



Insurance Terms: Making Sense of Jargon



Every industry has jargon. For cameras, it's pixels; for social networking, it's Tweets; for medicine, it's MRI or EEG.

The insurance industry has its share of jargon. But what does that jargon really mean and how does it apply to your circumstances and insurance needs?

Some definitions that may help you the next time you talk to your agent:

- ✓ Replacement Cost: The cost to purchase a similar item new today.
- ✓ Deductible: The amount of each covered loss that you as the insured must bear. It is usually paid by you directly to the repair facility or contractor who is performing the repairs.
- ✓ Actual Cash Value: The Replacement Cost less depreciation. Depreciation is usually determined by the life of the item. For instance, if a \$500 TV is 5 years old and its useful life is 10 years, the amount of depreciation taken would be 50%, or \$250.
- ✓ Fair Market Value: What a willing buyer would pay for the item, in the current market conditions, to a willing seller.
- ✓ Medical Payments: Payments for medical expenses incurred regardless of fault. Note that Medical Payments Coverage exists in both your Homeowner's Policy and your Auto Policy but the coverage applies differently for each type of policy.
- ✓ Negligence: A civil (as opposed to a criminal) wrong. It means that the party in the wrong failed to act in a "reasonable and prudent manner". For instance, if you are speeding, you have not acted in a reasonable or prudent manner.
- ✓ Statute of Limitations: The amount of time a person has to file a lawsuit. The length of time varies depending upon the circumstances.

Remember to consult with your agent or broker when you don't understand a concept. It is better to ask than to make an uninformed choice.



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Please note: This Fact Sheet contains general concepts which should not be applied to any specific circumstances, policy or claim.