

Insurance: rateable clause and non-contribution clause

Law



The rateable clause is a clause that applies in situations where there are double insurance and contribution. This clause prevents the insured from claiming from only one insurer in cases where he has insured property with more than one insurer (BIRDS, 2010). However, this clause should be prohibited by law in the best interest of the consumer as problems normally arise when it comes to the proportion of loss to be paid by each insurer. This leads to delays in compensation and sometimes under-compensation, yet the insured pays a contribution to all insurers.

The noncontribution clause is where it is expressly agreed in an insurance contract that in cases of loss covered by another insurance policy other than the primary cover taken by the insured other, the insurers are required to indemnify the insured assuming that the other policy does not exist.

However, this clause should be prohibited by law as it creates limits when the third party policy is called upon in cases where amounts can not be recovered from another policy and if the insured party is entitled to a full indemnity. This means that there is no entitlement for compensation.

To determine in the first place if Jane is entitled to any insurance claim, it is crucial to know if she has an insurable interest in the property as a mere expectation of loss from the destruction of the property would not be enough. It can be seen that she has an insurable interest as she gained property rights from the purchase of the old church building.

Under the insurance law, any individual who has an interest in a property has the right to insure it and can insure it in full up to the value of the property (BIRDS, 2010). However, in case of any losses, the value of the interest becomes very important and the one insured can prima facie only get that

which is sufficient to only to indemnify him. In some cases, the insured can recover more to the limit of the value of interest. Also, the no-profit rule under insurance law ensures that no individual profits from insurance money as seen in the case of *Castellain Vs Preston*.

In the case, the fact that Jane has insurable interest means that she is entitled to compensation. However, she is entitled to the value of £150, 000 or less so as to restore the church as this is where her insurable interest is. This is because she bought the church for £70, 000 if the insurance pays her £250, 000 she will have profited from the insurance money which she is not entitled to.

The terms of the Fire Prevention (Metropolis) Act 1774 will only prove that she is not liable if it is proven that it was accidentally meaning that she is entitled to compensation to her original position. This means that it will not help her get more insurance money.