FIRE POLICY WORDINGS: SUGGESTIONS FOR AGENTS.

(R. Leopold Jones, C.F.U.A., before the Insurance Institute of Toronto).

(Continued from last week).

DESCRIPTION OF RISK.

This is really an important part of a policy wording, as defining what are the actual conditions as regards hazard which obtain at the inception of the contract and which the company accepts as the risk. It is practically the basis on which the contract rests. Very little attention, however, is given to this in most wordings, which content themselves with mentioning roughly the construction, nature of the occupancy, and situation of the risk. I see no likelihood of any change being made in this direction, so any further discussion of this point would be practically worthless. I certainly think, however, in the case of large plants the *exact* occupancy of the main buildings should be mentioned (whether under blanket or specific wordings), as it is on these that companies base their underwriting limits, and departments in a plant are very liable to change round.

In omnibus risks it seems useless enumerating the other occupancies and hazards connected therewith, although perhaps the main occupancies which govern the rate might be mentioned. Companies writing lines in omnibus risks take the chance of increased hazard in other tenants and cannot compel the assured in practice, whatever may be the theory, to notify changes of occupancy. I think I am right in saying that in omnibus risks the company is more concerned with the moral hazard than anything else, and no wording could make the assured notify when "an undesirable" moved in. The foregoing remarks do not apply to insurance on the "building," when a full description should be given and the owner required to notify any changes.

In covering property in risks in which the assured has no jurisdiction, such as patterns in foundries and goods in storage, the only description of risk that seems to be necessary is as regards location.

PERMISSION CLAUSES.

This portion of the policy wording is, I think, the main cause of friction between agents and companies. As many of these so-called "privilege clauses" which the agent is so fond of are often worthless to the assured (as an instance, a clause I saw recently on stock in a flour warehouse read as follows—"Permission given to carry on such processes and keep such articles and materials as may be desired, but it is warranted that no fire works, calcium carbide, benzol, or gasoline, be kept"), it can only be from a misunderstanding of the principles involved that agents as a rule go wrong. The main point to be observed in permission clauses is that under no circumstances must the assured be given permission to make any change which might be material to the risk. The assured do not require permission to carry on their business and to keep such articles and materials as they may be keeping at the inception of the contract. The description of the occupancy of the risk implies this—it is quite evident that if a risk is described as being a grocery store it is not necessary to give assured permission to keep grocery goods, and the same with any class of risk. If the clause "Privilege to keep on hand and use all such articles, materials and apparatus as the assured may require in connection with his business," or words to this effect, is put in to protect the assured in the event of his not having disclosed something he should have, at the inception of the risk, it is still worthless, as it would not do it, as the insurance would be void *ab initio*, and as regards any future changes he may make either in the process, occupancy or class of goods or anything pertaining to the fire hazard, Ontario Statutory Condition 2 requires him to notify the company and this statutory condition must not be infringed upon.

COURT INTERPRETATIONS.

If there were any danger of this (or for the matter of that any other condition) being interpreted at all severely against the assured, the companies might perhaps be willing to allow certain relaxations in the policy wording, but as we know very well how policies are interpreted in the Courts the companies cannot afford to have the somewhat meagre protection left them in "Statutory Conditions without variations" violated in any way, (I am sure if the agents read up some of the Court decisions on changes material to risk they wouldn't have the heart to frame up these permission clauses at all). The clause mentioned and similar ones have been passed, I am aware, for a long while as harmless, but I think if examined at all closely it will be evident that when a company gives the assured permission ("privilege" is a still stronger word), to keep and use such apparatus, articles, materials and supplies as are necessary or incidental to the business, although this is qualified by limiting the gasoline to one gallon, gasoline is not the only hazard in the world or the only one which an assured is likely to introduce into any plant, and with the clause mentioned on his policy the assured is not, it seems to me, obliged to notify the company of any new apparatus, article, materials or supplies that he desires to use in connection with his business, whether these are material to the risk or not, as the company has waived the protection given by the Ontario Statutory Condition by a *specific* permission. It must be remembered that the Statutory Condition is *general* in its wording and refers to *all* changes material to the risk, and the permission clause quoted is *particular* and gives specific permission or privilege for certain things, and any doubt will certainly be read against the company.

Gasoline permit can, of course, be given subject to tariff requirements.

PERMISSIONS NOT ALLOWABLE.

Permission to "change the occupancy of buildings, providing the occupancy of the plant as a whole is maintained," is obviously wrong. For instance, this would allow a carpenter's shop or pattern maker's, using planers, to be moved from a small detached building and put in the corner of a large machine shop where values might easily necessitate an increase of 50 per cent. in the premium.

Permission to make "additions" is not in order —an addition to a building is very likely to be "a change material to the risk."

Privilege to occupy "and for other business or purposes not more hazardous" or a similar clause