

CAPITAL INSURANCE AGENCY OF WISCONSIN

Can Someone Explain These Homeowners Coverages?

If you take the time to read your Homeowners Insurance Policy, you should find at least six different sections of coverage. The names of the coverages may vary by insurance company, but they typically are referred to as Dwelling, Other Structures, Personal Property, Loss of Use, Personal Liability and Medical Payments coverages. These coverages are usually presented as sections of the policy and are often labeled Coverages A through F. In Part One, we discuss coverages A, B and C, which protect property.

Coverage A--Dwelling

The Homeowner Policy's first coverage section protects your house and any attached structures, such as garages, decks or fences. The typical policy covers your home when it is damaged by most common hazards (also referred to as perils or causes of loss) including fires or storms. However, the following causes of loss are usually excluded from coverage under the Homeowners Policy:

- Earthquake
- Flood
- Faulty maintenance
- Damage from insects or vermin
- Wear and tear, gradual damage or deterioration

Coverage B--Other Structures

This coverage section protects structures that are not attached to the home, such as a detached garage, storage or utility shed, playground equipment and swimming pools.

Coverage C--Personal Property

This covers your possessions, whether they are at your home or away with you on vacation. Personal property is often covered on a named peril basis. This means that only the causes of loss listed in the policy section are covered. The coverage is also subject to limitations and exclusions. Types of property having significant value, such as jewelry, fine arts, collectibles, etc., may require special protection. Talk to your agent about scheduling (adding) coverage on a floater which broadens and extends coverage for higher value possessions.

Actual Cash Value vs. Replacement Cost

Coverage under sections A and B is usually granted on either an actual cash value or a replacement cost basis. Actual cash value is defined as replacement cost minus depreciation. Replacement cost is the

actual cost to replace the structure, regardless of depreciation. Check your policy to see which type of coverage you have. Coverage under section C is usually provided on an actual cash basis. However, your agent may be able to add replacement cost to your possessions just like that found in Coverage A.