Agreed Value vs. Traditional Coinsurance Loss Payment Calculation

Estimated 12-Month Business Income Exposure (BI Exp.)	$1,375,000 ("J.1.")
Estimated "**Period of Restoration**" (POR)	12 Months
"**Maximum Coinsurance Percentage**" (MCP) (MCP = POR/12) (Remember, all coinsurance options are availble)	100%
"**Estimated Loss of Income**" / <u>Agreed Amount</u> (BI Exp. x MCP)	$1,375,000
ACTUAL 12-month Business Income (based on all relevant financial data at the time of the loss)	$1,620,000
Loss from 3-month shutdown (based on actual)	$405,000
Coinsurance Calculations	
Traditional Coinsurance Calculation (Calculated using the actual business income)	<u>Amount of BI Purchased (**DID**)</u> Actual BI x Coinsurance % (**SHOULD**)
Agreed Value Calculation (Calculated applying the "agreed" upon business income)	<u>Amount of BI Purchased (**DID**)</u> **BI Agreed Amount** x Coinsurance % (**SHOULD**)
Traditional Coinsurance Loss Payment Calculation	
Amount of Business Income Purchased (DID)	$1,375,000
Actual Amount of Business Income (SHOULD)	$1,620,000
Calculation	DID/SHOULD x LOSS = Payment (($1,375/$1,620) x $405,000)
Amount of Payment	**$343,750**
Uninsured Amount (Due to Coinsurance Penalty)	$61,250
Business Income Agreed Value Loss Payment Calculation	
Amount of Business Income Purchased (DID)	$1,375,000
Business Income Agreed Value (SHOULD)	$1,375,000
Calculation	DID/SHOULD x LOSS = Payment (($1,375/$1,375) x $405,000)
Amount of Payment	**$405,000**
Uninsured Amount	None – **Loss is Fully Covered**