

ARE YOU PROPERLY INSURED?

Fire Insurance Policy Conditions, and what they Signify.

Are you properly insured? is the exceedingly direct title of a booklet recently issued by Szeliski & McLean, of Toronto. To underwriters as well as laymen, the points covered in the pamphlet are of practical interest. It is an evidence of the tendency to make a strong educational effort towards getting the public to a better understanding of underwriting principles and methods.

Construction and Occupancy.

For instance, it is emphasized that construction and occupancy of building must be correctly stated. In the case of the description of buildings it should be made clear whether the buildings themselves are insured or only the property contained in the buildings. The wording should give their construction, whether of brick or wood, etc., and how roofed, and should state particularly the purposes for which the buildings insured are used; i.e., the policy should state whether the building is occupied, for instance, as a dwelling, or store and dwelling, warehouse or factory, and also describe the class or nature of the goods stored or for sale or manufactured.

As to the liability of an insurance company and the value upon which a manufacturer can realize in case of fire, the rule is laid down, that 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.

Distribution Clause.

"It is sometimes impracticable for an insured, who has property in more than one location, to place insurance in such a manner as to cover specific amounts in each location. In case of removal, for instance, from one place of business to another till the completion of removal; or, in a paper mill, what was raw pulp in the machine-room in the morning might be by night finished paper in the warehouse.

"To meet such cases, where values are rapidly transferred from one location to another, the distribution clause is designed.

Distribution is a form of co-insurance, and the clause is usually worded as follows:

"It is hereby declared and agreed that (in the event of fire) this insurance shall be held to cover and attach in the several (or both) (adjoining or otherwise) buildings (or sections) hereinbefore described, in the proportion that the value in each shall bear to the value in all at the time of such fire.

"Under this clause the insurance will follow automatically the shifting or changing values to each location, but it will follow and attach only in such proportion of its amount, in any one location, as the value in such location bears to the total value in all locations.

"The distribution clause may be used without co-insurance or in connection with a co-insurance clause.

However, we may say there is now less reason for using it with co-insurance, as it has been lately the practice of companies to issue policies at an average rate covering the contents of several buildings under one amount, and applying in place of the distribution clause the 90 per cent. co-insurance clause."

What Cash Value Means?

The pamphlet points out that 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.

It is to be further noted that where the 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.

Market Value.

Summing up, it is stated that 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.

Of course, in order to meet peculiar conditions of manufacture, special insurance arrangements are often necessary. To quote from the booklet:

JUDGE LANDIS, in the Federal District Court at Chicago, has denied the motion for a new trial for E. J. Summerhays, who was convicted recently of using the mails to defraud in a scheme for placing insurance for out-of-town concerns. He was sentenced to two years in the Leavenworth penitentiary.

He will not be likely to handle the policies of wild cat companies for some time to come.

U. S. MINISTER GEORGE H. MOSES writes from Athens that, in consequence of a new Greek law regulating fire insurance companies, all British insurance concerns have agreed to completely withdraw from the field.