

CONSEQUENTIAL FIRE LOSS INSURANCE.*(Continued from page 427.)*

upon the assumption that the loss would be settled under the written portion of the policy which contained the restriction that the amount insured did not exceed the actual net profits and standing charges for the previous year. However, should it not be the intention of the company to settle the claim on this basis but to maintain that, under the statutory conditions, no more may be recovered than the actual loss sustained, then the claim would be reduced by \$9,500, always assuming, of course, that the adjuster ascertained the loss from the basis of the monthly turnover. Consider further the insured's position under such modified adjustment had the period of interruption been 1st October to 31st December. The loss under the consequential fire loss policy would be \$88,500, and under our use and occupancy policy \$76,000. Thus our insured would stand to lose \$12,500. This clearly shows our daily basis is weak and does not give a satisfactory indemnity. Some wordings have to a certain extent overcome this difficulty by inserting as many as twelve or more different daily sums as well as the dates to which each applies, but this is cumbersome and only emphasizes the weakness of the daily basis.

In the example taken it will be seen that the turnover for the portion of the year prior to the date of the fire has increased uniformly by 5 per cent., which may be said to be normal business expansion. Increased profits due to such expansion are not covered by the consequential fire loss policy as it is not considered judicious to grant insurance for more than the net profits and standing charges for the previous year. Consider, however, the case where the turnover has, since the commencement of the year in which the fire occurred, undergone a uniform shrinkage. Here is a case where the Special Circumstance Clause would apply, necessitating a corresponding reduction in the amount of the claim. There appears to be no provision for such a contingency as this under our use and occupancy policy and it might not be taken into account in our loss adjustment.

PERIOD OF INDEMNITY.

The period of indemnity in the consequential fire loss policy has much to commend it from the point of view of the underwriter as well as the insured. It may be argued that the adoption of a period of indemnity, with its graded premiums, if introduced into our use and occupancy policy, would mean a smaller premium; but it would also mean a restricted liability with a higher rate for that liability. It does not seem sound to issue use and occupancy policies granting insurance for three times the amount of actual loss which may be sustained. This is the case where the turnover or output could be restored to normal in say four months' time. The companies in many cases could get a larger premium if they issued ordinary fire policies in excess of the value of the property insured, but the utmost caution is observed to avoid this. That the same caution should not be observed in the case of use and occupancy insurance does not seem consistent. The period of indemnity, from the point of view of the insured is equitable and no doubt would appeal to many who have rejected our present form of policy on the ground that it would not take them anything like a year to resume normal conditions after a fire.

LOSS ADJUSTMENT BY PROFESSIONAL ACCOUNTANT.

The adjustment of a loss under the consequential fire loss policy by a professional accountant, mutually chosen by the insured and the company, is on a very sound basis,—indeed it would be difficult to find a better. The appointment of a professional accountant to investigate and certify such a loss does not interfere with the work of the fire loss adjuster for, by the conditions of the consequential fire loss policy, liability is not admitted thereunder until liability has been established under the ordinary fire policy.

IS PRESENT BASIS SATISFACTORY?

Use and occupancy, or in other words the insurance of consequential loss of net profits and standing charges resulting from fire being now in its infancy here, the time is opportune to place it on the soundest basis possible, so that its transaction will prove simple, satisfactory and safe. Is it so now? From the variety of policy wordings now in use and with doubt as to loss adjustments thereunder it cannot be said to be simple, nor can it be said to be satisfactory or it would be more freely written, and from the remarks of some of our leading underwriters there is doubt as to its safety.

At present, "all policies for use and occupancy must be for the total sum of twelve months of the daily amount payable." These familiar words would be well replaced by a Consequential Loss Association responsible for rules and regulations for the transaction of this class of business throughout the Dominion. The inauguration of such an association to work along lines similar to the association regulating consequential fire loss insurance throughout the British Isles would, without doubt, benefit the companies, the agents and the public.

In conclusion, it is well to bear in mind that it is as much in the interests of those who do not write this insurance as in the interests of those who do to see it on the best possible basis, for the issue of a use and occupancy policy may materially alter the moral hazard from the point of view of ordinary fire insurance.

THE OPPORTUNITY OF INSURANCE.

There is sound common sense in an Insurance Post editorial urging that insurance men have an opportunity of showing practical patriotism of the best kind in bringing all the fire prevention knowledge at their command to the work of protecting against fire the grain elevators, packing houses and other places where foodstuffs are accumulated. Even since the opening of the current year, an immense amount of foodstuffs in Canada has been destroyed or ruined by fire, and with the whole modern world nearer an absolute lack of common necessities than it has ever been before, preventable waste of foodstuffs through fire becomes shameful. "Many a man," aptly remarks the Insurance Post, "can be of greater service to his country by attending to his work at home than by shouldering his rifle and going to the front, and the patriotic insurance man can find his opportunity in helping to conserve the food supplies of the country. There is no limit to his field of usefulness. If he has no large elevators or great packing houses within his community, he will be working along the same line and to the same end if he cleans up the hazards of the local grocery stores, and thus protects the food supply of his neighbors."