SOLICITING USE AND OCCUPANCY.

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If possible the risk should be rated according to the new rating schedule that has been gotten out by eastern and western authorities and is regarded as the best rating schedule for use and occupancy at this time.

The rate must be adequate for the hazard assumed.

The contract should be drawn according to proper standards and methods.

Agents should not attempt to copy the ambiguous or wide open forms gotten out by many clever brokers and large city agents who desire to get all they can for the assured. There are certain rules that have been adopted in use and occupancy underwriting that are now required by almost all companies. These should be included in the form. These rules were adopted by the Western Union and Western Insurance Bureau. The Eastern Union and other legislative organizations have their rules that must be included in every use and occupancy form.

It would be a good thing for a local agent to get from each of his companies that write use and occupancy a form that each will pass. Let this be at least a form to follow. It probably is impossible to get out a form that will apply to all manufacturing risks for example. Each assured has his peculiar conditions that have to be met. However, the fundamental principle in the form that a company offers can be used in getting up a form for any risk.

The agents should keep in mind all the time that use and occupancy is based on net profits. It is purely a time factor in insurance. The great question is how long it will take to replace the building, machinery, equipment or raw stock. This fact should be kept in mind by the agent and he should not offer a policy where in his own mind he knows that an assured is confronted with an almost impossible proposition in replacing his machinery or stock. When the net profits basis is established an assured can then figure his absolute fixed expenses from which he cannot get away in case of loss. These differ with various concerns but it is safe to say that every management is giving serious consideration to the overhead and is well acquainted with that item.

Fixed Expenses.

Some companies desire use and occupancy fully defined and also wish the fixed expenses named so that the assured will know exactly what is covered in the policy. Probably a management studies its expenses as much as any other feature in its operations and therefore knows very well what expenses it can lop off in case of a loss. Most companies do not enumerate the various items that go to make up fixed expenses. Among the expenses that would probably have to be continued during the period of business interruption would be salaries outside of wage earners. This would include salesmen especially where a large and important sales organization was established; interest on idle investment which would mean the amount invested in real estate on which the property is located; bonded indebtedness; advertising contracts, light, heat, taxes, royalties, watchmen's service and so on. In case of a manufacturing enterprise, undoubtedly an assured would have to retain superintendents, foremen and many of the skilled workmen in order to resume operations promptly. It would all depend on the length of time of interruption.

Where Seasons Have Bearing.

There are some classes of business that are seasonal, that is, they have a period of the year when their profits are very large and then the rest of the year the machinery is idle. Canning factories are in this class, especially in the northern states. In case of such concerns, a form would have to be drawn reciting the daily indemnity for each month. It has been found on some occasions that an assured will cancel his policy at the close of the busy season expecting to get back a considerable part of his premium. For instance, if canning concerns have six months of heavy profits and six months of idleness the assured might cancel his policy on a short rate basis and get the advantage of six months when he is not making any profit. However, companies are now beginning to cancel not according to the time of the entire policy but according to the liability that has been consumed. If during the six months, nine-tenths of the daily liability has been eaten up, it would be cancelled on that basis.

Raw Stock.

Some of the conservative underwriters are doubtful these days as to how far they should go in covering raw stock. While here and there a company may include finished stock under a use and occupancy cover, yet this is rare. They might cover a finished stock warehouse but not the stock itself. If an assured desires to cover his finished stock he can take out profits insurance and have a specific policy cover it. There are some underwriters who claim, however, in taking most raw stock they are running a great risk because of the uncertainty as to when it could be replaced. Others, however, think that companies run no more risk on raw stock than they do on machinery and equipment. I think that the general tendency of the times will be to cover raw stock only to the extent that would require to use the amount on hand. If, for example, when a fire comes, the assured has a four months supply of raw stock on hand and he has a total loss, the companies will pay him four months liability. It seems to me that this is a fair and logical arrangement. In many cases an assured might not be able to get raw stock replaced for many months. He could not go in the open market and get it and neither can the companies. If he has his four months supply on hand and that is all he can possibly get for a year or so, he should not be paid for more than that. The companies are responsible for the four months time.

Excess Use and Occupancy.

In some cases there is quite a demand to-day for excess use and occupancy. By that I mean

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