1. Find the amount of loss, given the following information:

Amount of Insurance purchased $300,000

Coinsurance Requirement 80%

Property’s insurable value at time of loss $400,000

Property’s insurable value when policy was purchased $350,000

Amount of loss paid by the insurer $150,000

300,000/400,000=.75

300,000/[(.8)400,000]=.9375

Total loss = $150,000/.9375= $160,000.

1. In each of the following cases, what will the insurer pay on a claim of $14,000?
   1. A 20% deductible and a policy limit of $12,000.

$14,000 - $2,800 = $11,200

Insurer will pay $11,200.

* 1. A 10% deductible and a policy limit of $12,000.

$14,000 – $1,400 = $12,600 over limit   
Insurer will pay $12,000.

* 1. A straight deductible of $1,000 and a policy limit of $10,000.

14,000>10,000

Insurer will pay $10,000.

* 1. A linearly disappearing deductible such that a claim of $5,000 has no loss payment, but a claim of $15,000 is paid in full.

For every $1,000 increase in claim amount beyond $5,000, the $5,000 deductible decreases by $500. A claim of $14,000 would decrease the deductible to $5,000 – (8\*$500) = $1,000. The insurer will pay $13,000.