

CONSEQUENTIAL FIRE LOSS INSURANCE.

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(Continued from last week.)

The general principles and practice of this class of insurance, as transacted in the British Isles, having been briefly outlined, the differences between the practice there and our own may be considered.

The consequential fire loss policy grants a contract of indemnity—nothing more, nothing less. Can this be said of our Use and Occupancy policies? From various Use and Occupancy policy wordings which have made their appearance the intention of the company is uncertain and some would appear to grant "valued policies."

With regard to policy wordings in the British Isles (where policy conditions are not controlled by statute) it is interesting to note that the courts there have held that, where the written portion of a policy differs in context from the printed portion, the written portion expresses the intention of the parties to the contract. Our printed statutory policy conditions conflict in context with many of our Use and Occupancy wordings. These written wordings state that so much per day is payable by the company—it may be provided that this sum is payable only if it does not exceed the actual amount of net profit and standing charges for the year preceding the fire, or it may not—while the statutory conditions place the onus of proof of loss upon the insured and call for an accurate account of loss sustained, together with a declaration of its truth and justness.

The intention of the company, under such a policy is ambiguous. Many of our insured believe in good faith that the company will pay the daily sum named in the policy or a proportionate reduction thereof for partial loss. If this is the intention

of the company then there is no doubt but that the insured has a valued policy. If this is not the intention of the company then a large percentage of our use and occupancy policies may grant an incomplete indemnity, as loss adjustment on the basis of a daily amount is unsatisfactory.

AN IMAGINARY EXAMPLE.

Consider the adjustment of an imaginary loss under our use and occupancy policy, with its daily basis, and the same loss under the consequential fire loss policy which has been described.

Few concerns have an output or turnover exactly the same each month all the year round. Such is the exception and not the rule.

In the example, the concern has made net profits and paid standing charges together approximating \$300,000 annually. Their annual turnover has been, say, \$1,000,000. They worked 300 days in the year.

Our use and occupancy policy stated \$1,000 per day was payable. The consequential fire loss policy provided, in case of interruption by fire, for payment of the percentage of *Shortage* in turnover which the sum insured on the net profits and standing charges bears to the turnover in the preceding year (in this case 30 per cent.). The amount insured, \$300,000, not being more than the actual profits and standing charges for the previous year, the adjustment is straightforward.

Fire occurred on the night of 30th June and work was not commenced until 1st October, when it was started under normal conditions.

The facts are as follows:—

Use and Occupancy. Working Days.	Fire occurred 30th June.	Consequential Fire Loss. Turnover.		Shortage in turnover.	Monthly loss 30 per cent. of shortage.
		Financial year before fire	Year in which fire happened.		
24	January	\$70,000	\$73,500	.....	.....
24	February	70,000	73,500	.....	.....
25	March	80,000	84,000	.....	.....
25	April	90,000	94,500	.....	.....
26	May	95,000	99,750	.....	.....
26	June	85,000	89,250	.....	.....
23	July	60,000	Nil	60,000	18,000
26	August	70,000	Nil	70,000	21,000
25	September	85,000	Nil	85,000	25,500
25	October	100,000	105,000	.....	.....
25	November	105,000	107,500	.....	.....
26	December	90,000	94,500	.....	.....
Total....300	Total turnover	1,000,000	Total shortage in turnover.	\$215,000	\$64,500
Under use and occupancy policy, loss is 74 days at \$1,000 per day.....					\$74,000
					Loss payable under consequential fire loss policy
					Loss payable under use and occupancy policy

DAILY BASIS UNSOUND.

From the table it will be seen that the monthly turnover is not proportional to the number of working days, and rarely if ever, is. The turnover or output is a true measure of the loss sustained but the number of working days is not. Therefore a

daily basis is, generally speaking, an unsound one on which to compute such a loss.

It will be observed that our policy gives \$9,500 more than the insured would have made out of his business if it had been in operation. That is, he would have recovered on the basis of a monthly turnover of \$83,333. This adjustment is based

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