

EXPLANATION ON THE APPLICATION OF THE CO-INSURANCE CLAUSE (80%)

The fact of insuring your property, at the minimum percentage required by the co-insurance clause will permit you to obtain the total amount of damages in the case of a partial loss. This would not be the case if you chose an amount less than the required percentage.

It is therefore important to choose an amount of insurance that is sufficient, taking into consideration the value of your property so that you will not assume a portion of the loss because you are under insured. This is why it is important to advise your insurance broker when changes occur during the policy term.

Here is an example that will help you better understand the co-insurance clause :

	Scenario 1	Scenario 2
Amount of insurance in force or amount mentioned in the insurance contract :	1 050 000 \$	1 050 000 \$
Amount of damages :	600 000 \$	600 000 \$
Co-insurance	80 %	80 %
Value of property insured :	1 250 000 \$	1 500 000 \$
Minimum amount of insurance required to respect the co-insurance : (80 %) X (value of insured property)	1 000 000 \$	1 200 000 \$

Calculation of Indemnity paid:

The claims expert will calculate the indemnity to be paid to the insured with the help of the following formula :

$$\text{Amount of damages X} \frac{\text{Amount of insurance in effect}}{\text{Minimum amount required to respect the co-insurance}} = \text{Total indemnity}$$

Scenario 1

$$600\,000 \$ \times \frac{1\,050\,000 \$}{1\,000\,000 \$} = 600\,000 \$ \text{ max.}$$

Scenario 2

$$600\,000 \$ \times \frac{1\,050\,000 \$}{1\,200\,000 \$} = 525\,000 \$$$

Results if you do not respect the co-insurance requirement:

- ✓ Even if the amount of damages is inferior to the amount of insurance indicated in the insurance contract, the insured will be required to assume a portion.
- ✓ The portion of damages that the insured will need to assume will be proportionally greater should the amount of insurance indicated in the contract be inferior to the minimum amount required in order to respect the co-insurance.
- ✓ In the case of a total loss, even if the insured respects the co-insurance requirement, the indemnity paid will be limited to the amount of insurance indicated in the contract. It is therefore recommended to choose an amount equal to the value of the insured property (or its replacement value if the contract contains a replacement cost clause)