

TOPIC 1: HOMEOWNERS INSURANCE---Eight Classroom Hours

Obj 1-1. ISO HOMEOWNERS 2000 EDITION PROGRAM POLICY FORMS:

1. **HO-2**--is designed for owner-occupants of one-family to four-family dwellings.
The HO-2 provides coverage on buildings and personal property for specifically named perils.
2. **HO-3**--is designed for owner-occupants of one-family to four-family dwellings.
The HO-3 provides coverage on
 - a. **buildings** for all causes of loss not otherwise excluded *and*
 - b. **personal property** for the perils named in the HO-2.
3. **HO-5**--is designed for owner-occupants of one-family to four-family dwellings.
The HO-5 provides coverage on buildings and personal property for all causes of loss not otherwise excluded.
4. **HO-4**--is designed for tenants.
The HO-4 provides coverage on personal property for the perils named in the HO-2.
5. **HO-6**--is designed for condominium and cooperative apartment owners.
The HO-6 provides coverage on personal property and some building items for the perils named in the HO-2.
6. **HO-8**--is designed for owner-occupants of homes that do *not* meet the eligibility requirements of other homeowners policies (particularly homes with replacement costs that exceeds their market values).
The HO-8 provides limited named perils coverage on buildings and personal property.

Obj 1-2. OWNERSHIP INTERESTS ELIGIBLE UNDER A HOMEOWNERS POLICY:

1. **Owner-occupied dwelling--must** be occupied as a residence by an individual owner or joint owners with no more than two boarders or roomers per family.
It *may* be under construction, under contract of sale, part of a life estate, or a seasonal dwelling with continuous occupancy of three or more months.
2. **Shared ownership--includes**
 - a. **townhouse**--in which the owner owns the unit, the land beneath and air above the unit, and an undivided interest in any common elements;
 - b. **condominium**--in which the owner owns the airspace inside the unit, an undivided interest in the common elements, and everything inside the unit that is not specified as common elements; *and*
 - c. **cooperative**--in which the owner owns a share in the structure with the rights to occupy a portion and to sell the share.
The owner does *not* own any part of the structure or the land.
3. **Tenant interests**--arise from when an individual rents his living space.
4. **Additional interests**--include collateral on a note or loan or collateral on equity interest in a divorce settlement.

OCCUPANCIES NOT ELIGIBLE UNDER A HOMEOWNERS POLICY include

1. structures with more than four families (*except* a tenant insured under an HO-4) in such a dwelling,
2. business property,
3. farms,
4. owner-occupied dwellings with more than two boarders per family, *and*
5. vacant property.

- Obj 1-3. **THE HOMEOWNERS POLICY FORMAT:** Each homeowners policy contains
1. three preliminary sections *and*
 2. two coverage sections.

THREE PRELIMINARY SECTIONS:

1. **Declarations page--identifies** the policy number, the coverage period, the policyholder, the residence location, the mortgage holder, the coverage limits, the deductible, the premium, *and* any applicable forms and endorsements.
2. **General agreement--**makes the insurer's obligations contingent on the insured's payment of the premium and compliance with the policy provisions.
3. **Definitions section--**gives the special meanings of any words that appear in the policy within quotation marks.

TWO COVERAGE SECTIONS:

Section I is divided into the following four property coverages:

- Coverage A--Dwelling
- Coverage B--Other Structures
- Coverage C--Personal Property
- Coverage D--Loss of Use

Section II is divided into the following two liability coverages:

- Coverage E--Personal Liability
- Coverage F--Medical Payments to Others

**Both Section I and Section II provide Additional Coverages.
See Obj 1-9 and Obj 1-17.**

Obj 1-4. **IMPORTANT DEFINITIONS IN THE HO-3:**

1. **You and your**--refer to the **named insured** (shown in the declarations) **and** resident spouse. Unmarried co-owners are both eligible to be named insureds.
2. **We, us, and our**--refer to the insurer.
3. **Aircraft liability, hovercraft liability, motor vehicle liability, and watercraft liability**--is liability for bodily injury or property damage arising out of the ownership, maintenance, use, occupancy, operation, entrustment, or negligent supervision of such vehicles **and** vicarious liability for the actions of a minor related to such vehicles.
4. **Bodily injury**--includes bodily harm, sickness, disease, **and** death. It does **not** include **personal injury** (libel, slander, false arrest, wrongful eviction, and invasion of privacy).
5. **Business--includes**
 - a. any trade, profession, or occupation **or**
 - b. any other activity engaged in for money for which the insured received more than \$2,000 in compensation in the 12 months before the beginning of the policy period.
6. **Insured--includes**
 - a. the named insured,
 - b. the resident spouse of a named insured,
 - c. relatives of either the named insured or spouse **if** residents of the household,
 - d. anyone under age 21 in the care of the named insured or resident relative, **and**
 - e. any full-time student away from home who is **either** a relative under age 24 **or** in the care of a named insured or resident relative **and** under age 21.

