

Competition Law Compliance:

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The following Guidance was introduced by the ABI and has not been updated to reflect the Competition Law Compliance statement above. It is entirely voluntary in nature and should be construed as such.

**CONDITIONS OF AVERAGE (UNDERINSURANCE)**

**The condition of Average (Underinsurance)**

Whenever a sum insured is declared to be subject to Average, if such sum shall at the commencement of any DAMAGE be less than the value of the property covered within such sum insured, the amount payable by the Insurer in respect of such DAMAGE shall be proportionately reduced.

**The Special Condition of Average (Underinsurance)**

Whenever a sum insured is declared to be subject to the Special Condition of Average, then, if such sum shall at the commencement of any DAMAGE be less than 75% of the value of the property covered within such sum insured, the amount payable by the Insurer shall not exceed that proportion of the amount of the DAMAGE which the said sum insured shall bear to the full value of the property insured.

**The Two Conditions of Average (Underinsurance)**

Whenever a sum insured is declared to be subject to the Two Conditions of Average

- 1 if such sum shall at the commencement of any DAMAGE be less than the value of the property covered within such sum insured, the amount payable by the Insurer in respect of such DAMAGE shall be proportionately reduced, but
- 2 if any of the property covered within such sum insured shall at the commencement of any DAMAGE be also covered by any more specific insurance, then this policy shall only insure the same for any value in excess of the amount of such more specific insurance(s) which excess value shall be deemed to be the value of the property covered hereby and subject to 1 above.

For the purpose of 2 only a more specific insurance is one which at the time of DAMAGE applies only

- (a) to property as described herein, and
- (b) at any but not all of the locations to which this insurance applies

**Note:** The Two Conditions of Average are intended for use on Contents and/or Stock insurances arranged on a floating basis where specific insurance also applies.

**General Notes:**

- 1 With earlier versions of policy forms substitute “destruction or damage” or “loss destruction or damage” for “DAMAGE” as appropriate
- 2 For Special Perils insurances on a first loss basis refer to General Note of 1 Appendix 10.