



GLOSSARY OF INSURANCE TERMS

Actual cash value coverage – pays less than replacement cost coverage because it factors in depreciation; it pays the costs to replace or repair the damaged property, minus the depreciation and any applicable deductible.

All risk policies – offer broad protection and cover all causes of loss, unless the policy specifically excludes them.

Company Profile - synopsis by TDI of a company's performance in the state of Texas. Includes licensing data, financial strength rating, financial information regarding the company's assets and liabilities, complaint history and a record of the company's activities as it pertains to the interests it has in Texas.

Credit scoring – practice used by insurance companies of basing insurance decisions on information found in your personal credit history. Your credit score may be considered by an insurer when deciding if they will issue you a policy and how much you will have to pay.

Deductible - amount the policyholder must pay in a loss before any payment is due from the company.

Depreciation - lowering of an item's value due to use or wear and tear.

Dwelling policy – a policy that only covers the structure of your house.

Endorsements – amendments to an insurance policy that add or remove coverage. Also called a rider.

File and use - method of rate regulation that allows an insurance company to file rate changes with TDI and immediately begin using them before they are reviewed by TDI. This is the current regulatory framework used in Texas.

HO-A policy – provides extremely limited coverage for the actual cash value of your home and its contents. They only cover the types of damage specifically listed in the policy.

HO-A amended policy – cover some additional losses to the basic HO-A policy. Additional coverage is offered a la carte. It is important to note that these policies provide less coverage than HO-B policies.

HO-B policy – for most types of damage, this policy provides replacement cost coverage, with the exception of those damages specifically excluded in the policy. According to the Texas Department of Insurance, “Generally, HO-B policies provide the most coverage for the price, but some companies may not offer the HO-B policy.”

Homeowners Insurance Policy – a policy that combines several types of coverage:

- Dwelling: covering damage to your house and outbuildings.
- Personal property: covering household items.
- Liability: protecting against loss if you are found responsible for someone’s injury or property damage.
- Medical payments: paying medical bills for people hurt on your property, as well as some injuries occurring off the property (for example, a dog bite).
- Loss of use: paying living expenses if your home is uninhabitable during repairs.

Named perils policies – offer narrower protections that cover only those causes of loss that the policy specifically names; it also includes exclusions to perils named under the policy.

Peril – a cause of property losses or damages.

Policy – contract issued by the insurance company to the insured.

Premium - amount paid by a policyholder to an insurance company to obtain or maintain an insurance policy.

Prior approval – method of rate regulation that requires insurers to submit proposed rates to TDI and get approval for them before the rates can be charged to customers.

Replacement cost coverage – pays for all necessary expenses involved with repairing or rebuilding the damaged property. This applies up to the policy limits, minus any applicable deductible amount.

Senate Bill 14 – insurance reform bill passed by the 2003 Texas Legislature. It became law in June 2003.

Underwriting – the ‘rules’ or process an insurance company uses to decide whether to accept or reject an application for a policy.

Source: Texas Department of Insurance