[Note: In some situations a 'named insured' has more protection than an 'insured'.]
7. **Residence premises** means your declared one-family to four-family dwelling, other structures, and the grounds they are on **and** anywhere else you live **if** shown in the declarations (usually your half if you live in a duplex).
8. **Insured location--includes**
 - a. the residence premises,
 - b. any unlisted residence acquired by the named insured during the policy period,
 - c. any nonowned premises where any insured is temporarily residing,
 - d. vacant land (other than farm land) owned by or rented to any insured,
 - e. an insured's land on which a one-family to four-family residence is being built,
 - f. cemetery plots, **and**
 - g. any part of a premises occasionally rented to any insured for nonbusiness use.
9. **Motor vehicle**--means a self-propelled land or amphibious vehicle or any trailer being carried on, towed by, or hitched to such vehicle.
10. **Occurrence**--is an accident that results in bodily injury or property damage, including repeated exposure to the same condition.
11. **Property damage**--involves physical injury to tangible property and includes loss of use.
12. **Residence employee**--is a domestic worker who maintains the household premises or performs household services.
13. **Residence premises**--includes the declared one-family or two-family dwelling, structures, and grounds where the insured lives **and** anywhere else the insured lives **if** shown in the declarations.

Obj 1-5. **PROPERTY INSURED UNDER THE HO-3:**

COVERAGE A, DWELLING, INSURES the described dwelling; its attached structures; **and** any building materials used to construct, alter, or repair either.

COVERAGE A EXCLUDES land, including land on which the dwelling is located.

COVERAGE B, OTHER STRUCTURES, INSURES other structures on the residence premises separated from the dwelling by a clear space--including building materials.
Coverage is automatically provided with an additional limit equal to 10% of the Coverage A limit--which limit can be increased by endorsement.

COVERAGE B EXCLUDES land, structures used for business or to store business property (**except** property solely owned by an insured or tenant of the dwelling), **and** structures held for rental (**unless** to a tenant of the described dwelling or for garage use).

COVERAGE C, PERSONAL PROPERTY, INSURES your personal property, **anywhere**.

It also covers, **at your option**, property of others at the residence premises and property of guests and residence employees in any residence you occupy.

The standard limit for Coverage C (which is in addition to the Coverage A limit) equals 50% of the Coverage A limit, **but** can be increased (or decreased to 40%) by changing the amount on the declarations page.

Property usually located at another residence (such as a secondary residence or dorm room) is insured up to the greater of 10% of Coverage C or \$1,000, but **not** for theft **unless** you're living when the theft occurred.

COVERAGE C EXCLUDES

1. property more specifically insured elsewhere;
2. any kind of animal;
3. motorized vehicles (**except** unregistered vehicles used to service the premises **or** to assist the handicapped) **and** their sound equipment;
4. aircraft and parts--but model and hobby (nonpeople-carrying) aircraft **are** covered;
5. hovercraft and parts;
6. property of roomers, boarders, and tenants **not** related to any insured;
7. on-premises property rented or held for rent;
8. off-premises property rented or held for rent;
9. business data, whether paper or electronic--but **blanks** are covered;
10. credit and fund transfer cards. (**But**, see Additional Coverage #6, Obj 1-9.); **and**
11. water and steam--such as the cost to refill a damaged swimming pool or the cost of water that escapes from a broken pipe.

SPECIAL SUB-LIMITS OF LIABILITY apply under Coverage C of **all HO policies**:

[These limits are the most that may be recovered for each numbered property category per occurrence.]

1. money, gold, silver, platinum, coins, and medals--\$200.
2. securities, manuscripts, deeds, IOUs, tickets, and stamps--\$1,500.
3. watercraft and their trailers, motors, and equipment--\$1,500.
4. other trailers--\$1,500.
- 5-7. loss, **by theft**, of jewelry and furs--\$1,500; of firearms--\$2,500; of silverware, goldware, and pewterware--\$2,500. **No** other peril has special limits--except theft.
- 8-9. business property of **any** kind--\$2,500 on premises, \$500 off premises.
10. a car's electronic apparatus (fax, phone, sound) in the car--\$1,500.
11. business electronic apparatus that can be powered by a car--\$1,500.