

why wander off the track as the article referred to does, and in the very primary apportionment, immediately after stating the problem, fix the liability of office C for clearness sake called "office A" (*this was a typographical error*, ED. INSURANCE SOCIETY) "in the ratio of the loss upon each of" the respective buildings. Where in the contract will you find any authority to make a ratio of this nature? The ratio is one of *insurance* and not of *loss*; we come to the loss afterwards.

Company C having issued a "blanket" policy becomes, by virtue of its contract with the assured, liable for the *full amount of its policy on both items thereof*. This is very clear. Company A of course covers on the dwelling only, while Company B covers on the warehouse and on nothing else. This is equally clear. Expressed after the manner of the craft the "apportionment" would be as follows:

Company.	Dwelling.	Warehouse.	Total.
A, Insures....	\$100		\$100
B, do		\$100	100
C, do	200	200	400
Total insurance..	300	300	600
To pay losses...	250	100	350

This brings us to the "Contribution" of different interests to pay loss, which is as follows:

Company.	On Dwelling.		On Ware'ase.		Total.		Remarks.
	Insures.	Pays.	Insures.	Pays.	Insures.	Pays.	
A	100	83 33			100	83 33	Salvage..... \$16.67
B			100	33 33	100	33 33	 66.67
C	200	166 67	200	66 67	400	233 34	Falls short \$33.34 and can only pay 8 1/3 cents on the dollar.
Totals	300	250 00	300	100 00	600	350 00	Shortage falls on assured.

Both the above statements put the figures exactly as per the contract made by and between the assured and the Companies respectively.

On what ground should salvage be given to Companies C and B and denied to A? Why should either A or C "chip in" to pay more than they contract to pay, which is "such proportion as the amount of their respective insurance shall bear to the *whole amount* of insurance upon the property at risk under their respective policies"? It can not be denied that Company C covers for the full amount of its policy upon each building as well as upon both. This is self-evident. Then why in the name of common sense not make that Company so contribute?

The whole matter turns upon the fact that under his contracts the assured would not be fully indemnified for the amount of loss he sustained; and because there is a Company or two having unexhausted insurance, *after already paying their full proportion of loss*, they are dragged in to make up the deficiency! There's even handed justice for you! Now just suppose, Mr. Editor, for a moment, that instead of it being Insurance Companies owing this money it was three men guaranteeing the account of a retail merchant to a wholesale house. Mr. A guarantees the payment of all purchases of "Tobacco" up to the amount of \$100, with the proviso that in case there are any other guarantees of tobacco purchases, prior or subsequent to his, then in the event of the retail merchant becoming unable to pay when called upon he, the said Mr. A, will pay such proportion of the amount due by the retailer as his \$100 bond bears to the total amount so guaranteed on tobacco by himself and others. Mr. B guarantees the retailer's "cigar" purchases up to a limit of \$100 from the same wholesale house, under the same terms and conditions as those of Mr. A. Mr. C guarantees *both* tobacco and cigar purchases of the retailer up to a limit of \$200, under terms, "conditions, limitations and requirements" as above specified.

The retail merchant fails, owing the wholesale dealer \$250 for tobacco and \$100 for cigars; and the latter calls upon the sureties to "stump up." Does any body suppose that either A or B would "chip in" to make good one cent over their specified and *limited* proportion of the deficiency? Not much! A would pay \$83.33, or one-third of the \$250 deficiency on tobacco; B would pay \$33.33, or one-third of the deficiency on cigars, leaving C and the wholesaler to settle the balance between them. C would pay his 2/3 of each tobacco and cigar deficiency *as far as his "guarantee of \$200 would go* and no further, and the wholesale merchant would require to write off to profit and loss account the sum of \$33.34 and look pleasant.

And so it would be in the insurance problem. A blanket policy *cannot* other than by an arbitrary arrangement of figures become specific on any one of the subjects covered by it for less than its whole amount. This is the true and only equitable apportionment of the loss between specific and blanket policies, and any other is a delusion and a snare, dealing anything but equity.

Take the "final contribution" as specified in the article I am dealing with, and in the light of the above proper manner of apportionment one can hardly make sense of the sentence reading "office A makes no salvage, because its full amount was required to meet the loss on its own specific subject." "Required" by whom? Certainly not by its own contribution clause, nor by the contribution clause of either of the other Companies. Again I ask why should Companies B and C make salvage at the expense of Company A? Why should Company C make any salvage at all? If B is entitled to salvage on account of having Company C to contribute why not A as well? Why not commence at the *other end* and let B in for a total loss and give A some salvage? The whole proposition is erroneous, as stated: simply because it wanders, from the word "go," outside the terms of the contract between these Companies and the assured; and that once done where are you going to draw the line? Griswold gives as an excuse the fact of there being decisions of courts to effect that the assured is entitled to indemnity without limitation other than the amount insured, so long as there remains unexhausted insurance. Your article doesn't go this far, and the propositions read all the more singular on that account. But I for one don't see by what right a Company can limit its liability in one direction, or by one condition, if it cannot by another. Any of the Supreme Courts in either this country or the United States could not and would not for instance override so plain a condition as that containing the "average clause" and why should they that containing the contribution clause.

One of these days it is to be hoped our fire losses will be adjusted in accordance with the conditions of our policies, and in the meantime every adjuster will be a law unto himself in these matters:—All the same.

"Let justice be done though the Heavens fall."

Yours most truly,

TYRO.

May 31st, 1883.

Somewhat about those Fire Insurance Companies which the Inspector of Insurance in his reports to the Ontario Government for 1880 and 1881 terms "Purely" Mutual.

To the Editor of INSURANCE SOCIETY.

The statute respecting Mutual Fire Insurance Companies enacts that no Mutual Company shall, after the 29th March, 1873, issue policies otherwise than upon the Mutual system. But, unfortunately, it does not explain what that system is.

Explanation may be found, however, in the permission which the statute gives to a Mutual Company to accept premium notes for insurances, subject to assessments for losses and expenses, and to demand first payments of premium notes, in cash or by promissory notes, when applications for insurance are made; which first payments may be credited upon the respective premium notes against future assessments. A "Purely Mutual" Company is therefore one which cannot issue a policy of insurance for a cash premium.

A largely expressed opinion to the contrary notwithstanding, much may be said in favor of the "purely Mutuals." Restricted, with few exceptions, to the insurance of what in insurance parlance is known as non-hazardous property (as a rule), they fulfil all their obligations and sell insurance at a cost which is never dreamed of in the philosophy of the manager of a proprietary Company.

In 1880 there were fifty-five of these Companies, of which during that year twelve sustained no loss whatever, and all the losses that eighteen had to pay ranged from fourteen dollars to five hundred. In 1881 there were forty-seven purely Mutuals, ten of which were without losses and ten had less than five hundred dollars each.