Student _____   Date _____

Class _____   Instructor _____

SECTIONS 10-6, 10-7 Homeowners Insurance and Insurance Premium

When you own a home, you will probably purchase homeowners insurance as protection against losses due to fire, theft of contents, and personal liability. To receive full payment for any loss up to the amount of the policy, you must insure your home for at least 80 percent of its replacement value. Insurance companies use the amount of coverage on your home to calculate the amount of coverage on your garage, on your personal property, and for loss of use. The amount of your premium depends on the amount of insurance, the location of your property, and the type of construction of your home.

Amount of Coverage = Percent × Amount of Coverage on Home

Use the table at the right to answer Problems 1 and 2.

1. The Kimbroughs' home has a replacement value of $82,700. They are insuring it for 80 percent of the replacement cost.

Coverage	Percent of Coverage
Personal Property	50%
Loss of Use	20%
Garage and Other Structures	10%

   a. What is the amount of insurance?   _____

   b. What is the amount of coverage for personal property?   _____

2. The Lugos's home has a replacement value of $287,000. It is insured for 90 percent of the replacement cost.

   a. What is the amount of insurance?   _____

   b. What is the amount of coverage for loss of use? ✗   _____

3. The Ellisons have insured their home for $90,000. Their personal property coverage is 50 percent of the amount of their home coverage, personal liability coverage is 45 percent, and loss of use coverage is 20 percent.

   a. What is the amount of coverage for personal liability?   _____

   b. What is the amount of coverage for personal property?   _____

   c. What is the amount of coverage for loss of use?   _____

Use the table at the right for Problems 4 and 5.

4. Your brick home has a replacement value of $100,000 and is insured for 80 percent of the replacement value. You live in an area that has been designated fire protection class 3. Find the annual premium.

   _____

5. Your brick home has a replacement value of $150,000 and is insured for 80 percent of the replacement value. You live in an area that has been designated fire protection class 9. Find the annual premium.

   _____

Amount of Insurance Coverage	ANNUAL PREMIUMS Brick/Masonry Veneer Fire Protection Class				
	1–6	7–8	9	10	11
$ 50,000	178	183	241	254	290
60,000	191	196	259	273	313
70,000	213	216	285	299	343
80,000	241	248	328	343	394
90,000	268	276	365	384	441
100,000	298	307	407	426	490
120,000	354	364	484	508	584
150,000	459	471	625	657	755

Mathematics with Business Applications ◆ *Sections 10-6, 10-7*

10-6 / 10-7   Answers

1. a) 82,700 × 80%
      82,700 × .8 = 66,160

   b) 66,160 × 50%
      66,160 × .5 = 33,080

2. a) 287,000 × 90%
      287,000 × .9 = 258,300

   b) 258,300 × 20%
      258,300 × .2 = 51,660

3. a) 90,000 × 45%
      90,000 × .45 = 40,500

   b) 90,000 × 50%
      90,000 × .50 = 45,000

   c) 90,000 × 20%
      90,000 × .20 = 18,000

4. 100,000 × 80%
   100,000 × .8 = 80,000
   Look up 80,000 / Fire Protection Class 3
   (first Column) $241.00

5. 150,000 × 80%
   150,000 × .8 = 120,000
   Look up 120,000 / Fire Protection Class 9
   (3rd Column) $484.00