is more than can truthfully be said of the present system.

More Stringent Laws Needed.

Another important matter that should receive the earnest consideration of automobile underwriters is the question of more stringent laws against careless operation of cars. Chauffeurs, and even owners of cars who do their own driving, should not only be licensed, but should also be compelled by law to make reports of all accidents to the authorities on blanks provided for that purpose. If the driver of a car should have two accidents in one year, for which he cannot account to the authorities in a satisfactory manner, he should be prevented from receiving a renewal of his license, and if he has more than two such accidents his license should be revoked. Such a law would not only reduce collision losses to property, but it would also prevent many fatal and non-fatal accidents to persons.

Automobile dealers generally in Chicago have, for some unaccountable reason, pursued a short-sighted policy by making outrageously high charges for repairs, thus compelling the insurance companies, who have depended upon their estimates, to pay many excessive partial loss claims. For the last eighteen months Chicago has had a repair shop operated by insurance men for the benefit of the companies. Practically all the insurance work is handled through this shop, at a saving to the companies of from 40 per cent. to 50 per cent.

THE DEVELOPMENT OF CONSEQUENTIAL LOSS INSURANCE.

(H. W. Connell, Commercial Union Assurance Company.)

(Continued from page 1055.)

Liability for Increased Cost of Working.

Turning now to the liability for increased cost of working which is not controlled by turnover, there does not generally appear to be an adequate safeguard to the company to prevent the insured from increasing unreasonably the cost of continuing business. The claimant may wish to pay such exorbitant prices for raw or partly manufactured material that it would involve the company in greater loss to pay for such increased cost than to pay the insured percentage of decreased turnover. As to whether the insured would be entitled to do this would appear to hang on the question whether such increased expenditure were "necessarily incurred to continue the business." The insured would argue, and perhaps rightly, that it was necessary to conserve his connection, and, as the usual contract is framed, it is purely a matter of opinion as to how far he is justified in spending the company's money to that end. If the insured states that he considers such steps necessary in the interest of his business (and no doubt he would add he would adopt that course himself even if he were not insured) the accountant would not be in a position to contradict him, and, that point established, the company would have to pay. For instance, suppose an insurance of £12,000 and an indemnity period of, say, six months; a fire occurs at the end of January and the accountant finds that the turnover for the previous months was £120,000, and the sum insured does not exceed the actual net profits and standing charges. The percentage payable on decreased turnover is therefore 10. Assume the turnover in February of the previous year was £10,000, being the price of goods sold and delivered. The works are partly disorganised only and they would be able to complete orders to the value of £5,000 during February. The assumption on which the policy is based is that there are orders for a further £5,000 which the insured is unable to execute on account of the interference of fire and the company should therefore be liable for 10 per cent. of this, *i.e.*, £500.

If, however, the insured elects to complete his customers' orders, at whatever cost, he may quite conceivably, expend, say, £5,250 in producing the finished article by buying and having work done elsewhere. As a £5,000 selling price should normally bring him a profit of 10 per cent. *i.e.*, £500, his normal cost of production for the same goods is £4,500. The increased cost for which the company is liable is therefore £750, against £500 in the previous circumstances. That is 50 per cent. more in the first month than if the remaining orders were refused and the fire allowed to do what might have been considered its worst. And so on until the damage is fully repaired or the period of indemnity expires. It would appear as a first impression that such a position is defeated by the clause usually inserted in the policy to the following effect:—

"Provided that the total liability of the Company in respect of any fire shall not exceed the sum which would have become payable if the business had been entirely stopped by the fire."

A little examination will show that this clause only affects the difficulty when the loss for the indemnity period is total, but makes no difference to the instance of partial stoppage I have illustrated. It would, in the example given, limit the loss to £1,000 for the first month—that is, the actual profits and charges per month which might be lost in total stoppage; but in the partial interruption it would not prevent £750 being paid for what should have been only half a total loss, *i.e.*, £500. It is true the insured would get no direct gain from the increased cost. The firm from whom he bought would get the advantage of it; but if the insured were interested in the two firms, or there were kindred interests, the position is more undesirable. One method of safeguard would be to limit the total expenditure allowable for production to the sale price. This would have the corresponding effect on a partial loss to the clause mentioned which limits a total loss. At least one office has a clause reading as follows:—

"In the event of it being possible for the Insured to carry on his business wholly or partly in other premises or by the purchase of goods to supply his customers or by any other reasonable means the insured shall use such means and the Company will indemnity the Insured in respect of the Additional cost entailed, provided that satisfactory proof is forthcoming that the claim fo rsuch additional cost is reasonable and that the Compensation which would otherwise be recoverable from the Company will not be increased by the adoption of such means."

The final sentences meet the case, but the majority of offices are without such a safe-guard. I believe some had it in their earliest policies and allowed it to drop out in the subsequent process of making the document more concise.

Fines and damages for breach or late completion of contracts can be specially included as consequential loss, as also can wages to employees in lieu of notice.

Some companies have also coquetted with the in-