that the value of the interest covered shall, in such cases, be estimated at that sum. The undertaking is to pay the amount of actual loss or damage, within the sum of the insurance; hence, the *minimum of loss* within the amount of the policy is the *maximum of liability* to the underwriter.

The fundamental general principles of insurance, as distinguished from gambling or wagering, is that it is a contract solely of indemnity, and cannot be made a matter of gain by one party at the expense of another.

Alauzet, a distinguished French insurance writer, thus illustrates this principle. He says: "A general principle which controls all matters of insurance is, that the contract can never be made a source of gain to the insured; for him, insurance is only a means of indemnity. The only object that the contract can have is to assure him an equivalent for the subjects at risk, should they happen to perish or suffer damage."

"One cannot insure that on which he runs no risk of loss. Insurance ought never to be a source of profit to the insured. This principle should be maintained with the utmost strictness."

Thus it is evident that while the doctrine of indemnity under the fire insurance contract, teaches that although the insured is debarred from making claims upon his insurers for sums in excess of his losses, he must, nevertheless, be accorded, in all cases, the full amount of such loss, within the sum of his insurances, and no manipulation of the policies in the adjustment will be permitted that will fail to accord him full indemnity.

CANCELLATION OF THE FIRE POLICY AFTER PAYMENT OF LOSS.

An insured under a yearly policy was totally burned out during the first half year, and now asks us to explain how it is that he is not entitled to the return premium on the unexpired half-year yet remaining. He labors under the impression that in addition to the amount paid him for his loss, the company should have re-paid the six months' unearned premium also.

In answering the query we go back some time in the history of underwriting to the day when the right of cancellation was held to subsist in the insurer alone, provided only that he could obtain the consent thereto of his insured; while the insured had no right to *demand* a cancellation against the will of his insurer. This was in accordance with the times, for the right to cancel a policy at the option of either party thereto, cannot, from the nature of things, be recognized in Marine insurance, from the fact that an insurer might be tempted to exercise this option to the heavy detriment of the insured, at times when the latter could not, as in terrestrial insurance, obtain insurance elsewhere to fill the void, except perhaps, at a heavy advance in rate in consequence of failure to be able to give any information as to the condition of the vessel at that particular juncture; while the insured, on his part, might choose to cancel his insurance in fair weather, and carry it only in foul. But in fire insurance on land the status of the property at risk being known at all times, the option of cancellation, upon due notice by either party is now universally recognized and provided for in the policy. The cancellation clause, as it is termed, gives to either party the right to cancel any *existing* insurance at his option at anytime; nor does the occurrence of a fire, whereby the loss of property falls within the amount of the insurance, affect this right of option, for the right of cancellation remains operative during the currency of the policy, just so long as there remains any portion of the insurance unexhausted.

Hence, if under an insurance of $1000, a loss of $500 occur and is paid, there will still remain $500 of unexhausted insurance, subject to cancellation at the option of either party, whether the unexpired time of the policy be one month or more, precisely as if there had been no loss, or as if this had been the sum of the original insurance. If the cancellation is at the option of the insurer, it is estimated at pro rata rate; if by the insured the estimate will be at short rate for the term expired.

Had the loss been total as to the insurance, that is $1000, the sum of the policy, there would remain no *unexhausted* insurance, hence there would be nothing to cancel, even had the unexpired *time* been one half or even more of the term for which the policy was written, the insurer having by payment of the loss not only earned his *quid pro quo*, the premium, but has fulfilled his contract and cancelled the policy as well. Any other view of the subject would be but a *reductio ab absurdum*. Thus, had the policy been for twelve months' premium, $12, and the fire occurs during the first month, making the earned premium $1, for the expired time, and the loss total, can any sane man suppose that *the company must not only pay the face of the* policy, and then be liable to repay the $11 premium for the unexpired time in addition? Yet there are just such insane people in the world.

Either party to an insurance contract can cancel it upon due notice, at any time, before or after a loss thereunder, provided only that there remain any *unexhausted* insurance to cancel. It is the amount of *existing* insurance at the time of cancellation that regulates the amount of return premium, either at pro rata or short rates, as the case may be. But, as we have already said, when a company pays the full amount of the policy for a loss thereunder, this uses up the insurance and nothing remains upon which to estimate return premium. The company has carried and paid so much insurance, for so much premium, and the insured can have no further claim upon it.

If, in the case of partial loss, the insured desires to have the policy re-instated to its original amount, and the company so agree, it will be consummated either by cancelling the policy and writing a new one from that date, or by an endorsement on the original policy stating the reduction on account of payment of loss, and the amount needful to restore the original sum, with the premium pro-rata for the unexpired term that yet remains.

On the Continent of Europe it is customary to cancel all policies, without payment of return premiums; where losses exceed fifty per cent. of the insurance, their policies contain a stipulation to this effect. Without such a clause a cancellation of any amount of *existing* insurance after a loss, cannot be forced upon the insured without the payment of the requisite amount of unearned premium; though in case of undesirable risks, adjusters on this side of the big waters not unfrequently take occasion to cancel without saying anything about the unearned premium.

MORAL: It is the amount of *existing* insurance that regulates the amount of return premium. If there be no insurance there can be no return premium, unexpired time plays no part in the transaction without some existing insurance to figure on.