

**PRO RATA CONDITION OF
AVERAGE NOTICE**



Please sign and return to:

Pro Rata Condition of Average Notice

This Notice is given to you in fulfilment of the requirement set out in Section 214(1) of the Insurance Act, Ch. 347, to provide you with information on the nature and effect of the Condition of Average stated in your policy.

Please note that your Policy is subject to a CONDITION OF AVERAGE. This means that if the Sum Insured is less than it should be (known as underinsurance) you will not receive reimbursement for the full amount of any loss the Policy responds to.

In the event your property is underinsured then the Condition of Average will operate to reduce the net amount you will receive from a valid claim, in direct proportion to the amount of underinsurance.

For example, if you have a Sum Insured that is only 50% of what it should be you will only receive 50% of any valid claim. Similarly, if you insure for 75% of the correct amount you will receive only 75% of any valid claim.

Please note that in the event of a total loss the policy will pay the lower of the amount of the loss or the sum insured. This means that in the event of you being underinsured and having a total loss you will receive only the sum insured, which will not reimburse you for the full amount of any loss you may have suffered.

(Where a Deductible or Excess exists on a Policy this will be subtracted from the final payment of any claim after the operation of the Condition of Average).

The basis for calculating your Sum Insured is set out in your Policy wording, but we recommend that a professional valuation or appraisal be carried out at regular intervals.

If you have any questions about the way the Condition of Average may affect you

PLEASE CONTACT YOUR AGENT AT THE EARLIEST OPPORTUNITY.

The following serves to further illustrate the principle:

Sum Insured : \$100,000

Replacement Cost : \$200,000

Amount of Loss : \$ 50,000

Calculation Formula : Sum Insured x Loss
Replacement Cost

$\$100,000 \times \$50,000 = \$25,000.00$

\$200,000

Policy Payment : \$25,000.00 (Before deductible)

Insured's Contribution : \$25,000.00

The basic concept of insurance is that insured persons contribute to a pool based on the risk (the value of their property) they bring to the pool. If the insured does not pay premium based on his full exposure e.g. if he only insures 50% of his risk, as above, then he has contributed less to the pool than he should. Because of this, he cannot take out of the pool the full amount (100%) of his loss, but rather would get the percentage of the loss that he contributed in premium to the pool, which in the above example is 50%.

I hereby declare that I have read the notice above and understand that in the event my property is underinsured then the "Condition of Average" will operate to reduce the net amount I will receive from a valid claim.

Name: _____

Signed: _____

Date: _____

Witness: _____

Policy Number: _____

(Please see renewal notice)