ARTICLES ON SURETYSHIP,
NO. 2. A SERIES OF ARTICLES
REPRINTED FROM THE MONTHLY
SURETYSHIP SUPPLEMENT OF THE
WEEKLY UNDERWRITER, 1918**

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FOREWORD.

To those who have read the first volume of "Live Articles on Suretyship" no explanation of the purpose of the present volume is necessary. It is not out of place, however, to repeat that the articles here presented, which were originally published in the monthly Suretyship Supplement of THE WEEKLY UNDERWRITER, were written for the purpose of instructing the men in the field in the technical points of the surety business with which they should be familiar. There is no limitation, nevertheless, of their applicability to the man in the home office, and it is hoped that the book will be found useful by him as well. In extending herewith their thanks to the contributors to this the second volume in the series, the publishers bespeak for them the same welcome that the first volume received.

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FRATERNAL SURETYSHIP.

Close Study of Corporate Laws—Knowledge of Membership and Methods Necessary to Correct Suretyship.

By Joseph R. Adams, Special Agent, American Surety, Chicago, Ill.

Fraternal sureties are as varied as are the organizations. Beneficiary societies do not encompass the field. Each individual brotherhood and each sisterhood come properly within the classification. Correct suretyship means a peculiar application to the individual body. To make such application it is important to have an intimacy with their laws, a sense of their aims, a knowledge of their membership, a plan of each chartered territory, a fraternal relationship with each governing body. Few corporate surety companies possess this acquaintanceship, consequently it is a business but little understood.

The increased attention and growth of fraternal reflect the importance of the subject. It is necessary that we establish a position, with a promise to make brotherhood of man more than a mere empty phrase. It must be a proposition to minimize waste and to exalt the functions of such bodies. We must accept them upon their own declaration, organizations calling forth the best effort of the individual and by such effort the raising of the standard of citizenship.

"To protect the wage workers and institute better conditions with the assistance of progressive, intelligent combinations, therefore, in order to emancipate our fellow craftsmen from the oppressive burdens they are now suffering under."

"We are bound together, not to shield or countenance wrong doing, but to assist each other in distress, help each other in want, counsel each other in difficulty."

"To promote social culture, moral improvement and extend benevolence among its members."

"To maintain and promote the interests of Americans, and shield them from the depressing effects of unrestricted immigration; to assist them in obtaining employment and to encourage them in business."

And this from a large international fraternity:

"To gather into one mighty fraternity worthy men who appreciate the true meaning of friendship; who are cautious

in word and act; who love truth; who are brave in defending right; whose honor is untarnished; whose sense of justice will prevent a personal act or word injurious to another; whose loyalty to principle, to family, to friends, to their country, and to the constituted authority under which they enjoy citizenship is undoubted."

Under such enunciations it would appear that fraternal sureties must be placed in a preferred class of fidelity undertakings.

We may gather then that a fraternity is the child of American spirit and life. Teaching loyalty to established government, and obedience to law, upholding that governments are made for man and that the citizen who controls himself, who recognizes the rights of, and has faith in, his fellow citizens is the best prop and support of such a government. The history of fraternities is interwoven with that of this nation and of the English speaking race.

DATE BACK TO ANTIQUITY.

Fraternalism are not fads, are not of the passing follies, are not something of this era only, for they are of great antiquity. Even to the uttermost recesses of the earth may be found the Masonic fraternity, an organization proud of its having been founded in the days of Solomon. Freemasonry was originally a fraternity of practical builders and they are credited with having entered into the construction of the house Solomon was about to dedicate to Jehovah, in the remotest ages of the earth. Knighthood, constituted bodies of Knights, dates back to the days of the Crusaders. The order of the Knights of Pythias claims inspiration from David, the beloved, and from Jonathan, his friend, youths of early Bible date.

Practically, fraternal organizations were given birth with the establishment of the Merchants' Guilds, under which towns were incorporated for trading purposes. And herein was a waste of competition. Their idea was the promotion of fair dealing, fraternal relations among themselves, a regard for the interests of trade, abolishing individual gain for a mutual interest.

Then came the Craft Guilds for their mutual interests, the promotion of honest work and fraternal relations. With the loss of the monopoly privileges these guilds once had they began to lose prestige and continued to exist and do now exist as social or mutual benefit societies. It is thus proven that man is diligent to his individual interests. He is not necessarily steeped in selfishness, but self is paramount. Considering his interests he attaches himself to social groups, his church, his union, club and fraternity.

