

Sample calculation of security and premium

The security amount is based on income subject to insolvency protection.

When assessing the security amount, the following values are determined:

- G: a base figure which is the average of turnover, subject to insolvency protection, of the two highest-income months of the preceding and current fiscal years.
- N: Average number of days from full payment until the start of a tour,
- h: Average proportion of confirmation payments of total payments,
- d: Average duration of tours in days.

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

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

Sample calculation of base security GT:

Year 1 (preceding year)

The income of the travel agency, subject to insolvency protection falls in the months of the year in the following way:

January	15.345.000
February	17.800.000
March	22.497.000
April	21.800.000
May	19.379.000
June	36.800.000
July	33.200.000
August	29.050.000
September	27.595.000
October	15.900.000
November	26.800.000
December	11.900.000
	278.066.000

The two months with the highest income are June and July, the average turnover for those months is $G = 35.000.000.-$

According to the documents provided other values are:

$N = 42$ (average number of days from full payment until the start of a tour)

$h = 10\%$ (average proportion of confirmation payments of total payments)

$d = 8$ (average duration of tours in days)

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

$$GT = 35.000.000 \cdot 42/30 + 35.000.000 \cdot 0,10 + 35.000.000 \cdot 8/30$$

$$GT = 49.000.000 + 3.500.000 + 9.333.333$$

$$GT = 61.833.333$$

Year 2 (current year)

The projected income of the travel agency, subject to insolvency protection falls in the months of the year in the following way:

January	17.000.000
February	16.972.000
March	25.897.000
April	43.500.000
May	20.786.000
June	36.500.000
July	33.890.000
August	28.700.000
September	30.896.000
October	20.578.000
November	20.900.000
December	11.900.000
	307.519.000

The two months with the highest income are June and July, the average turnover for those months is $G = 40.000.000.-$

According to the documents provided other values are:

$N = 40$ (average number of days from full payment until the start of a tour)

$h = 10\%$ (average proportion of confirmation payments of total payments)

$d = 7$ (average duration of tours in days)

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

$$GT = 40.000.000 \cdot 40/30 + 40.000.000 \cdot 0,10 + 40.000.000 \cdot 7/30$$

$$GT = 53.333.333 + 4.000.000 + 9.333.333$$

$$GT = 66.666.666$$

Security amount:

When the base security amount has been calculated, the security amount is determined according to the following:

The preceding year's income subject to insolvency protection (V) is determined and the ratio $a(V)$.

The ratio $a(V)$ shall be:

12% if the annual turnover is less than 300 million ISK ,

12% - $6\% \cdot (V - 300 \text{ million ISK}) / 700 \text{ million ISK}$ if V is between 300 million ISK and 1 billion ISK,

6% - $2\% \cdot (V - 1 \text{ billion ISK}) / 1 \text{ Billion ISK}$ if V is between 1 and 2 billion ISK

4% - $2\% \cdot (V - 2 \text{ billion ISK}) / 3 \text{ billion ISK}$ if V is above 2 billion ISK

The security amount (T) equals $T = a(V) \cdot GT$.

The results from the preceding year and the current year shall be compared and the higher figure shall be the amount of the security.

Income subject to insolvency protection year 1 (preceding year) was ISK 278.066.000.-, hence the ratio $a(V)$ is 12%.

Security amount based on year 1 = 7.420.000.- (12% of 61.833.333)

Security amount T based on year 2 = **8.000.000.-** (12% of 66.666.666)

The security amount is set at ISK 8.000.000.-, the higher figure.

Premium based on 2,5% of the security amount (this ratio can be anywhere from 2,5% to 10%) ISK 200.000.-