ON THE SETTLEMENT OF LOSSES BY FIRE UNDER AVERAGE POLICIES.

To the Editor of the Assurance Magazine.

SIR,—I have read the article in No. X. of this *Magazine,* "On the Settlement of Losses by Fire under Average Policies," by Richard Atkins, Esq., with the greatest interest ; and as the author refers to the German forms of the conditions of policies, I beg leave to communicate to you a case which in some respects bears upon the question, and which gave rise to a difference of opinion amongst the managers of the German Fire Insurance Offices as to the just distribution of the claims. To facilitate the understanding of the cases, I have changed the sums in such a way that they allow simple calculation.

A merchant has taken out two policies—in Office A, £2,200, for grains, seeds, *and mats,* in a named warehouse ; and in Office B, £1,800, for grains and seeds in the same warehouse. An accident happened, and it was proved that the stocks in the warehouse at the moment of the fire had been—

	£.						£.
Grains and seeds	4,000	Loss, valued at 25 per cent.	..	1,000
Mats	400	„ „ 50 „	..	200
Grains, seeds, and mats	£4,400	Loss, $27\frac{3}{11}$ per cent.		£1,200

I had to make up the distribution of claims, and did it in the following way. The sums insured do not exceed the value of the stock existing at the time of the fire.

	£.		£.
Office A	2,200	on grains, seeds, and mats, pays $27\frac{3}{11}$ per cent.	600
Office B	1,800	on grains and seeds, pays 25 per cent.	450
Uninsured	400	loses	150
	£4,400		£1,200

The party assured did not agree with this distribution, and made up the following:—

Grains and seeds—		£.				£.	s.	d.
Insured with Office B		1,800	pays 25 per cent.			450	0	0
$\frac{1}{40}$ of the sum uninsured		180	„ 25	„		45	0	0
Office A, £2,200 {Proportion, £2,420 : £2,020		1,837	„ 25	„		459	0	0
$\frac{22}{40}$ uninsured, 220 {Remaining sums		183	„ 25	„		46	0	0
		£4,000				£1,000	0	0

For mats—		£.				£.	s.	d.
Office A..£2,200 {Proportion,	£367	„ 50	„		£183	10	0
Uninsured 220 {£2,420 : £400	33	„ 50	„		16	10	0
	£400				£200	0	0

That makes, for Office A $\left\{ \begin{array}{ccc} 459 & 0 & 0 \\ 183 & 10 & 0 \end{array} \right\}$ ..642 10 0 a difference of £42. 10s.

„   „   Office B ....450 0 0 there is no difference.

Uninsured $\left\{ \begin{array}{ccc} 45 & 0 & 0 \\ 46 & 0 & 0 \\ 16 & 10 & 0 \end{array} \right\}$ .. .. .107 10 0

£1,200 0 0

I must note here, that the insurance which I represent as made with Office A had been made with two different Offices—the Fire Insurance Bank in Gotha, and the Assicurazioni Generali, in Trieste, for which I am acting. The policies being of the same tenor, it will not affect our judgment if we consider them both effected with Office A, thus simplifying the case; but I was obliged to mention it, for the Gotha Bank declared the distribution of the assured to be correct, and mine to be erroneous. The argument given by the Gotha Bank is, that the sum uninsured ought to be divided among grains and seeds and mats, in proportion to the existing stock, as it is done by the assured.

My arguments for my settlement of the claims are: 1, it is quite evident that, if no other policy were existing but the £2,200 with the Office A, the loss to be paid would be £600, and I cannot find any reason in the conditions why I should be obliged to pay more through the co-existence of other policies; 2, I have insured on grain, seeds, and mats (that means, on all goods in the named warehouse) in one undivided sum; and therefore I pay in one undivided sum proportionate to the sum insured, at the ratio of the entire loss to the amount of all the goods: 3, there is no reason to divide the sum *uninsured* for grains, seeds, and mats in proportion to the existing stock, for, since there was insured with Office A £2,200 for grains, seeds, and mats, the statement would be—

	£.		£.
Office A—For grains and seeds	2,000	Mats........	200
Office B— „ „	1,800	„	0
Leaving uninsured	200	„	200

I stated the case to the managers of the different German Fire Offices, and requested their opinion. I do not know whether I have permission to publish the opinions I got. Up to this moment, six Offices have agreed with me, one with the Gotha Bank and the assured, and one gives a third mode of distribution, which you will allow me to communicate.

	£.	s.	d.				£.	s.	d.
Office B, having assured	1,800	0	0	pays 25 per cent.	450	0	0
Office A, „ „	2,200	0	0	„ $28\frac{11}{13}$ „	......	634	10	0
Uninsured...........	400	0	0	loses $28\frac{11}{13}$ „	......	115	10	0
	£1,200	0	0			£1,200	0	0

In this example the differences between the three modes of distribution are of small importance; but I could easily give such numbers as would prove the divergence of the adopted principles. I mean to say, that there exists no condition of the policy that obliges me to pay a *larger* sum, because other policies have been co-existent, than I should have paid under the same circumstances had no other policy been taken out. And it would be very dangerous to agree to principles contrary to those which I have stated as mine : for an Office, A, having included in the policy the risk of more dangerous objects forming the contents of a large establishment, in regard that the value of these was small compared with the whole amount insured, would be considered to have *chiefly* insured these more dangerous objects, if the other Offices insuring the same establishment had omitted these objects in their policies ; for then, according to the mode of distribution adopted by my opponents, if an accident had destroyed the dangerous objects and but little injured the rest, they would make out that the loss should be paid by those Offices which did not name the dangerous objects,

and would then request Office A to pay the proportionate part of the *remaining* loss to the *remaining* value.

I remember some cases of this kind which occurred here at Hamburg, and then the claims were settled according to the principle which I maintain.

I am, Sir,
Your obedient Servant,

Hamburg, 23 *April*, 1853.   WILHELM LAZARUS.