

transported, without reference to their fitness, into the United States, where, from want of applicability to the business as there and then practised, after many attempts to utilize them, they became dead letters and were soon forgotten; so, also, in the Dominion, where fire insurance practice assimilates more nearly to that of the States than to the mother country, the adjusters give the English, so-called, rules a wide berth, applying them only where the interest of their companies may seem to call for them.

With a view to a more complete elucidation of the subject we propose to pass in review briefly the points involved in the various rules existing or discarded in England and America, thus portraying their shortcomings as "the why and the wherefore," that something more suitable to, and more in harmony with, the principles of fire insurance should be diligently sought for, and, when found, made a note of for the guidance of all concerned; and in this process a further reference will be necessary to the compound policy, the rock of offence upon which so much fire insurance wisdom has been so frequently wrecked, with so small an amount of valuable salvage remaining.

The compound or collective policy is a loose, floating insurance, covering several subjects in one or several localities at the same time, under a single sum for the whole. In England, when covering in more than one locality the policy is, by law, made "subject to average," and is hence indifferently designated as an "average" or "floating" insurance. But when covering on one or more subjects, in one sum, in a *single locality*, the insurance is termed "specific" or "specified," and may thus represent, in American practice, either the "specific" policy, covering but one subject, or the "general" policy which covers several subjects in a single sum, but in a single locality. And this is why the attempts made during the first quarter of the present century to apply English rules to American practice could not be made to succeed. Hence it follows that when "specific" insurances are spoken of the essential difference between American and English practice must be borne in mind.

While the issuing of "floating" policies has ever been the rule in England, but the *exception* in America, the nature of collective insurances and their reciprocal effect as between non-concurrent co-insurers, especially when some of the policies may be further complicated by the operation of the average clause,—seems to have been, with one or two notable modern exceptions, but partially comprehended. And as with much other valuable knowledge, insurance-wise fire underwriters of to-day are indebted to C. C. Hine, Esq., of the *Insurance Monitor*, for the first really pertinent suggestions as to collective insurances and the classifying of them in such form as would bring them into contributive relations with co-insurers under non-concurrent policies, whether compound or specific. In an interesting contribution to the columns of the *Commercial and Insurance Journal*, Philadelphia, 1862, upon "The settlement of losses by fire under compound and specific policies" he says: "The complications and perplexities which surround this vexed question have arisen mainly from three

sources, to wit: 1. A singular and persistent misconstruction of the chief ends and aims of insurance, 2nd. A failure to classify the *different sorts* of non-concurrent policies and construct rules fitted to each class: and, 3rd. A confounding of English average and specified policies with our practice in America, where nothing of the sort prevails."

In discussing Part 2 of his Paper, Mr. Hine divides compound insurances into *five* separate classes, with examples and rules for the treatment of each; of these, examples one and two are the key to the whole, examples three, four and five being but modifications of either one or two. The author of the Fire-Underwriters Text-Book availed himself of Mr. Hine's labors, the class *two* and *one* of the Text-Book being the *one* and *two* of Mr. Hine's paper, and the illustrative examples of the two classes are largely taken from the same valuable source. We note however, that Mr. Hine holds to the views already expressed by us, that the "compound policy floats with the loss;" that in class 1 of the Text-Book the apportionment of insurances is in the ratio of the loss upon the several subjects; but in class 2 (Text-Book) the compound insurance having a specific item, must first pay the amount of loss thereon, "being in the nature of a specific insurance and contribute with co-insurers in the balance only." And this was in 1862!

To battle with these constantly recurring "complications and perplexities," resort was had from time to time to various rules or systems of adjustments of losses, some of the more prominent of which we briefly rehearse, bearing in mind that the average or floating policy forms much the larger portion of the mercantile insurance of the mother country, and that the majority of their rules have reference to this class, and whatever may be the effect of any of the rules upon the companies themselves, they all aim at giving the assured full indemnity within his insurance.

The following applies to concurrent specified insurances alone:

1. The policy with the widest range—covering the greatest number of subjects—included in one amount, is held to be liable for the whole sum upon any subject.
2. The policy with a more limited range—lesser numbers of subjects—is equally liable for its whole sum upon each of its items.
3. Each policy is held liable for a partial loss upon one of its items, in the ratio of its amount.

When average and non-average or specified policies are combined upon the same risk, the specified insurance is, usually by agreement, first exhausted before the average policies are to be called upon to contribute, as by their terms the latter are held to cover only any excess over and above the specified insurance. But when the loss may be upon subjects not included in the specified insurance, the amount of such specified items is to be deducted from the sum of the average insurances, and the apportionment will be made upon remainder. This is founded upon the consideration that the specified property by the operation of the second clause of the average policy was *not* at any time under the