

Accounting 460
Co-insurance exercises

1. Compute the indemnity under an insurance policy carrying an 80% co-insurance clause under each of the following cases:

	Case A	Case B	Case C
Fair market value of property at the date of loss	\$ 20,000	\$ 30,000	\$ 30,000
Insurance carried	24,000	20,000	12,000
Fair market value of the loss by fire	15,000	27,000	15,000

2. Assuming that all policies contain an 80% co-insurance clause, show what each insurance company would pay under each of the following cases:

	Case A	Case B	Case C
Fair market value of property at the date of loss	\$ 25,000	\$ 15,000	\$ 10,000
Amount of loss	24,000	3,000	3,200
Face of policies:			
Written by Co. X	10,000	7,500	4,000
Written by Co. Y	12,500	5,000	3,500

3. Determine the liability of each insurance company under policies carrying the co-insurance clause and the amount carried as indicated. The property had a fair market value at the date of the fire of \$60,000 and the amount of the loss was \$6,480.

Company	Co-insurance Clause	Face Value of the Policy
A	100%	\$ 15,000
B	70%	15,000
C	90%	10,000
D	none	5,000