

FIRE POLICY WORDINGS: SUGGESTIONS FOR AGENTS.

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

(Continued from last week.)

Unless one has details of rate in front of one, and an intimate knowledge of the tariff schedules and rates, and then drafts the permits specially to fit the risk, general permissions to do so and so are very liable to conflict with the rating—what could be passed in one class of risk could not in another. Special permissions over a plant are also not always in order. They should specify the building—for instance, as much oil as desired may be kept at the plant, but *in the oil house only*.

CO-INSURANCE CLAUSE.

It should be noted that when there is a limit placed in one of the covering items as to the value of any one or more articles, that the co-insurance clause requires amending so as not to conflict with this; for instance, if the wording goes "in case of loss no one pattern or set of same to be deemed of greater value than \$50," it would be unfair to require the assured to maintain insurance up to 80 per cent. or 90 per cent. of the actual cash value when the actual cash value may be greatly in excess of the limit, and one clause might be held to destroy the other. There are several ways in which this can be taken care of in the wording, but if the following clause is added immediately following the limitation clause it would answer the purpose "and said value when operative is to be deemed the actual cash value for the purpose of applying the co-insurance clause."

A valuation clause providing for a certain basis of loss adjustment is also now frequently met with, and in these cases the co-insurance clause requires amending to make it follow the basis of loss adjustment, instead of operating on the "actual cash value." For example if it is provided in the policy that the stock shall be valued and the loss paid on the "wholesale market selling price" it would not do to allow the co-insurance clause to operate on the "actual cash value."

When there are several items in a policy the co-insurance clause must, of course, be worded to apply *separately* to each item. As the companies seldom see the full wording of the co-insurance clause in their daily reports I am inclined to think that there are a large number of policies in existence where the co-insurance clause would *not* apply separately to each item. The moral is obvious.

NECESSITY FOR CONCURRENCY.

Companies generally try to get the words "concurrent in form, range and wording" inserted in the co-insurance clause. There are two reasons for this; the first being to facilitate apportionment with other policies in the event of loss—and as far as this reason goes these words should therefore appear in all permissions for further insurance. In this latter clause the word "concurrent" only is generally used. I hardly think, however, it is strong or emphatic enough. It does not say the further insurance *must* be concurrent. Even if it did, the word seems rather elastic and open to argument as to its exact meaning. I think myself "identical in wording" is a better expression.

The second reason is, I believe, what the words

are put in the co-insurance clause specially for, viz. to protect the blanket rate. A blanket rate, as every one knows, is arrived at by taking the values for each section and averaging the rate from these. Now the assured agrees to carry 90 per cent. insurance when he takes a blanket policy, but unless it is specified that the said insurance shall be all under the blanket form there is nothing to require him to carry it all under this, and he might therefore take advantage of the blanket or average rate as far as the values of his highly rated buildings go, and insure the lower rated buildings specifically at their respective lower rates. A blanket policy, therefore, for the dual reasons given, makes it absolutely essential that all the insurance be identical in wording. It is questionable to my mind whether the words "concurrent in form, range and wording" are sufficiently emphatic, inserted as they are in the co-insurance clause. I think it would be much better if an absolute condition were inserted, stating that the rate being an average one all insurance must be identical in wording.

Blanket insurance is now becoming so popular that I think the companies would be well advised to see as far as they can, that any undue advantages are not taken, considering also the extra difficulties of underwriting under blanket forms.

DISTRIBUTION CLAUSE.

There is, perhaps, a little misunderstanding as to when this clause is properly applicable in lieu of co-insurance. Whenever goods or property are in several distinct locations, and the property covered is floating between these locations, and the property at each location could be written without co-insurance, then Distribution is properly applicable. Of course the various locations must be clearly defined in the wording, because the insurance attaches at each location in the proportion that the value at each location bears to the value at all, and unless it is made quite clear what is to be regarded as separate locations the clause is practically meaningless; so that when the risk is a floating one and the locations cannot be clearly defined, Distribution is not applicable. The Distribution clause is mis-applied when the values do not *fluctuate between the several locations* to which it applies or when the values are constant at such locations, as in the case of insurance on buildings. Distribution in these cases is unsatisfactory to the insured and bad underwriting practice for the company. When the values are constant it is better for the assured to decide himself how much insurance he will place at each location, than to have this fixed automatically for him, as it is under Distribution; and as regards the insuring company they are faced, in the event of loss, with the difficulty of having to value all the property, and then value separately the property at the location visited by fire. While this might be done fairly easily and without friction before a fire, we all know the difficulties of valuing after fires.

WARRANTIES.

I must confess I am a little sceptical as to the real value of these (apart from their support to the "description of risk") in view of the provisions of the Ontario Act.

When a building is protected by sprinklers it is usual to get in a sprinkler warranty, and in the same way, I think, that when an allowance is made