

The next examples will explore how an insurance company determines the insurance premium for one of their customers. The company will have made a **table** that shows premiums for different areas and coverages – one table for **tenant's insurance**, and a different table for **house insurance**.

Notes on Calculating Premiums

- The tables that we use in class show the premiums for a person who selects a **\$500 deductible**. If a person would like a lower deductible, it will cost them *more*. The table shows that any person can pay more to have a **\$200 deductible** – it costs 10% more than the premium for a \$500 deductible.
- Don't forget that **PST (7%)** is charged on all insurance premiums. Your *final* step for every question where you calculate the insurance premium is to apply PST to the cost.

Example 5

Joan rents an apartment and is looking to purchase \$65 000 worth of standard insurance coverage with a \$500 deductible. Calculate her annual tenant's insurance premium. (see chart on page 19)

Using the chart on page 19, Joan will pay \$315 + 7% tax

$$= 315 \times 1.07$$

$$= \underline{\underline{\$337.05}}$$

Example 6

Jin-woo is renting a large apartment. His insurance broker helps him determine that he requires \$90 000 in tenant's insurance. Jin-woo chooses comprehensive coverage, and a \$200 deductible. Calculate Jin-woo's annual premium. (see chart on p. 19)

Premium for \$90 000 coverage is as follows

$$\textcircled{1} \text{ Premium for the first } \$75000 = \$454.00$$

$$\textcircled{2} \text{ Premium for the remaining } \$15000 = \frac{5.50}{1000} \times 15000 = \$82.50$$

$$\text{TOTAL Premium} = (\$454.00 + \$82.50) + 10\% + 7\% \text{ tax}$$

$$= (536.50) \times (1.10) = 590.15 + 7\% \text{ tax}$$

$$= (590.15) \times (1.07)$$

$$= \underline{\underline{\$631.46}}$$