

Professional Insurance Programs

Homeowners/Renters Insurance Coverage Basics



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(A) Dwelling – The dwelling typically covers one's house, attached structures, fixtures in the house such as built-in appliances, plumbing, heating, permanently installed air conditioning systems, and electrical wiring.

(B) Other Structures – Typically covers detached structures such as garages, storage sheds, and fixtures attached to the land including fences, driveways, sidewalks, patios, and retaining walls.

(C) Personal Property – All tangible property (other than land) that is either temporary or movable in some way, such as furniture, jewelry, electronics, etc. This protection can be based on actual cash value or replacement cost. Some items may have coverage limits such as firearms, artwork, business property, electronic data, jewelry, and money.

(D) Loss of Use – Typically covers living expenses over and above your normal living expenses if you cannot live in your home while repairs are being made or if you are denied access by government order.

(E) Personal Liability Coverage – This provides coverage if an insured person is found legally responsible for an accident that causes injury or property damage to someone who doesn't live in the covered home. It also covers losses that an insured person is legally liable for due to negligence or other situations outlined in a home insurance policy. Costs such as their medical bills, lost wages, pain and suffering, and property damage.

(F) Medical Payments (Optional) – Coverage designed to pay for medical expenses to others who are accidentally injured on an insured location or by the activities of an insured, resident employee, or an animal owned by or in the care of an insured. These payments are not based on the law of negligence; that is, no negligence on the part of the insured has to be proven for payment to be made.

Actual Cash Value – Coverage that reimburses you for the replacement cost of property after deducting for depreciation.

Replacement Cost – Pays the dollar amount needed to replace damaged property without deducting for depreciation but limited by the maximum dollar amount shown on the declarations page of the policy.

Extended Replacement Cost – Insures your home for a specific value and adds a 10 – 25% extended limit if reconstruction costs run over.

Guaranteed Replacement Cost – Pays the full cost of replacing damaged property, with no deduction for depreciation and no dollar limit, as long as the requirements for the policy have been met.

Functional Replacement Cost – This valuation method allows for replacement of expensive and obsolete items with less expensive and more modern state-of-the-art work. An extended limit of 10 – 25% is sometimes included if reconstruction costs run over.

"Open Perils" for Personal Property – This means that any risk not specifically excluded from the policy is covered. *"All Risk" Disclaimer: An "All Risk" contract comes with standard exclusions. These exclusions exist because insurance companies must protect themselves against total catastrophe (war, nuclear disaster, etc.). Also, not all clients require certain coverages (flood, earthquake, etc.) or the coverage is better provided by another contract (cars, aircraft, boats, etc.). Insurance coverage is used for events that are "sudden and accidental" and generally in your control to avoid. Things such as wear and tear, marring, scratching, breakage, mold, mildew or continual leakage are almost always excluded.*

Deductible – The amount a policyholder must pay out of pocket for a covered claim.