GK GraceKennedy
General Insurance

NEW KINGSTON KNUTSFORD BOULEVARD	**LIGUANEA** HOPE ROAD	**PORTMORE** PORTMORE TOWN CTR.	**JUNCTION** TONY ROWE PLAZA
MONTEGO BAY FAIRVIEW SHOPPING CTR.	**SANTA CRUZ** COKE DRIVE	**MAY PEN** BARGAIN VILLAGE PLAZA	**MANDEVILLE** MIDWAY MALL

TOLL FREE: 888-429-5454 | **FAX:** 876-968-1920 | **EMAIL:** gkginfo.gkco.com | **WEBSITE:** www.gk-insurance.com

Notice to Insured on the Nature and Effect of the Pro Rata Condition of Average (Average Clause)

Please note that any property that is insured or to be insured under the policy mentioned above is subject to the pro rata condition of average (average clause). This means that, under certain circumstances, if the property covered under this policy is, at the time of any loss or damage from an insured peril, of greater value that the sum for which the property is insured, you will only be entitled to recover under this policy such proportion of the loss as the sum insured under this policy bears in relation to the total value of the property. You are said to be underinsured because the sum insured at the time of the loss is less than the actual value of the insured property and so a part of the insured loss will not be covered under this Policy. In this case, you are considered as being your own insurer for the part of your loss, which is not covered under this policy.

For example, should you have a property which, has a value of $ 10,000,000 and you decide to insure it for $ 7,000,000 and you suffer a loss from an insured peril, there are three possible scenarios depending on the size of the loss. The formula that is applied in each case is as set out below:

$$\frac{\text{Sum Insured}}{\text{Value}} \quad x \quad \frac{\text{Amount of the loss}}{1} \quad = \quad \frac{\text{Amount Recoverable}}{1}$$

Example 1   Where loss is less than value and less than Sum Insured

        Assume the loss is $ 5,000,000

$$\frac{\$\,7,000,000}{\$\,10,000,000} \quad x \quad \frac{\$\,5,000,000}{1} \quad = \quad \frac{\$\,3,500,000}{1}$$

You will be paid $ 3,500,000 or 70% of your loss less any deductible stated in the policy.

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Example 2   Where loss is less than value but greater than Sum Insured

Assume loss is $ 8,000,000

$$\frac{\$\,7,000,000}{\$10,000,000} \quad x \quad \frac{\$\,8,000,000}{1} \quad = \quad \frac{\$\,5,600,000}{1}$$

You will be paid $ 5,600,000.00 or 70% of your loss less any deductible stated in the policy.

Example 3   Where loss is equal to value:

Should you have a total, that is $ 10,000,000 then you will only receive the amount you insured the property for, that is, $ 7,000,000 less any deductible stated in the policy.

Under other circumstances where you under-insure, you may be entitled to the full amount of the insured loss if the sum insured is equal to or more than eighty-five percent (85%) of the value. This will depend on the terms of your policy.

Please review the terms of your policy carefully, including checking on the adequacy of the sum for which the property is insured or to be insured. This will enable you to identify whether you are or will be under-insured in a manner which will cause the pro rata condition of average detailed in your policy to be applied. You may check with Scotia General Insurance Agency for further clarification on the terms of your policy and the nature and effect of the pro rata condition of average contained therein.

This notice is given to you in fulfillment of the legal requirement to provide you with information on the nature and effect of the pro rata condition of average stated in your policy/ to be inserted in the policy of insurance mentioned above.

Please note that the extent to which the condition applies is governed by the terms of your policy.