



Insurance terms explained

Actual cash value	The cost of replacing the property that was damaged, minus depreciation for wear and tear.
Additional living expenses	This coverage applies when a home is damaged to such an extent by an event such as fire, hail or flooding that the home cannot be lived in until it's repaired. Until repairs are made, it pays the reasonable amount of the cost to live elsewhere, such as in a hotel, up to the limit indicated for additional living expenses.
Adjuster	The insurance professional who reviews and settles claims on behalf of an insurance company. An adjuster could be an employee of the insurance company or an independent contractor hired by the company.
Adjusting	The process of determining whether a loss or damage is covered and settling the amount payable for the loss or damage.
Appraisal	An evaluation or estimate of the monetary value of a property. Typically, an expert in property evaluation determines its value. The expert must not have a personal interest in the property.
Appraisal clause	A clause in an insurance policy that gives both the insured and the insurer a means of settling disputes over the value of lost or damaged property.
Betterments	Physical improvements beyond mere maintenance or repairs that may increase the value of a property.
Branding	<p>In Alberta, a severely damaged vehicle is classified in one of the following three categories:</p> <p>Salvage: A vehicle that has sustained damage to the point that the cost of fixing it exceeds its cash value prior to the damage.</p> <p>Non-reparable: A vehicle that is incapable of safe highway operation, has sustained damage beyond repair and can only be used for parts.</p> <p>Rebuilt: A vehicle that was severely damaged but has been repaired, inspected and now meets rigorous standards.</p>
Coinsurance	The requirement to have a minimum amount of insurance relative to the total insured value of the property. Insurance below this minimum results in the policy owner receiving less than the full amount of his or her claim.

Comprehensive coverage	Covers a car for fire, theft and vandalism damages.
Deductible	The amount that the policy owner has to pay following a loss. The insurer pays the rest – up to the amount specified in the insurance policy.
Disappearing deductible	The dollar amount deducted from the amount of loss that is reduced as the loss increases and disappears entirely to provide full coverage when the loss reaches a certain specified figure. So when the amount of insured loss or damage equals a pre-determined amount, the deductible does not apply and is waived. This is also referred to as a “deductible waiver.”
Dwelling coverage	This term applies to the home and the attached structures, such as a garage or carport. Permanently installed outdoor equipment on the premises, such as a swimming pool and the equipment attached to it, are also included. Building materials for use in construction, alteration or repair of the insured dwelling or related structures on the premises are usually covered, too, if they are on the site or adjacent to it. Theft and vandalism losses during construction are not typically covered.
Excluded property	Property that is not insured under the insurance policy. Typically, home insurance excludes buildings used for business or farming purposes, motorized vehicles, ATVs, campers and trailers. Cars and other motor vehicles would be covered under auto insurance policies.
Fire insurance	Coverage for losses from fire and lightning and also the resultant damage caused by smoke and water.
Fire-resistive construction	A building that has its exterior walls, floors and roof constructed of masonry or other fire-resistive materials.
Fixtures & fittings	The parts or furnishings of a building that are considered permanent attachments that may be removed for repair or seasonal storage. Examples include swimming pool equipment or an attached awning that is stored for the off-season or has been sent out for repairs.
Floater	Additional and specific coverage for items, such as jewellery, fine art and antiques, beyond what is included in the basic homeowner policy. Also called a “rider” or “schedule.”
Indirect loss	A loss that is not directly attributable to an insured peril, such as fire. For example, if there is a basement apartment, it may have suffered fire damage, which would be a direct loss. However, lost rental income as a result of the fire damage would be an indirect loss.
Insurable interest	A person has an insurable interest in something when loss or damage to it would cause that person to suffer a financial loss or certain other kinds of losses. For example, you can have an insurable interest in your own vehicle, but not your friend’s vehicle.
Insured perils	Events that cause loss – such as fires, windstorms and theft – that insurance covers.
Occupancy	How the premise is being used; for example, a single-family home, a two-family home, or a home rented to others or used as a place of business.

Peril	This is the cause of loss or damage. A homeowner's policy, for example, insures against perils such as windstorms, fire and theft.
Personal property	Personal property or possessions other than real estate or buildings (not attached to the land). Often referred to as "contents" in a homeowner's policy.
Personal property insurance coverage limitations	The maximum amount a policy will pay, either overall or under a particular coverage, for items such as jewellery, furs, silverware and/or collectables. This is often referred to as a "special limit."
Proof of loss	A formal written statement made by the policy owner to the insurer regarding a loss, specifying its circumstances and the amount of loss, especially in property insurance, so that the insurer can investigate the claim and determine what is covered under the policy.
Property removed	The insurance policy provision that insures against reasonable costs incurred and damage done in removing the insured property from the path of a fire or other insured peril in order to mitigate the loss. Removal may mean taking the property to a place other than the place where it was insured.
Replacement cost	<p>The cost of replacing the property that was damaged. Essentially, it replaces old with new property and does not reduce the amount paid to a depreciated value. For example, if you paid \$800 for your flat screen TV and the same TV costs \$1,200 today, your insurer will pay up to \$1,200 to replace the TV.</p> <p>"Guaranteed replacement cost" is an optional coverage that guarantees that the insurer will rebuild a home even if it exceeds the limit or amount of insurance for the home.</p>
Salvage	If property (possessions or contents) is so badly damaged that it's not worth fixing, the insurer will pay the value of the damaged property. At this point, the insurer has the right to keep and dispose of the damaged property.
Tenant's policy	A policy specifically designed to meet the normal insurance requirements of a private tenant. It covers personal property, betterments and third-party liabilities.
Total loss	Loss of all of the insured property. It includes a loss involving the maximum amount for which a policy is liable.
When loss is payable	Insurers must pay or deny a claim within 60 days of the completion of the "proof of loss" form.

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