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L E A R N I N G   G U I D E

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**RISK & INSURANCE**  
EDUCATION ALLIANCE





# Personal Lines

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## THE CERTIFIED INSURANCE COUNSELOR PROGRAM

Agency Management

Commercial Casualty

Commercial Multiline

Commercial Property

Insurance Company Operations

Life & Health

Personal Lines

Risk & Insurance Education Alliance

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P.O. Box 27027

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**Telephones: 512.345.7932**

**800.633.2165**

[RiskEducation.org](http://RiskEducation.org)

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Insurance policy forms, clauses, rules, court decisions, and laws constantly change. Policy forms and underwriting rules vary across companies.

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## A Letter from William J. Hold, President/CEO

I trust this Learning Guide finds you well and eager to embark on a transformative journey with our esteemed risk management and insurance courses. As the President of Risk & Insurance Education Alliance, it is both an honor and a privilege to welcome you to this unparalleled learning experience.

In our ever-evolving world, the importance of risk management and insurance cannot be overstated. This industry is the backbone of organizational resilience, ensuring that businesses and individuals can navigate the complexities of today's dynamic landscape. I commend you for recognizing the significance of this expertise and taking the initiative to invest in your professional development.

At Risk & Insurance Education Alliance, our philosophy revolves around the belief that every individual has untapped potential waiting to be realized. This course is not just about acquiring knowledge; it is a platform for you to own your potential. We are here to guide, support, and empower you to discover the depths of your capabilities, enabling you to excel in the realm of risk management and insurance.

As committed professionals, you are not merely participants in a course; you are integral members of a community dedicated to excellence. Our team of expert instructors, industry practitioners, and support staff are equally committed to your success. Throughout the program, you will benefit from their wealth of experience and knowledge, gaining insights that extend beyond textbooks to real-world applications.

"Own Your Potential" encapsulates the ethos of our educational approach. It encourages you to take charge of your learning journey, embrace challenges as opportunities, and emerge as a confident and proficient risk management and insurance practitioner.

As you embark on this course, remember that your commitment to professionalism sets you apart. The skills and insights you gain here will not only elevate your individual career but contribute to the advancement of the entire profession.

I am confident that, armed with the knowledge and skills imparted in this course, you will become a committed professional who not only understands the intricacies of risk management and insurance but also actively shapes the future of these industries.

I look forward to witnessing your growth, learning, and success in the coming weeks. The journey ahead is both challenging and rewarding, and I encourage you to embrace it with enthusiasm and dedication.

Best wishes for a fulfilling and transformative learning experience.

Sincerely,

A handwritten signature in black ink, appearing to read 'W. J. Hold', with a stylized flourish at the end.

William J. Hold, M.B.A., CRM, CISR  
President/CEO

## To the Participant

Welcome to Personal Lines: Personal Residential, part of the Certified Insurance Counselor designation program. This program will provide you with the core knowledge and tools you need in your work as a highly trained insurance service representative.

A Certified Insurance Counselor is recognized as someone knowledgeable in all areas of insurance. As a participant in Risk & Insurance Education Alliance program of study, it is expected that you will not only gain knowledge that will give you greater success in your work, but that you will be challenged to make integrity, innovation, inspiration, and imagination part of your daily practice.

As experts in their fields, R&IEA faculty, consultants, and academic directors—each with a commitment to assisting you in your efforts to achieve standards of excellence—have contributed to the content of this course. In this course, you can expect:

- engagement in the learning process
- clear learning objectives supported by essential content
- activities designed to strengthen understanding
- exposure to real-world examples and contexts

As representatives of Risk & Insurance Education Alliance (R&IEA), we take great pleasure in welcoming you to this program and to our organization. We are committed to helping you become a successful Certified Insurance Counselor.

## Program Overview

This program overview provides an at-a-glance view of the contents of this Learning Guide. Here you will find section goals as well as specific learning objectives for every section.

### Section 1: Personal Residential Coverages

## Section Goal

In this section, participants will develop a transformative comprehension of ISO Homeowners Policies and important coverage provisions. Participants will be able to apply their knowledge in determining the appropriate policy for a client based on eligibility criteria, as well as accurately assess and explain key coverage points provided by the policy and applicable endorsements.

## Learning Objectives:

- 1.1 *Determine which ISO Homeowners Policy may be written for a client based on ownership, occupancy, and use of the residence.*
- 1.2 *Evaluate key coverage points of an ISO Homeowners 6 – Unit-Owners Form.*
- 1.3 *Explain who is provided coverage by a Homeowners Policy through understanding who is a you, a your, and an “insured,” and identify appropriate endorsement(s) to extend such coverage to others.*
- 1.4 *Apply knowledge of relevant policy definitions and the Section I – Property Coverages below to recognize when property coverage is provided, limited, or excluded, and be able to identify the appropriate endorsement(s) that give coverage back:*
  - Coverage A – Dwelling
  - Coverage B – Other Structures
  - Coverage C – Personal Property
- 1.5 *Explain the coverage provided by and the importance of Additional Living Expense under Coverage D – Loss of Use.*
- 1.6 *Determine coverage (if any) for specific loss situations utilizing Section I – Additional Coverages, Perils Insured Against, and Exclusions of the ISO Homeowners 3 – Special Form and apply the appropriate endorsement(s) available.*
- 1.7 *Apply the Section I – Loss Settlement Condition to specific loss scenarios and describe how applicable endorsements may modify valuation at the time of loss.*
- 1.8 *Apply knowledge of relevant policy definitions and the Section II – Liability Coverages Insuring Agreements, including an explanation of coverage provided for an “insured” and the need for the Personal Injury Coverage (HO 24 82) endorsement.*
- 1.9 *Describe the coverage and limitations of the motor vehicle liability, watercraft liability, and aircraft liability exclusions in Section II – Liability, and identify the appropriate endorsement(s) that provide coverage.*

- 1.10 *Explain the coverage and potential coverage gaps within Section II – Liability Exclusions, and identify the appropriate endorsement(s) to provide coverage.*
- 1.11 *Describe how Damage to Property of Others in Section II – Liability coordinates with Coverage for Property of Others provided in Section I – Property.*

## **Section 2: Personal Automobile Coverages**

### **Section Goal:**

In this section, participants will develop a transformative understanding of the ISO Personal Auto Policy and relevant endorsements, enabling them to identify coverage gaps and recommend the appropriate coverage to meet clients' unique needs.

### **Learning Objectives:**

- 2.1 *Determine eligibility for an ISO Personal Auto Policy based on vehicle ownership, type of vehicle, and vehicle usage.*
- 2.2 *Explain who is an “insured” for Part A – Liability and coverage provided by understanding the Part A – Liability Insuring Agreement and relevant policy definitions.*
- 2.3 *Recognize potential coverage gaps within Part A – Liability Exclusions and identify the appropriate endorsement(s) to provide coverage.*
- 2.4 *Explain who is an “insured” and the coverage provided under Part B – Medical Payments Coverage, and then describe the coverage differences between Medical Payments and Personal Injury Protection.*
- 2.5 *Describe Part C – Uninsured and Underinsured Motorists Coverage, including coverage provided, who is an “insured,” state variations of the “underinsured motor vehicle” definition (trigger), and how much an “insured” may receive (offset).*
- 2.6 *Explain the differences between “Collision” and Other Than “Collision” coverages provided within the Part D – Coverage For Damage To Your Auto Insuring Agreement.*
- 2.7 *Explain coverage provided by Part D – Coverage For Damage To Your Auto for a “non-owned auto.”*
- 2.8 *Recognize potential gaps in coverage using the Part D – Coverage For Damage To Your Auto exclusions and the Limit Of Liability provision and identify the appropriate endorsement(s) to provide coverage.*
- 2.9 *Explain the geographic areas where an ISO Personal Auto Policy provides coverage.*



## Section 3: Personal Umbrella/Excess Liability

### Section Goal:

In this section, participants will acquire valuable knowledge and skills that will empower them to articulate the significance of a Personal Umbrella/Excess Liability Policy and the extent of coverage it offers to their clients.

### Learning Objectives:

- 3.1 *Explain Personal Umbrella/Excess Liability coverage, inclusive of:*
  - *why coverage is needed and should be recommended,*
  - *the differences between various coverage forms, and*
  - *identifying key areas to compare when selecting a policy that best fits a client's needs.*
- 3.2 *Describe the importance of maintaining the required underlying insurance and the types of losses for which clients are responsible for paying the self-insured retention.*
- 3.3 *Utilize the Insuring Agreement, defined terms, and unique policy exclusions to effectively explain the coverage provided by an ISO Personal Umbrella Liability Policy.*



# Introduction to Personal Lines Insurance

Personal insurance consumers often depend on insurance advisors to guide them in protecting their most valued assets. It is the duty of insurance professionals to provide clear and accurate information regarding the risk and insurance advice they offer, including the limitations and exclusions. When a **special relationship** exists, an insurance professional may have a duty to act in their client's best interests (**fiduciary duty**) and to act with care and diligence (**duty of care**). Similar duties are owed to the insurance companies the insurance professional represents, along with ensuring that the business written adheres to the eligibility and underwriting guidelines the companies establish (**duty to act in good faith**). It is essential that compliance and service are accurately and ethically maintained so that the products issued will function just as they should—for everyone involved.



**Fiduciary Duty:** A legal and/or ethical responsibility to another party to competently act in their best financial interest and without conflict, when a special relationship of trust exists

**Duty of Care:** A responsibility to diligent documentation and service and to maintain insurance coverage according to direction

**Duty to Act in Good Faith:** A responsibility to provide reasonable and truthful information as it relates to the insurer

This course offers greater knowledge of personal insurance policies and endorsements, preparing insurance professionals to comprehensively assess and explain coverages, limitations, and exclusions important to personal insurance consumers. Understanding coverage beyond the Declarations empowers insurance advisors to provide clients with solutions based on their unique profiles.

## The Purpose of Personal Insurance

Consumers often only think of financially protecting themselves against the cost of their property being damaged, stolen, or lost (**property insurance**) when they consider the benefits of insurance. Their understanding of property insurance is usually simple: “Property is damaged; it needs to be repaired or replaced, and insurance will pay for that.”

**Liability insurance** is an equally important coverage and one that most insurance consumers do not consider. There are many activities (driving, hobbies, leisure, hosting, philanthropy, etc.) individuals engage in that they do not realize place them in a position of risking their financial future with just one accident. It is the insurance advisor’s responsibility to uncover areas of vulnerability and help their clients realize the importance of each component of their insurance coverage.

## Types of Personal Insurance

Personal lines insurance refers to insurance policies designed to protect individuals and their families from various risks. Here are some of the most common types of personal lines insurance:

- Homeowners Insurance (inclusive of Renters Insurance and Condo Insurance)
- Personal/Valuable Articles Insurance
- Dwelling Property Insurance (often used for rental properties and vacant dwellings)
- Personal Auto Insurance
- Motorcycle Insurance
- Recreational Vehicle Insurance (often used for ATVs, motorhomes, golf carts, etc.)
- Personal Watercraft/Yacht Insurance
- Personal Umbrella or Excess Liability Insurance
- Catastrophe Insurance (such as Wind, Flood, or Earthquake Insurance)
- Other specialty lines

Each of these policy types (including any added endorsements) addresses different needs in unique ways. This course may give mention to any of the various insurance solutions above but will remain focused on the intricacies of Homeowners, Personal Auto, and Personal Umbrella Liability Insurance. The solutions offered to a client will depend on their individual risk assessment.

## Assessing and Addressing Clients' Needs Through Risk Management

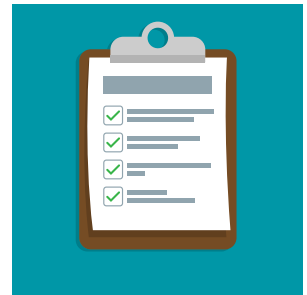
Risk management involves implementing actions intended to reduce or prevent the likelihood of a negative event that could produce a loss for an individual or organization. While risk management is often referred to in a commercial sense, personal lines insurance advisors (knowingly or not) employ risk management techniques.

### The Risk Management Process

The risk management process consists of five steps:

#### 1. Risk Identification

It is an insurance advisor's responsibility to work with clients to help determine their risk exposures and coverage gaps. Clients may not volunteer information, or they may think that their Homeowners or Personal Auto policies automatically cover them for any exposures. In the risk identification step, it is important to ask the right questions in the right way to uncover clients' risk exposures. Consider the use of a checklist to conduct a risk assessment. Work to uncover hobbies, side jobs, investment ventures, technology interests, climate concerns, etc.



#### 2. Risk Analysis



In the risk analysis step, identify the frequency and severity of risk exposures—how often are they occurring and to what degree? In this step, note the potential for property damage and/or liability exposures that may occur as a result of the risk. Analyze the impact of various risks so that clients can be advised on preparing to control and finance them.

#### 3. Risk Control

Risk control (or mitigation) involves applying actions intended to minimize or avoid the impact of losses. In the risk control step, insurance professionals must work with clients to help them determine any steps they can take to avoid, prevent, or reduce the frequency and severity of losses from each identified risk. Insurance is not a substitute for risk control; clients should still maintain sound judgments and habits for reducing hazards.



### 4. Risk Financing



In the risk financing step, the insurance advisor's primary role is to present any available options for funding risk exposure with insurance, including new policies or adding endorsements to existing policies. However, if a client chooses to set aside their own money to pay for a loss without the use of insurance, this risk financing method is known as **retention** (or self-insured retention). With this decision, it would be wise to follow one of the basic risk tenets and advise clients not to retain more than they can afford to lose.

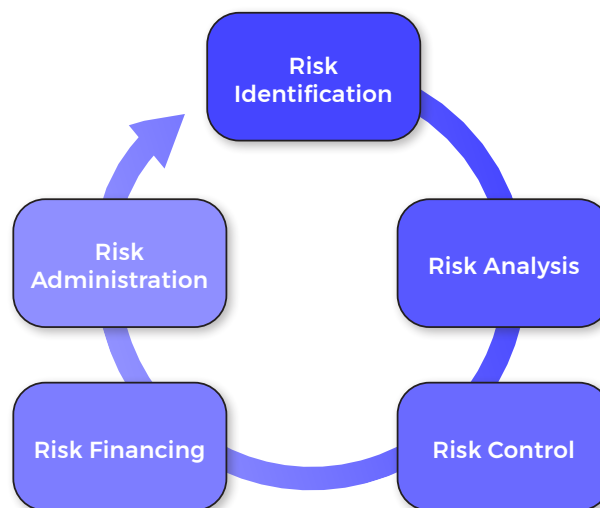
### 5. Risk Administration

In the risk administration step, work with the client to implement the risk control and risk financing measures from the previous steps as well, document recommendations and rejections, place coverage as needed, and continually monitor risk exposures. Conduct annual reviews with clients to identify new exposures, listen to the client to recognize any changes, and stay current with market changes and available solutions (insurance or otherwise) that could impact the client.



The risk management process is never complete because risks are constantly emerging and evolving, and companies are expanding or venturing into new markets. Every significant change within a family brings the possibility of new and additional risks. Graphic 1.1 below shows the continuous cycle of risk management.

**Graphic: 1.1**



An insurance professional's primary "risk management" responsibility is to help clients identify and develop a plan for responding to (or mitigating) the risks in their lives. There is no need to employ the same methods as a risk manager. Instead, know how to ask the right questions, research unfamiliar risks, and suggest risk control and financing options (especially insurance policies) to clients.

# Section 1: Personal Residential Coverages

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## Section Goal

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  - Coverage A – Dwelling
  - Coverage B – Other Structures
  - Coverage C – Personal Property
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- 1.6 *Determine coverage (if any) for specific loss situations utilizing Section I – Additional Coverages, Perils Insured Against, and Exclusions of the ISO Homeowners 3 – Special Form and apply the appropriate endorsement(s) available.*
- 1.7 *Apply the Section I – Loss Settlement Condition to specific loss scenarios and describe how applicable endorsements may modify valuation at the time of loss.*
- 1.8 *Apply knowledge of relevant policy definitions and the Section II – Liability Coverages Insuring Agreements, including an explanation of coverage provided for an “insured” and the need for the Personal Injury Coverage (HO 24 82) endorsement.*
- 1.9 *Describe the coverage and limitations of the motor vehicle liability, watercraft liability, and aircraft liability exclusions in Section II – Liability, and identify the appropriate endorsement(s) that provide coverage.*
- 1.10 *Explain the coverage and potential coverage gaps within Section II – Liability Exclusions, and identify the appropriate endorsement(s) to provide coverage.*
- 1.11 *Describe how Damage to Property of Others in Section II – Liability coordinates with Coverage for Property of Others provided in Section I – Property.*



**Disclaimer:** This course utilizes ISO Policy Language. Actual Policy language and its legal interpretation supersede any verbal or written interpretation/advisement in this course

## Homeowners Forms and Eligibility

### Learning Objectives:

- 1.1 Determine which ISO Homeowners Policy may be written for a client based on ownership, occupancy, and use of the residence.
- 1.2 Evaluate key coverage points of an ISO Homeowners 6 – Unit-Owners Form.

### Comparison of Homeowners Forms

The Homeowners Policy is the most widely used method of insuring residential properties. Homeowners Forms package together property coverage (dwelling and contents) and personal liability coverage. The ISO Homeowners Program offers the following homeowners forms:

- HOMEOWNERS 2 – BROAD FORM (HO 00 02)
- HOMEOWNERS 3 – SPECIAL FORM (HO 00 03)
- HOMEOWNERS 4 – CONTENTS BROAD FORM (HO 00 04)
- HOMEOWNERS 5 – COMPREHENSIVE FORM (HO 00 05)
- HOMEOWNERS 6 – UNIT-OWNERS FORM (HO 00 06)
- HOMEOWNERS 8 – MODIFIED COVERAGE FORM (HO 00 08)
- HOMEOWNERS 14 – CONTENTS COMPREHENSIVE FORM (HO 00 14)



This section will primarily focus on the ISO HO 00 03 03 22 policy; it will have limited information on the HO 00 05 and HO 00 06, and it will not include information on the HO 00 02, HO 00 08, or HO 00 14 beyond basic comparisons.

Each policy form above provides similar coverage but with variances on what type of risk can be insured, the type of losses covered (**perils**), the presentation of those perils (open perils vs. named perils), and the valuation of damaged property (replacement cost vs. actual cash value). Homeowners Forms begin with “basic” coverage, terms, and conditions. Insurance companies may offer endorsements that change coverage by either broadening or limiting coverage.



## Named Perils vs. Open Perils

Homeowners insurance forms offer two options for presenting which losses to property will be covered or excluded, and they will be presented within the policy under Perils Insured Against. The two options are open perils and named perils.

**Open perils** coverage provides coverage for direct physical loss to property for all perils except what is excluded. In other words, if a loss is not excluded, then it is covered. This is the best (or broadest) coverage to offer since it covers unknown events. In the event of a claim, it is the responsibility (or duty) of the insurance company to establish that a loss is *not* covered due to a listed exclusion.

