CONSEQUENTIAL FIRE LOSS INSURANCE.

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Insurance against consequential loss of profits and standing charges through fire, or "Use and Occupancy" insurance has been receiving greater attention from the more active agents in the last few years. It is noticeable that the companies have more or less an apathetic attitude towards "Use and Occupancy" insurance; quite a number write it as an accommodation only, while others will not write it at all. This surely suggests that the basis upon which the business is written does not appeal to the companies.

The inestimable value of a consequential fire loss policy to a manufacturer or merchant should result in a much larger volume of this business being written than is at present transacted.

Consequential fire loss insurance is transacted in the British Isles freely by some forty or more companies, and a brief outline of the principles and practice of this class of business as underwritten in the British Isles as well as a few general remarks on both British and our own forms of policy may be of interest.

OBJECT OF POLICY.

The object of a consequential fire loss policy is to indemnify the insured for loss sustained through the capital invested in his business becoming, for a time, unproductive in consequence of a fire—or in other words to maintain the earning power of his business. In addition to loss of earning power "Standing Charges," such as salaries, rent, rates, taxes, interest, auditors' fees, directors' fees, advertising, etc., continue to be paid whilst the business is suspended or interrupted by fire. It is customary to include these standing charges—non-reducible after fire—under a consequential loss policy in addition to net profits.

The productiveness of a business is measured by the amount of its output or turnover, or some such sensitive standard. Any diminution in turnover or output will, therefore, be a reliable standard from which to measure a loss sustained.

Profits as well as standing charges represent a proportion of the turnover (or output). If, for example, the sum of the net profits and standing charges of a business represents say 30 per cent. of the annual turnover, it is obvious that the insured will be compensated if he recovers under his policy 30 per cent. of the diminution in turnover caused by fire.

This is the principle of loss adjustment under a consequential fire loss policy. This name "Consequential fire loss," I shall use in reference to British practice and "Use and Occupancy" to ours.

CONSEQUENTIAL LOSS POLICIES.

Consequential fire loss policies are usually annual contracts with a "Period of Indemnity" or "Term of Liability." The period of indemnity varies in different classes of risk according to the insured's forecast of the time required to reinstate the premises and get business going again after loss by fire. The period most often selected is probably from three to six months, although it may be longer and shorter.

The premium is a percentage of the sum insured on net profits and standing charges (a separate amount is insured under each of these headings). The rate, generally speaking, depends upon the period of indemnity, and is ascertained from a "basis rate." This basis rate usually represents the average rate of the amount insured for ordinary fire risk on buildings and contents of the whole premises occupied for the purposes of the business to which the consequential loss policy applies. The basis rate is that which is applied to a consequential loss policy issued for one year, with a period of indemnity of one year. For a period of indemnity of less than one year, under a policy issued for one year, a proportion of the basis rate is charged and is payable on the amount representing the net profits and standing charges of a whole year, in accordance with the following scale:—

Period of Indemnity.	Not less than per cent. on Sum Insured.
Not exceeding one (1) month	30%
Exceeding 1 month but not exceeding 2 months	40%
" 2 months " " " 3 "	50%
" 3 " " " " 4 "	60%
" 4 " " " " 5 "	70%
" 5 " " " " 6 "	80%
" 6 " " " " 9 "	90%
" 9 months	the full basis rate.

Short period insurances are also issued in accordance with a scale of short period rates, the short period rate being a proportion of the premium which would be payable on an annual policy with the same period of indemnity but for an amount representing the net profits and standing charges for a whole year.

POLICY STIPULATIONS.

The policy stipulates that the Company .... "Undertakes to pay to the Insured monthly for .... (Here is inserted period of indemnity) consecutive calendar months after any fire *the percentage* that the sum insured bears to the turnover for the last financial year on *the shortage* between the turnover in each of such months and the turnover for the corresponding month in the year preceding the fire; provided that the amount insured on net profits and standing charges of the business is not more than the actual net profits and standing charges for the last financial year preceding the fire."

It is incumbent upon the insured to employ all reasonable means to maintain his turnover, and the company further undertakes to pay increased cost of working incurred with its consent provided the amount payable in respect of shortage in turnover and increased cost of working does not in any case exceed the amount which would have been payable had the business been entirely suspended for the whole period of indemnity.

It is warranted that the property of the insured shall during the currency of the consequential loss policy be kept insured against fire and no claim is payable until the company or one of the companies have paid for or admitted liability in respect of the destruction by fire.

It is also stipulated that the adjustment of any

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