

1st Method.				
Household Furniture		Wearing Apparel		Total to pay.
Loss \$300.		Loss \$150.		
Insurers.	Pays.	Insurers.	Pays.	
\$	\$	\$	\$	\$
Co. "A".....200	133.33	300	117.38	250.71
Co. "B".....250	166.67	83.33	32.62	199.99
	<u>\$300.00</u>		<u>\$150.00</u>	<u>\$450.00</u>
2nd Method.				
Wearing Apparel		Household Furniture		Total to pay.
Loss \$150.		Loss \$300.		
Insurers.	Pays.	Insurers.	Pays.	
\$	\$	\$	\$	\$
Co. "A".....300	81.82	200.00	157.15	238.97
Co. "B".....250	68.18	181.82	142.85	211.03
	<u>\$150.00</u>		<u>\$300.00</u>	<u>\$450.00</u>
Co. "A" 1st Method Pays.....		\$250.71		
2nd " " .....		238.97		
		<u>\$489.68</u>		Mean.....\$244.84
Co. "B" 1st Method Pays.....		\$199.99		
Co. "B" 2nd " " .....		211.03		
		<u>\$410.32</u>		Mean.....\$205.16
		<u>\$450.00</u>		<u>\$450.00</u>

Now as to the allocation of losses between Insurance Companies, self-preservation is the first law of nature, and of course our Correspondent, representing Co. "B," would object to the method suggested, because, as pointed out in our last, "the rule works against the pocket." But what has the Adjuster for Co. "A" to say to it? Is he likely to stand by and allow Co. "B's" adjuster to apportion the loss to satisfy him, and then when the task is completed turn around, pat him on the back, and say "Well done!" Hardly. What is the position? Co. "A" having issued a specific policy, and thereby limited its liability on two lines of goods, finds other insurance in Co. "B" under a blanket or compound policy rendering its full insurance liable on either or both of the lines specifically covered by "A" (up to the full amount of its insurance), and Co. "A" naturally says to Co. "B," your policy is of a wider range than ours, you have not been as prudent as we in defining your liability, therefore you must pay the penalty of your liberality, and contribute with us on each of the items we insure specifically and which you insure together in one sum. So Co. "A's" Adjuster proceeds to apportion the loss in a manner most advantageous to himself, i.e., he adopts the second method. But here Co. "B's" adjuster has something to say, and he takes the ground that, if he has to contribute to both items of Co. "A's" policy, he must have it apportioned in a manner most advantageous to him, and so he adopts the first method. Who shall determine which method to adopt? It is here the English "Mean" rule is introduced, and establishes that the average of both methods shall be taken, and we think our Correspondent will concur with us that the solution is based on common sense and justice.

Our Correspondent introduces the question of premium and would have the policy of Co. "B" rewritten after the loss by converting its blanket insurance into a specific insurance pro rata with the

division in Co. "A's" policy. Co. "B" would naturally be satisfied with this, because it relieves them of the embarrassing position of having to pay the penalty of having a much inferior policy to Co. "A," but that is neither justice nor common sense. Co. "B" *must* suffer, and the only tenable position is one that imposes on that Company responsibility for their liberally written contract. The adoption of the "mean" principle seems to fill all the necessary conditions.

**THE LANCASHIRE INSURANCE COMPANY.**

The forty-fifth annual meeting of the Lancashire Insurance Company was held at Manchester, on the 21st May last. In common with several other leading companies the Lancashire had a reduced premium income last year, in its fire department. This arose from three causes, one being the continued pursuance of the policy of a more rigid selection of risks; the next, a reduction in its Russian business, as was anticipated last year, owing to adverse legislation in that country; and the third cause was, a reduction of premiums on the Pacific Coast owing to a war of rates going on there for a whole year, which has now been closed. As a set off to these reductions, a highly satisfactory increase was reported in the home business, as also in foreign agencies generally. Business in the United States was very satisfactory, with the exception named, the branches having each contributed to the year's profits. Comparisons between previous years, and one in which the ordinary routine was disturbed by such incidents as those which occurred to the business in Russia and at San Francisco, are not easy, nor are they fair to make, the respective conditions being so different. But, after all these drawbacks, the differences in the results of 1896 compared with 1895 are not such as might have been expected. The fire insurance premiums were \$3,506,390, compared with \$3,662,725 in 1895, which is not a material reduction in so large an income. The losses were \$2,103,720, which is \$99,680 less than they were in 1894, and \$71,970 less than in 1895. The ratio last year of losses to premiums was less than 60 per cent., which result will be generally regarded with much satisfaction, and as evidence of the pruning knife having been used with excellent judgment by Mr. Digby Johnson. The fire business left a surplus of \$151,690 to be transferred to Profit & Loss Account. The fire insurance and general reserve funds of the fire department were augmented last year by \$150,000, the amount at close of 1896 being \$1,440,000, which marks another step towards the goal which Mr. Digby Johnson is bent upon the Company reaching. The step would have been a larger one but for the conflagration at Guayaquil, which destroyed 80 blocks of houses and extended over a mile. The profits of the year were enough to provide an increased dividend, but the Directors wisely resolved to keep on adding to the Reserve, in order to be fully prepared for any possible