**Named perils** coverage provides coverage for direct physical loss to property but only for specified (or listed) perils such as fire, wind, or hail. In the case of named perils, the policyholder must be able to prove that the loss to their property is one of the causes listed within the policy. In other words, the insured can't just say, "I had a fire inside my dwelling, so please pay for my loss." In actuality, the insurance company will determine if damage can be attributed to a named peril once an insured submits a claim.

Table 1.1 details the named perils or open perils coverage difference for each ISO Homeowners Form.

**Table 1.1**

Named Perils/Open Perils by Homeowners Form			
Use	ISO Homeowners Form	Dwelling	Personal Property
Owner-Occupied Dwellings	HO-2 Broad Form	Named Perils	Named Perils
	HO-3 Special Form	Open Perils	Named Perils
	HO-5 Comprehensive Form	Open Perils	Open Perils
	HO-8 Modified Form	Limited Named Perils	Limited Named Perils
Owner-Occupied Condo	HO-6 Unit-Owners Form	Named Perils	Named Perils
Tenant/Renter Form	HO-4 Contents Broad Form		Named Perils
	HO-14 Contents Comprehensive Form		Open Perils

## Section 1: Personal Residential Coverages



To broaden Perils Insured Against for Coverage C, the **Special Personal Property Coverage (HO 05 24)** endorsement may only be used with the Homeowners 4 – Contents Broad Form.

Perils insured against may also be broadened under the Homeowners 6 – Unit-Owners Form with the **Unit-Owners Coverage A Special Coverage (HO 17 32)** endorsement and the **Unit-Owners Coverage C Special Coverage (HO 17 31)** endorsement.



In the ISO Homeowners Program, to broaden coverage for Personal Property (Coverage C) from named perils to open perils, switch from an HO-3 to an HO-5. However, many insurance companies may still use the HO-3 with a Special Personal Property endorsement to broaden Coverage C – Perils.

### Types of Loss Settlement

The Loss Settlement provision in Section I of the Homeowners Policy explains how the insurance company will settle claims on damaged property. ISO Homeowners insurance forms offer a few Loss Settlement options.

#### Actual Cash Value vs. Replacement Value

These terms are not defined in the policy, but are typically recognized in the industry as follows:

<b>Actual Cash Value (ACV):</b>	the current replacement cost of property, less depreciation*
<b>Replacement Cost (RC):</b>	the cost to repair or replace property with like kind and quality, without depreciation

**\*Actual Cash Value (ACV)** has traditionally been discussed as the damaged property's replacement cost value, less depreciation according to the property's age, or results in a reduction in value for normal wear and tear of the property just before the loss. This is also a commonly used loss settlement option, though it is not preferred.



\*Regarding ACV determination, replacement cost less depreciation is not the only way to determine ACV. When ACV is not clearly defined within the policy, other valuation determinations, such as Fair Market Value or **Broad Evidence Rule** may be considered. Broad Evidence Rule takes into consideration any possible factors that may impact value, such as market value, replacement cost, location, condition of property, and more.

Visit the [RiskEducation.org/PLresources](https://www.riskeducation.org/PLresources) webpage for a video on the topic of the Broad Evidence Rule.

## Section 1: Personal Residential Coverages

**Replacement Cost Value (RC or RCV)** is the cost to repair or replace damaged buildings with like kind and quality materials. For personal property, replacement cost is generally the cost to repair or replace damaged personal property with identical property or, if identical property is not available, of comparable quality and usefulness. This is a commonly used and preferred loss settlement option.

**Functional Replacement Cost Value (FRC or FRCV)** is the cost to replace damaged property with less costly common construction materials and methods that are functionally equivalent to the damaged property. This loss settlement option is often used when obsolete or costly antique or custom materials or construction methods have been used.

Table 1.2 details the base (or initial) loss settlement option of each ISO Homeowners Form.

**Table 1.2**

Named Perils/Open Perils by Homeowners Form			
Use	ISO Homeowners Form	Dwelling	Personal Property
Owner-Occupied Dwellings	HO-2 Broad Form	Replacement Cost (RC)	Actual Cash Value (ACV)
	HO-3 Special Form	Replacement Cost (RC)	Actual Cash Value (ACV)
	HO-5 Comprehensive Form	Replacement Cost (RC)	Actual Cash Value (ACV)
	HO-8 Modified Form	Functional Replacement Cost (FRC)	Actual Cash Value (ACV)
Owner-Occupied Condo	HO-6 Unit-Owners Form	Replacement Cost (RC)	Actual Cash Value (ACV)
Tenant/Renter Form	HO-4 Contents Broad Form		Actual Cash Value (ACV)
	HO-14 Contents Comprehensive Form		Replacement Cost (RC)

## Section 1: Personal Residential Coverages



The **Personal Property Replacement Cost Loss Settlement (HO 04 90)** endorsement may be used with all forms except the HO-8 and HO-14 to provide Coverage C – Personal Property with loss settlement on a replacement cost basis rather than an actual cash value basis.

Endorsements such as the **Actual Cash Value Loss Settlement (HO 04 81)** endorsement and the **Functional Replacement Cost Loss Settlement (HO 05 30)** endorsement may be offered to restrict building loss settlement, but these endorsements are rarely offered or used.

### Comparison of ISO and Proprietary/Company Forms

This course focuses on ISO coverage forms, which are standard in the insurance industry. Some insurance companies use unaltered ISO Forms, while others customize them or create their own unique forms, known as **proprietary forms**. This variation can make policy comparisons challenging for insurance professionals.

ISO forms are known for clarity and consistency but may lack flexibility for a changing market. Proprietary forms, however, are unique to an insurance company and are tailored to their offerings and regions. These forms may include endorsements not found in ISO programs. Insurance companies may or may not offer endorsements similar to ISO endorsements and may choose to offer endorsements that are not available in ISO insurance programs.

Insurance companies using proprietary forms undergo a more rigorous regulatory approval process compared to those using ISO forms, which can be adopted more easily. State regulators review all forms for compliance, but proprietary forms often face longer approval times.



As the course progresses, place knowledge of specific insurance company coverage details aside and focus on ISO coverage details. Noticing where similarities and differences occur will become a valuable skill to develop to ensure accurate and thoughtful coverage comparisons between various endorsement forms and insurance companies.

## Comparison of Homeowners 3 – Special Form and Homeowners 5 – Comprehensive form

Both the ISO Homeowners 3 – Special Form (HO-3) and ISO Homeowners 5 – Comprehensive Form (HO-5) provide coverage for the dwelling, other structures, and personal property as well as personal liability and medical payments to others coverage. Both forms are utilized for insuring residential dwellings owned and occupied by the policyholder. The HO-3 is the most commonly used form, as many insurance companies do not offer an HO-5. When an insurance company offers both the HO-3 and the HO-5 within their product suite, the HO-5 is often used for preferred risks or dwellings with above-average construction grade and/or value.



The HO-5 offers broader coverage than the HO-3, meaning the HO-5 is the better of the two. The differences between these forms are in how each protects Coverage C – Personal Property. The coverage variances can be identified in Section I – Perils Insured Against and Section I – Loss Settlement. Table 1.3 details the Perils Insured Against and Loss Settlement differences between the ISO HO-3 and HO-5 forms.

**Table 1.3**

ISO Homeowners Form	Dwelling	Personal Property
HO-3 Special Form	Open Perils Replacement Cost (RC)	Named Perils Actual Cash Value (ACV)
HO-5 Comprehensive Form	Open Perils Replacement Cost (RC)	Open Perils Actual Cash Value (ACV)

What types of property loss would be covered by an HO-5 policy that is not covered by the HO-3 policy? Perils Insured Against will be covered in detail later, but consider the following:



Danica decides to repaint her living room. While painting the walls, the one-gallon paint can perched on the top step of her ladder fell. The paint caused damage to a leather couch with electronic components, her television, and her entertainment center. The damage caused by the paint totals over \$15,000. The ISO HO-3 Policy would not provide coverage for such a loss since Coverage C – Personal Property does not list damage caused by spilled paint as a named peril. However, the ISO HO-5 (an open perils policy) does not exclude such loss and would provide coverage.



## Comparison of Homeowners 4 – Contents Broad Form and Homeowners 14 – Contents Comprehensive Form

The ISO Homeowners 4 – Contents Broad Form and ISO Homeowners 14 – Contents Comprehensive Form are utilized for policyholders who live within a residential dwelling or unit (such as an apartment or condo) but do not own the structure. These policies are more commonly known as Renter’s policies; they offer coverage for the policyholder’s personal property, loss of use, and personal liability.



**Table 1.4**

ISO Homeowners Form	Dwelling	Personal Property
HO-4 Contents Broad Form		Named Perils Actual Cash Value (ACV)
HO-14 Contents Comprehensive Form		Open Perils Replacement Cost (RC)

While the most noticeable difference between the HO-4 and HO-14 forms is how each protects Coverage C – Personal Property, there is more to consider. Table 1.4 details the Perils Insured Against and Loss Settlement differences between the ISO HO-4 and HO-14 forms.

When looking closely, it may appear that the HO-14 is the HO-4 endorsed with:



**Special Personal Property Coverage endorsement (HO 05 24)**

*This endorsement broadens coverage from named peril to open peril.*

**Personal Property Replacement Cost Loss Settlement endorsement (HO 04 90)**

*This endorsement improves coverage from ACV loss settlement to RCV.*

**Broadened Home-Sharing Host Activities Coverage endorsement (HO 06 64)**

*This endorsement adds limited property and liability coverage for home-sharing exposures.*

**Incidental Low Power Recreational Motor Vehicle Liability Coverage endorsement (HO 24 13)**

*This endorsement broadens exposure limitations regarding which low-powered recreational vehicles will receive “motor vehicle liability” coverage.*

While these seem like an improvement, a more in-depth review of the HO-14 will reveal that commonalities with the HO-4 do not go too far beyond the purpose of the forms.

While all other Homeowners forms limit and exclude coverage for home-sharing, the HO-14 curiously incorporates coverage found in the Broadened Home-Sharing Host Activities Coverage endorsement. Beyond that though, unfortunately, several coverage limitations and exclusions within the HO-14 are not present in the HO-4 (or any other Homeowners Form).

## Section 1: Personal Residential Coverages

Property Coverage for the following is limited or excluded in the HO-14:

**Table 1.5**

Property Coverage Limited	Property Coverage Excluded
<p>Reduced to 10% of Coverage C:</p> <ul style="list-style-type: none"><li>• Model or hobby watercraft and aircraft (not used or designed to carry persons or cargo)</li><li>• Money, bank notes, etc.</li><li>• Securities</li><li>• Theft of jewelry, watches, furs, firearms, and silverware</li><li>• Business property</li><li>• Antiques, fine arts, paintings, etc.</li></ul>	Watercraft (except model/hobby craft)
	Trees, Shrubs, and Plants
	Collapse
	Ordinance or Law
	Grave Markers
	Fire Department Service Charge
	Loss Assessment
	"Insured's" property is located at another "residence premises"

Liability coverage for the following was eliminated:

- Motor vehicles, other than:
  - Vehicles designed to assist the handicapped and
  - Motorized bicycles and motorized scooters.



Thomas rents a spacious home on five acres and maintains the lawn with his owned zero-turn ride-on mower. While an ISO HO-14 Policy lacks liability coverage for his mower, the ISO HO-4 includes it.

- Watercraft (applies to owned and non-owned);  
The HO-14 "watercraft liability" exclusion applies to both owned and non-owned watercraft.



### **SECTION II – EXCLUSIONS**

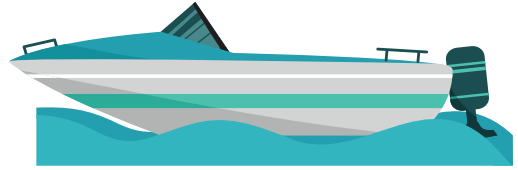
#### **B. Watercraft Liability**

This Policy does not cover "watercraft liability".

## Section 1: Personal Residential Coverages



Darius rents a home on five acres with a pond for his 15hp fishing boat. While the ISO HO-14 Policy doesn't provide liability coverage for his watercraft, the HO-4 offers limited property and liability coverage.



- Loss assessment; and
- Certain coverage exceptions applying to "residence employees."

In addition, the HO-14 limits the definition of "insured location" and does not include any vacant land, land owned by an "insured" where they are building a home to reside, or cemetery plots.



Crystal rents an apartment and purchased two acres of vacant land where she plans to build a home in the coming years. The ISO HO-14 Policy will not provide liability coverage for the vacant land; however, the ISO HO-4 would since vacant land would be considered an "insured location."

It is clear that while the HO-14 may have additional coverage in some areas, there are other areas where coverage is severely lacking. Insurance advisors must take great care in understanding their clients' needs and choosing the appropriate form.



## Check-In



**Directions:** Review the scenario and select the appropriate answer.

A prospect rents a bungalow long-term in a vibrant town with plenty of options for recreational activities. In conversation with the prospect, it is discovered they frequently rent Jet Skis® in the summer months at a nearby lake. Which ISO Homeowners form should be quoted and offered?

- Homeowners 3 – Special Form
- Homeowners 4 – Contents Broad Form
- Homeowners 5 – Comprehensive Form
- Homeowners 14 – Contents Comprehensive Form

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## Homeowners 6 – Unit-Owners Form

The ISO Homeowners 6 – Unit-Owners Form (HO-6), better known as a Condo Policy, is utilized for an individual who owns and occupies a condominium unit or, in some cases, a townhome. In these unique ownerships, multiple individuals will share ownership of common areas and building structures. Insurance advisors should ask necessary questions to ensure the right Homeowners Policy and coverage limits are selected since clients sometimes do not understand which parts of the unit they own.



Ali is purchasing a luxury condo located in a 40-unit, 15-story building. The building offers a communal workspace, health and wellness club, venue space, and a rooftop pool. Her realtor informed Ali that she would be responsible for obtaining insurance for everything beyond the drywall in her unit, including the wall coverings or paint. Ali will need a Homeowners 6 – Unit-Owners Policy.

## Section 1: Personal Residential Coverages

The HO-6 provides coverage for personal belongings, personal liability, and the parts of the structure the unit-owner has individual ownership of and is responsible for insuring. Both Coverage A and Coverage C have named perils coverage. For Loss Settlement, Coverage A – Dwelling will receive replacement cost value, while Coverage C – Personal Property receives actual cash value.



The HO-6 can be endorsed with the **Unit-Owners Coverage A Special Coverage (HO 17 32)** endorsement and the **Unit-Owners Coverage C Special Coverage (HO 17 31)** endorsement to broaden coverage from named perils to open perils.

Understanding the value of the HO-6 form goes beyond the essentials of property and liability coverages.

### Key HO-6 Property Coverages

Condo unit owners own the airspace in the individual apartment and certain property attached to the building within each apartment. The definition of a “unit” will vary according to each individual Declaration of Ownership. A **Condo Owners Association (COA)** is a legal entity formed by the owners of individual units within a condominium complex (or townhome community) that manages the maintenance and use of shared facilities and construction.

The COA is responsible for maintaining and repairing shared spaces (like pools and fitness centers) and certain construction (such as landscaping, framing, roofing, and building exteriors), which are provided insurance coverage through a **master policy**.



Insurance advisors should obtain a copy of the association’s bylaws or Condo Owners Association Agreement to ensure an accurate understanding of which parts of the physical structure the personal lines client may own or be financially responsible for insuring. This wording in the Agreement would be found in the definition of Unit regarding ownership of the unit owner. The insurance clause should also be read to determine other items he insured may be responsible for insuring.

When reviewing a master policy, insurance professionals should evaluate how key coverage components such as improvements and betterments, other structures, and loss assessment may be impacted.

### Coverage A – Dwelling (Improvements and Betterments)

Depending on the COA bylaws, the unit owner may own and be financially responsible for cabinetry, flooring, drywall, wall coverings, plumbing and fixtures, electrical components and fixtures, or more. Under the ISO HO-6, the unit owner must ensure they have adequate Coverage A – Dwelling coverage limits for the construction parts of the unit that they are financially responsible for.

## Section 1: Personal Residential Coverages



Brian's condo unit is part of a multi-unit fire loss caused by lightning. Brian was informed that the COA's master policy will cover repairs to the roof and siding. This means Coverage A, under his Condo Policy (HO-6), would provide coverage for flooring, drywall, studs, and electrical.

The HO-6 policy will be excess over any insurance available by the COA's master policy.

### Coverage B - Other Structures

In the HO-6 policy, there is no coverage section for Coverage B - Other Structures. If a condo unit-owner owns a small other structure and it is allowed on the COA grounds, the value for this structure is found in Coverage A - Dwelling of the HO-6 policy.

### Loss Assessment Coverage

Unit owners may also share financial responsibility for damages not covered by the master policy. These could be losses that do not meet the master policy deductible, a coinsurance penalty, or a shared portion of the master policy deductible. When such a loss occurs, the association may then assess a fee to each unit owner, often known as a loss assessment fee. Under the HO-6, limited coverage is provided for Loss Assessment. For Section I - Property Coverage Loss Assessment coverage to apply, damage to the COA property must be caused by a covered peril under the client's HO-6 policy. Utilizing the bylaws and/or master policy, insurance advisors should take care to understand when increased limits for Loss Assessment coverage are needed and should be offered to clients.



Camille's condo community experienced heavy wind damage to several recreational pickleball courts. To cover the deductible, the COA assessed a \$1,000 fee to each unit owner. Loss Assessment coverage under Camille's HO-6 policy will respond.

Loss Assessment coverage is provided in both Section I - Property Coverage as well as Section II - Liability Coverage. For Liability Coverage, the HO-6 will provide limited coverage when the policyholder/unit owner is assessed a fee related to a liability loss (property damage or bodily injury) experienced by the association, as long as the HO-6 does not exclude the loss. This can happen when a judgment exceeds the master policy's liability coverage limit.

## Knowledge Check



**Directions:** Read the following scenarios and respond to each question part.

Miriam is purchasing a new residence and was told by her real estate agent that the community is managed by an owners' association that is financially responsible for and provides coverage for the exterior of each unit as well as other common areas. Miriam received an HO-3 quote from one agent and an HO-6 quote from another. She is not sure what to do.

**Part 1:** What information does Miriam's insurance advisor need to select the correct policy?

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**Part 2:** Explain which Homeowners Policy is best suited for Miriam's new residence and identify valuable coverage points.

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## Homeowners Forms Eligibility

The ISO Manual outlines rules and classifications for Homeowners Policy eligibility. Insurance advisors must review each company's guidelines before quoting policies since they may vary from the ISO rules. Various insurance company guidelines differ based on location due to varying risk exposures. Examples of insurance company underwriting include questions regarding:

- the age of a dwelling's roof,
- the last time the dwelling's utilities were updated,
- the history of prior losses, and
- the dwelling's year of construction.

