







## What is Co-Insurance?

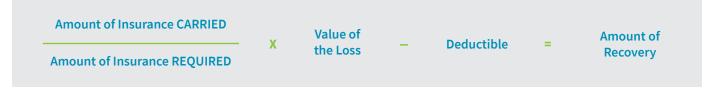
All commercial insurance policies are subject to a co-insurance clause, which requires policyholders to insure their property to an appropriate value, typically 80%, 90% or 100% of the true value.

If a policyholder chooses a lesser percentage of coverage, they become a 'co-insurer' and agree to share any losses with the insurer.

## Co-Insurance is probably best illustrated by example:

Actual Replacement Cost of Building / Contents	\$10,000,000
Co-Insurance Percentage	90%
Required Minimum Insurance	\$9,000,000
Amount of Insurance Carried	\$6,000,000
Damage Caused by Fire	\$250,000
Amount Paid by Insurance	(\$6,000,000/\$9,000,000) × \$250,000 = \$166,667
Co-Insurance Penalty	<b>\$83,333</b> (\$250,000 - \$166,667)

This example puts in dollar terms the Co-Insurance concept which could be described as:



Co-Insurance does not apply to a total loss. In this example, the maximum amount payable would be \$6,000,000 – which is the amount of insurance carried.

## Insurance to value does not cost, it pays.

When insuring buildings, it is the actual cost of physical re-construction (excluding land value) that needs to be insured.

Contact a CapriCMW Risk Advisor today to learn more about co-insurance.