



ECFH Financially Speaking

East Caribbean Financial Holding Company Limited

As we come to the end of June, our final insurance-related term is: **Average Clause**

Average clause refers to that section in an insurance policy which states that under certain circumstances, if the property covered under that policy is, at the time of any loss or damage from an insured peril, of **greater value** than the sum for which the property is insured, you will only be entitled to recover such proportion of the loss as the sum insured under this policy.

What does this mean for you?

The **average clause** alerts you to the possibility that you may be underinsured because the sum insured at the time of the loss is less than the actual value of the insured property. Therefore, a part of the loss will not be covered under this policy and so you are considered as being your own insurer for the part of your loss which is not covered under this policy. Therefore, always ensure that your property is insured for its actual market value so that you do not have to come up with significant additional funds in the event of loss or damage to your property.