

THE DUTIES OF AN ACCOUNTANT IN CONNECTION WITH INSURANCE CONTRACTS.

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(Concluded.)

VI.

Explanation of the Effect of the 80 Per Cent. Co-insurance Clause on the Adjustment of Losses.

The percentage of co-insurance principally used in fire insurance is 80 per cent., and the clause is usually worded as follows:

The premium having been reduced in consideration of this condition, the insured shall during the currency of this policy maintain insurance concurrent with this policy on each and every item of the property insured to the extent of at least 80 per cent. of the actual cash value thereof, and if the insured shall not do so, the company shall only be liable for the payment of that proportion of the loss for which the company would have been liable if such amount of concurrent insurance had been maintained.

The 80 per cent. co-insurance clause is an obligation on the part of the assured to secure, and continue to maintain during the currency of the policy, insurance amounting in all to not less than 80 per cent. of the sound or actual value of the property insured. The fixing of values in advance—i.e., at the time of the effecting of the insurance—as a basis for the settlement of a loss in connection with this clause, is not sufficient, as, in the actual settlement of losses account must

be taken of changes in values, by reason of increased or decreased cost of materials or labor or depreciation through age or use or fluctuation in market prices of commodities. A re-valuation of buildings or plants after a term of years, and stock-taking at least once a year, or at seasons when stock fluctuates, is, therefore, to be recommended.

But to return to the explanation of the co-insurance, either of the following privileges are now granted to assured in connection with policies having a co-insurance clause.

The words "at least" or "not less," appearing in the clause, mean no more than they express, and nothing prevents assured from insuring for more than 80 per cent. of the value of his property.

This clause, whether complied with or not, has no effect whatever on the adjustment of a loss, if the property is damaged to the extent of 80 per cent. or more of its sound value.

But this clause does affect the adjustment of a loss, if the damage to the property be less than 80 per cent., and if the insurance be also less than 80 per cent. of the sound or actual value.

Co-insurance Clauses Not to be Confounded with Loss Clauses.

It is important that the co-insurance clauses should not be confounded with the $\frac{2}{3}$ or $\frac{3}{4}$ loss and value clauses, which latter clauses are not used by standard companies. The $\frac{2}{3}$ and $\frac{3}{4}$ loss clause limits the indemnity recoverable by the assured to $\frac{2}{3}$ or to $\frac{3}{4}$, respectively, of the loss sustained, no matter whether he has a total or a partial loss, whether he carries 50 or 100 per cent. insurance; while the $\frac{2}{3}$ or $\frac{3}{4}$ value clause limits the indemnity recoverable by assured to $\frac{2}{3}$ or $\frac{3}{4}$ of the value of the property insured.

Examples of Adjustment of Loss Under 80 Per Cent. Co-insurance Clause.

Sound Value of Property at Time of Loss.	80% of Value as Required by Clause.	Total Amount of Insurance Actually Carried.	Is Clause Complied With?	How Much is Assured Short of Insurance as Required by Clause?	Loss or Damage by Fire.	Loss Paid by Company.	Proportion of Loss Borne by Assured by Reason of Clause.
\$10,000	\$8,000	\$10,000	Yes	Nil	\$10,000	\$10,000	Nil
10,000	8,000	9,000	Yes	Nil	10,000	9,000	Nil
10,000	8,000	8,000	Yes	Nil	6,000	6,000	Nil
10,000	8,000	6,000	No	\$2,000	10,000	6,000	Nil
10,000	8,000	6,000	No	2,000	8,000	6,000	Nil
10,000	8,000	6,000	No	2,000 (2/8)	6,000	4,500	1,500 (2/8)
10,000	8,000	3,000	No	5,000 (5/8)	4,000	1,500 (3/8)	2,500 (5/8)

Ninety per cent. co-insurance is frequently used where more than one class of property is insured under one amount, as for instance, buildings and all contents, or machinery, fixtures and stock.

One hundred per cent. is generally used for grain policies, or when property, such as lumber, is scattered over a wide area.

Either of the following privileges are now granted to assured in connection with policies having co-insurance clause.

"In case any claim for loss shall neither exceed twenty-five hundred dollars, nor 5 per cent. of the sum insured on the involved item or items of this schedule, no special inventory or appraisal of the undamaged property shall be required."

"In case of loss the co-insurance clause shall not be held to apply where the total loss does neither exceed twenty-five hundred dollars nor 2 per cent. of the sum insured on the involved item or items of the schedule."

WEATHER INSURANCE IN CANADA.

The Canada Weather Insurance Company is circulating a pamphlet advertising the opening of the subscription list at the company's temporary offices, Continental Life Building, Toronto, for the issue of \$100,000 of the capital stock at par. The authorized capital is \$500,000. This company is the only weather insurance company as yet incorporated by the Dominion Parliament. It will insure injuries to property caused by cyclones, tornadoes, wind storms, hail or frost, or for injury caused by frost to goods while in transit on land.

If no allotment is made the deposit will be returned without deduction, and if a partial allotment is made the surplus deposit will be applied towards the amount payable.

The stock may be paid for as follows:—Twenty dollars per share on application; and the balance in eight consecutive monthly payments of \$10 per share for the eight

months immediately succeeding the allotment thereof. Four per cent. per annum will be allowed on all money paid in advance on account of calls not due, up to the time that the company commences business.

The provisional directors are:—A. B. Welford, Woodstock; F. Millman, Woodstock; A. McKay, Ingersoll; J. B. Maclaren, Montreal; and G. W. Hunt, Toronto.

The Monarch Life Assurance Company, of Winnipeg, with a capital of \$2,000,000, has been authorized to do business in British Columbia. The head office for the Province is at Vancouver, and R. W. Harris, barrister-at-law, is attorney for the company.

The Manufacturers' Life, of Toronto, has appointed John S. Allam its manager for Western Pennsylvania. He has offices at 801 Union Bank Building, Pittsburg.