Solidarism, which is opposed to Socialism and capitalism, was recently proposed by a Chicago Judge. "Even labor unions are

capitalistic in principle, caring only for their own interests," he said. "Solidarism is the term adopted to express mutual co-operation, in which everyone will seek the welfare of all without adopting the revolutionary extremes of Socialism."

Thus is shown that while fraternities may be varied and are many, all have the same fundamental principle and must be considered under the rules of adapted suretyship. The development of a proper legal system is often necessary, old premises must be discarded, as new situations are formulated. Previously allowed to operate as their governing officers ruled, many present day fraternities and especially so the fraternal benefit societies, must now comply with laws formulated for their guidance and obedience. For every radical change that is discountenanced by a better knowledge, numerous minor changes appear, proving that as yet the beneficiary organizations in their systems are awry. It proves, too, that the beneficiary societies are undergoing an evolution; an evolution that will result in better conduct, larger returns for expended effort, wiser usage of advantages. Man will grow better and fraternal will grow better as the conditions of their economic life become more acceptable.

STRICT CONTROL OF FUNDS.

It is obvious that there must be a proper suretyship, that there is necessity for a strict control of the funds of these organizations. What is rather to be insisted upon is that the lessons of the past shall be taken to heart by those charged with the conduct of affairs, so that noticeable mistakes and losses may be eliminated. What one weak, misguided officer might have done and the wrong condoned involves a disregard for individual integrity, weakens the force of argument, retards growth and the ultimate desire and success of an organization. This disregard, carefully considered, would be to raise the cost of membership and of maintenance. Full weight must be given to the undoubted truth that foes without, competitors, and foes within, unscrupulous members, obstruct in many ways to the extent that the system of accounting and discharge must receive careful consideration, obtained and sustained by a careful, abiding and understanding suretyship.

In the nineteenth century, in the United Kingdoms, labor organizations were criminal conspiracies, under both common and statute law. It was not believed under the trade union acts that they were liable for the tortious acts of their officers or members. It is a suggestive fact that laxity of conduct of some, not all, officers of beneficial orders has resulted in a wrongful abuse of confidence and a nefarious plunder of the trust funds, many and minor contributions from members in modest financial circumstances. And the grafting officers went

scot free under a law of fraternity, wherein no brother can do a wrong, a law fortunately that is rapidly disappearing and a new acceptance made, that an officer must be proven.

The efficacy of suretyship is shown in a more zealous knowledge of and adherence to the laws, thus minimizing acts of dishonesty, of negligence and carelessness. Suretyship educates a more sympathetic appreciation of duty as well as what is due to others, their rights and their interests. It is an equalizer between officer and member.

One of the most important aspects of the work of fraternal organizations, be it trade or beneficial, is the educational. By bringing together the members questions of common interest are discussed and an intelligent and broader insight obtained of various and varied subjects. The experience gained by the officers of these gatherings assists them to perceive the value of their daily pursuits. In consequence these officers are leaders. They are by nature constructive, possessed of a superior ability, commanding the respect and esteem of their associates. A fraternity is a miniature democracy. It begets the modification of personal opinions to the expressions of a majority. It is a mental and moral training for a higher and more useful citizenship. What perhaps is lacking is a satisfactory gauge, how is the desirable organization to be distinguished.

That organization which is placed the more truly upon a strict business basis must be the one more nearly desirable. The last several years have brought clearly into notice the fraternities worth while; fraternities showing advance in a conservation of their finances. By the adoption of surety bonds, a causative agent. By suretyship a recognition of a preventive of failure. Through such an agency the most pressing reform of organizations. A prerequisite of stability, of worth.

RECOGNITION OF SURETYSHIP.

Internal criticism accompanied the fraternal adoption of corporate suretyship. Yet it is gradually assuming its proper place. There is a growing recognition of its protecting influence. It has established a confidence in fraternities which is supreme. Buried in the graves of clever leaders are personality, cupidity, the evil so long and so patiently submitted to—ignorance. Truly years of fraternal waste. We might call them years of constructive fraud. Constructive fraud is known in law as such fraud as is involved in an act or contract which, though not originating in any evil or fraudulent design, yet has a tendency to deceive or mislead other persons, or to violate public or private confidences, or to impair or injure public interests.

Fraternal beneficiary societies were the first of the fraternities to make appreciable use of surety bonds. Adoption was made in the Middle West, where these particular organizations have