

## Understand the Home Insurance Coverage

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The amount of expense that is offered to be shared by one's home insurance coverage is likely to be based on the comprehensive nature and basic nature of the policy. The replacement home insurance coverage and actual cost coverage that you have chosen determines the degree of support you can get from your home insurance coverage in events of a bad undesired happening.

Before finally deciding on the home insurance quote apart from the mortgage, disaster, liability and related stuff; the part that should also be concentrated is on how the claim will be paid to you. It can be processed as:-

- Deductible plus actual cash value

- Deductible plus replacement cash value.

In deductible plus actual cash value home insurance coverage, say, if you have met with some undesired damage to your house. Then, to meet with the expenses you might have to share a part of the expense by paying a percentage of deductible and the rest will be paid in actual cash value. Say you did insure your house for \$10,000, 10 years ago and there had been some repair to the building or total destruction to a building structure that you have to rebuild over again. Then, in this case if the expenditure is going to be 10,000 in the current date then the insurance company will not pay you the \$10,000 which is the current day expenditure, they will consider the age of the building, considering the age they will arrive at the depreciative value of the building, say it would be \$5000 now as the building is 10 years old, of that they will contribute to \$4000, which might be 80% and you contribute \$1000 that will be their estimate. You must be surprised here because per the insurance companies calculations \$5000 is payable, but the replacement of the structure will required \$10000. So, you will be paying \$6000 from your pocket and the company would have contributed to only \$4000. This is what is meant by deductible plus actual cash value; and such a home insurance coverage would be kind of okay and manageable for small losses, but not for big losses as you might not be able to afford.

In deductible plus replacement cash value, for the same case that is above stated, the company will not consider the depreciative value of the building. They will take in to consideration the current replacement value which is \$10,000 and they will contribute to the ratio of 80% or 60% that your policy suggests. Where you will be contributing to the remaining 20% or 40%; and, that should sound pleasing to hear if it is with your home insurance coverage that you have.

So having understood that basic difference you might have to consider that the insurance company is at more accountability for damage; so, the very high premium for replacement value stays justified by itself.