### Eligibility Rules for HO-3 and HO-5

When it comes to determining eligibility for a Homeowners Policy, dwelling type, ownership, and occupancy must be considered. Let's explore some general eligibility rules from the ISO Homeowners Policy Program Manual.

#### Eligible Dwellings



The Homeowners 3 – Special Form (HO-3) and Homeowners 5 – Comprehensive Form (HO-5) may be used to insure a one-, two-, three-, or four-family dwelling (including a townhouse or row house) that is used exclusively for private residential purposes. Multi-family will later be addressed in more detail. Dwellings with capacity for more than four families are NOT eligible for a Homeowners Policy.



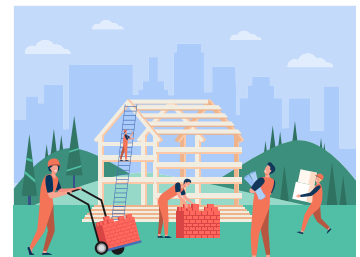
Townhouses (or rowhouses) may appear as though they are multi-family residences since they have common walls between them, but the ISO Homeowners Program views them as single-family dwellings (or units). The owner of each unit has individual ownership of the land beneath the unit/house and improvements on the land but has a shared interest in common elements (such as building foundations, roofs, fences, and community amenities like clubhouses and pools). There is often an association organized similarly to a condominium owners' association.



The HO-3 and HO-5 Forms may also be used to provide coverage for dwellings under construction—or in the course of construction—only if the policy is issued in the name of the dwelling's intended owner-occupant after construction is complete.



A word of caution: while coverage for theft of building materials is available by endorsement with ISO, a **Builders Risk Policy** provides better property coverage in many other respects.



## Section 1: Personal Residential Coverages

The HO-3 and HO-5 forms cannot be issued to cover the structure of a mobile home, trailer home, or house trailer. With ISO, a Dwelling Property (DP) Form, specifically the DP 00 01, may be used to insure a mobile home risk. Many companies have specific Mobile Home Coverage forms to provide coverage for these risks, and most are on a named perils basis.



### Eligible Ownerships

Once the dwelling type is determined to be eligible, ownership must also be considered. The HO-3 and HO-5 forms may be issued to the owner-occupant(s) of an eligible private residential dwelling.

The most commonly thought of homeownership is ownership by an individual or two individuals who reside together (such as spouses). In the instance of joint ownership between two individuals residing together, both individuals should be Named Insureds on the Homeowners Policy. However, residential dwellings co-owned by eligible parties (related or not) who do not reside together are also eligible for an HO-3 or HO-5 Form.

Non-resident owners have an insurable interest in the Dwelling and Other Structures, but in some instances, the non-resident owner may also be legally responsible should someone be injured on the residence premises. Two endorsements are available for use when a residential dwelling is jointly owned by eligible parties who do not reside together. Each endorsement serves a specific purpose.



The **Additional Interests - Residence Premises (HO 04 10)** endorsement only informs the person or organization named in the schedule (the non-resident co-owner) with notices of policy cancellation or nonrenewal; no policy coverage is provided to the co-owner. This endorsement is used when a party has only a financial interest in the “residence premises” but is not a deeded owner of the residence. A financial interest is often referred to as an **insurable interest**. This endorsement essentially informs the co-owner that their financial interests are protected if the property is damaged or destroyed.



Bailey’s parents loaned her money when she purchased her house, but her parents are not on the property deed. Her parents only have a property interest in Bailey’s house.

## Section 1: Personal Residential Coverages



The **Additional Insured - Residence Premises (HO 04 41)** provides the party listed as Additional Insured on the endorsement with Coverage A - Dwelling, Coverage B - Other Structures, as well Coverage E - Personal Liability and Coverage F - Medical Payments To Others (respective to ownership, maintenance or use of the "residence premises"). The endorsement will also inform the person or organization named in the schedule with notices of cancellation or nonrenewal. This endorsement is used when the co-owner is a deeded owner and:

- is not a resident of the dwelling,



Danica helped her son, Emilio, purchase his first home (a single-family bungalow). Both Danica and Emilio are deeded owners, but Danica will not reside in the dwelling.

- or, the residential dwelling is an eligible multi-family dwelling, and the co-owner(s) occupy separate units.



Danica and her son, Emilio, purchased a duplex. Both Danica and Emilio are deeded owners, and each will reside in separate units of the dwelling.

For Danica and Emilio, let's consider Emilio the primary owner and Named Insured in both examples. The **Additional Insured - Residence Premises (HO 04 41)** endorsement should be added to Emilio's HO-3 or HO-5 Policy to protect Danica's property and liability interests as a non-resident deeded owner. This endorsement will not provide Danica with Coverage C or Coverage D; Danica will need a separate HO-4 Renters Policy.

However, homeownership takes a variety of forms, and different insurance rules apply to each kind.

**Trust Ownership:** When an insurance advisor issues a Homeowners Policy, the trustor must occupy the home. This occupant will be the Named Insured of the Homeowners Policy, and the trust will be named on a **Trust Coverage (HO 06 15)** endorsement.



The **Trust Coverage (HO 06 15)** changes the Homeowners Policy definition of "insured" to include the trust and, in doing so, protects a trust for its insurable interest in Coverages A - Dwelling, B - Other Structures, and provides Coverages E - Liability and F - Medical Payments To Others with respect to the residence premises. This endorsement also ensures the trust is notified if the policy is canceled or non-renewed. Conditions of this endorsement require that trust documents be provided to the insurance company as often as reasonably requested and that notification of any changes are promptly made to the insurance company (this includes termination of the trust, death or disability of a trustee, and address or residence changes).

## Section 1: Personal Residential Coverages

Some states may not recognize a Trust as a legal entity. In these circumstances, the Additional Insured – Residence Premises endorsement may be allowed by insurance companies to protect the interests of the trust.

A **trust** is a relationship where one party (**trustee**) holds property for the benefit of another party (**beneficiary**), aiming to protect assets and avoid probate and estate tax issues if something happens to the trust's creator (**trustor**). This type of ownership is known as a Residence Held In Trust, using HO-3 and HO-5 forms.

The trustor, **settlor**, **creator**, or **grantor** establishes the trust, while the trustee (typically an attorney or accountant of the trustor) manages it. The beneficiary receives trust assets upon the trustor's death. Trustee eligibility excludes partnerships, joint ventures, corporations, limited liability companies (LLCs), or licensed professional service providers unrelated to the trust's grantor.

**Life Estate Ownership:** The HO-3 and HO-5 may be issued to the occupant of a dwelling under a life estate arrangement. Life estates differ from trusts in that the life estate is a temporary ownership agreement that splits ownership between the giver (**life tenant**) and receiver (remainderman). Property will be owned by an individual (the life tenant) throughout their lifetime. Upon death, the estate (or real property) will be returned to the other individual(s) named in the life estate agreement (legally referred to as **remaindermen**). There are many reasons for establishing a Life Estate. For example, Life Estates may protect a person's home from being counted as assets toward Medicaid eligibility. The home would belong to the Life Estate though the person would retain the right to live in their property.



Mr. Cheng establishes a life estate to “gift” his home to his only child. In this circumstance, Mr. Cheng is the life tenant, and his child is the remainderman. Homeownership is split between Mr. Chang and his son.



For residences with life estate ownership, the Homeowners Policy is issued to the dwelling's occupant (life tenant). The life tenant will be the Named Insured, and the interests of any remaindermen will be addressed by adding the **Additional Insured – Residence Premises (HO 04 41)** endorsement and naming the Life Estate or remaindermen in the form's schedule.

**Contract of Sale or Land Contract Ownership:** The HO-3 and HO-5 may also be issued to the purchaser-occupant who has entered into a long-term installment contract with a seller for the purchase of an eligible residential dwelling where the seller remains the deeded owner. Think of this arrangement as a “lease-to-own” type of agreement. In these situations, the purchaser (policy Named Insured) enters into a contract that states the title/deed of the property will not pass from the seller (the deeded owner of the property) until all the terms of the installment contract are satisfied.



## Section 1: Personal Residential Coverages



In these circumstances, the home's purchaser is the Named Insured on the Homeowners Policy, and the seller is to be named on the **Additional Insured – Residence Premises (HO 04 41)** endorsement to cover the seller's interest in the dwelling, other structures, and premises liability.

### Eligible Occupancies

Once it's been determined that the dwelling type and the ownership are eligible for an HO-3 or HO-5, the final step is to determine that the use/occupancy of the dwelling is eligible.

**Owner-Occupied:** The HO-3 and HO-5 may be used for one-, two-, three-, or four-family dwellings owned and occupied by the owner and used exclusively for residential purposes. Owner occupancy may be either primary or secondary (or seasonal) occupancy. The ISO Homeowners Manual (ISO Rule 108) defines seasonal dwellings as those with continuous unoccupancy of three or more consecutive months during any one-year period.

#### **RULE 108. SEASONAL DWELLING DEFINITION**

A seasonal dwelling is a dwelling with continuous unoccupancy of three or more consecutive months during any one-year period.



Franklin owns and occupies a single-family dwelling as a primary residence in New York. He also owns a secondary single-family residence in Texas that he occupies for approximately three to four months in the winter. Both of Franklin's residences are eligible for an HO-3 or HO-5.

**Additional Occupancies:** Despite ISO Homeowners eligibility rules stating that the dwelling must be used exclusively for residential purposes, certain business occupancies are permitted, provided the premises is principally occupied for residential purposes. Examples of such permitted occupancies are offices, private studios for instructional purposes, and private schools, to name a few. Incidental occupancies will be addressed in more detail later.

Other than the owner-occupant (and their resident family), additional persons may occupy the residence premises with certain restrictions:

- A single-family dwelling may have up to one additional family or two roomers or boarders;



Samuel owns and occupies a single-family dwelling with five bedrooms. He uses one bedroom as his home office and rents out the remaining three bedrooms. This client is NOT eligible for a Homeowners Policy because the dwelling would be occupied by more than two roomers/boarders.

- A two-, three-, or four-family dwelling may have no more than two families per unit or one family with two roomers or boarders.

## Section 1: Personal Residential Coverages

*Black's Law Dictionary, 11<sup>th</sup> ed., recognizes a roomer or boarder as:*

- an individual who rents a room in a dwelling occupied by other roomers and/or the dwelling's owner or
- an individual who has a special contract with another person for food and lodging.

In both situations, the inhabitants share common spaces and kitchen facilities.



In 2022, ISO Homeowners Forms integrated home-sharing language (definitions and exclusions), distinguishing it from traditional renting. Home-sharing, as defined in the policy, involves renting the residence through an online (app or web) platform. The term “home-sharing occupant” includes the contracted renter and their guests. In addition to Definitions 6-8, Definitions Part C. states that a roomer, boarder, tenant, or guest does not include a “home-sharing occupant.”

### Multi-Family Dwelling Considerations

Let's focus on multi-family residential dwellings given the eligibility considerations previously reviewed, an HO-3 or HO-5 can be used for:

- A two-family dwelling with one unit occupied by the owner.
- A three- or four-family dwelling with one unit occupied by the owner (this may vary by state).

In addition to the owner-occupant, a two-, three-, or four-family dwelling may have no more than two families per unit or one family with two roomers or boarders.



It is not uncommon for multi-family dwellings to be owned by two or more parties (i.e., Joint or co-ownership). When co-owners each occupy a separate unit (with separate entrances):

- Only one owner is the Named Insured on the HO-3 or HO-5 policy.



The **Additional Insured - Residence Premises (HO 04 41)** endorsement is added to the HO-3 or HO-5 to protect the other owner for their interest in the dwelling and other structures as well as premises liability coverage for the unit(s) he/she does not occupy.

- The other owner should be issued an HO-4 or HO-14 policy in order to obtain coverage for Personal Property, Loss of Use, Personal Liability, and Medical Payments To Others.

## Section 1: Personal Residential Coverages



Fiona and Grant (friends) co-own a duplex and live separately in each unit. Their insurance agent correctly writes an HO-3 policy for Fiona and an HO-4 for Grant. The agent added the Additional Insured – Residence Premises (HO 04 41) endorsement to Fiona’s HO-3 policy since Grant is a co-owner.

### Check-In



**Directions:** Read each True/False statement and select the correct answer.

1. The ISO HO-3 and HO-5 forms can be used to provide coverage for dwellings under construction.

**True**

**False**

2. When a dwelling is under a life estate arrangement, the Trust Coverage (HO 06 15) endorsement should be added the Homeowners Policy.

**True**

**False**

3. The Additional Interests – Residence Premises (HO 04 10) endorsement provides policy coverage, including Dwelling and Personal Liability Coverage, to a non-resident co-owner.

**True**

**False**

4. An eligible dwelling jointly owned by an owner-occupant and a non-resident deeded owner should list both owners as Named Insureds to the Homeowners Policy.

**True**

**False**

### Eligibility Rules for HO-4 and HO-14

Individuals who occupy an exclusively residential structure that they do not own are eligible for a Homeowners 4 – Contents Broad Form (HO-4) or Homeowners 14 – Contents Comprehensive Form (HO-14). These forms provide the renter (non-owner) Coverage C – Personal Property, Coverage D – Loss of Use, Coverage E – Personal Liability, and Coverage F – Medical Payments to Others. The structure where the renter resides may be a non-owned site-built dwelling or a unit in an apartment building, for example.



Kaden rents and primarily resides in an apartment close to the university where he teaches. The apartment is located in a four-story building with ten apartments per floor. He is eligible for an HO-4 or HO-14 form.

## Section 1: Personal Residential Coverages

The co-owner-occupant of a dwelling (such as a co-owner of a multi-family dwelling while occupying a unit) is eligible for an HO-4 or HO-14 policy when not otherwise eligible for an HO-3 or HO-5 policy.

Additionally, the owner-occupant of a cooperative unit of a building containing their apartment is also eligible for an HO-4 or HO-14 policy if not otherwise eligible for an HO-6 policy.

The dwelling or apartment unit may not be occupied by more than one additional family or two boarders or roomers.

**Residential cooperatives** (or co-ops), common in large cities, involve residents living in shared apartments within buildings. Residents collectively own shares in the building's corporation, not individual units like condominiums. Shareholders have occupancy rights, access to building amenities, and elect a board of directors to manage the co-op according to strict bylaws. Maintenance fees are shared among residents for building upkeep.



The Dakota (a residential cooperative building) on the Upper West Side of Manhattan was once the location of John Lennon and Yoko Ono's apartment and residence.<sup>7</sup> Having no ownership in the apartment unit or building, apartment residents of The Dakota are eligible for an HO-4 or HO-14 Policy.



Both primary and secondary (or seasonal) tenant occupancies are eligible, and additional eligible occupancies for the HO-4 and HO-14 include:

- the tenant-occupant plus one additional family OR two roomers or boarders; and
- eligible business occupancies, given the premises is principally occupied for residential purposes.

### Eligibility Rules for HO-6

The Homeowners 6 – Unit-Owners Form, available for individuals who own a condominium or condominium unit used exclusively for residential purposes, may be used for primary and secondary (or seasonal) owner-occupancies as well as tenant occupancies. The HO-6 form provides Coverage A – Dwelling coverage for the parts of the structure the individual unit owner is responsible for insuring (according to the COA bylaws) as well as Coverage C – Personal Property, Coverage D – Loss of Use, Coverage E – Personal Liability, Coverage F – Medical Payments To Others personal liability.



<sup>7</sup> Colleen Kane, "The Dakota: New York's Most Exclusive Building," CNBC, August 2, 2012, <https://www.cnbc.com/2012/08/02/The-Dakota-New-Yorks-Most-Exclusive-Building.html>

## Section 1: Personal Residential Coverages

Additional eligible occupancies for the HO-6 include:

- the owner-occupant (or tenant-occupant) plus one additional family OR two roomers or boarders; and
- eligible business occupancies, given the premises is principally occupied for residential purposes.

### Knowledge Check



**Directions:** Read the following scenario and respond.

Bernard owns and lives in a single-family, two-story brick home. Bernard's children have moved out, so he decides to rent rooms in his house to three college students. Is Bernard eligible for a Homeowners Policy? Explain your answer.

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# Homeowners Policy Structure and Coverage Limits

Reading an insurance policy is not quite like reading a book (cover to cover). Insurance professionals must acquire the skill to move forward and backward in policies, noticing coverage and then **exclusions**, which are often followed by **exceptions** that give back limited coverage. Coverage exceptions may be offered within a stated exclusion or granted with a notation to find coverage elsewhere in the policy.

Section I – Perils Insured Against excludes losses under Coverages A and B that involve collapse except as provided in E.7. Collapse under Section I – Additional Coverage. The collapse exclusion is found on page 11 of the ISO HO-3, while the coverage granted back is located on page 9 of the policy.



Comprehension of policies starts with understanding the common structure. When a client receives a policy from their insurance company, it usually always starts with the Declarations, followed by the policy form (such as the HO-3), which includes all its various parts (Exclusions, Additional Coverages, and Conditions) and ends with any policy endorsements that alter the policy form or its coverage.

## The Declarations

A policy has one or more pages containing information that personalizes a client's policy. This personalized content forms the Declarations, often referred to as the Dec page, and it typically includes the following information:

- a policy number,
- the name of the insurance company providing coverage,
- the effective (start) and expiration (end) dates of coverage,
- the named person or persons to be insured,
- the mailing address of the named insured(s),
- the location of the residence premises,
- policy limits and coverages provided by the policy,
- premium and deductible(s),
- mortgagee or additional interests, and
- a list of all applicable forms and endorsements.

The Declarations is an essential part of the insurance contract. While it is a quick reference of coverage limits for the policy coverage, insurance advisors should be cautious not to use the Declarations as a single point of coverage assessment or comparison. There is more to policy coverage than what is shown on the Declarations; quoting matching limits does not equate to equal coverage.

## Section 1: Personal Residential Coverages

### HOMEOWNERS POLICY DECLARATIONS

**Company:** Insurance Company, Inc.

**Producer:** Insurance Agency

**Named Insured:** Amelia Smith and Jackson Smith

**Mailing Address:** 1234 Street Dr., City, SC 26401

**Residence Address if different from the mailing address:** 4321 Drive St., City, SC 29401

**Policy Period**

**Effective Date:** January 01, 20x1

12:01 AM Standard time at the residence  
premises

**Expiration Date:** January 01 20x2

12:01 AM Standard time at the residence  
premises

We will provide the insurance described in this policy in return for the premium and compliance with all applicable policy provisions.

Coverage is provided where a premium or limit of liability is shown for the coverage.

