

Chapter 22 Home and Motor Vehicle Insurance

**SOFTWARE
ACTIVITY
(OPTIONAL)**

Spreadsheet Application

Evaluating Home and Motor Vehicle Insurance Policy Coverage

Objective: Evaluate home and motor vehicle insurance policies and compute claim coverages.

Practice Situation

Eric Fowler and his wife Susan just purchased their first home, which cost \$130,000. They purchased a homeowners policy to insure the home itself for \$120,000 and personal property coverage of \$75,000. They declined any coverage for additional living expenses. The deductible for the policy is \$500. Eric's Ford Mustang and Susan's Toyota Corolla are insured with the same insurance agent. They have 50/100/15 vehicle insurance coverage.

Soon after Eric and Susan moved into their new home, a strong windstorm caused damage to their roof. They reported the roof damage to be \$17,000. While the roof was under repair, the couple had to live in a nearby hotel for three days. The hotel bill amounted to \$320. That same week, Susan had an accident. She lost control of her car and hit a parked car and damaged a storefront. The damage to the parked car was \$4,300 and the damage to the store was \$15,400.

Assuming the insurance company settles claims using the replacement value method, what amount will the insurance company pay for the damages to the roof? What amount will the insurance company pay for Susan's car accident? Use the following spreadsheet to make your computations.

Home Damages	
Home value	
Insured amount	
Damage amount reported	
Additional living expenses incurred	
Total expenses incurred from windstorm	
Deductible on the policy	
Insurance company covered amount	
Eric and Susan's costs	
Car Accident	
Store damage amount	
Parked car damage amount	
Total damages	
Insurance company covered amount	
Eric and Susan's costs	

Spreadsheet Directions

1. Start your spreadsheet software program and open problem **SA13.xls**.
2. Record the value of Eric and Susan’s home along with the insured amounts for the structure and personal property. *Note: Format all dollar amounts to Currency, decimal places 0.*
3. Next, record the amount of roof damage reported and the cost of additional living expenses incurred.
4. Using the information presented about Eric and Susan’s homeowners policy, compute the amount of damage that will be covered by the insurance company. Calculate the total amount that Susan and Eric will have to pay for this occurrence.
5. Now, review the information about Susan’s car accident. Record the damage amounts for the parked car and storefront. Insert the formula to compute the total damages.
6. Record the amount that will be covered by the insurance company for property damages. Then insert the formula to calculate the remaining amount that Susan and Eric will have to pay for the accident.
7. Complete the spreadsheet, then save your work to a new file labeled **SA13***.xls**. (Replace *** with your initials.)
8. Print out a copy of your work if your teacher has instructed you to do so.

Interpreting Results

1. What amount will the insurance company pay for the damage to Eric and Susan’s roof? _____
2. What amount will Susan and Eric have to pay for Susan’s car accident? _____
3. What amount will the insurance company pay for Susan’s car accident? _____
4. Based on the information presented, what bodily injury coverage is included in Eric and Susan’s motor vehicle insurance policy?

Drawing Conclusions

1. If Eric and Susan’s vehicle coverage had been 50/100/25, what impact would this have had on the amount they owed for this accident? Explain.

2. If items inside Eric and Susan's home had been damaged as a result of the windstorm, would these items have been covered by their homeowners policy? Explain.

