## ADJUSTMENT OF LUMBER LOSSES.

REPLY TO HENRY LYE, ESQ.

Mr. Lye, in his valuable communication upon this interesting subject, fails to designate clearly the starting point of his argument; but, inasmuch as he makes reference to, and questions the correctness of the previous article upon that subject which appeared in these columns, where the measure of damage to the manufacturer *at his mill*, was the text, we, in the absence of anything to the contrary in his article, take it for granted that he argues from the same basis point, so upon this basis we predicate our reply to his communication, "which is not, as *we* think, correct in *several* of its conclusions," as we expect to demonstrate by taking up the more important of his teachings *seriatim* and discussing them.

He says in the first paragraph: "it is necessary to establish the exact amount of the loss, and damage inflicted by the fire, pure and simple; the actual cost of the lumber may or may not be the measure of the fire loss, as in the lumber business there are so many contingencies to be taken into account which may seriously affect the problem," all of which is pure, unalloyed insurance gospel; and had Mr. Lye adhered to his first principles all would have been well with him, and none could have gainsayed him. But in the very next paragraph he falls from grace, and goes wandering after strange gods, and foreswears the true faith, the sangreal, which he had first professed.

In the second paragraph he says: "In the first place as no stream can rise above its fount, so lumber cannot be more valuable than its price at the place of distribution, (Albany or Chicago), less the cost of carrying and handling, so that, taken for Ontario generally and for western Quebec, the Albany prices, less the various charges between the place of the burning and Albany, *and allowing a fair margin for profit of manufacture, you produce a fair measure of indemnity to the manufacturer*."

If this be not rank insurance heresy, we must acknowledge our ignorance of insurance ethics.

In the first place Mr. Lye travels off to Albany to find the *sale price* of lumber there; then, deducting the cost of transportation and handling from the mill in Ontario to Albany, and to this adding, in the way of a douceur, we suppose, "a fair margin for profit of manufacture," we get a fair measure of indemnity for the insured.

Why, under such an adjustment of indemnity, every lumber manufacturer in the country would be willing, nay anxious, to burn up his unsaleable stock several times yearly, and then make money every time; because, firstly, he gets, *two* profits in the *sale price* at Albany, which includes also, commissions, that would not be charged on lumber at the mill—and then he gets a "fair margin for profit" in addition, making three profits over and above cost of production at the mill.

The several modes of arriving at the *actual* cost of lumber suggested by Mr. Lye, have no relevancy in the case of an adjustment of a lumber loss at the mill. What the cost may be to sharp, shrewd and hard-working merchant B, or to the shiftless C, is of no consequence. All lumber is made from logs, whether "virgin" or "top," all of which have their value in the market, so that all the adjuster has to do is to visit the mill in Ontario, and learn from the best sources at his command, just what the logs, as to class, etc., needful to manufacture the requisite amount and class of lumber burned, could have been purchased *by the Company for cash on the day of the fire*, delivered at the mill; then to this add the cash cost of manufacture *by the assured*, and the cost of the lumber on the day of the fire will have been ascertained. Should there have been any lumber burned that was, from age and seasoning or other cause, worth more than green lumber, due allowance should be made for such increase of value. If the claimant be one of the shiftless mortals, and his facilities for manufacturing not of the best, then it will be the duty of the adjuster to ascertain from neighboring mills what the *cash* cost of manufacturing *should actually be*, and this amount will be the indemnity, so far, that the insurers must pay. Consequential damages, such as loss of time, rent, wages, etc., etc., are not at the risk of the underwriter unless especially insured and the premium therefor paid. The actual *bona fide* loss on the day of the fire is the maximum of the insurer's liability. The prices of lumber at Albany or Chicago, or anywhere else than at the mill, has no connection with the value there, hence the adjuster may save himself a journey to either of those flourishing American cities, to find the *sale price* of lumber at the mill in the interior of Ontario.

We are happy to note that Mr. Lye, in the last paragraph but one of his communication, gives evident signs that he fully comprehends the insurance idea that the insured must be indemnified—that "a policy of insurance is an agreement to indemnify the party against actual loss or damage by the fire, to an extent not exceeding the amount of the policy * * * but unfairness on one side excludes the *profit* which has been made by the insured, whilst unfairness on the other seeks to be recouped for losses which have occurred independently of the fire." What is indemnity, bothers him.

In response to this begging of the question we have to say that we have searched the circumstances of the cases cited and arguments used, yet we fail to find the first mention any where that the lumberman's policy covered "profit." It is a legal as well as an insurance axiom that a policy on goods or other articles of commerce does not include "profits," unless especially named, and a premium paid therefor. Why, then, will Mr. Lye contend that the Companies should pay losses upon subjects that their policies do not cover, or for which they have never been paid a premium?

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## TAXING FIRE INSURANCE COMPANIES.

A great deal has recently been written upon the above subject on both sides of the Atlantic in reference not only to Fire Insurance Companies contributing towards the expenses of Fire Brigades but also being compelled to pay a special tax for a license to do business in certain towns.

It is really incomprehensible the dense fog which seems to obscure the mental vision of the public when bearing upon Fire Insurance matters—"the companies make money out of us" is the rough and ready cry, *ergo* it is only fair they should pay for the privilege of doing business, and as the risk from fire is very much lessened by an efficient Fire Brigade how can the Companies complain if they are made to share the expense of such Brigade?