

Chapter 34 Property Insurance

1. What is the difference between real property and personal property?

Real: Property attached to land (house, business building, garage, other building)

Persona: Possessions that can be moved (furniture, jewelry, electronics...)

2. What is the main cause of property damage?

Fire (85% of property damage) (standard fire policy)

3. What does additional living expenses insurance cover?

Cost of renting another place to live if your home is damaged. Might be limited to 10-20% of coverage on your home. (150,000 on home = 15,000-20,000 living expenses)

4. What type of protection is covered by all homeowner's policies?

Liability protection for homeowners if someone is injured on the insured's property. Also 11 perils:

- | | |
|--|--|
| 1) Fire/lightning | 7) Vehicles |
| 2) Loss of property damaged by fire and other perils | 8) Smoke |
| 3) Windstorm/hail | 9) Vandalism & malicious mischief |
| 4) Explosion | 10) Theft |
| 5) Riot or civil commotion | 11) Broken glass (if part of the building) |
| 6) Aircraft | |

5. Which homeowner's policy provides the most coverage?

HO-5 All risks policy (see p 554 for broad coverage, perils 12-18)

6. Why does replacement value coverage cost more than actual cash value coverage?

Actual = value of property new minus depreciation from use. (bike for \$300, but depreciated to \$200)

Replacement value: Full cost of repairing or replacing the property, regardless of the depreciation value. Could still get \$300 paid originally for the bike

7. What preventive measures might lower your insurance rates?

Deductible, location, type of building (brick vs wood), preventive measures (deadbolts, alarm system, smoke detectors, fire extinguishers, sprinklers)

Vocabulary

Match each word to its definition.

- Real property
- Personal property
- Rider
- Standard fire policy
- Property insurance
- Renter's insurance
- Extended coverage
- Homeowner's policy
- Eleven perils
- Replacement value

Term	Definition
Personal property	Some examples of ___ are furniture, jewelry, and electronic equipment.
Real property	Some examples of ___ are houses, barns, garages, and other buildings.
Rider	A(n) ___ is an additional to a policy that covers specific property.
Property insurance	Protection from financial loss on property due to damage or theft is called ___.
Standard fire policy	If smoke and heat from an explosion damages your property, a(n) ___ covers the loss.
Renter's insurance	It's important to obtain ___ when you first move into an apartment.
Replacement value	If your insurance company fully pays for the cost of your stolen bike, it's paid you the ___ of the bike.
Eleven perils	A homeowner's policy provides protection against such things as fire, smoke, windstorms, and riots, or otherwise known as the ___.
Extended coverage	Insurance coverage added to a standard fire policy that protects against other types of property damage is ___ coverage.
Homeowner's policy	A(n) ___ is a combination policy offering different kinds of home protection designed for homeowners.