

1. Cornell Car Assurance Company sells a policy with a linearly disappearing deductible. Under the policy, Cornell will pay zero if the claim is less than 500 and will pay the entire claim for amounts over 2000.

- a. Liz who owns one of these policies has an accident where the loss is 1300.

Determine the loss payment by Cornell.

- b. Jillian also owns one of these policies. Jillian has an accident where the loss is L . Cornell makes a loss payment of 1800.

Determine L .

2. Jack purchases a homeowners policy with an 80% coinsurance provision. The home is insured for 150,000. The home was worth 180,000 on the day the policy was purchased. There is a tornado that causes 20,000 worth of damage. On the date of the tornado, the house was worth 250,000.

Calculate the benefit payment that Jack will receive under his policy.

3. Jason purchases a homeowners policy with an 80% coinsurance provision. The home is insured for 150,000. The home was worth 180,000 on the day the policy was purchased. There is a tornado that causes 220,000 worth of damage. On the date of the tornado, the house was worth 250,000.

Calculate the benefit payment that Jason will receive under his policy.

4. The White Company purchases a commercial insurance policy with a property policy limit of 70,000. The insurance policy has an 80% coinsurance clause and a deductible of 1000. The deductible is applied before the limit or coinsurance is applied.

White suffers a loss of 30,000. At the time of the loss, the value of the property is 100,000.

Determine the amount that the insurance company will pay.

Answers

1.
 - a. 1066.67
 - b. 1850
2. 15,000
3. 150,000
4. 25,375