**Property Coverage**

A. Dwelling

\$100,000

\$ 845.00

B. Other Structures

\$10,000

C. Personal Property

\$50,000

D. Loss of Use

\$30,000

**Deductible:**

Wind/Hail

2% (\$2,000)

All Other Perils

\$1,000

**Liability Coverage**

E. Personal Liability

\$100,000

\$ 15.00

F. Medical Payments To Others

\$1,000

\$ 8.00

**Forms and Endorsements**

HO 00 03 03 22 – Homeowners 3 – Special Form

HO 01 39 05 23 – Special Provisions – South Carolina

HO 06 48 03 22 – Residence Premises Definition

HO 03 17 05 23 – Windstorm or Hail Percentage Deductible  
– South Carolina

HO 04 90 03 22 – Personal Property Replacement Cost

\$ 25.00

HO 04 95 03 22 – Limited Water Back-Up

\$25,000

\$ 15.00

HO 24 82 03 22 – Personal Injury Coverage

Total Premium \$ 908.00

**Mortgage:**

ABC Bank

678 Loop Cr., City, State 98765

Loan: 123456789



The accuracy of the Declarations is crucial, as it forms the basis for applying coverage during a loss. Both the insurance advisor and the insured should review it at policy inception and each renewal to check for and address any needed changes or corrections.

### The Agreement (or Insuring Agreement)



Following the Declarations, each Homeowners Form starts with the Agreement to ensure an understanding of the contractual relationship between the insurance company and the policyholder. It encourages the policyholder to read policy details thoroughly to avoid any potential misunderstandings. The Agreement will be explored further later in this section.

### Definitions

In the Homeowners Policy, definitions help clarify who, what, how, or when coverage applies. These terms are generally located at the beginning of the policy and are commonly presented in alphabetical order. The ISO HO-3 has 15 definitions (from “aircraft” to “residence premises”), although more may be added through mandatory or optional endorsements.



Throughout the ISO Homeowners policy, defined words are in quotations; however, some insurance companies may choose to bold-face terms rather than use quotation marks. This helps the reader identify when a particular definition applies. When a term is not specifically defined in the policy, legal precedence or common definition of the word generally applies.

Consider the word *vacant*. In the ISO Homeowners Policy, the term *vacant* is used in an exclusionary context, but the policy does not define the word, which may leave some ambiguity at the time of a claim. When assessing the ambiguity of an insurance contract, the majority of courts disregard the insurer’s intentions and, instead, analyze the language based on how a reasonably prudent insured would interpret it. Like any contractual agreement, clarity in drafting the vacancy clause is essential to prevent ambiguity.

## Section I – Property Coverages

Section I – Property Coverages provides coverage when physical damage or loss occurs to **tangible** property insured by the Homeowners Policy and contains the following coverage parts:

- Coverage A – Dwelling
- Coverage B – Other Structures
- Coverage C – Personal Property
- Coverage D – Loss Of Use
- Additional Coverages
- Perils Insured Against
- Section I – Exclusions
- Section I – Conditions



## Section II – Liability Coverages

Section II – Liability Coverage is arguably the most important part of the policy since it relates to protecting a client's future income and assets. The following coverage parts can be found in Section II:

- Coverage E – Personal Liability
- Coverage F – Medical Payments to Others
- Section II – Exclusions
- Additional Coverages
- Section II – Conditions

## Section I and II – Conditions

Policy conditions are specific requirements or provisions that establish the rules and obligations that both the insurer and the policyholder must follow to maintain coverage and ensure the policy operates as intended. While insurers are required to fulfill their obligations according to the conditions specified in the policy, such as timely claims processing and providing coverage as outlined in the policy, policyholders must adhere to conditions to avoid their coverage being compromised or triggering any potential issues that may result in claims being denied.



## Endorsements



Endorsements change policy coverage and may be mandated by state regulation, optionally purchased by the insured, or added by the insurance company. **Endorsements** change policy language and may broaden, restrict, or clarify coverage throughout a policy. The part of a policy (or coverage) that is amended or replaced will be noted within the endorsement language.

In Table 1.6, review sample HO 00 03 policy language next to sample endorsement language to understand how policy language and coverage are altered.

Table 1.6

ISO HO 00 03 Sample Policy Language		
<p>15. "Residence premises" means:</p> <ul style="list-style-type: none"> <li>a. The one-family dwelling where you reside;</li> <li>b. The two-, three- or four-family dwelling where you reside in at least one of the family units; or</li> <li>c. That part of any other building where you reside;</li> </ul> <p>and which is shown as the "residence premises" in the Declarations.</p>		
HO 00 03 03 22	© Insurance Services Office, Inc., 2021	Page 3 of 27
ISO HO 06 48 03 22 RESIDENCE PREMISES DEFINITION Sample Language		
<p style="text-align: right;"><b>HOMEOWNERS HO 06 48 03 22</b></p> <p style="text-align: center;"><b>THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.</b></p> <p style="text-align: center;"><b>RESIDENCE PREMISES DEFINITION</b></p> <p><b>DEFINITIONS</b></p> <p>Definition B.15. is replaced by the following:</p> <p>15. "Residence premises" means:</p> <ul style="list-style-type: none"> <li>a. The one-family dwelling where you reside;</li> <li>b. The two-, three- or four-family dwelling where you reside in at least one of the family units; or</li> <li>c. That part of any other building where you reside;</li> </ul> <p>on the inception date of the policy period shown in the Declarations and which is shown as the "residence premises" in the Declarations.</p> <p>"Residence premises" also includes other structures and grounds at that location.</p> <p>All other provisions of this Policy apply.</p>		

**Substituting the Endorsement:** Notice that the endorsement states that the entire definition (B.15.) is replaced. In practice, this would mean striking through the HO 00 03 policy language and only giving consideration to the definition offered by the HO 06 48 endorsement

### Mandatory State-Specific Provisions

State-specific endorsements are typically added to comply with state-specific policy requirements and changes. For the Homeowners Policy, these are often titled Special Provisions – [State] endorsements. These endorsements often cite specific insurance code(s) and often address the following:

- Terms of cancellation and nonrenewal
- Definitions (like adding terms such as fungi or the addition of civil unions to spousal terminology)
- Conditions, coverage, or exclusions for specific risks (like home-sharing)
- Subrogation processes
- Process for lawsuits against the insurance company

This list is not all-inclusive of areas addressed by state Special Provisions endorsements.

### Optional Endorsements

Endorsements may be added by request of the policyholder or at the recommendation of their insurance advisor to improve coverage of the policy (like adding the ever-important Personal Injury Coverage endorsement HO 24 82) or restrict coverage for problematic exposures (such as adding the Canine Liability Exclusion HO 24 77). To offer the best solutions for their clients, insurance advisors must take the time to understand their clients' coverage needs and know the coverage restrictions, options, and solutions offered by the insurance companies they represent.

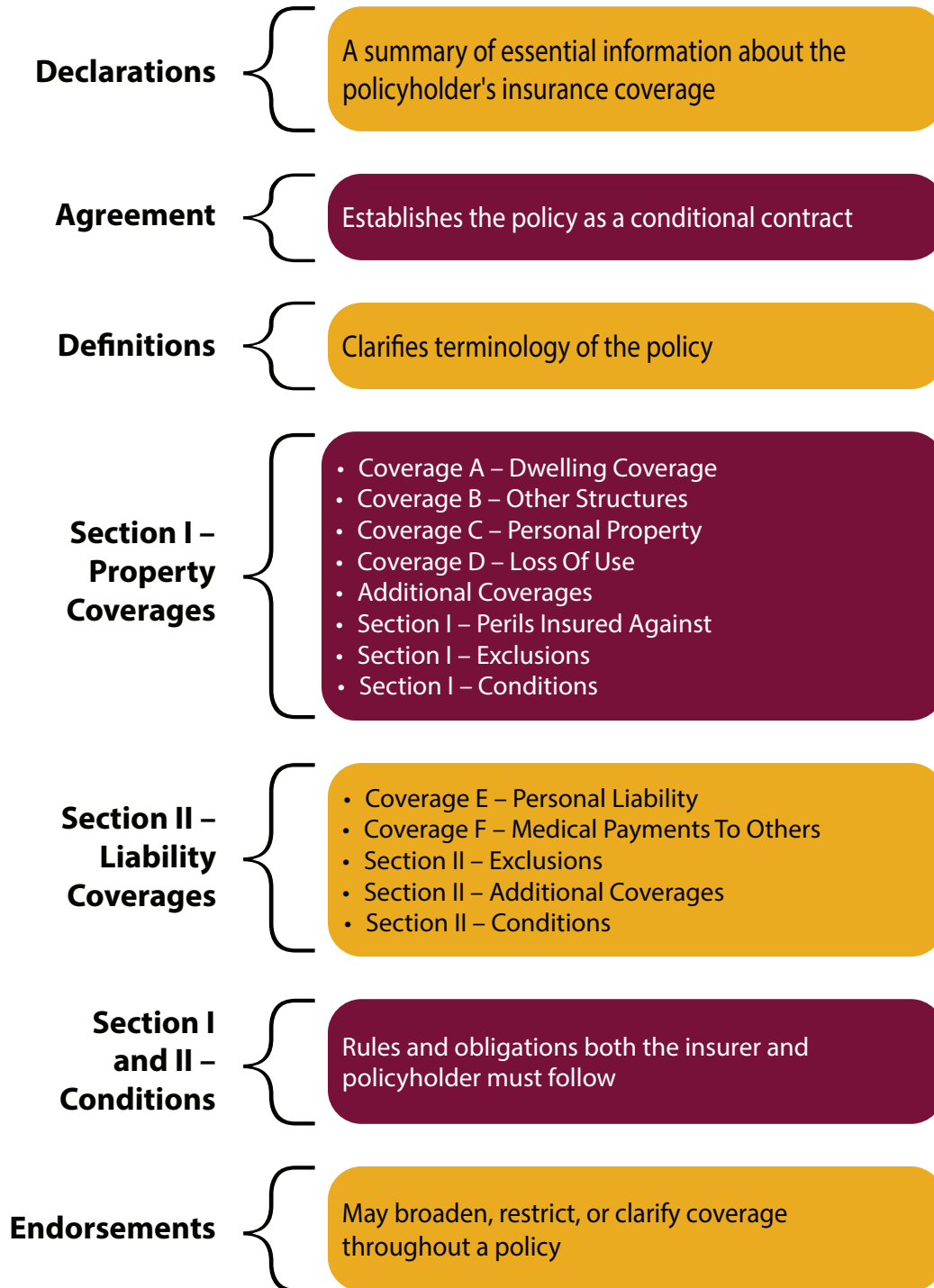
Note that not all ISO Homeowners Program endorsements may be offered by insurance companies, and some may create unique endorsements for unique coverage solutions.



## Section 1: Personal Residential Coverages

### Let's Review –

Here is a visual representation of the common parts of the Homeowners Insurance Policy:



## Section 1: Personal Residential Coverages

### Check-In



**Directions:** Reviewing the endorsements listed on the Declarations shown on page 29 of this Learning Guide, match the endorsement to its accurate description or summary.

HO 00 03 – Homeowners 3 – Special Form	HO 01 39 – Special Provisions – South Carolina	HO 06 48 – Residence Premises Definition	HO 03 17 – Windstorm or Hail Percentage Deductible – South Carolina
HO 04 95 – Limited Water Back-Up And Sump Discharge Or Overflow Coverage	HO 24 82 – Personal Injury Coverage		HO 04 90 – Personal Property Replacement Cost Loss Settlement

1. An endorsement to comply with state regulations:  
\_\_\_\_\_
2. Adds a separate deductible for a specified peril:  
\_\_\_\_\_
3. Base Homeowners Policy Form:  
\_\_\_\_\_
4. Mandatory revision to clarify residence premises:  
\_\_\_\_\_
5. Adds coverage for back up of water from sewers or sumps:  
\_\_\_\_\_
6. Adds Liability Coverage for libel, slander, etc.:  
\_\_\_\_\_
7. Changes loss settlement for Coverage C from ACV to RC:  
\_\_\_\_\_

## Basic Coverage Limits

The ISO Homeowners Policy Program Manual (Rule 103) states that the use of Homeowners Policies mandates insurance be written for all coverage provided under both Sections I and Section II, so it is important to consider how much insurance can be written for each coverage; in other words, consider the limits of liability. A summary of automatic (or basic) coverage limits is provided in Table 1.7 (pg. 42) of this Learning Guide.

### Property Coverage Limits

#### Dwelling Coverage Limit:



For the ISO HO-3 and HO-5 Homeowners Policies, the coverage limit for the dwelling varies by client and is usually determined by estimating the dwelling's replacement cost through valuation software such as the Marshall & Swift/Boeckh (MSB) estimator.<sup>2</sup>

Insurance advisors may utilize mortgage appraisals (on home purchases), real estate inspections, property tax assessments (public information), or other sources to obtain needed information on dwelling characteristics such as square footage, year built, foundation type, exterior fabrication, and additional features that are used to produce construction cost estimates. Keep in mind that the market value of the dwelling shown on the appraisal and values in tax assessments is NOT the insurable value of the dwelling.

It should also be noted that the cost of debris removal is included in the dwelling coverage limit, which can be an effective tidbit of information when clients believe their dwelling coverage limit is too high.



ISO Homeowners 6 – Unit-Owners Policy (HO-6) automatically provides a Coverage A – Dwelling limit of \$5,000. This coverage can and should be increased according to the additions and alteration needs of the client.



The ISO Contents Policies (HO-4 and HO-14) do not provide Coverage A – Dwelling coverage since the policyholder does not have ownership in the residential structure they reside in.

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<sup>2</sup> <https://www.corelogic.com/mortgage/appraiser-solutions/marshall-swift/>

## Section 1: Personal Residential Coverages

### Other Structures Coverage Limit:

The ISO HO-3 and HO-5 Homeowners Policies automatically provide a coverage limit for Other Structures, which is calculated off of the Coverage A – Dwelling limit. For an unendorsed Homeowners Policy, this limit is 10% of the Coverage A – Dwelling limit. The Other Structures coverage limit does not reduce but is in addition to the Dwelling coverage limit.



Coverage A – Dwelling limit is \$100,000. The Coverage B – Other Structures limit will be \$10,000 (or 10% of \$100,000). The math is performed this way:

$$\boxed{\$100,000} \times \boxed{0.10} = \$10,000$$

Complete the math below:

Coverage A – Dwelling is \$150,000 x Coverage B – Other Structures = \$_____
Coverage A – Dwelling is \$500,000 x Coverage B – Other Structures = \$_____
Coverage A – Dwelling is \$215,000 x Coverage B – Other Structures = \$_____

*\* See the footnote on this page for the correct answers.<sup>3</sup>*

For the ISO Homeowners 6 – Unit-Owners Policy (HO-6), Coverage B – Other Structures is not identified within the policy, though coverage for structures owned by the policyholder (the “you”) is provided within Coverage A – Dwelling; this includes other structures at the “residence premises.”

The ISO Homeowners Contents Policies (HO-4 and HO-14) do not provide Coverage B – Other Structures Coverage.

<sup>3</sup> \* **Answers:** 1) \$15,000    2) \$50,000    3) 21,500

## Section 1: Personal Residential Coverages

### Personal Property Coverage Limit

Personal Property can be a bit confusing when the word “property” is thrown around so much when speaking about insurance. Coverage C – Personal Property provides coverage for the policyholder’s personal belongings—essentially, their “stuff.” If it can go in a packing box when the client moves, it is personal property.



The ISO HO-3 and HO-5 Homeowners Policies automatically provide a coverage limit for Personal Property, which is calculated at 50% of the Coverage A – Dwelling limit. This limit does not reduce, but is in addition to, the Dwelling coverage limit.



Coverage A – Dwelling limit is \$100,000. The Coverage C – Personal Property limit will be \$50,000 (or 50% of \$100,000). The math is performed this way:

$$\boxed{\$100,000} \times \boxed{0.50} = \$50,000$$

Complete the math below:

Coverage A Dwelling is \$150,000 x Coverage C – Personal Property = \$\_\_\_\_\_

Coverage A Dwelling is \$500,000 x Coverage C – Personal Property = \$\_\_\_\_\_

Coverage A Dwelling is \$215,000 x Coverage C – Personal Property = \$\_\_\_\_\_

*\* See the footnote on this page for the correct answers.<sup>4</sup>*

For the ISO Homeowners 6 – Unit-Owners Policy (HO-6) and ISO Homeowners Contents Policies (HO-4 and HO-14), the Coverage C – Personal Property limit is determined by each client’s individual needs. The client will select their limit with their insurance advisor based on the total value of their personal belongings.

<sup>4</sup> **\*Answers:** 1) \$75,000    2) \$250,000    3) 107,500



## Section 1: Personal Residential Coverages

### Loss of Use Coverage Limit

The ISO Homeowners Policy (HO-3 and HO-5) automatically provides a coverage limit for Coverage D – Loss Of Use, which is also calculated from the Coverage A – Dwelling limit. For an unendorsed Homeowners Policy, this limit is 30% of the Coverage D – Loss Of Use. This limit does not reduce but is in addition to the Dwelling coverage limit.



Coverage A – Dwelling limit is \$100,000. The Coverage D – Loss Of Use limit will be \$30,000 (or 30% of \$100,000). The math is performed this way:

$$\boxed{\$100,000} \times \boxed{0.30} = \$30,000$$

Complete the math below:

Coverage A – Dwelling is \$150,000 x Coverage D – Loss Of Use = \$ _____
Coverage A – Dwelling is \$500,000 x Coverage D – Loss Of Use = \$ _____
Coverage A – Dwelling is \$215,000 x Coverage D – Loss Of Use = \$ _____

*\* See the footnote on this page for the correct answers.<sup>5</sup>*

For the ISO Homeowners 6 – Unit-Owners Policy (HO-6) and ISO Homeowners Contents Policies (HO-4 and HO-14), the Coverage D – Loss of use limit is calculated from the Coverage C – Personal Property limit. The HO-6 automatically provides a Loss of use limit at 50% of Coverage C, while the HO-4 and HO-14 provide a Loss of use limit at 30% of Coverage C. This limit does not reduce but is in addition to the Personal Property coverage limit.

### Section I – Additional Coverages

Specific coverage limits for Section I – Additional Coverages will be addressed later in this Learning Guide; however, it is important to understand that coverage categories in this coverage part also start with basic “minimum” limits. The coverages may not be removed or reduced, but many may be increased by endorsement.

<sup>5</sup> **\*Answers:** 1) \$45,000    2) \$150,000    3) 64,500

### Liability Coverage Limits

#### Personal Liability Coverage Limit

Coverage E – Personal Liability Coverage is often overlooked by personal lines clients, but it is a very important coverage since it protects them financially if they are held legally responsible for “bodily injury” or “property damage” to others. These types of claims can put the client’s assets and financial stability at risk. The ISO Homeowners Policy begins with a \$100,000 per occurrence limit of liability, though this limit can and should be increased. When helping a client choose adequate limits of liability, consider the total value of their assets and potential legal expenses. Higher coverage limits offer greater protection, often without too much change to the policy premium.

