

OFFICIAL ORGAN OF THE INSURANCE FEDERATION OF BRITISH COLUMBIA

THE COINSURANCE CLAUSE IN FIRE INSURANCE

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It has very often been claimed by those ignorant of the application of coinsurance conditions, that such clauses are tricks or traps laid by insurance companies to catch the unwary and as a matter of fact some States in the U. S. have legislated against the coinsurance clause. Nothing is further from the truth, however, and court decisions are sufficient evidence to refute any such statement. I believe the name of the clause is bad and tends to misunderstanding and I think if we here in Canada changed it to "Reduced Rate Average Clause" it would be much better.

I particularly wish to lay great stress on the fact that the coinsurance clause should be explained to the assured on every possible occasion, and for this reason I am of the opinion that a clause by another name and more simply worded should be used. I like the "Reduced Rate Average Clause" as follows:

"In consideration of the reduced rate at which, and the form under which this policy is written, it is expressly stipulated and made a condition of the contract that, in the event of loss, this company shall be liable for no greater proportion thereof than the amount hereby insured bears to 80% of the actual value of the property described herein at the time when such loss shall happen, nor for more than the proportion which this policy bears to the total insurance thereon. This clause, however, shall not apply to any loss which does not exceed 2% of the total insurance on the property.

"If this policy be divided into two or more items, the foregoing conditions shall apply to each item separately."

I have found from experience that those not engaged in the insurance profession are to a very great extent entirely ignorant of the meaning of coinsurance and look upon the slight saving of premium at the outset only too readily and then, when caught by not living up to their end of the contract, blame the agent for not explaining more fully. I have from time to time been told by business men that the insurance business is not brought out enough as an educational factor, and I firmly believe it, as it is the bulwark of business and the backbone of all credit and being such a very important feature it should be studied. Speaking along this line I wish to mention a point pertaining to the mortgage business. A man loans a sum of money on a property and often takes in perfectly good faith a policy with loss payable to him as mortgagee, the amount of which is equivalent to his loan. The policy has a coinsurance clause in it and the mortgagee thinks he is fully protected, seeing he has a good company. He may be or may not be, but the fact that his policy reads for, say \$5,000, is by no means evidence that it is \$5,000 of insurance. If the mortgagor wishes to take advantage of the lower rate by having his policies subject to a coinsurance clause then he should hand over to the mortgagee, and the mortgagee should also insist on it, all his insurance with loss, if any, payable to the mortgagee as his interest may appear. I saw an article on a case where the mortgagee being caught brought suit to the effect that the mortgage clause over-rode the coinsurance clause; but the decision was against him. The case was tried in New York State. The mortgage document provides that the mortgagee may demand insurance up to the full insurable value of the property with loss payable to him, and in my opinion the mortgagee should take advantage of this feature, as he is not called upon to take unnecessary chances when putting out his funds. This is particularly important at the present time when values are appreciating so rapidly. In fact, it is very dangerous just now for a mortgagee to accept as security a policy which is subject to a coinsurance clause.

I have been informed through reliable sources that very many years ago the British Government exacted a duty on all fire insurance contracts and at that time there was a law to the effect that no one could recover under a

fire insurance policy more than a proportion of his loss unless he was carrying coinsurance up to 100% of the value of the property. To this extent 100% coinsurance was mandatory or compulsory at that time.

There are, of course, many very simple examples of the coinsurance clause which could be set out, such as insurance on two or more buildings under one sum or the subject of blanket insurance, but as I am faced by practical insurance men I consider it unnecessary to go into those features.

The point I wish to bring out most forcibly is the fact that there is not sufficient educational propaganda in the insurance business for the benefit of those engaged in other lines of endeavor and from whom we must obtain our premiums.

Our profession is an honorable one. It is, as I said before, the backbone of all credit, the bulwark of business and a most generous, economical and efficient collector and distributor of funds for those in adversity by reasons of calamity, and as such an important part of the business of the world, I hold it should command the dignity and respect it so ably deserves.

INSURANCE FEDERATION SECRETARY COMING.

Mr. Mark T. McKee, general secretary of the Insurance Federation, with headquarters at Detroit, Michigan, is coming to the Coast, and is expected to arrive in Vancouver some time between the 15th and 20th of March. While here he will address the Insurance Federation of British Columbia, which is affiliated with the parent organization. In view of the uncertainty of the date the Insurance Federation has not completed its arrangements to receive and obtain a place for Mr. McKee to speak. Also it has not been arranged whether the affair will take the form of a luncheon or an afternoon or evening meeting.

It will be recalled that two years ago Mr. McKee addressed the insurance men of Vancouver at a luncheon held at the Vancouver Hotel, when his genius and inspirational talk solidified the Federation movement in British Columbia. It has since become the leading insurance organization in the province. Since President F. W. Rounsefell of the Federation has not been able to announce definitely the date of Mr. McKee's coming, notice of meeting cannot be given, yet ample notice will be given through the press, and all the members of the Federation will be notified by the secretary, Mr. A. E. Goodman. The visit of Mr. McKee will be a banner affair in insurance circles in the city, and all those engaged in this line are urged to make reservations which will enable them to be present on the occasion of his visit.

INSURANCE NOTICES.

The Tokio Marine Insurance Company, Limited, has been licensed under the "Insurance Act" to transact in British Columbia the business of marine insurance. The head office of the company in the province is 107 Pacific Building, Vancouver. Mr. B. G. D. Phillips, of same address, is the attorney for the company.

The Maryland Assurance Corporation has been licensed under the "Insurance Act" to transact in British Columbia the business of accident and sickness insurance. The head office of the company in the province is 1117 Wharf Street, Victoria. L. A. Genge of R. P. Rithet & Co., of above address, is the attorney for the company.

Mr. Andrew W. Ross, manager for British Columbia and Alberta of the Commercial Union and Palatine Insurance Companies, and also manager for Canada of the California Insurance Company, has returned from a business visit to San Francisco. He reports excellent business and prosperous conditions of affairs south of the Line, but he was pleased to state that in his opinion conditions did not look better than they are in British Columbia.