

Glossary

The following definitions will help you make a more informed decision when buying homeowners insurance.

Actual Cash Value

Actual cash value is the amount needed to repair or replace damaged areas of your home after depreciation. For example, your insurance company would deduct for the age and condition of a 17-year-old roof with a 20-year life expectancy.

Additional Living Expense (ALE)

Additional living expense (also called loss-of-use) is coverage that pays for certain extra, above-normal expenses, such as food and lodging, while the policyholder's home undergoes repair (not applicable to children living away at college).

All-Risk or Special-Form Policy

An all-risk or special-form policy is one that covers the loss of property or damage that results from any peril, except those specifically excluded in the contract.

Cancellation

Cancellation is the termination of an insurance policy by the insurance company or policyholder before it expires.

Claim

A claim is a request for reimbursement for a loss covered by the policy. For example, the insured may file a claim for items stolen from his or her home.

Deductible

A deductible is the amount a policyholder must pay per claim or loss before the company will begin paying. Deductibles are fixed amounts specified in the policy. Some companies offer percentage deductibles for certain perils, such as windstorm, hurricane or hail.

Depreciation

Depreciation is the decrease in the value of your home or personal property due to normal wear and tear from the time your home was built or the personal property was purchased.

Endorsement

An endorsement is a change added to an insurance policy that modifies the original terms.

Exclusions

Exclusions are persons, property, perils or situations not covered under a standard homeowners policy. Some common examples in Florida include flood damage, hurricanes, sewer backup and mold damage.

Insured Loss

Insured loss is a loss (to theft, damage, etc.) the insurance policy will pay for in full or in part.

Liability

A liability is a legal obligation.

Licensed Agents and Companies

Licensed agents and companies are approved and monitored by the Department of Financial Services to sell insurance in Florida.

Limit

A limit is the maximum amount of benefits an insurance policy will pay in the event of a loss.

Named Perils

Named perils are perils specifically covered by and named in a policy, such as lightning and vandalism.

Package Policy

A package policy is an insurance policy that includes several kinds of coverage. For example, homeowners policies usually include property damage, additional living expenses, personal liability and medical payments.

Peril

A peril is the cause of a loss to a policyholder, such as fire or theft. An insurance policy will specify the types of losses covered.

Premium

A premium is the amount a policyholder pays for an insurance policy. Premiums can be paid monthly or annually, depending upon the payment plan offered by the company.

Replacement Cost

Replacement cost is the amount needed to replace or repair your damaged property with materials of similar kind and quality, without deducting for depreciation.