

Homeowner's Insurance 101 For a Major Loss

There are several line items of coverage in a homeowner's policy that you should speak to your insurance professional about when you sustain a large loss, including partial damage or a complete loss of your home. There are also loss settlement terms in a homeowner's policy based on how the policy was written. There is Replacement Cost Value (RCV) loss settlement coverage which will pay the actual cost to make repairs or to rebuild the home regardless of the age or condition of the home. There is also Actual Cash Value (ACV) coverage which will only pay to repair or replace the home based on its "Actual Cash Value", typically a reduced amount based on the age and depreciated value of the home and its components.

1. **Alternative Living Expense Coverage (ALE)**—this coverage pays for ANY expense you incur as a result of being displaced from your home, whether you are displaced due to an actual loss or if you are displaced because of mandatory evacuation orders imposed by local authorities. This will help pay for alternative housing, food, clothing, or any other cost associated with being displaced from your home.
2. **ALE Term**—this is the time horizon when you can use the coverage amount in your policy for ALE. This is typically 12 months but can be as much as 24 months or longer depending on your policy.
3. **Dwelling Coverage**—this is the amount of base coverage for your dwelling in the policy. Also called Coverage A. It is the first line item in the homeowner policy declarations and is what you would receive from the insurance company in the event of a total loss. You would also receive a portion (or all of this coverage amount) in the event of a major loss to rebuild the damaged part of the dwelling. Many homeowner policies have ACV clauses regarding roofs or fences while the rest of the dwelling coverage is RCV.
4. **Extended Dwelling Replacement Cost Coverage**—this may also be part of your dwelling coverage in your policy if you have this line item. It is an additional dwelling coverage amount, typically a percentage of the base dwelling coverage, to be added on to the base dwelling coverage amount. It could be 25%, 50% or more in some policies. There is also a Guaranteed Replacement Cost clause available in some homeowner policies. If you have Guaranteed Replacement Cost coverage, the actual repair or rebuild cost would be covered 100%, regardless of the cost to repair or rebuild the home.
5. **Personal Property Coverage**—this covers your personal property; all of the contents of your home including but not limited to furniture, electronics, appliances, lamps, rugs, food, clothing footwear, sports equipment, flatware, dishes, glasses, towels, sheets, artwork; anything in your home that is your personal property. If you turned your home upside down, anything that would move is your personal property. Personal property, depending on the policy, can be covered with Replacement Cost Value or Actual Cash Value (depreciated value).
6. **Deductible**—the policy deductible is the out-of-pocket expense you as the policy holder must pay first before the insurance coverage is applied to the loss.

Talk to your insurance professional to determine what your policy coverages are, whether your loss settlement is RCV or ACV, and how much coverage you have for Alternative Living Expenses. Remember that each policy has its own legal verbiage, and that the details in the actual policy language will determine how a loss is covered. If you have questions contact Bruce Anderson with the Evergreen Rotary club at banderson912@hotmail.com or Pam Adams with the Denver club at padams@isuinsurance.com