

VII. Coinsurance	
Policy Language	Additional Explanation
<b>A.</b> This Coinsurance Section applies only to coverage on the building.	
<b>B.</b> We will impose a penalty on loss payment unless the amount of insurance applicable to the damaged building is:	
<ol style="list-style-type: none"> <li>At least 80% of its replacement cost; or</li> <li>The maximum amount of insurance available for that building under the NFIP, whichever is less.</li> </ol>	Refer to policy definition.

  

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<b>C.</b> If the actual amount of insurance on the building is less than the required amount in accordance with the terms of VII.B. above, then loss payment is determined as follows (subject to all other relevant conditions in this policy, including those pertaining to valuation, adjustment, settlement, and payment of loss):																					
<ol style="list-style-type: none"> <li>Divide the actual amount of insurance carried on the building by the required amount of insurance.</li> <li>Multiply the amount of loss, before application of the deductible, by the figure determined in C.1. above.</li> <li>Subtract the deductible from the figure determined in C.2. above.</li> </ol>	<p>Do not use the formula on the RCBAP form to determine the proportional loss amount. Use the formula below.</p> <p><b>Proportional loss amount</b> = ((insurance purchased ÷ required insurance) x (ACV plus recoverable depreciation)) – deductible</p> <p><b>IMPORTANT</b> – Use the order of operations as shown, starting within the innermost parentheses, for accurate calculation.</p>																				
<p>We will pay the amount determined in C.3. above, or the amount of insurance carried, whichever is less. The amount of insurance carried, whichever is less. The amount of insurance carried, if in excess of the applicable maximum amount of insurance available under the NFIP, is reduced accordingly.</p> <p><b>Example #1 (Inadequate Insurance)</b></p> <table> <tr> <td>Replacement value of the building</td><td>\$250,000</td></tr> <tr> <td>Required amount of insurance (80% of replacement value of \$250,000)</td><td>\$200,000</td></tr> <tr> <td>Actual amount of insurance carried</td><td>\$180,000</td></tr> <tr> <td>Amount of the loss</td><td>\$150,000</td></tr> <tr> <td>Deductible</td><td>\$500</td></tr> </table> <p><b>Step 1:</b> <math>180,000 \div 200,000 = .90</math> (90% of what should be carried.)</p> <p><b>Step 2:</b> <math>150,000 \times .90 = 135,000</math></p> <p><b>Step 3:</b> <math>135,000 - 500 = 134,500</math></p> <p>We will pay no more than \$134,500. The remaining \$15,500 is not covered due to the coinsurance penalty (\$15,000) and application of the deductible (\$500).</p>	Replacement value of the building	\$250,000	Required amount of insurance (80% of replacement value of \$250,000)	\$200,000	Actual amount of insurance carried	\$180,000	Amount of the loss	\$150,000	Deductible	\$500	<p><b>Table 8: Example of Inadequate Insurance</b></p> <table> <tr> <th>Item</th><th>Value</th></tr> <tr> <td>RC Value</td><td>\$2,499,872.60</td></tr> <tr> <td>Required Insurance</td><td>\$1,999,898.08</td></tr> <tr> <td>Insurance Purchased</td><td>\$1,800,000.00</td></tr> <tr> <td>ACV plus Recoverable Depreciation</td><td>\$46,132.16</td></tr> </table> <ul style="list-style-type: none"> <li><math>((\\$1,800,000.00 \div \\$1,999,898.08) \times \\$46,132.16) = \\$41,521.06 - \\$5,000 \text{ deductible} = \\$36,521.06 \text{ Amount Owed.}</math></li> </ul>	Item	Value	RC Value	\$2,499,872.60	Required Insurance	\$1,999,898.08	Insurance Purchased	\$1,800,000.00	ACV plus Recoverable Depreciation	\$46,132.16
Replacement value of the building	\$250,000																				
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<p><b>Example #2 (Adequate Insurance)</b></p> <table> <tr> <td>Required amount of insurance (80% of replacement value of \$500,000)</td><td>\$400,000</td></tr> <tr> <td>Actual amount of insurance carried</td><td>\$400,000</td></tr> <tr> <td>Amount of the loss</td><td>\$200,000</td></tr> <tr> <td>Deductible</td><td>\$500</td></tr> </table> <p>In this example, there is no coinsurance penalty, because the actual amount of insurance carried meets the required amount. We will pay no more than \$199,500 (\$200,000 amount of loss minus the \$500 deductible).</p>	Required amount of insurance (80% of replacement value of \$500,000)	\$400,000	Actual amount of insurance carried	\$400,000	Amount of the loss	\$200,000	Deductible	\$500	<p><b>Table 9: Example of Adequate Insurance</b></p> <table> <tr> <th>Item</th><th>Value</th></tr> <tr> <td>RC Value</td><td>\$2,500,000</td></tr> <tr> <td>Required Insurance</td><td>\$2,000,000</td></tr> <tr> <td>Insurance Purchased</td><td>\$2,000,000</td></tr> <tr> <td>ACV plus Recoverable Depreciation</td><td>\$46,132.16</td></tr> <tr> <td>Deductible</td><td>\$5,000</td></tr> <tr> <td>Amount Owed</td><td>\$41,132.16</td></tr> </table>	Item	Value	RC Value	\$2,500,000	Required Insurance	\$2,000,000	Insurance Purchased	\$2,000,000	ACV plus Recoverable Depreciation	\$46,132.16	Deductible	\$5,000	Amount Owed	\$41,132.16
Required amount of insurance (80% of replacement value of \$500,000)	\$400,000																						
Actual amount of insurance carried	\$400,000																						
Amount of the loss	\$200,000																						
Deductible	\$500																						
Item	Value																						
RC Value	\$2,500,000																						
Required Insurance	\$2,000,000																						
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ACV plus Recoverable Depreciation	\$46,132.16																						
Deductible	\$5,000																						
Amount Owed	\$41,132.16																						
<b>D.</b> In calculating the full replacement cost of a building:																							
<ol style="list-style-type: none"> <li>The replacement cost value of any covered building property will be included;</li> <li>The replacement cost value of any building property not covered under this policy will not be included; and</li> <li>Only the replacement cost value of improvements installed by the condominium association will be included.</li> </ol>	Refer to policy definition.																						