

THE OPERATION OF THE CO-INSURANCE CLAUSE.

In view of the characteristic attack made upon the practice of co-insurance by the self-styled insurance "expert" of *Toronto Saturday Night*, the occasion may be taken to state once again plainly and accurately what co-insurance is and does. Co-insurance affords to the insured reduced rates of premium in consideration of an undertaking to carry a certain specified proportion of insurance as to value. Supposing that an 80 per cent. co-insurance clause is inserted in a policy on property value \$1,000, then the requirement upon the insured is that he shall maintain insurance upon that property of \$800. If he carries \$800 insurance, then in the event of a loss, the insurance company pays any loss up to the face value of the policy. If on the other hand, the insured fails to carry \$800 insurance as he has undertaken to do, then he is regarded in the event of a loss, as a contributor to the loss in ratio of the deficiency in insurance. For example:—

Value of property.....	\$1,000
80 p.c. Insurance under Co-Ins. Clause	800
Insurance carried.....	600
Loss	500
Company pays 6-8 or	375
Insured pays 2-8 or.....	125

OPERATING IN PARTIAL LOSSES ONLY.

It must be clearly understood, however, that the co-insurance clause only operates in case of partial losses under 80 per cent. of value; it does not operate in cases where the loss is total or more than 80 per cent. of value. For example:—

Value of property.....	\$1,000
80 p.c. Insurance.....	800
Insurance carried.....	600
Loss	800
Company pays 6-8 or	600
(A total loss under the policy).	
Assured loses 2-8 or	200

It is of importance also to note that co-insurance is only insisted upon by the insurance companies in the case of blanket ratings which are based on the understanding that a certain proportion of insurance will be carried. In other and very usual cases a lower rate is offered as a direct return, but the insured then has the option of paying the higher rate without the co-insurance restriction.

A CHARGE WITHOUT EVIDENCE.

The insurance "expert" of *Toronto Saturday Night* who has been girding at the insurance companies for their use of this clause, frankly accuses them of utilising it as a means of defrauding policyholders at the time of settlement of losses—a charge which he makes without bringing a shred of evidence in support of it. He omits to mention another point of which he must have become perfectly well aware in the course of his extensive practice in adjusting losses, that the fire companies are continually paying losses which they would be well justified in contesting. The trouble is that at the present time it is too easy to

collect fire insurance. It would be eventually to the advantage of the public if fires and their origin were more closely investigated and, in the settlement of losses, the conditions of the policy more rigidly adhered to. Were this course of action followed, it is pretty certain that there would be a decided reduction in the fire waste.

"SAFETY FIRST" AND THE FIRE WASTE.

"Safety first" has almost become a fad in regard to accident prevention. It is at least a sensible fad, and undoubtedly the movement has already done much to minimise the record of deaths and injuries which a former generation regarded as an inevitable concomitant of industry and trade. But the idea, while a great success in this field, makes slow progress elsewhere where its discrimination and realization are equally necessary. Why not a "safety first" movement to cope with the fire waste?

The one movement is as commendable as the other. It is as essential to the general welfare that unnecessary fire hazards should be eliminated from manufacturing plants as that safety appliances should be put on manufacturers' machinery. There is just as much economy and common sense and public spirit in taking precautions to reduce fires as in similar measures to reduce accidents.

EFFECTS OF FIRE MORE EXTENSIVE.

If a machine is not properly safeguarded and an employee is injured, only one man is hurt. Fires due to preventable hazards are much more apt to kill or injure scores or hundreds. A little care and precaution as regards waste, rubbish, gasoline, unprotected openings, carelessness with matches and any other of the common and preventable causes of fires would safeguard hundreds of lives instead of but one. In its effect upon the operation and profit of plants, fire is of greater importance than accidents to the individual. An accident to a man eliminates one of the working units, but the organization goes right along. A fire, on the other hand, can easily put an entire plant out of operation for weeks or months, possibly at its most profitable season. The owner not only loses his profits and suffers the disturbance to his trade, but his employees lose their time for the period required to restore the plant to a working basis.

FIRE WASTE A BURDEN.

In the case of accidents, workmen's compensation legislation has brought home the fact that they do not pay. This legislation is new and is in the nature of an additional burden upon industry that is consciously felt. The burden of the fire waste, which has been familiar to generations of manufacturers is not consciously felt to the same extent. But it is there all the same. From many standpoints, business economy, public spirit, consideration for employees' welfare, a "safety first" campaign in fire prevention is as necessary as the similar campaign in accident prevention.