#### Medical Payments To Others Coverage Limit

Coverage F – Medical Payments To Others offers a safety net that pays for the medical expenses of others in the event they are accidentally injured on the “insured location” (with permission) or by the actions of an “insured” (off the insured location) regardless of who is at fault. The ISO Homeowners Policy begins with a \$1,000 per person limit of liability but may be increased simply by selecting a higher limit.

### Increasing Limits of Liability

The automatic coverage limits provided within Homeowners Policies are just the starting point. No two clients are alike, and it is often the case that these coverages may need to be increased to meet a client’s specific needs.

#### Dwelling

At times, a higher Dwelling Coverage limit may be needed, whether related to economic inflation causing construction costs to rise or an increase in the value of the dwelling due to remodeling. The insurance advisor should review the original replacement cost estimate for accuracy, make any changes necessary, and obtain a new replacement cost estimate. Once this review is complete, the Dwelling Coverage limit can simply be increased by amending the value in the policy.

#### Other Structures



Unlike Dwelling coverage, the limit of liability for Coverage B – Other Structures cannot be increased by simply updating the values on the policy; an endorsement must be used.

#### The **Other Structures On The Residence Premises – Increased Limits (HO 04 48)**

endorsement may be used to increase the limit of Coverage B – Other Structures when 10% of Coverage A is insufficient. When added, the limit for the structure(s) shown in the endorsement schedule is in addition to the limit for Coverage B – Other Structures.

## Section 1: Personal Residential Coverages

### Personal Property

Similar to Dwelling Coverage, after a careful assessment, if 50% of Coverage A is insufficient for the client's needs, this value can be increased upon request by amending the value in the policy. However, if the client has certain high-value items or items of rarity, additional endorsements may be needed. Endorsements that apply to Coverage C – Personal Property will be addressed later.

### Personal Liability and Medical Payments To Others

Unless a client has prior liability losses, the cost of liability coverage is relatively low considering the potential dollar amount of a loss that could occur. While Homeowners Policies start with a Personal Liability limit of \$100,000 and a Medical Payment To Others limit of \$1,000, the ISO program allows the limit for Personal Liability coverage to be increased up to \$500,000 (in \$100,000 increments), and Medical Payments To Others may be increased up to \$5,000 (in \$1,000 increments).



Insurance advisors should always recommend increasing these coverages to the maximum allowed by the insurance company.

## Section 1: Personal Residential Coverages

Let's review. Table 1.7 summarizes the automatic (or basic) coverage limits of the ISO Homeowners Forms.

**Table 1.7**

ISO Homeowners Coverage Parts (Basic Limits)			
	HO-3 and HO-5	HO-6	HO-4 and HO-14
Coverage A – Dwelling	Estimated Replacement Cost	To Be Determined \$5,000 included	None
Coverage B – Other Structures	10% of Coverage A	Included in Coverage A	None
Coverage C – Personal Property	50% of Coverage A	Client Determined	Client Determined
Coverage D – Loss of Use	30% of Coverage A	50% of Coverage C	30% of Coverage C
Coverage E – Personal Liability	\$100,000 Per Occurrence		
Coverage F – Medical Payments To Others	\$1,000 Per Person		
Percentages shown above are for a one- or two-family dwelling. Coverage B can be increased for a specific structure by endorsement. Coverage C can be increased or decreased (to not less than 40% of Coverage A). Coverage D can be increased. Coverage E can be increased up to \$500,000. Coverage F can be increased up to \$5,000.			

## Check-In



**Directions:** Select the correct term(s) from the wordbank to complete the statements. Terms may be used more than once or not at all.

<b>Section I - Property Coverages</b>	<b>Agreement</b>	<b>Definitions</b>	<b>mandatory</b>	<b>percentage</b>
<b>Section II - Liability Coverages</b>	<b>Declarations</b>	<b>Conditions</b>	<b>optional</b>	<b>multiple</b>

- The \_\_\_\_\_ is part of an insurance policy contains personalized information such as the policy number, coverage dates, policy limits, and deductible(s).
- \_\_\_\_\_ help clarify who, what, how, or when coverage applies.
- Coverages such as Dwelling, Other Structures, and Personal Property are detailed in \_\_\_\_\_.
- Exclusions, Additional Coverages, and \_\_\_\_\_ are found in both Section I and Section II coverages.
- State-specific Special Provisions endorsements are \_\_\_\_\_ and alter policy coverage to comply with state regulations.
- The limits of liability for Coverage B - Other Structures, Coverage C - Personal Property, and Coverage D - Loss of Use are all based on a \_\_\_\_\_ of Coverage A.
- Policy \_\_\_\_\_ are specific requirements or provisions that establish the rules and obligations that both the insurer and the policyholder must follow.
- Coverage F - Medical Payments To Others is part of \_\_\_\_\_ and pays for the medical expenses of others in the event they are injured on the "insured location" or by the actions of an "insured."

# ISO Homeowners 3 – Special Form

## Learning Objective:

- 1.3 Explain who is provided coverage by a Homeowners Policy through understanding who is a you, a your, and an “insured,” and identify appropriate endorsement(s) to extend such coverage to others.



The information that follows will predominantly explore the common policy structure of the ISO Homeowners 3 – Special Form (HO 00 03).

## The Agreement



An insurance policy is a **conditional contract**. It is a legally binding agreement between the insurance company and the policyholder (the parties to the contract) where the insurance company agrees (promises) to provide insurance coverage when an event occurs in return for the policyholder's premium payment and compliance with the policy terms. All of this can be found in one simple sentence known as the Agreement, which is provided at the beginning of each Homeowners Policy.

If the policyholder fails to pay premiums or does not comply with the terms of the policy (such as factual representation, notification of changes in risk or condition, prompt notification of claims, etc.), the insurance company may have the right to deny coverage. Insurance advisors should ensure that their policyholders are aware of their contractual obligations. Keep in mind that the Agreement sets the foundation of the policy.

HOMEOWNERS  
HO 00 03 22

## HOMEOWNERS 3 – SPECIAL FORM

### AGREEMENT

We will provide the insurance described in this Policy in return for the premium and compliance with all applicable provisions of this Policy.

## Focused Policy Definitions



In this Learning Guide, words defined in the policy will be predominantly addressed as each coverage part is presented. This was intentional. When insurance professionals are presented with a question or a problem, they never open the policy and start reading from start to finish. Instead, they look for the key coverage or exclusions needed to start their discovery, and in

## Section 1: Personal Residential Coverages

their examination, if they need clarification on a word defined by the policy, they return to the policy definitions to add the clarification needed.

Consequently, starting with the parties to the contract is logical.

### Parties To the Contract

#### “You,” “Your,” “We,” “Us,” “Our”

In Part A of the Definitions, the policy identifies who is a “you” and “your” as well as how the issuing insurance company providing coverage is identified (“we,” “us,” “our”). In short, Part A defines the parties of the policy contract.

These parties	enter into a contractual agreement with these parties, the insurance company, or the issuing company.
“you”	“we”
“your”	“us”
“Named Insured”	“our”

The words that appear in the table above are used continuously throughout the policy and are the only defined terms that do not appear in quotations when they appear elsewhere in the policy.

The words “you” and “your” refer to the “Named Insured” (the policyholder) on the Declarations and the spouse IF the spouse is a **resident** of the same household. Many states amend this definition to include partners of civil unions and domestic partnerships. If a spouse is specifically identified as a “Named Insured” on the Declarations, they are still considered a “you” or “your,” even if they are no longer residing in the same household. If the spouse is not named on the Declarations and moves from the household due to a life-changing event such as separation, the non-resident spouse is no longer considered a “you.”



Jamie and Curtis are spouses residing together. Their Homeowners Policy only names Jamie as a “Named Insured.” Curtis is a “you.” When Curtis moves out after the pair separates (though they are still married), he is no longer a “you” since he is not a resident of Jamie’s household.

#### DEFINITIONS

A. In this Policy, “you” and “your” refer to the “named insured” shown in the Declarations and the spouse if a resident of the same household. “We”, “us” and “our” refer to the company providing this insurance.



The term “insured” is used 117 times in the ISO HO-3 Homeowners Form!



**Best Practice:** Identifying both spouses as “Named Insureds” on the Declarations is a best practice to avoid errors and omissions (E&O) related to undiscovered non-resident spouses.

### “Insured”



Who is an “insured”? Persons who are afforded coverages of the Homeowners Policy go beyond the “Named Insureds.” The ISO Homeowners Form clarifies who else will be considered an “insured.”

There are several parts to consider when discovering who is an “insured.” Refer to the ISO policy definition of “insured” (#9) below as this term is explored.

#### 9. “Insured” means:

##### a. You and residents of your household who are:

- (1) Your relatives; or
- (2) Other persons under the age of 21 and in your care or the care of a resident of your household who is your relative;

##### b. A student enrolled in school full-time, as defined by the school, who was a resident of your household before moving out to attend school, provided the student is under the age of:

- (1) 24 and your relative; or
- (2) 21 and in your care or the care of a resident of your household who is your relative; or

##### c. Under Section II:

- (1) With respect to animals or watercraft to which this Policy applies, any person or organization legally responsible for these animals or watercraft which are owned by you or any person described in 9.a. or b. “Insured” does not mean a person or organization using or having custody of these animals or watercraft in the course of any “business” or without consent of the owner; or
- (2) With respect to a “motor vehicle” to which this Policy applies:
  - (a) Persons while engaged in your employ or that of any person described in 9.a. or b.; or
  - (b) Other persons using the vehicle on an “insured location” with your consent.

Under both Sections I and II, when the word an immediately precedes the word “insured”, the words an “insured” together mean one or more “insureds”.

First, an “insured” is a “you” (includes a resident spouse) followed by residents of “your” household who are:

- “your” relatives

Examples include (but are not limited to) the children, parent, grandparent, sibling, aunt/uncle, or in-laws of a “you.”

- Persons under 21 years old (that is, age 20 or younger) who are in the care of a “you” or the care of “your” resident relative

Examples include (but are not limited to) children in legal custody, adoptive children, children under legal guardianships, foster children, and exchange students.



## Section 1: Personal Residential Coverages



Cora's sister, Jane, as well as Jane's 17-year-old foster son, live with Cora. Since Jane is Cora's resident relative and the foster child is in Jane's care, both Jane and her foster son are "insureds" under Cora's Homeowners Policy.

Children grow up, and when they attend college, they are often still dependents of their parents, which is why persons attending college away from the residence are also addressed within the definition of "insured." Students enrolled in school full-time (as defined by the school) remain an "insured" if they:

- were a resident of the household before moving out to attend school
- AND
- are a relative under the age of 24 (i.e., age 23 or younger), or
  - are in "your" care or the care of a relative and under the age of 21 (i.e., age 20 and younger).



A year after Jane and her 17-year-old foster son moved in with Cora, the youth began attending college full-time and living in the dorms. The youth will remain an "insured" under Cora's Homeowners Policy until he turns 21, but only as long as (1) Jane is a resident of Cora's home, AND (2) the youth remains enrolled in school full-time. Should the youth drop below full-time enrollment, he will no longer be considered an "insured" on Cora's policy.

Finally, with regard to Section II – Liability Coverages, the definition of "insured" identifies additional persons who may be considered an "insured." According to the definition, limited "insured" status is provided for persons legally responsible for animals or watercraft (not in the course of business) that are owned by "you" or "insureds" previously described in the definition.



A neighbor taking care of Cora's dog while Cora is on vacation receives "insured" status for Liability Coverage under Cora's Homeowners Policy. However, Cora's dog groomer is not an "insured" under her Homeowners Policy since they are in possession of the dog in the course of a "business."

Concerning a "motor vehicle," limited "insured" status for Section II – Liability Coverages is provided to persons an "insured" employs (such as a babysitter or handyman) or other persons using a "motor vehicle" on an "insured location" with permission of a "you." However, this only applies when the policy is applicable to the "motor vehicle" in question.







Cora's neighbor is using her zero-turn mower to cut Cora's grass. Should a liability loss occur, the neighbor will be an "insured" under Cora's Homeowners Policy.



The ISO Homeowners program offers several endorsements that extend or add "insured" status beyond the policy's definition. Available endorsements and their coverage summaries are provided in Table 1.8.

## Section 1: Personal Residential Coverages

Table 1.8

Endorsement Form Name	Coverage Summary
<b>Additional Insured – Residence Premises (HO 04 41)</b>	<p>Dwelling, Other Structures, and on-premises liability coverage can be provided to a person (not a tenant, roomer, or boarder) who is named in the endorsement.</p> <p> Cora's brother is the co-owner of Cora's home. He does not live with Cora. The Additional Insured – Residence Premises endorsement should be added to protect his interests in Cora's home.</p>
<b>Additional Insured – Household Resident (HO 04 58)</b>	<p>Personal Property, Loss of Use, Personal Liability, and Medical Payments To Others coverages can be extended to named persons such as significant others, domestic partners, roommates, etc.</p> <p> Cora is not married to her partner who lives with her. The Additional Insured – Household Resident endorsement can be used to provide Personal Property, Loss of Use, and Section II – Liability Coverages to Cora's partner.</p>
<b>Additional Insured – Student Living Away From The Residence Premises (HO 05 27)</b>	<p>Personal Property, Loss of Use, Personal Liability, and Medical Payments To Others coverages can extend to a student relative living away from home and enrolled in school, irrespective of age or part-time/full-time status. The student must have been a household resident before attending school, and the age limitation for non-relative persons still applies. The endorsement requires listing the student and the attending school.</p> <p> Cora's 26-year-old daughter is working toward her doctorate degree. When school is in session, her daughter lives near the college campus but otherwise returns home to live with Cora. The Additional Insured – Student Living Away From The Residence Premises endorsement can be used to provide personal property and Section II – Liability Coverages to Cora's daughter.</p>
<b>Assisted Living Care Coverage (HO 04 59)</b>	<p>This endorsement provides Personal Property, limited Additional Living Expense (\$500 per month), and Personal Liability Coverage to a relative (by blood, marriage, or adoption) living in an assisted care facility. The relative and assisted care facility must be listed on the endorsement. No coverage is provided for Medical Payments to Others.</p> <p> Cora's 30-year-old son needs continuous care, so he lives within an assisted living community that provides medical and social services care. The Assisted Living Care Coverage endorsement can be used to provide Cora's son with Personal Property, limited Additional Living Expense, and Personal Liability Coverage.</p>

## Check-In



**Directions:** Read the scenarios below and select whether the person in question is an “insured” or not an “insured.”

1. Glen’s new 15-year-old stepdaughter who lives with them

**Is an “insured”**

**Not an “insured”**

2. An 18-year-old foreign exchange student who is living with Glen’s family for the school year

**Is an “insured”**

**Not an “insured”**

3. Glen’s 72-year-old father who is visiting for a couple of weeks

**Is an “insured”**

**Not an “insured”**

4. A dog kennel while boarding Glen’s labradoodle.

**Is an “insured”**

**Not an “insured”**

## “Residence Premises”

Before proceeding into Section I – Property Coverage applying to the “residence premises,” it is necessary to understand what a “residence premises” is. Understand that “residence premises” and “insured location” are not one and the same.



The policy term, “residence premises,” within the ISO Homeowners Policy is mandatorily replaced in most states by the **Residence Premises Definition (HO 06 48)** endorsement.

HOMEOWNERS  
HO 06 48 03 22

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

### RESIDENCE PREMISES DEFINITION

#### DEFINITIONS

Definition **B.15.** is replaced by the following:

**15. “Residence premises” means:**

- a. The one-family dwelling where you reside;
- b. The two-, three- or four-family dwelling where you reside in at least one of the family units; or
- c. That part of any other building where you reside;

on the inception date of the policy period shown in the Declarations and which is shown as the “residence premises” in the Declarations.

“Residence premises” also includes other structures and grounds at that location.

All other provisions of this Policy apply.

A “residence premises” is the residential structure occupied by a “you” and includes other structures and grounds at that location shown on the Declarations at the time of policy inception (i.e., when the policy begins). The residential structure may be:

- a one-family dwelling where “you” reside,
- a two-, three-, or four-family dwelling where at least one unit is occupied by the “Named Insured,”
- any other building where the “Named Insured” resides.

The change in the definition introduced by endorsement HO 06 48, specifically adds the phrase “on the inception date of the policy period shown in the Declarations.” Without the HO 06 48 endorsement insurance companies have used the “residence premises” definition to successfully deny dwelling coverage for losses, many of them total losses, to homes that weren’t owner occupied when the loss occurred. The endorsement safeguards dwelling coverage should the owner-occupant move from the residence during the policy period, however once the policy renews, coverage may once again be in jeopardy.



## Section 1: Personal Residential Coverages



A “residence premises” is always an “insured location,” but an “insured location” can be more than just the “residence premises.”



The **Broadened Residence Premises Definition (HO 06 49)** endorsement broadens the definition of “residence premises” and can be used when an insured is not expected to live at the residence on the effective date of the policy. The residency requirement will be temporarily removed for the period of time shown on the endorsement schedule.



Liam purchases a home but will be making renovations in the 30 days before moving in. Broadened Residence Premises Definition (HO 06 49) is applied to his Homeowners Policy and will apply for 90 days according to the inception and termination dates documented in the endorsement.

### “Residence Employee”

Residence employees may be afforded some property and liability coverage under the Homeowners Policy. The ISO Homeowners policy defines a “residence employee” as a person employed by the “insured” with duties related to the maintenance or use of the “residence premises.”

A “residence employee” will not include persons employed with duties related to the “business” of an “insured.”



A housekeeper, lawn and/or pool maintenance worker, personal chef, personal shopper, family manager, personal driver, private health worker, etc., are all examples of a “residence employee.”

## Knowledge Check



**Directions:** Read the following scenario and respond.

Delilah and Sam recently married and have decided to live in Delilah's residence. Sam's two teenage children reside with Delilah and Sam, as does Sam's elderly father. Delilah's sister is staying with them for two weeks following the birth of Delilah and Sam's newborn. In addition, Delilah has a basement apartment which is rented to a tenant. Within this scenario, who is an "insured" under Delilah's Homeowners Policy? Explain your answer(s).

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## Section I – Property Coverages

### Learning Objective:

- 1.4 Apply knowledge of relevant policy definitions and the Section I – Property Coverages below to recognize when property coverage is provided, limited, or excluded, and be able to identify the appropriate endorsement(s) to give coverage back:
- Coverage A – Dwelling
  - Coverage B – Other Structures
  - Coverage C – Personal Property

When a client purchases a residence, they buy the entire property—the main dwelling, the land, and any improvements or other structures that may be on the property. It is important to understand what structures and/or improvements are covered under which property coverage so that the insurance advisor may estimate adequate limits of liability.

### Coverage A – Dwelling

Coverage A – Dwelling provides coverage for the dwelling insured by the policy (the “residence premises”) and attached structures (such as porches and garages) when damaged as a result of a covered direct physical loss. In addition, materials and supplies used to build, alter, or repair the dwelling or other structures on the “residence premises” are also provided coverage under Coverage A – Dwelling when the materials are on or next to the “residence premises.”



