

Coinsurance Provision

Coinsurance is a property insurance provision that states the amount of coverage that must be maintained, as a percentage of the total value of the property, for the insured to collect the full amount of a loss. Common coinsurance values are 80, 90, or 100 percent of the value of the insured property.

EXAMPLE – A house insured for \$100,000 sustains a loss of \$40,000.

- ▶ The value of the loss is determined to be \$40,000.
- ▶ The deductible is \$3,000.
- ▶ At the time of loss, the reconstruction value of the property is \$250,000.
- ▶ The coinsurance percentage requirement is 80%.

STEP 1: $\$250,000 \times 80\% = \$200,000$

The minimum amount of insurance to meet your coinsurance requirements.

STEP 2: $\$100,000 / \$200,000 = 50\%$

Percentage you are underinsured.

STEP 3: $\$40,000 \times 50\% = \$20,000$

Reduced claim amount based on the coinsurance penalty.

STEP 4: $\$20,000 - \$3,000 = \$17,000$

The maximum claim settlement for this loss.

The insurance company will pay no more than \$17,000.

Our Program protects investors from unexpected penalties without overpaying for coverage.
Policies through REInsurePro have no coinsurance.