

Tune In to Insurance



NAME: _____ DATE: _____

You are the owner of Cyclone Secondhand Music and Movies, located in an area that has experienced a number of damaging tornadoes in the last ten years. It's time to buy insurance. You rent your space but own everything in it. The expectation of a tornado will affect the choices you make about insurance. Think like an actuary: Think about the value of your property—costs of inventory, electronic equipment, and office supplies.

Questions:

1. What would be the cost to replace everything in your store? Work with your group to find an *estimated* total value. Keep in mind:



- You buy used CDs for about \$2 to \$6, and used DVDs for \$4 to \$8. You usually have 10,000 items in stock.
- Besides the CDs and DVDs, what else needs replacing? (Imagine walking into a music store. What do you see around you?)

- What is your estimate? (Visit an office supply store online or look in a catalog for ideas of prices.)

2. For \$400 per year, you can buy \$200,000 of basic coverage for fire and theft. For an additional \$400 per year, you can get \$200,000 in tornado coverage. Remember that if your store is damaged, you will not automatically get \$200,000 but what it will cost to replace the damaged items *up to* \$200,000.

- How much would basic and tornado coverage cost for 10 years?

- How much would you save over 10 years if you had basic only? _____

- How much would you lose if you had one tornado and weren't covered? _____
What if there were more than one tornado? _____

3. Does the benefit of having tornado insurance outweigh the cost? _____

Explain your answer.