The lumber to be used to rebuild Pamela’s deck was on a utility trailer in front of her home when it was stolen. Given that theft is a covered cause of loss, the lumber will be covered under Coverage A – Dwelling since the materials used to construct other structures on the “residence premises” were also next to the “residence premises.”

Though land value may be part of a home’s market value or mortgage loan, the Homeowners Policy does not cover the land on which the dwelling sits. Insurance professionals must understand and be able to articulate what goes into replacement cost values, especially when a mortgagee attempts to require Dwelling coverage to minimally cover a loan value that exceeds the estimated replacement cost of the dwelling.

### SECTION I – PROPERTY COVERAGES

#### A. Coverage A – Dwelling

1. We cover:

- a. The dwelling on the "residence premises" shown in the Declarations, including structures attached to the dwelling; and
- b. Materials and supplies located on or next to the "residence premises" used to construct, alter or repair the dwelling or other structures on the "residence premises".

2. We do not cover land, including land on which the dwelling is located.

To ensure optimal coverage and the best response from the Homeowners Policy during a claim, insurance advisors should recommend insuring dwellings at 100% of the estimated replacement value. This involves considering the total construction cost, factoring in current material and labor costs, and anticipating potential material and labor increases following a catastrophic loss. Additionally, understand that coverage for debris removal is included in the limit of liability for damaged property, as outlined in Additional Coverages – Debris Removal.

Given this information, it is critical that the limit of liability for Coverage A – Dwelling is estimated using as much accurate information as possible or through a property value inspection.

### Coverage B – Other Structures











Coverage B – Other Structures provides a coverage limit of up to 10% of Coverage A – Dwelling for structures detached from but located on the "residence premises" when they are damaged as a result of a covered direct physical loss. Structures connected to the dwelling by only a fence, utility line, or similar will be considered an Other Structure.



Table 1.9 provides suggestions of structures that may be considered an Other Structure under the Homeowners Policy.



Table 1.9

Things that may be considered an Other Structure	
 Detached garage	 Tool shed
 Flagpole	 Attached Deck
 Mailbox	 Swimming Pool
 Tree House	 Driveways, walkways, and other hardscapes
 Gazebo	 Well house

Coverage B – Other Structures does NOT include the following:

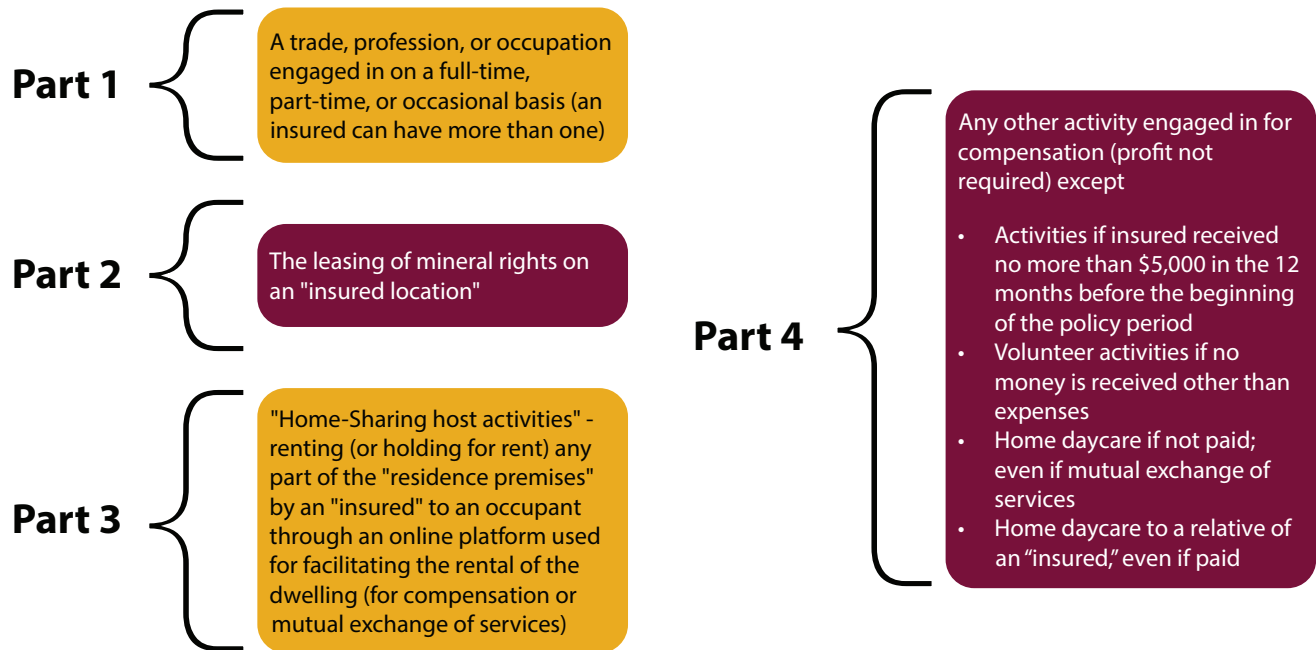
- land on which Other Structures are located;
- structures rented or held for rent to persons other than a tenant of the dwelling, though an exception is provided when rented and used solely as a private garage;
- structures from which “business” is conducted; and
- structures used to store “business” property, UNLESS:
  - “business” property is solely owned by an “insured” or tenant of the dwelling
  - IF
  - that “business” property is not gaseous or liquid fuel, though an exception is provided for fuel inside a permanently installed fuel tank of a vehicle or craft stored in the structure.

#### B. Coverage B – Other Structures

1. We cover other structures on the “residence premises” set apart from the dwelling by clear space. This includes structures connected to the dwelling by only a fence, utility line or similar connection.
2. We do not cover:
  - a. Land, including land on which the other structures are located;
  - b. Other structures rented or held for rental to any person not a tenant of the dwelling, unless used solely as a private garage;
  - c. Other structures from which any “business” is conducted; or
  - d. Other structures used to store “business” property. However, we do cover a structure that contains “business” property solely owned by an “insured” or a tenant of the dwelling, provided that “business” property does not include gaseous or liquid fuel, other than fuel in a permanently installed fuel tank of a vehicle or craft parked or stored in the structure.
3. The limit of liability for this coverage will not be more than 10% of the limit of liability that applies to Coverage A. Use of this coverage does not reduce the Coverage A limit of liability.

## Section 1: Personal Residential Coverages

Consider what the ISO Homeowners Policy defines as a “business.” “Business” is defined in the ISO Homeowners Policy and is a four-part definition.



### 3. "Business" means:

- a. A trade, profession or occupation engaged in on a full-time, part-time or occasional basis;
- b. The leasing of the mineral rights of an "insured location";
- c. "Home-sharing host activities"; or
- d. Any other activity engaged in for money or other compensation, except the following:
  - (1) One or more activities, not described in (2) through (4) below, for which no "insured" receives more than \$5,000 in total compensation for the 12 months before the beginning of the policy period;
  - (2) Volunteer activities for which no money is received other than payment for expenses incurred to perform the activity;
  - (3) Providing home day care services for which no compensation is received, other than the mutual exchange of such services; or
  - (4) The rendering of home day care services to a relative of an "insured".



Many activities that clients would not consider a “business” do fall within the policy definition of “business.” Consequently, when asking clients if they have a business in their home, they may tell you “no” when, in fact, they do!

## Section 1: Personal Residential Coverages

Ask open-ended questions instead:

- In what ways do you make money other than your primary occupation?
- What volunteer activities do you participate in?
- Do you have any hobbies? Tell me about them.

Coverage excluded for Other Structures due to “business” application:



- Taylor works remotely as an adjuster for an insurance company and keeps his home office in his detached pool house.
- Ursula allows her friend to store cabinet samples for his carpentry business in her detached shed.
- Roman has the apartment above his detached garage listed for rent through VRBO (a “home-sharing network platform”).
- Victor stores gasoline for his lawn business in five-gallon containers in his detached shed.

Coverage applies to Other Structures despite “business” application:



- Allen keeps business files for his accounting firm securely stored in his detached guest house.
- Bindi rents her detached garage to her neighbor to store his classic car.
- As a hobby, Chandra refinishes and resells used furniture from her detached shed but has never produced enough to earn more than \$4,000.
- Dustin includes the use of a detached shed for storage in the annual lease of his residence’s basement apartment.

There are endorsements available in the ISO Homeowners Program that will give coverage back for certain “business” activities.



The **Broadened Home-Sharing Host Activities Coverage (HO 06 63 – for HO3)** endorsement can be used to provide property and liability coverage to an Other Structure primarily used for “home-sharing host activities.”



While Roman is renting the apartment above his detached garage through VRBO, the Broadened Home-Sharing Host Activities Coverage endorsement should be added to his Homeowners Policy to give back both property and liability coverage for the detached garage.

## Section 1: Personal Residential Coverages



The **Structures Rented To Others – Residence Premises (HO 04 40)** endorsement can be used to give back both property and liability coverage when an Other Structure is rented to others as a private residence. The Other Structure and property limit of liability must be listed in the endorsement.



When Roman decides to rent the apartment above his detached garage as a standard annual lease with a local property management company, the Structures Rented To Others – Residence Premises endorsement can be added to his Homeowners Policy to give back both property and liability coverage for the detached garage. This endorsement does not give back coverage for “home-sharing host activities.”



The **Permitted Incidental Occupancies – Residence Premises (HO 04 42)** endorsement can be used to give property and liability coverage back to an Other Structure with an eligible “business” exposure. Only one incidental occupancy is permitted. According to ISO Homeowners Manual Rule 510, examples of such occupancies are offices, schools, or studios—meaning offices for business or professional purposes and private schools or studios for music, dance, photography, and other instructional purposes. The “business” and structure must be described in the schedule along with the structure’s property limit of liability.



Taylor notified his insurance advisor that he works remotely and that his home office is located in his detached pool house. The Permitted Incidental Occupancies – Residence Premises endorsement was added to Taylor’s Homeowners Policy to add back both property and liability coverage for the detached garage.

## Check-In



**Directions:** Read each True/False statement and select the correct answer.

1. Land value should be included when estimating the Dwelling replacement cost since land is covered by the ISO Homeowners Policy.

**True**

**False**

2. Coverage is excluded for an Other Structure that is rented to the insured's co-worker to use as a parlor for his tattoo business.

**True**

**False**

3. The Permitted Incidental Occupancies – Residence Premises endorsement will give back coverage for an Other Structure that is listed for rent on VRBO.

**True**

**False**

4. If the limit of liability for Coverage A – Dwelling is \$110,000, the Coverage B – Other Structures limit of liability will automatically be \$11,000.

**True**

**False**

## Coverage C – Personal Property

Most individuals have exposure for loss to personal property, no matter where they live or the type of residential structure they live in. The ISO Homeowners Policy provides an automatic limit of liability for Personal Property that is 50% of the Dwelling coverage limit; however, there are sublimits within Coverage C that apply in certain situations.

Coverage C – Personal Property in the ISO Homeowners Policy has the following four numbered sections:

- Covered Property
- Limit For Property At Other Locations (*other residences and self-storage facilities*)
- Special Limits Of Liability
- Property Not Covered



As coverage is explored, keep the graphic summary that follows in mind.

### Personal Property Owned or Used By an "Insured" Anywhere in the World



"Insured" can request coverage for Property of Others (subject to exclusions for unrelated tenant, roomer, boarder, and home-sharing occupants) on the "residence premises" or while in any residence occupied by an "insured."



Property usually located at another residence of an "insured" is limited to 10% of Coverage C or \$1,500, whichever is greater.



Limitation does not apply to property at a newly acquired residence for the first 30 days.



Property located in a self-storage facility is limited to 10% of Coverage C or \$1,500, whichever is greater.



Special limits of liability: 12 types of property are limited.



Property excluded: 14 types of property are excluded.

## Section 1: Personal Residential Coverages

### Covered Property

Coverage C – Personal Property coverage pays for direct physical loss to property owned or used by an “insured” (including property borrowed or rented from others) anywhere in the world. This is commonly referred to as “worldwide coverage territory.”



Jake is driving cross-country for a family reunion when his vehicle breaks down and catches fire, destroying his luggage and family gifts inside. His Personal Auto Policy will provide coverage for damage to the auto, but his Homeowners Policy will provide coverage for damage to his personal property inside, even though property damage did not occur on the “residence premises.”

In addition, after a covered loss and only when requested by a “you” (i.e., the Named Insured or their spouse), Personal Property coverage can also apply to personal property owned by:

- other persons when their property is on the part of the “residence premises” occupied by the “insured,” or
- a guest or “residence employee” when their property is in any residence occupied by an “insured.”

Understand that this is not additional coverage and will reduce the Coverage C limit of liability.



Hank was hosting a house party with ten guests when lightning struck and started a fire. If Hank makes the request to his insurance company, his Homeowners Policy can provide property coverage for damage to his guests’ personal property damaged in the fire.

#### C. Coverage C – Personal Property

##### 1. Covered Property

We cover personal property owned or used by an “insured” while it is anywhere in the world. After a loss and at your request, we will cover personal property owned by:

- a. Others while the property is on the part of the “residence premises” occupied by an “insured”; or
- b. A guest or a “residence employee”, while the property is in any residence occupied by an “insured”.

### Limit for Property At Other Locations



While the Homeowners Policy gives worldwide coverage for personal property, it limits coverage for property that is regularly located at other residences (that is, locations other than the “residence premises”) that are owned or rented by the “insured.” Coverage will be limited to 10% of the Coverage C – Personal Property limit of liability or \$1,500 (whichever is greater), and there are two categories for which this applies:

- Other residences
- Self-storage facilities

## 1. Limit For Property At Other Residences

The sublimit (10% of Coverage C) will apply to personal property that is usually located at another residence of an “insured.” Consider a client with both a primary residence and a secondary residence or a child living away from home to attend school.

However, Perils Insured for Coverage C – Personal Property later excludes theft coverage for property at any other residence except while an “insured” is temporarily living there. Coverage is given back to a student living away while attending school if the student was at their residence at any time during the 90 days prior to the loss.



Adam’s primary residence is in Austin, Texas. His son began his freshman year at college and is living in a campus dorm. Adam’s Homeowners Policy will provide up to 10% of Adam’s Personal Property limit of liability for coverage of his son’s personal belongings.



Adam also leases an apartment near his corporate office in Denver, Colorado. The apartment was burglarized while Adam was home in Austin. Adam will not have coverage from his primary Homeowners Policy for this loss.

One final note: this sublimit (10% of Coverage C) does not apply to property located at other residences (not a “residence premises”) when the personal property:

- was moved because the “residence premises” is being remodeled, renovated, or repaired, AND the residence is unfit to live or store property in, or
- was moved to a newly acquired primary residence (coverage only applies for the first 30 days from the time the move began).

In these instances, a covered loss to personal property will receive the full Coverage C – Personal Property limit of liability.

### 2. Limit For Property At Other Locations

#### a. Other Residences

Our limit of liability for personal property usually located at an “insured’s” residence, other than the “residence premises”, is 10% of the limit of liability for Coverage C, or \$1,500, whichever is greater. However, this limitation does not apply to personal property:

(1) Moved from the “residence premises” because it is:

- (a) Being remodeled, renovated or repaired; and
- (b) Not fit to live in or store property in; or

(2) In a newly acquired principal residence for 30 days from the time you begin to move the property there.



## 2. Limit For Property At Self-storage Facilities

It is not uncommon for individuals to free up space in their homes by moving belongings to storage units located in their community. The ISO Homeowners Policy also limits coverage at these locations to 10% of the Personal Property limit of liability or \$1,500 (whichever is greater).

However, this sublimit does not apply to personal property:

- moved because the “residence premises” is being remodeled, renovated, or repaired, AND the residence is unfit to live or store property in, or
- usually located at an “insured’s” residence other than a “residence premises.”



After Hank’s house caught fire due to a lightning strike, he moved his undamaged property to a self-storage unit while his home was being repaired. Hank’s policy will provide full Coverage C – Personal Property limit of liability to his property in the storage unit since his “residence premises” is unfit to live in while being repaired.

### b. Self-storage Facilities

Our limit of liability for personal property owned or used by an “insured” and located in a self-storage facility is 10% of the limit of liability for Coverage C, or \$1,500, whichever is greater. However, this limitation does not apply to personal property:

- (1) Moved from the “residence premises” because it is:
  - (a) Being remodeled, renovated or repaired; and
  - (b) Not fit to live in or store property in; or
- (2) Usually located in an “insured’s” residence, other than the “residence premises”.



The **Increased Amount of Insurance For Personal Property Located In A Self-Storage Facility (HO 06 14)** endorsement can be added to the Homeowners Policy to increase coverage for property at a self-storage facility up to an amount specified in the schedule. The endorsement does NOT increase the Coverage C limit of liability. The limit specified in the schedule will be the total limit available.

### Special Limits of Liability

Coverage C – Personal Property, Special Limits of Liability applies sublimits to a variety of property subcategories. The purpose for these sublimits is clear: certain classes of property are either at a higher risk for loss, or, when a loss occurs, the total loss value is usually greater than what the Homeowners Policy rating factors are suited for. For these classes of property, better coverage may be found elsewhere (such as endorsements or other special policies).

Each special limit identified is the total limit for each loss for all property within a category and, in some instances, for a particular peril. These limits do not increase the Coverage C – Personal Property limit of liability, and the policy deductible applies.











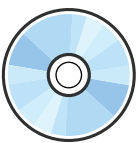

Table 1.10 summarizes the property classes and sublimits provided in the ISO Homeowners Policy.



In Table 1.10, the word **THEFT** appears in capital letters. This emphasis is deliberate. When losses by theft occur in these subcategories, the most the policy will pay is the stated sublimit. Should any other covered loss occur, the limit for these three categories defaults to the full limit of liability for Coverage C.

## Section 1: Personal Residential Coverages

Table 1.10

	Special Limit Property Class	Limit Per Loss
	Money, bank notes, bullion, gold other than goldware, silver other than silverware, platinum other than platinumware, coins, medals, scrip, stored value cards, and smart cards	\$300
	Securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, personal records, passports, tickets, and stamps	\$2,000
	Watercraft of all types, including trailers, equipment, and outboard engines and motors	\$2,000
	Trailers or semi-trailers not used with watercraft of all types	\$2,000
	<b>THEFT</b> of jewelry, watches, furs, and precious and semi-precious stones	\$2,000
	<b>THEFT</b> of firearms and related equipment	\$3,000
	<b>THEFT</b> of silverware, silver-plated ware, goldware, gold-plated ware, platinum, platinum-plated ware and pewterware	\$3,000
	Property used <b>primarily</b> for “business” while on the “residence premises”	\$3,000
	Property used <b>primarily</b> for “business” while away from the “residence premises” (not including certain wires, disks, and other media)	\$1,500
	Portable electronic equipment used to reproduce, receive, or transmit audio, visual, or data signals while in a “motor vehicle” if powered by a motor vehicle and another source	\$2,000
	Antennas, tapes, disks, wires, and other media used with electronic equipment that reproduces, receives, or transmits audio, visual, or data signals while in a “motor vehicle”	\$300
	Model or hobby aircraft not used or designed to carry people or cargo	\$2,000

## Section 1: Personal Residential Coverages

Special Limits of Liability differ among insurance companies with regard to the type of property limited, the limit of coverage, and the perils to which the limitation applies. Other insurance companies may limit wine, tapestries, sports card collections, bicycles, personal computers, etc. It is important to understand the client's exposure to loss and the Special Limits that may apply to that client.

