BUS-121 Fall 2024 | Home and Auto Insurance Worksheet | Name: _ANSWER KEY_
Instr: F. Paiano | | Chapter 8 Worksheet

Home1) Your homeowners policy has a $500 deductible. Your beautiful, towering eucalyptus tree drops a huge branch onto your roof and causes $4,500 worth of damage. What amount, if any, would be covered by your insurance?

a) $500 ***b) $4,000*** c) $4,500 d) The insurance company would not pay anything.

$4,500 loss
- $500 deductible
$4,000 insurance company will pay this amount

Home2) Your homeowners policy has *replacement coverage* for personal property. Guns and jewelry have a $1,000 maximum. Ignoring any deductible, if a $2,000 gun, a $3,000 bracelet, and a $2,000 computer were stolen from your home, what amount, if any, would be covered by your insurance?

a) $4,000 b) $7,000 c) $1,000 d) The insurance company would not pay anything.

$2,000 gun	*$1,000 maximum payout for guns*
$3,000 bracelet	*$1,000 maximum payout for jewelry*
$2,000 computer	*$2,000 no exclusion (if an item is not excluded, it is fully covered)*
	$4,000 insurance will pay this amount

Home3) Your homeowners policy has *actual cash value coverage* for personal property. Ignoring any deductible, if a $2,000 computer with a 4-year life span were stolen from your home after 3 years, what amount, if any, would be covered by your insurance?

a) $500 b) $1,000 c) $1,500 d) $2,000

$\dfrac{\textit{\$2,000 computer}}{\textit{4-year life span}}$ = *$500 depreciation each year*

*Computer is three years old. 3 years * $500 depreciation each year = $1,500 total depreciation*

$2,000 cost of computer
- $1,500 depreciation from three years of use of computer
$500 value left – insurance will pay this amount

Auto1) Les Doulunche was judged at fault in an accident. The three occupants of the vehicle he hit were awarded damages of $30,000, $10,000, and $5,000. Les has 25/50/10 liability coverage. What amount, if any, would not be covered by his insurance and would be expected to be paid by Les?

a) $5,000 b) $10,000 c) $15,000 d) None. The total amount would be covered by insurance.

1) $30,000 – **exceeds** the $25,000 maximum for any one person – insurance company only pays $25,000
2) $10,000
3) $5,000
$45,000 – does not exceed the $50,000 maximum for all persons

Les must pay $5,000 to person #1.

Auto2) Mustaffa Rongnumba was judged at fault in an accident. The two occupants of the vehicle he hit were awarded damages of $130,000 and $70,000. Mustaffa had 100/300/50 liability coverage. What amount, if any, would not be covered by his insurance and would be expected to be paid by Mustaffa?

a) $15,000 b) $20,000 ***c) $30,000*** d) None. The total amount would be covered by insurance.

1) $130,000 – **exceeds** 100,000 maximum for any one person – insurance company only pays $100,000
2) $70,000
$200,000 – does not exceed the $300,000 maximum for all persons

Mustaffa must pay $30,000 to person #1.

Auto3) Sydney First-Rowe was judged at fault in an accident. The four pedestrians he hit were awarded damages of $240,000, $200,000, $60,000 and $40,000. Sydney had 250/500/100 liability coverage. What amount, if any, would not be covered by his insurance and would be expected to be paid by Sydney?

a) $20,000 ***b) $40,000*** c) $60,000 d) None. The total amount would be covered by insurance.

1) $240,000 – none of the individuals exceed the $250,000 maximum for any one person
2) $200,000
3) $60,000
4) $40,000
*$540,000 – **exceeds** the $500,000 maximum for all persons by $40,000*

Sydney must pay $40,000 to any of the individuals who were not paid in full by the insurance company.

Auto4) C. S. Verdad was judged at fault in an accident. He caused $45,000 worth of damages to a person's home. Señor Verdad had 50/100/25 liability coverage. What amount, if any, would not be covered by his insurance and would be expected to be paid by Señor Verdad?

a) $20,000 b) $40,000 c) $60,000 d) None. The total amount would be covered by insurance.

*$45,000 **exceeds** the $25,000 maximum limit for property damage* *$45,000 - $25,000 = $20,000*