

THE INSURANCE CHRONICLE.

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THE DUTIES OF AN ACCOUNTANT IN CONNECTION WITH INSURANCE CONTRACTS.

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IV.

Opinions as to the damage sustained will often materially differ, particularly in the case of old buildings or machinery, or used articles generally. It is absolutely impossible to give any reliable rules for depreciation which would equally and uniformly apply to the vast variety of used property insured. Larger manufacturing concerns usually employ appraisal companies to value their plant from time to time. Such an independent valuation is the best evidence for a proof of loss.

If the firms should wish to write down the value of their plants below the valuation set upon it by the appraisal company, they may set aside a special contingent or reserve fund, and keep the plant account in their books at the proper value given by the appraisal company.

We will now quote from an American authority, George A. Clement, the following rules, which apply equally to Canada:—

Limitation Upon Amount of Loss or Damage as Imposed by Contract.

The insurance company is not liable beyond the actual cash value of the property at the time any loss or damage occurs, and the loss or damage shall be ascertained or estimated according to such actual cash value, with proper deductions for depreciation however caused, and shall in no event exceed what it would then cost the insured to repair or replace the same with material of like kind and quality; said ascertainment or estimate shall be made by the insured and the company, or, if they differ, then by appraisers.

Meaning of Cash Value—Manufacturers.

In ordinary cases the actual cash value means the market price or value at the time and place destroyed, and the same rule may apply to manufacturers insured; the word "then" in the limiting clause (see the foregoing) "shall not exceed what it would then cost the assured to replace," means just what it says, and not what it would cost the assured to replace from his own factory after delay of manufacturing or reproducing, etc. In ascertaining the amount of loss it is not important or conclusive what insured paid for his goods or property, whether in money or otherwise, or whether given to him. In either event he would be entitled to the benefit of his bargain or gift. The only question is as to the fair cash value of the goods destroyed. The word "then" may be construed as meaning within reasonable time.

Manufacturer of Machines.

Where insured is a manufacturer, and property covered is machines manufactured by him, under the limitation in the policy that in no event should the loss exceed what it would "cost the insured to repair or replace the same with material of like kind and quality," the measure of damage is not the market value of the property destroyed, but what it will cost the insured as a manufacturer to replace it.

Cash Value—Market Value.

Cash value of property at time of the fire means what it would cost the insured in cash to purchase property of like kind and quality; or proof of fair market value is the equivalent of actual cash value. Cost of property may be some evidence of value, but is not conclusive; cash value cannot include estimated profits. Evidence of market value and cost of replacing are both admissible, and if they conflict the verdict of a jury is conclusive.

Damage to property to extent that it is rendered useless for purpose used is destruction of it; if any value remains, the insurance company is entitled to benefit of it, if paid for in full.

We will now revert to the clauses or warranties you meet with most frequently in policies; or rather, which if not contained in the policy should be inserted in the wording as circumstances may demand it.

(A) Permission granted without notice to make ordinary alterations and repairs for a period not exceeding fifteen days.

This clause limits the work, as you will notice, to fifteen days, and it should be noted that a special permit is required, if carpenters or plumbers or other workmen are employed on the premises for a longer period than that mentioned. A consideration is usually paid for such a permit. Of late the companies have extended the privilege of finishing dwellings under construction without making any extra charge over the usual rates.

(B) Permission granted to work overtime as occasion may require. This privilege is not always granted, and in certain industries the working overtime will involve an extra charge for increased hazard.

Question of Vacancy.

(C) Permission granted to cease operation as and when assured may deem necessary for a period not exceeding thirty days at any one time.

The question of vacancy requires particular attention, especially in connection with factories, and some companies make it a rule to cancel their insurance as soon as a factory is permanently silent, or in other words, is not being operated. Vacancy is considered a change material to the risk, treated in condition 3.

(D) Permission to keep such material and supplies as are necessary for the proper conduct of the business carried on, not, however, exceeding one gallon in all of benzine, gasoline, or naphtha.

This is defined by condition 10 F, from which you will notice that a special permit is required for the keeping of gunpowder, and consequently also of fireworks. Special clauses are drafted, for instance, for automobile garages, and other risks, having specially hazardous properties.

(E) The keeping of a watchman is sometimes warranted by the assured, and a rate allowance thereby obtained.

(F) Mortgage Clause:—

It is hereby provided and agreed that this insurance as to the interest of the mortgagees only therein shall not be invalidated by any act or neglect of the mortgagor or owner of the property insured, nor by the occupation of the premises for purposes more hazardous than are permitted by this policy.

It is further provided and agreed that the mortgagees shall at once notify said company of non-occupation or vacancy for over thirty days, or of any change of ownership or increased hazard that shall come to their knowledge; and that every increase of hazard, not permitted by the policy to the mortgagor or owner, shall be paid for by the mortgagees on reasonable demand from the date such hazard existed.

(To be continued.)

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