### 3. Special Limits Of Liability

The special limit for each category shown below is the total limit for each loss for all property in that category. These special limits do not increase the Coverage C limit of liability.

- a. \$300 on money, bank notes, bullion, gold other than goldware, silver other than silverware, platinum other than platinumware, coins, medals, scrip, stored value cards and smart cards.
- b. \$2,000 on securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, personal records, passports, tickets and stamps. This dollar limit applies to these categories regardless of the medium (such as paper or computer software) on which the material exists.  
  
This limit includes the cost to research, replace or restore the information from the lost or damaged material.
- c. \$2,000 on watercraft of all types, including their trailers, furnishings, equipment and outboard engines or motors.
- d. \$2,000 on trailers or semitrailers not used with watercraft of all types.
- e. \$2,000 for loss by theft of jewelry, watches, furs, precious and semiprecious stones.
- f. \$3,000 for loss by theft of firearms and related equipment.
- g. \$3,000 for loss by theft of silverware, silver-plated ware, goldware, gold-plated ware, platinumware, platinum-plated ware and pewterware. This includes flatware, hollowware, tea sets, trays and trophies made of or including silver, gold or pewter.
- h. \$3,000 on property, on the "residence premises", used primarily for "business" purposes.
- i. \$1,500 on property, away from the "residence premises", used primarily for "business" purposes. However, this limit does not apply to antennas, tapes, wires, records, disks or other media that are:
  - (1) Used with electronic equipment that reproduces, receives or transmits audio, visual or data signals; and
  - (2) In or upon a "motor vehicle".
- j. \$2,000 on portable electronic equipment that:
  - (1) Reproduces, receives or transmits audio, visual or data signals;
  - (2) Is designed to be operated by more than one power source, one of which is a "motor vehicle's" electrical system; and
  - (3) Is in or upon a "motor vehicle".
- k. \$300 on antennas, tapes, wires, records, disks or other media that are
  - (1) Used with electronic equipment that reproduces, receives or transmits audio, visual or data signals; and
  - (2) In or upon a "motor vehicle".
- l. \$2,000 on model or hobby aircraft not used or designed to carry people or cargo.

## Check-In



**Directions:** Given the scenarios below, specify the limit of liability that applies for the property and limits identified within the loss.

The insured has a theft loss, and the following property was stolen. What limits, if any, are applied after the deductible?

1. **\$500 coin collection** Coverage provided up to \_\_\_\_\_
2. **\$5,000 firearms** Coverage provided up to \_\_\_\_\_

The insured has a fire loss in the house and attached garage. The following property was damaged. What limits, if any, are applied after the deductible?

3. **\$900 cash** Coverage provided up to \_\_\_\_\_
4. **\$5,000 firearms** Coverage provided up to \_\_\_\_\_

### Property Not Covered

Since the Homeowners Policy is designed for the “average” family, this explains the policy’s limitations described in Coverage C – Special Limits of Liability and the section that follows, Property Not Covered. Many examples of Property Not Covered are common-sense items, such as autos and aircraft. For appropriate coverage, such property requires other policies more specific to clients’ individual needs.

There are fourteen excluded property classes:

#### 1. Articles specifically insured in the policy or elsewhere

Clients often have additional policies to properly cover items that are limited or excluded by the Homeowners Policy. Consider Recreational Vehicle, Watercraft, or Valuable Articles Policies.



Maribel has valuable artwork insured on a stand-alone Valuable Articles Policy (VAP). She experiences a loss and believes her Valuable Articles Policy did not pay enough. Maribel’s Homeowners Policy will not pay for any additional value because property insured elsewhere is Property Not Covered.

#### 4. Property Not Covered

We do not cover:

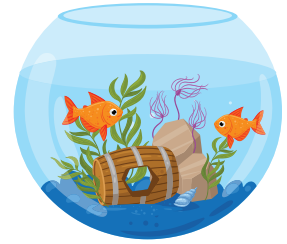
- a. Articles separately described and specifically insured, regardless of the limit for which they are insured, in this or other insurance;

## 2. Animals, birds, or fish

Pets often have great value to a client. *Reader's Digest* reports that the Tibetan Mastiff can cost between \$3,000 to \$5,000<sup>6</sup> If this is the case, the client may need a Pet Mortality Policy; the policy lists animals, birds, and fish as Property Not Covered.



Kai accidentally drove his car through his dining room wall. His beloved prize-winning dragon fish died when the vehicle crashed into the tank. Kai will not be able to claim the value of the dragon fish on his Homeowners Policy since fish are excluded as Property Not Covered.



### 4. Property Not Covered

We do not cover:

- b. Animals, birds or fish;**

## 3. "Motor Vehicles"

A "motor vehicle" is defined in the ISO Homeowners Policy as a land or amphibious vehicle that is self-propelled or capable of being self-propelled. Trailers or semi-trailers towed by or hitched for towing are also considered "motor vehicles."



Penny's daughter has a motorized bicycle that can travel up to 20mph. Since the bicycle operates on land and is self-propelled by a battery-powered motor, it will be considered a "motor vehicle" by the Homeowners Policy and subject to policy limitations.

### 11. "Motor vehicle" means:

- a. A land or amphibious vehicle that is self-propelled or capable of being self-propelled; or**
- b. Any trailer or semitrailer which is being carried on, towed by or hitched for towing by a vehicle described in 11.a. above.**

The ISO Homeowners Policy excludes property coverage for "motor vehicles" (including equipment or parts in or upon the "motor vehicle") with a few exceptions.

Coverage will be provided (by exception) for "motor vehicles" not required to be registered for road use AND:

- Used solely to service a residence;



David owns a large riding lawnmower. Not only does David mow his lawn and his mother's lawn, but he also pulls a float in the homecoming parade for his daughter's seventh-grade class. His lawnmower is not covered for property coverage because it is not used solely to service a residence.

<sup>6</sup> <https://www.rd.com/list/the-most-and-least-expensive-dog-breeds/>

## Section 1: Personal Residential Coverages

- Or designed to assist the handicapped.



Penny's power wheelchair, which assists her with her mobility, is covered Personal Property under her Homeowners Policy up to the Coverage C limit of liability.

Penny's Toyota van, which was modified for her mobility needs, cannot be covered as Personal Property under her Homeowners Policy since it is required to be registered for road use.

Coverage is also provided (by exception) for portable audio or visual equipment if it can be operated by a power source other than the "motor vehicle."



The ISO Homeowners Program offers the **Owned Motorized Golf Cart Physical Loss (HO 05 28)** endorsement to provide physical damage coverage to golf carts. No other "motor vehicle" excluded under Section I is offered a coverage buy-back.

### 4. Property Not Covered

We do not cover:

#### c. "Motor vehicles".

This includes a "motor vehicle's" equipment, and parts, that are in or upon the "motor vehicle". However, this Paragraph 4.c. does not apply to:

##### (1) Portable electronic equipment that:

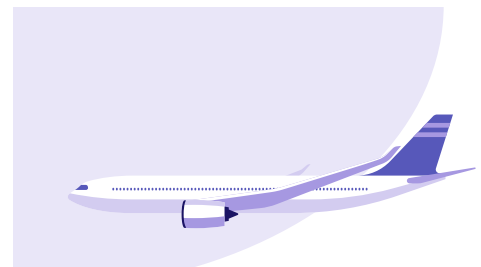
- (a) Reproduces, receives or transmits audio, visual or data signals; and
- (b) Is designed so that it may be operated from a power source other than a "motor vehicle's" electrical system.

##### (2) "Motor vehicles" not required to be registered for use on public roads or property which are:

- (a) Used solely to service a residence; or
- (b) Designed to assist the handicapped;

### 4. Aircraft and parts, except model or hobby

It wouldn't make much sense to provide coverage for aircraft under a Homeowners Policy since they are much too expensive and risky. However, just in case model or hobby aircraft (like recreational drones) could be considered "aircraft," the Homeowners Policy gives back limited coverage. The craft cannot be used or designed to carry people or cargo. The policy limits a covered property loss for model or hobby aircraft to \$2,000 (per Special Limits of Liability).



### 4. Property Not Covered

We do not cover:

#### d. Aircraft, meaning any contrivance used or designed for flight, including any parts whether or not attached to the aircraft.

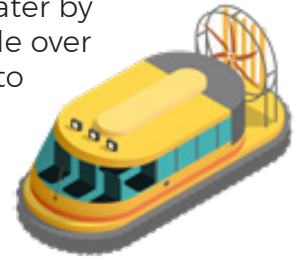
We do cover model or hobby aircraft not used or designed to carry people or cargo;



## 5. Hovercraft and parts

A Hovercraft is a type of vehicle that can travel over both land and water by floating on a cushion of air. These types of craft are often used to glide over surfaces that might be difficult or impossible for traditional vehicles to navigate (like marshes, swamps, or ice).

Much like “motor vehicles” and aircraft, hovercraft are much too expensive and risky to be insured by a Homeowners policy; therefore they are excluded as Property Not Covered.



### 4. Property Not Covered

We do not cover:

- e. Hovercraft and parts. Hovercraft means a self-propelled motorized ground effect vehicle and included but is not limited to, flarecraft and air cushion vehicles;

## 6. Property of “home-sharing occupants,” roomers, boarders, and tenants

The Homeowners Policy does not want to insure exposures related to property of others on a frequent and expected basis, which is why the property of roomers, boarders, tenants, and “home-sharing occupants” (including their guests and persons accompanying them) is excluded as Property Not Covered.

Ideally, the property of roomers, boarders, tenants, and such would be covered by these individuals’ own Homeowners or Renters Policy.



Penny owns a duplex. She resides in one unit, and her tenant occupies the other. The tenant’s personal property is excluded under Penny’s Homeowners Policy as Property Not Covered.

### 4. Property Not Covered

We do not cover:

f. Property of:

- (1) A “home-sharing occupant”;
- (2) Any other person occupying the “residence premises” as a result of any “home-sharing host activities”; and
- (3) Roomers, boarders and other tenants, except property of roomers and boarders related to an “insured”;



## 7. Property in a rented space

At times, clients who offer part of their home for rent (or home-sharing) may provide furnishings (such as a bed, television, dining table, or more). The ISO Homeowners Policy excludes such property as Property Not Covered but gives back limited coverage (\$3,000) by exception as provided in Section I – Additional Coverages, Landlords Furnishings. However, this coverage “give-back” will not apply to property used for “home-sharing host activities” (mentioned in the next exclusion).



Penny furnishes the leased unit of her duplex with living room and dining room furniture. Penny’s Homeowners Policy will only provide the limited coverage given back in Additional Coverages – Landlords Furnishings.

### 4. Property Not Covered

We do not cover:

#### g. Property in:

- (1) A space while rented or primarily held for rental to a “home-sharing occupant”; or
- (2) Subject to Paragraph g.(1), an apartment regularly rented or held for rental to others by an “insured”, except as provided in E.9. Landlord’s Furnishings under Section I – Property Coverages;

## 8. Property used primarily for “home-sharing host activities”

When a client rents their residence in whole or part through home-sharing situations, they furnish these areas for travelers renting their space. The ISO Homeowners Policy excludes such property as Property Not Covered.

Property is likely more than just furniture and may include strollers, plateware, appliances, pool equipment, lawn furniture, and more. Consider anything that provides for the home-like convenience of the occupant.



### 4. Property Not Covered

We do not cover:

#### h. Property used primarily for “home-sharing host activities”;

### 9. Property rented to others off the “residence premises”

It’s all about the money! Clients may find a little extra play money in renting their expensive equipment to others (a generator, a zero-turn lawn mower, watercraft, and more). Such items will be excluded when they are rented or held for rental to others off the “residence premises.”



Penny has a zero-turn mower she rents to neighbors in her area. When the mower catches fire while rented and being used by her neighbor one block away, Penny will not have property coverage under her Homeowners Policy.

#### 4. Property Not Covered

We do not cover:

- i. Property rented or held for rental to others off the “residence premises”;

### 10. “Business” data

Data is difficult to recover (whether electronic or hard data), which is why “business” data, including books of account, drawings, or paper records, and electronically stored data, is not covered. Coverage is given back for the cost of blank media and prerecorded software.



Coverage will be provided for replacing the media (such as blank CDs or accounting books) used for recording the data.

#### 4. Property Not Covered

We do not cover:

- j. “Business” data, including such data stored in:

- (1) Books of account, drawings or other paper records; or
- (2) Computers and related equipment.

We do cover the cost of blank recording or storage media and of prerecorded computer programs available on the retail market;

### 11. Credit cards, fund transfer cards, etc.

While it is commonplace for banks and credit card providers to offer coverage for lost or stolen cards and fraudulent charges, the ISO Homeowners Policy excludes property coverage for credit cards and other such items.



#### 4. Property Not Covered

We do not cover:

- k. Credit cards, electronic fund transfer cards or access devices used solely for deposit, withdrawal or transfer of funds;

### 12. Water or steam

The Homeowners Policy excludes property coverage for loss to water or steam (that is, loss *to*, not *caused by*).



Penny leaves home for a vacation, and during her absence, vandals turn on an outside water faucet. Her next water bill exceeds \$1,000. The wasted water is Property Not Covered.



#### 4. Property Not Covered

We do not cover:

I. Water or steam;

### 13. Virtual currency of any kind (by any name)

The use of virtual currency has risen exponentially, and the use of this currency is still highly volatile. The values of cryptocurrencies can swing wildly at the drop of a “tweet.” In 2021, the price of Bitcoin drastically fell by approximately 12% after Tesla CEO Elon Musk tweeted that Tesla Company was suspending plans to accept cryptocurrency as a form of payment.<sup>7</sup>

Also, consider how quickly Bitcoin can disappear from a crypto-wallet and the potential value of such losses.



In a precedent-setting case 2018, *Kimmelman v. Wayne Insurance Group*<sup>8</sup>, the plaintiff (Kimmelman) filed a claim on his Homeowners Policy for \$16,000 in stolen Bitcoin. His policy paid a \$200 sublimit for money (Special Limits Personal Property). In this case, arguments were presented on deciding what exactly crypto was (money, securities, or property). The court ultimately ruled that because the IRS considers crypto to be personal property (not money), the loss would not be subject to the \$200 sublimit.

#### 4. Property Not Covered

We do not cover:

m. Virtual currency of any kind, by whatever name known, whether actual or fictitious including, but not limited to, digital currency, crypto currency or any other type of electronic currency; or

<sup>7</sup> <https://www.nbcnews.com/tech/tech-news/365-billion-wiped-cryptocurrency-market-musks-tweet-rcna922>  
<sup>8</sup> [James Kimmelman v. Wayne Insurance Group, Court of Common Pleas, Franklin County, Ohio Civil Division, 18CV001041 \(Sept. 25, 2018\)](#)

## 14. Controlled substances

In 2022, the ISO Homeowners Program added controlled substances to the list of Property Not Covered in response to the growing legalization of cannabis. As such, "cannabis" was added to policy definitions to clarify how this exclusion will apply. The definition will not be addressed in this course and can be viewed within the ISO Homeowners Policy Forms starting with the March 2022 revision.



As Property Not Covered, controlled substances (as defined by Federal Food and Drug Law 21 U.S.C.A. Sections 811 and 812) and "cannabis" (regardless of Federal Food and Drug Law) are explicitly excluded. However, coverage is given back for prescription drugs obtained lawfully by a prescribed by a licensed healthcare professional.

Goods and products (such as clothing, oils, paper, etc.) derived from hemp (a class of cannabis) will be covered unless prohibited by state or local statute, regulation, or ordinance.

### 4. Property Not Covered

We do not cover:

n. Any:

- (1) Controlled Substances, other than "cannabis", as defined by the Federal Food and Drug Law at 21 U.S.C.A. Sections 811 and 812; and
- (2) "Cannabis" regardless of whether such "cannabis" is considered a Controlled Substance.  
Controlled Substances include but are not limited to cocaine, LSD and all narcotic drugs.  
However, this Paragraph 4.n. does not apply to:
- (3) Prescription drugs obtained following the lawful orders of a licensed health care professional; or
- (4) Goods or products containing or derived from hemp, including, but not limited to:
  - (a) Seeds;
  - (b) Food;
  - (c) Clothing;
  - (d) Lotions, oils or extracts;
  - (e) Building materials; or
  - (f) Paper.

However, this Paragraph 4.n.(4) does not apply to the extent any such goods or products are prohibited under an applicable state or local statute, regulation or ordinance in the state where such goods or products are located.

Many limitations and exclusions impact coverage for Personal Property, and many clients will need additional coverage added to meet their needs. The ISO Homeowners Program offers many endorsements to change Coverage C – Personal Property.











Always check with individual insurance companies for available optional coverage endorsements.

## Section 1: Personal Residential Coverages



The **Coverage C Increased Special Limits of Liability (HO 04 65)** endorsement can be used to increase special limits for certain property classes. Appraisals are not needed with this endorsement, and property remains covered for the same perils listed within the policy. Increased limits are not additional coverage and do not increase the Coverage C limit of liability. Table 1.11 summarizes which property classes can receive additional limits with the HO 04 65.



**Table 1.11**

	Special Limit Property Class	Limit Per Loss	HO 04 65 Increased Limits
	Money, bank notes, bullion, gold—other than goldware, silver—other than silverware, platinum—other than platinumware, coins, medals, scrip, stored value cards, and smart cards	\$300	Up to \$2,500
	Securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, personal records, passports, tickets, and stamps	\$2,000	Up to \$5,000
	Watercraft of all types, including trailers, equipment, and outboard engines and motors	\$2,000	Up to \$5,000
	<b>THEFT</b> of jewelry, watches, furs, precious and semi-precious stones	\$2,000	Up to \$10,000 Not to exceed \$2,000 per item
	<b>THEFT</b> of firearms and related equipment	\$3,000	Up to \$10,000
	<b>THEFT</b> of silverware, silver-plated ware, goldware, gold-plated ware, platinum, platinum-plated ware and pewterware	\$3,000	Up to \$10,000
	Portable electronic equipment used to reproduce, receive, or transmit audio, visual, or data signals while in a “motor vehicle” if powered by the motor vehicle and another source	\$2,000	Up to \$6,000
	Model or hobby aircraft not used or designed to carry people or cargo	\$2,000	Up to \$5,000

## Section 1: Personal Residential Coverages

The **Increased Limits On Business Property (HO 04 12)** endorsement can be used to increase the sublimits of “business” personal property identified in Special Limits of Liability. Though limits can be increased, the endorsement excludes property for a “business” conducted on the premises as well as samples, property held for sale, and items in storage. Increased limits are not additional coverage and do not increase the Coverage C limit of liability. Table 1.12 summarizes how the HO 04 65 increases limits for “business” property on and off the “residence premises.”

