

## WHAT IS THE CO-INSURANCE CLAUSE?

To receive an indemnity that fully covers the damages incurred in the event of a partial loss, you must insure your property for a minimum amount that corresponds to the percentage mentioned in the co-insurance clause. If you choose a lower amount, you may have to cover part of the cost of the damages yourself.

It is therefore important to:

- choose a sufficient amount of insurance—an amount that takes into account the value of your property (ideally determined through a professional appraisal);
- notify your broker should the value of your property change during the term of the contract.

**The following table will help you to better understand the co-insurance clause. Insert the amounts that best fit your needs.**

	EXAMPLE 1	EXAMPLE 2
A Value of insured property	\$1,250,000	\$1,500,000
B Amount of insurance stipulated in the contract	\$1,000,000	\$1,000,000
C Co-insurance clause percentage	80 %	80 %
D Amount required to comply with the clause (box C x box A)	\$1,000,000	\$1,200,000
The amount in box B is therefore	Sufficient	Insufficient

## THE CONSEQUENCES OF NON-COMPLIANCE

If the amount of your insurance does not match the percentage indicated in the co-insurance clause:

- You might have to absorb a portion of the cost of damages, even if the amount of the damages is lower than the amount of insurance stipulated in the contract.
- The amount of damages you will have to absorb will depend on the difference between the amount of insurance **stipulated in your contract** and **the minimum amount of insurance required** to comply with the co-insurance clause.

## EFFECT ON THE AMOUNT OF THE INDEMNITY

In the event of a partial loss, the claims adjuster uses the following formula to calculate the indemnity to be paid to the Insured:

$$\frac{\text{Amount of insurance stipulated in the contract (box B)} \times \text{Amount of damages (box E)}}{\text{Minimum amount of insurance required to comply with the clause (box D)}}$$

Thus, as per the examples above, if you suffer a partial loss causing \$600,000 in damages:

	EXAMPLE 1	EXAMPLE 2
B Amount of insurance stipulated in the contract	\$1,000,000	\$1,000,000
E Amount of damages	\$600,000	\$600,000
Calculation : (box B * box E) / box D	$\frac{\$1,000,000 \times \$600,000}{\$1,000,000}$	$\frac{\$1,000,000 \times \$600,000}{\$1,200,000}$
F Total indemnity payable after applying the co-insurance clause	\$600,000	\$500,000

In example 2, the amount of insurance stipulated in the contract does not comply with the amount required by the co-insurance clause. **You would only be entitled to collect a portion of the required indemnity** since you would receive \$500,000 of the \$600,000 in damages suffered, **even if the loss is less than the amount of insurance stipulated in your contract.**

If you have any concerns, in particular regarding the amount of insurance stipulated in your insurance contract and/or the co-insurance clause, please speak to your broker.