fire and does not get all the insurance money he expects, but in this case it is just. Nothing could be more logical or equitable than the penalty expressed in the second half of the co-insurance clause, which after stating that the premium was fixed on consideration that the assured would keep insurance to at least eighty per cent. of the value, continues, **and that failing so to do the assured shall be a consurer to the extent of an amount sufficient to make the aggregate insurance equal to 80 per cent. of the actual cash value and in that capacity shall bear his proportion of any loss that may occur.** An example will best illustrate the meaning.

If Brown owns a house valued at $10,000 and insures it in a policy containing an eighty per cent. co-insurance clause for a sum of $6,000 only, he will have failed to comply with the clause to an extent of the $2,000 necessary to give him the insurance of $8,000 required to make eighty per cent. of the value. Incidentally Brown has saved or appropriated the premium on that $2,000 deficit of insurance he agreed to keep but did not, and in the application of this clause to the adjustment of a partial loss of say $400, Brown is assumed to have paid that premium to himself, issued a policy for $2,000 to himself as it were, and made himself a co-insurer with the company to the extent of $2,000.

The $400 loss would therefore be apportioned between the insurers, the insurance company paying six parts to the assured's two parts. The insurance company in that case would pay only $300 of the $400 loss, the assured making good the other $100 bearing in his capacity as co-insurer his proportion of the damage.

The wisdom of a Solomon could not render a better judgment than is here applied. The penalty which is borne by the under-insurer is exactly proportionate to the extent he is underinsured. Stated in other words the eighty per cent. co-insurance clause resolves itself into this, that the companies will only pay that porportion of the loss, which the amount of the companies' policies bear to eighty per cent. of the value of the goods insured.

The reason that is behind the insurance company's attitude to the co-insurance clause is not difficult to find or to understand. It is not as some people have hastily concluded to avoid the payment of all the assured's loss, for this only happens by the fault of the assured, but to persuade the insured to protect his property for an amount consistent with its value.

The experience of insurance companies has shown that many insurers insured only to a small percentage of the value of their property. These people argued that their property was not likely to suffer more than say fifty per cent. loss, and they only insured it for fifty per cent. of its value. It is needless to point out the fallacy of their argument since when a fire once starts it is not careful to limit itself to the views of the owner. Fire is rather an unreasoning thing and the only protection against it is ample insurance. Total losses of first class buildings are not infrequent. There is, however, another reason which is of great consideration to the insurance company in advocating the co-insurance clause. When an insurance company accepts an insurance which is only for $1,000 on a value of $5,000, it has many more chances of losing all of that $1,000 than it would have of losing all of $4,000 if the property were insured for that higher amount, and it is therefore to the advantage of the insurance company as well as to the assured that the property be adequately covered by insurance. Small insurances in relation to value result in the insurance companies paying losses of the full amount of their policies for fire which only cause a small damage to the risk insured. This is manifestly unfair. It was the prevalence of this state of affairs in earlier years when partial fire losses usually meant the payment of the full amount of the insurance policy, which brought the insurance companies to the necessity of adopting some means to combat an evil, which indirectly finally reacted on the insured by making higher rates of insurance, and the introduction of the co-insurance clause with a relative decrease in rates resulted.

A clearer knowledge of this clause by all insurers, and a complete and comprehensive understanding of all its workings by every agent and official would do much to lessen the prevalent misconceived idea that the public has, and which has been so vastly injurious to the constructive work of insurance companies in general. Insurance companies are operating a necessary business of great importance. The safe-guarding of the business fabric which is woven so largely on the machinery of credit can only be attained by some system of insurance. The many investigations of insurance practice in this country and in the United States of America have all resulted in findings which recgized the indispensable character of insurance in the stabilizing of both individual and national credits. It should therefore be the aim and effort of everyone connected with the business of insurance to be thoroughly acquainted with his business, to know of what he is speaking, and to aid in dispersing the misunderstandings that are all too common, and especially in regard to this much maligned co-insurance clause, which has only to be explained to be recognized as a valuable instrument in the protection of insurer and insured.