

Insurance 101

It's a safe bet that, at some point in your life, your home- or auto-insurance policy is going to be used – whether you're rear-ended on your way to work or a kitchen fire claims your new cabinets. Here are some basic insurance terms that can help you communicate when you need to file a claim.

1. **Policy:** The written contract stating the conditions of your insurance coverage.
2. **Agent:** The person who sells and services insurance policies.
3. **Adjuster:** A person who investigates claims and recommends settlement options based on estimates of damage and insurance policies held.
4. **Claim:** A demand made by the insured, or the insured's beneficiary, for payment of the benefits as provided by the policy.
5. **Indemnity:** Restoration to the victim by payment, repair, or replacement.
6. **Coverage:** The scope of protection provided under an insurance policy. In property insurance, coverage lists insured perils (the cause of a loss, e.g. fire), properties covered, locations covered, individuals insured, and the limits of indemnity.
7. **Coinsurance:** Property insurance that requires the insured to bear a portion of any loss if the property is not covered up to a certain percentage of its full value. A coinsurance clause sets a minimum for which property must be insured, and anything below that amount requires the insured to share proportionally in any loss.
8. **Actual cash value:** Cost of replacing damaged or destroyed property with comparable new property, minus depreciation and obsolescence. For example, a 10-year-old sofa will not be replaced at current full value because of a decade of depreciation.
9. **Replacement cost:** The cost to replace the property on the same premises with property of comparable material and quality used for the same purpose.
10. **Qualifying event:** An occurrence that triggers an insured's protection.
11. **Deductible:** Amount of loss that the insured pays before the insurance kicks in.