

How does my policy really work?

Don't wait until it's time to make a claim to get a full understanding of how your insurance works.

The following definitions explain a few of the major building blocks of home insurance.

Acts of God

Acts of God are considered natural disasters that could not have been reasonably prevented or avoided. Most standard forms cover the perils of hurricanes and tornados. Lighting and hail are classified as named perils. Coverages for flood or earthquake are not automatic in standard policies but may be available in most cases for an additional premium. Flood or earthquake coverage is likely to be more expensive and difficult to obtain in areas susceptible to these perils.

Deductibles

Deductibles are the amounts you pay to cover a loss before you are entitled to payment by your insurer. Just about every policy has a deductible, usually ranging from \$500 to \$5000. Deductibles are designed to discourage small claims, since the purpose of insurance is to protect you from catastrophic losses not minor inconveniences.

Exclusions

Quite simply, exclusions are items, perils or situations that are not covered by your policy. Your insurer might exclude anything from long-term mould damage to natural disasters, computer data or high-speed watercraft. Other common exclusions include avoidable damage from termites or rodents, water seepage, frozen pipes, intentional damage and high-value items such as art and jewellery.

Liability—in the home and away from home

Although liability insurance is part of your homeowner policy, it also protects against third party claims for bodily injury and property damage caused (unintentionally) by you when you are away from home.

Depreciation

Depreciation is a measure of the loss in value of an item over time resulting from wear or obsolescence.

Valuations

Your insurer will likely want to conduct a valuation of your home in order to set the right replacement value and coverage level. Unlike an appraisal, this does not determine the market value of the property but rather the likely cost to rebuild the dwelling and other structures in the event of a complete loss, to original standards.

Overcoming insurance-ese

Insurance involves technical terms that can be baffling. These terms help to make policies precise but don't always help to make them clear. Don't be afraid to ask your broker to explain terms that you don't understand.

