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Written by Professor Gregory M. Burbage, MBA, CPA, CMA, CFM

Having One or More Insurance Policies with the Same Coinsurance Percentage:

When an insurance policy indicates a coinsurance requirement the formula below is used to help determine the proceeds due from the insurance company. After determining the formula amount, **the proceeds due from the insurance company will equal the lower of the Face value of the policy, the Loss, or the Formula amount**. When there are multiple policies that cover the same asset(s), the same formula is used if the coinsurance percentages of all policies are the same.

$$\frac{\text{Face amount of policy}}{\text{Co-insurance percentage x FMV of asset}} \text{ X Loss = Formula Amount}$$

Multiple Insurance Policies with One, or More, Having a Different Coinsurance Percentage:

If the coinsurance percentages differ on at least one policy then the formula below should be used. The **fraction** in the formula is determined by taking as the ***numerator*** the face value of the policy, and taking as the ***denominator***** the **higher of**: the total of all the face values of the policies (180,000) or the coinsurance amount for each policy (160,000, 190,000 and 170,000, respectively).

Assuming a loss of $150,000 and

Policy #	Face Value	Co-insurance %
1	20,000	80 %
2	100,000	95 %
3	60,000	85 %

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Calculations:

Policy #	Face Value	Coinsurance Requirement*	Fraction	x	Loss		Amount Collectible
1	20,000	.80 (200,000) = 160,000	20,000 / 180,000**	x	150,000	=	16,666.67
2	100,000	.95 (200,000) = 190,000	100,000 / 190,000**	x	150,000	=	78,947.37
3	60,000	.85 (200,000) = 170,000	60,000 / 180,000**	x	150,000	=	50,000.00
Total of face:	180,000		Total Amount Due From Insurance Companies =				145,614.04
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* Coinsurance requirement equals the policy's coinsurance percentage set by the insurance company multiplied times the fair market value of the insured asset.

** The denominator in the fraction is the **Higher** of (1) total of all face values, or (2) coinsurance amount of each policy, respectively.

Policy #1: 180,000 > 160,000; Policy #2: 180,000 < 190,000; Policy #3: 180,000 > 170,000.