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Backgrounder

LRC 107—Report on Loss Appraisal under the Insurance Act

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Generally when an insured person suffers a loss, the insurer and the insured are able to agree on the amount that should be paid. In cases where they fail to reach an agreement, the *Insurance Act* sets out an appraisal process to avoid potentially expensive and lengthy litigation. This process is mandatory for insurance policies related to fire damage, although business interruption losses are excluded. This is problematic as this is often a contentious area for valuation.

The appraisal process is one that is not greatly used, but due to the ever-increasing length and expense of litigation its use is bound to grow. The fact that it only applies to fire damage is not rational, as the valuation of damaged property will generally be similar whatever the cause of damage.

At the time of this report, section 11 of the *Insurance Act*, which contains the appraisal process, only applied to Part 6 of the Act, which relates to fire insurance. Removing its applicability from the scope of Part 6, and having it apply to property damage generally would rationalize the application of the *Insurance Act*. Amending the legislation to allow the appraisal process to be used in relation to business interruption losses would be beneficial to both insurers and the insured.

Further Developments

1. *Insurance Amendment Act, 1994*, S.B.C. 1994, c. 7, s. 1, which created *Insurance Act*, R.S.B.C. 1979, c. 200, s. 11
2. See now *Insurance Act, 1996*, R.S.B.C. 1996, c. 226, s. 9