



## SUMMIT INSURANCE CO. LTD.

GENERAL AGENT:



INSURANCE MANAGEMENT  
(BAHAMAS) LIMITED  
INSURANCE BROKERS AND AGENTS

NEW PROVIDENCE

GRAND BAHAMA

ABACO

ELEUTHERA

EXUMA

## CONDITION OF AVERAGE NOTICE

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.

The following serves to further illustrate the principle:

**Sum Insured:** \$100,000  
**Replacement Cost:** \$200,000  
**Amount of Loss:** \$ 50,000  
**Calculation Formula:**  $\frac{\text{Sum Insured} \times \text{Loss}}{\text{Replacement Cost}}$   
 $\frac{\$100,000 \times \$50,000}{\$200,000} = \$25,000.00$   
**Policy Payment:** \$25,000.00 (*Before deductible*)

**Insured's Contribution:** \$25,000.00

**(N.B. 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).**

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.

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%.

**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 Insurance Company, Agent or Broker.

This notice is given to you in fulfillment of the requirement set out in Section 214 of the Insurance Act, 2005, to provide you with information on the nature and effect of the Condition of Average stated in your Policy.