Sample calculation of insurance amount and annual premium

The security amount is based on income subject to insolvency protection. To calculate the security amount the following values are determined:

- G: a base number which is the average turnover of the two highest income months of the fiscal year based on turnover subject to insolvency protection,
- N: Weighted average number of days from full payment util the start of the tour (if package travel or linked travel arrangements are paid for in two or more instalments excluding confirmation deposit, the N-value is calculated on the percentage of the total price that is received at any given time) *.
- h: Average percentage of confirmation deposits **.
- d: Average duration of tours in days (weighted average) ***.

The values are calculated for the preceding and current fiscal years.

A base security amount (GT) is calculated using the following formula:
$GT = G*(N/30)+G*h+G*d/30$.

Sample calculation of base security GT:

Year 1 (previous year):

Turnover subject to insolvency protection is distributed per month of the year in the following way:

Janúar	15.345.000
Febrúar	17.800.000
Mars	22.497.000
Apríl	21.800.000
Maí	19.379.000
Júní	36.800.000
Júlí	33.200.000
Ágúst	29.050.000
September	27.595.000
Október	15.900.000
Nóvember	26.800.000
Desember	11.900.000
	278.066.000

The two months with the highest turnover are June and July, the average turnover of those two months, G, equals 35.000.000.

According to the information provided other values are:

N = 42 (weighted average number of days from full payment until the start of a tour)
h = 10% (average percentage of confirmation deposits)
d = 8 (weighted average length of tour in days)

The base security, GT, is calculated using the following formula: $GT = G*(N/30)+G*h+G*d/30$.
$GT = 35.000.000 * 42/30 + 35.000.000 * 0,10 + 35.000.000 *8/30$
$GT = 49.000.000 + 3.500.000 + 9.333.333$
$GT = 61.833.333$

Year 2 (current year)

The projected turnover subject to insolvency protection is distributed per month of the year in the following way:

Janúar	17.000.000
Febrúar	16.972.000
Mars	25.897.000
Apríl	43.500.000
Maí	20.786.000
Júní	36.500.000
Júlí	33.890.000
Ágúst	28.700.000
September	30.896.000
Október	20.578.000
Nóvember	20.900.000
Desember	11.900.000
	307.519.000

The two months with the highest turnover are April and June, the average turnover for those two months, G, equals 40.000.000

According to the information provided other values are:

N = 40 (weighted average number of days from full payment until the start of a tour)
h = 10% (average percentage of confirmation deposits)
d = 7 (weighted average length of tour in days)

The base security, GT, is calculated using the following formula: $GT = G*(N/30)+G*h+G*d/30$
$GT = 40.000.000 * 40/30 + 40.000.000 * 0,10 + 40.000.000 * 7/30$
$GT = 53.333.333 + 4.000.000 + 9.333.333$
$GT = 66.666.666$

Security amount:

After calculating the base security amount, GT, the security amount is calculated according to the following:

Turnover subject to insolvency protection for the preceding year (V) is determined and based on that the ratio a(V).

The ratio a(V) is:
12% if the annual turnover (V) is less than 300 million ISK,
12% - 6%*(V-300 million ISK)/700 million ISK, if V is between 300 million ISK and 1 billion ISK,
6% - 2%*(V-1 billion ISK.)/1 billion ISK, if V is between 1 and 2 billion ISK.
Max (4% - 2%*(V-2 billion ISK)/3 billion ISK,2%), if V is above 2 billion ISK.

The security amount (T) is calculated: T = a(V)*GT.

The results of the current fiscal year and last fiscal year are compared, and the higher amount becomes the security amount.

The preceding year (year 1) turnover subject to insolvency protection was ISK 278.066.000 hence the a(V) ratio is 12%.

Security amount T based on year 1 (preceding year) = 7.420.000. (12% of 61.833.333)
Security amount **T** based on year 2 (current year) = **8.000.000.** (12% af 66.666.666)

The security amount is set at ISK 8.000.000, the higher amount
Annual premium calculated at 2,5% of the security amount (this ratio can be anywhere from 2,5% to 10%) ISK 200.000.

*Calculating N:

Confirmation deposits are 10% of the total price of a tour. Half of the remaining amount (45% of the total price) is due 60 days prior to departure (60 days before departure 55% of the total price has been received) and the balance is due 20 days prior to departure.

N is calculated: 55% x 60 + 45% x 20 = 32.

N is 32 days.

** The percentage of security deposits is calculated by dividing the total sum of security deposits for the year by the total price of all tours sold during the year.

*** Sample calculation of d:

150 travellers, 70 stay for 7 days, 50 stay for 10 days and 30 stay for 14 days.

70 x 7 + 50 x 10 + 30 x 14 = 1.410 total travellers' days, divided by total numbers of travellers: 1.410/150 = 9,4.