

## Homeowners - Glossary

**Actual Cash Value:** The basis of loss settlement in property insurance policies, which takes into consideration factors such as replacement value less depreciation, market value, rental value, the use of the building, the area in which it is located, obsolescence, assessed valuation, and any other factor that would have an effect upon the value. A working rule-of-thumb definition is "replacement cost new at the time of loss, less depreciation."

**Deductible:** The amount which must first be subtracted from the total damage incurred before determining the insurance company's liability. Deductibles can be a set dollar amount or a percentage of the dwelling value. Two deductibles can apply on a single policy. Some policies may have one deductible that applies to wind and hail damage and another for all other losses. If this is the case, the wind and hail deductible is usually much larger than the deductible for all other losses.

**Dwelling:** A dwelling is a house in which people live, as distinguished from a garage, storage building or any other building.

**Liability Insurance:** Protection that pays sums the insured is legally obligated to pay, or that the insurer has agreed to pay, as damages to others as a result of the insured's negligence. Usually provides coverage arising from alleged bodily injury or property damage to others.

**Loss of Use Coverage:** Loss of Use Coverage compensates the policyholder for the inability to use property that was damaged or destroyed by an insured peril. For example, if a home is damaged by fire, the Loss of Use helps meet the increased costs of living such as hotel bills, or a rental home, eating out or other living expenses while the home is being repaired.

**Medical Payments Coverage:** Reimburses for the necessary expenses for medical, hospital and funeral costs for persons other than the "insured" or employees of the insured, who are injured while on the insured's premises. The coverage is available whether the policyholder is liable or not.

**Other Structures (detached garage, gazebos, etc.):** Other structures on a homeowner's policy refer to structures other than the dwelling and are separated from the dwelling by clear space. This would typically include detached garages, storage sheds, gazebos, fences, etc.

**Personal Property:** Property other than land and buildings often referred to as "contents." Also includes the contents found in other structures. Certain types of property have specific dollar limits or are subject to exclusions.

**Replacement Cost:** When used in property insurance contracts, this is the amount it would take to replace the property with like property of the same quality and construction. No deduction is made for depreciation or obsolescence.

**Homeowners/Condo/Renters Optional Coverages:** There are literally 100 or more options to provide coverage or increase the coverage provided by the standard homeowner's policy. While it may seem simple to properly insure your home and its contents at first, a review with your agent of the limitations and exclusions of the policy often reveal a number of modifications that should be made to provide the coverage you desire.

The most common areas needing modification are:

- Replacement cost coverage on both home and personal property (contents)
- Broadened contents coverage
- Sewer and water backup
- Jewelry, silver, musical instruments, and some types of sports equipment
- Fine arts, china and crystal
- Guns
- Cash
- In-home businesses of all types, including part-time or seasonal "hobby" businesses
- The addition of watercraft, recreational vehicles
- Extension of liability coverage's to farmland or other property owned by the policyholder
- Special computer hardware or software coverage or electronic equipment
- Increased limits for other buildings or structures on the premises
- Condominium and renters - additions and alterations coverage, Loss Assessment

Personal Umbrella policies are the most cost-effective and popular method of obtaining the coverage needed when higher limits of liability than available on home and auto policies are needed.

Let your agent know about any situations or property you own that is slightly different or unique so you can discuss how your insurance would apply.