Table 1.12

	Special Limit Property Class	Limit Per Loss	HO 04 65 Increased Limits
	Property used <b>primarily</b> for “business” while on the “residence premises”	\$3,000	Up to \$10,000
	Property used <b>primarily</b> for “business” while away from the “residence premises” (not including certain wires, disks, and other media)	\$1,500	50% of the on-premises limit



The **Permitted Incidental Occupancies – Residence Premises (HO 04 42)** endorsement can be used to increase certain “business” property for the “business” specifically described in the endorsement schedule up to the full Coverage C limit of liability of the policy, but only while the property is ON the “residence premises.” The endorsement will not increase coverage for property used for “business” while away from the “residence premises.”



The **Broadened Home-Sharing Host Activities Coverage (HO 06 63 – for HO3)** endorsement permits Additional Coverage – Landlords Furnishings to be used for property in a space primarily held for rental to a “home-sharing occupant” and removes the paragraph (4.h.) in Coverage C – Personal Property that excludes property primarily used for “home-sharing host activities.”

A great way to provide clients with the specific coverage and values they need for valuable items such as jewelry, furs, firearms, and other collections is to schedule (or specifically list) these items on an endorsement meant just for them. This not only ensures better and broader coverage but also enables the insurance company to accurately charge premiums that reflect the higher risks associated with valuable property.



Blanket coverage is often used to provide coverage for numerous items without declaring each item.

## Section 1: Personal Residential Coverages



The **Scheduled Personal Property Coverage (HO 04 61)** endorsement allows the following classes of personal property to be scheduled with specified limits:

- Jewelry
- Furs
- Cameras
- Musical instruments
- Silverware
- Golfer's equipment
- Fine arts
- Postage stamps
- Rare and current coins

Silverware, golfer's equipment, postage stamps, and rare and current coins are permitted to be scheduled on a blanket coverage basis.

Perils Insured Against is broadened from named perils to open perils, which ensures the inclusion of the peril of theft and mysterious disappearance. Coverage provided by this endorsement is worldwide and is in addition to the Coverage C limit of liability. The policy deductible will not apply to losses covered by the endorsement.

Coverage exclusions include losses caused by:

- wear and tear,
- insects or vermin,
- war and nuclear hazard;
- additional exclusions apply to fine arts, postage stamps, and rare and current coins, as these items may be more prone to certain types of losses.

Loss to fine arts covered by the endorsement is settled on an agreed value basis, while all other property is settled for the least of:

- ACV (unless the **Property Replacement Cost Loss Settlement (HO 04 90)** endorsement has been added to the policy),
- cost of repair,
- cost of replacement, or
- the limit of insurance in the schedule.



The endorsement also anticipates coverage for newly acquired items. If a loss occurs to newly acquired jewelry, furs, cameras, or musical equipment before being added to the endorsement for coverage, these classes of property will receive the lesser of \$10,000 or 25% of the amount of insurance for that property class. However, the insurance company must be notified within 30 days and the premium paid for coverage to apply.



## Section 1: Personal Residential Coverages

Similarly, when fine arts coverage is scheduled, if a loss occurs to newly acquired fine arts before being added to the endorsement for coverage, coverage may be provided on an ACV basis up to 25% of the amount of insurance. The insurance company must be notified within 90 days and the premium paid for coverage to apply.



Penny has a \$10,000 diamond tennis bracelet listed on the Scheduled Personal Property Coverage (HO 04 61) endorsement attached to her Homeowners Policy. The bracelet fell off her wrist while she was attending a gala and was not found. The ACV of the bracelet was determined to be \$7,500; this is the amount Penny will receive from the claim.



The **Scheduled Personal Property Coverage (With Agreed Value Loss Settlement) (HO 04 60)** endorsement performs similarly to the **Scheduled Personal Property Coverage (HO 04 61)** endorsement except that it provides agreed value loss settlement on all scheduled property. This means that the full amount shown for the property listed in the Schedule is agreed to be the value of that article, and, as such, that amount will be paid.



If Penny had scheduled her \$10,000 diamond tennis bracelet on the **Scheduled Personal Property Coverage (With Agreed Value Loss Settlement) (HO 04 60)** endorsement, she would have received the agreed value of \$10,000 for the lost bracelet rather than its determined \$7,500 ACV value paid by the **Scheduled Personal Property Coverage (HO 04 61)** endorsement.



Take time to consider the pros and cons of scheduling valued property identified in Table 1.13.



## Section 1: Personal Residential Coverages

**Table 1.13**

Potential Advantages to Scheduling Valuable Property	Potential Disadvantages to Scheduling Valuable Property
No deductible	Additional premium charge
Open Peril coverage	Appraisals may be required
Item values are not included in the Coverage C limit of coverage, effectively freeing up Coverage C for other personal property.	Values may not be kept current, resulting in an inadequate limit of coverage.
Establishes the existence of the item (removing some doubt)	Insured may not understand the loss settlement provisions and may believe that all scheduled property is agreed value.
Establishes the value of the item	Depending on the cause of loss and the scheduled limit, the insured could be penalized in the event of a loss.
May be the only way to get coverage if the policy otherwise limits or excludes coverage for the property class	Scheduled Property is excluded from Coverage C – Personal Property under Property Not Covered.

## ▶▶ Knowledge Check



**Directions:** Read the following scenario and respond.

Melody and Jack's residence is insured on a Homeowners 3 – Special Form with a Coverage A – Dwelling Limit of \$450,000. Jack uses the detached pool house as an office in his crypto-currency business. Melody, a nurse, offers yoga in their attached garage for \$10 per person on Sundays. Straight-line winds uprooted an oak tree, causing \$30,000 in damage to the pool house and \$10,000 in damages to the attached garage. How much will Melody and Jack's Homeowners Policy pay for these damages? Explain your answer(s). (Disregard deductible).

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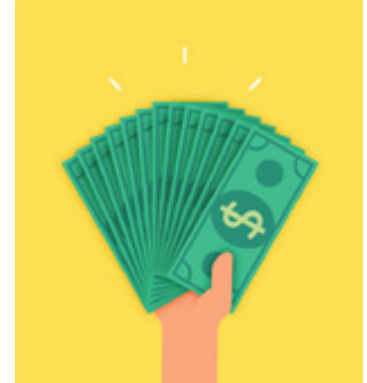
## Coverage D – Loss of Use

### Learning Objective:

- 1.5 Explain coverage provided by and the importance of Additional Living Expense under Coverage D – Loss of Use.

The coverage described in Coverage D – Loss of Use includes three coverage parts: (1) Additional Living Expense, (2) Fair Rental Value, and (3) Civil Authority Prohibits Use (which applies to both Additional Living Expense and Fair Rental Value).

Applicable to the policy deductible, the limit of liability automatically provided by the ISO Homeowners Policy is 30% of the limit for Coverage A – Dwelling. As such, the limit of liability shown in the Declarations for Coverage D – Loss of Use is the total limit for Additional Living Expenses, Fair Rental Value, and Civil Authority Prohibits Use coverages. Loss of Use coverage is not limited by the expiration of the policy and will continue to pay (up to the limit of liability) as long as reasonably necessary.



Loss of Use will exclude any expenses due to the cancellation of a lease or agreement.



Some insurance companies may choose to provide coverage in terms of a period of time (for example, up to 12 months) or as actual loss sustained (meaning no monetary or time limitation to coverage). Pay close attention to these details when comparing coverages.

### Additional Living Expense

When the “residence premises” becomes unfit to live in due to a covered loss to covered property, Additional Living Expense covers the necessary increase in living expenses related to a normal standard of living incurred by:

- you,
- resident relatives, and
- other persons under 21 years old and in your care or the care of a resident relative.

Payment will be for the shortest time required to repair or replace the damaged property. If the insured decides to relocate, payment is provided for the shortest time required to permanently relocate.

## Section 1: Personal Residential Coverages



Alonzo's home is damaged by a tornado and is unfit to live in. In the week following the tornado, Alonzo has to get two hotel suites for his six-person family, but without a kitchen, the family has to eat meals at restaurants. The cost of the two hotel suites and increased meal expenses will be covered under Additional Living Expenses.



Repairs to Alonzo's home are expected to take six months, so Alonzo rents a four-bedroom home (similar to his own home). While Additional Living Expense will pay for the cost of the house rental (as a necessary increased expense), it is not likely that food expenses will continue to be considered an increased expense since the family now has a kitchen. Even though Alonzo's home is unlivable, he must still pay his mortgage, but this is not covered by Additional Living Expense.

Once Alonzo's home is ready, if he incurs an expense related to breaking his short-term lease, this will not be covered.

The following are examples of what may be considered Additional Living Expenses (this list is not all-inclusive):

- Temporary housing (a hotel, rental home, or staying with a friend or relative)
- Increased food expenses
- Storage costs for personal property
- Increased utility costs at a temporary residence (may even pay increased utility costs when staying with a friend or relative)
- Increased boarding or care of pets
- Laundry costs if temporary housing does not have laundry facilities
- Parking fees if required by the temporary housing
- Moving costs associated with relocation

### **D. Coverage D – Loss Of Use**

The limit of liability for Coverage D is the total limit for the coverages in 1. Additional Living Expense, 2. Fair Rental Value and 3. Civil Authority Prohibits Use below.

#### **1. Additional Living Expense**

If a loss covered under Section I makes that part of the "residence premises" where you reside not fit to live in, we cover any necessary increase in living expenses incurred by you and residents of your household who are:

- a. Your relatives; or
- b. Other persons under the age of 21 and in your care or the care of a resident of your household who is your relative;

so that your household can maintain its normal standard of living.

Payment will be for the shortest time required to repair or replace the damaged property or, if your household permanently relocates, the shortest time required for your household to settle elsewhere.

## Section 1: Personal Residential Coverages

When a client is in the middle of a claim that renders their home unlivable, it's not likely they were anticipating it and may not be financially prepared to bear the cost of additional expenses while living elsewhere. Insurance advisors should pay close attention to the terms and limits of this Additional Living Expense coverage. A policy condition states that coverage will not end if the policy term expires; however, when compared, the limit of liability among various insurance companies may be:



- limited by a dollar amount (e.g., 30% of Coverage A – Dwelling with the ISO Homeowners Forms),
- limited by a period of time (e.g., the shortest time to repair/replace/relocate up to 12 months), or
- stated provided as actual loss sustained; which would provide the greatest coverage limit.

These limits are important when time is taken to understand what could lead to exhausting them.

Consider three scenarios:

1. When business is slow, builders, remediators, suppliers, and more may be able to attend to damaged property quickly—but what happens when a mass catastrophe occurs? A client's home becomes one of hundreds that need services. Supplies are harder to secure, an architect may be needed to redesign a home that is a total loss, there may be a waitlist for contracts and/or laborers, permits may take longer to obtain, and weather may continue to be a delaying factor throughout the process.
2. Consider economic factors. Labor strikes, supply chain issues, or other economic problems could delay the repair/rebuilding process. Consider pandemic-related factors such as manufacturing disruptions, social “lock-down” and/or quarantine measures, government guideline changes, financial hardships of labor/construction companies, and more.
3. A client's home may be ornate, customized, part of an HOA, or on the historic registry. Obtaining permits and approvals for repairs sometimes requires more time, locating skilled craftsmen can be problematic, and obtaining the same or similar construction materials may either be difficult or require more time.

In each of these instances, additional living expenses will continue to stack up while repair of the client's home is on hold or delayed, which can and will exhaust dollar limits and/or time limitations.

Reviewing policy coverage details and identifying the differences is a critical skill that must go beyond the Declarations.

## Fair Rental Value

When a client rents part of their home to supplement income, Fair Rental Value ensures they continue receiving rental income during the repair or reconstruction period after a covered loss which renders the tenant's space unlivable. Fair Rental Value covers the rental value of that part of the "residence premises" rented to others (or held for rental to others) if a covered loss makes it unfit to live in. Any payment is for the shortest time to repair or replace the damaged property and is reduced by expenses that do not continue while the home is unfit to live in. Consider that increased utility costs (such as gas, water, and electricity) may not continue while the tenant is living away from the residence.



Unfortunately, Fair Rental Value does not cover rental value arising out of or in connection with "home-sharing host activities" unless the **Broadened Home-Sharing Host Activities Coverage (HO 06 63)** endorsement is attached.



When Alonzo's home was damaged by a tornado and became unfit to live in, Alonzo's tenant leasing the basement apartment also had to move. Alonzo will suffer financial loss for not being able to collect rent from his tenant. Fair Rental Value, provided by Alonzo's Homeowners Policy, will provide payment for this loss of rent while the home is being repaired. However, payment under Fair Rental Value will reduce the Coverage D limit available for Additional Living Expense. If the tenant does not pay the fee to break his lease with Alonzo, this fee will not be covered by Alonzo's policy.

### D. Coverage D – Loss Of Use

The limit of liability for Coverage D is the total limit for the coverages in 1. Additional Living Expense, 2. Fair Rental Value and 3. Civil Authority Prohibits Use below.

#### 2. Fair Rental Value

If a loss covered under Section I makes that part of the "residence premises" rented to others or held for rental by you not fit to live in, we cover the fair rental value of such premises less any expenses that do not continue while it is not fit to live in.

However, we do not cover any fair rental value arising out of or in connection with "home-sharing host activities".

Payment will be for the shortest time required to repair or replace the damaged property.

### Civil Authority Prohibits Use

There are instances where an insured's home may not be damaged, but an event or threat may cause civil authorities (police, fire, the National Guard, or other authorities) to prohibit an insured's access to their home. This may occur with natural disasters (such as a hurricane, tornadoes, or wildfires), hazardous material spills (such as an oil pipeline leak), or emergency evacuations (like a natural gas line leak).



When civil authority prohibits the use of the "residence premises" due to direct damage to a neighboring premises by a peril insured against, under Loss Of Use – Civil Authority, the Homeowners Policy provides up to two weeks' coverage under both Additional Living Expenses and/or Fair Rental Value. Again, the limit of liability showing for Coverage D – Loss Of Use is the most that will be paid for Additional Living Expense, Fair Rental Value, and Civil Authority Prohibits Use.



Francisco's home was not damaged in a tornado event, but the rest of his neighborhood was heavily damaged. A state of emergency was declared for his area, and now the National Guard is not permitting residents to access their homes. Wind is a covered peril under Francisco's Homeowners Policy, and he is unable to access his home due to damage to his neighborhood. Consequently, his policy will provide up to two weeks of coverage (subject to the Coverage D limit) for increased living expenses while he stays in a hotel.

#### **D. Coverage D – Loss Of Use**

The limit of liability for Coverage D is the total limit for the coverages in **1. Additional Living Expense**, **2. Fair Rental Value** and **3. Civil Authority Prohibits Use** below.

#### **3. Civil Authority Prohibits Use**

If a civil authority prohibits you from use of the "residence premises" as a result of direct damage to neighboring premises by a Peril Insured Against, we cover the loss as provided in **1. Additional Living Expense** and **2. Fair Rental Value** above for no more than two weeks.

### Consider the Importance of Coverage D – Loss Of Use

Loss of Use coverage can be easily overlooked and undervalued as a benefit of the Homeowners Policy when it is not well understood. Loss of Use coverage helps ensure that clients will not have to worry over affording temporary living arrangements during a claim catastrophe! This coverage may very well prevent a client from unnecessarily depleting their savings or running up credit cards.

## Section 1: Personal Residential Coverages

Other than the financial benefits, consider the peace of mind offered. Loss of Use coverage:

- helps maintain the client's comfortable standard of living, which minimizes the stress of being displaced.
- helps clients regain a sense of normalcy in the face of a catastrophic loss that causes displacement.
- helps ensure clients can continue paying ongoing expenses (like their mortgage) in the face of increased living expenses related to being displaced during a claim.
- provides stability for clients, particularly those with children or who are medically fragile and minimizes the disruption to routines when they are displaced.

Understanding the significance of this coverage can lead homeowners to make informed decisions when selecting an insurance policy with coverage terms that meet their needs, ensuring they are adequately protected in case of unforeseen events.

### ▶▶ Knowledge Check



**Directions:** Read the following scenario and respond.

Elaine has a Homeowners 3 - Special Form with \$100,000 for Coverage A - Dwelling. Elaine's home was significantly damaged in a covered loss. From the moment of damage until repairs are complete, the home will not be fit to live in for a total of 10 weeks. Of the weekly expenses Elaine submitted, explain which expenses are covered under Coverage D - Loss Of Use and the total amount that will be paid for this coverage part.

	Pre-Loss Expense	Post-Loss Expense	Total Expense for 10 weeks?
Monthly Mortgage	\$ 1,000.00/mo	\$ 1,000.00/mo	
AirBnB rental (comparable)	\$ 0.00/wk	\$ 2,000.00/wk	
Meals	\$ 100.00/wk	\$ 150.00/wk	
Pet Boarding	\$ 0.00/wk	\$ 500.00/wk	
Commuting Gas	\$ 100.00/wk	\$ 150.00/wk	
Storage Fees	\$ 0.00/wk	\$ 250.00/wk	
After School Childcare	\$ 0.00/wk	\$ 250.00/wk	
Loss of Rent from Roomer		\$ 200.00/wk	

Total Covered Expense under Coverage D: \_\_\_\_\_



## Section I – Additional Coverages

### Learning Objective:

- 1.6 Determine coverage (if any) for specific loss situations utilizing Section I – Additional Coverages, Perils Insured Against, and Exclusions of the ISO Homeowners 3 – Special Form, and apply the appropriate endorsement(s) available.

The ISO Homeowners Policy details eleven Additional Coverages provided for Section I – Property Coverages.

- |                                    |                                     |
|------------------------------------|-------------------------------------|
| 1. Debris Removal                  | 7. Collapse                         |
| 2. Reasonable Repairs              | 8. Glass Or Safety Glazing Material |
| 3. Trees, Shrubs, And Other Plants | 9. Landlord's Furnishings           |
| 4. Fire Department Service Charge  | 10. Ordinance Or Law                |
| 5. Property Removed                | 11. Grave Markers                   |
| 6. Loss Assessment                 |                                     |

Some insurance companies may title this part of the policy Supplementary Payments. Some of the coverages are included in the limit of the property damaged, while other coverages are in addition to the limits of liability.

Table 1.14 summarizes each of the 11 Section I – Additional Coverages, but for the purposes of this course, this Learning Guide will focus on the following:

- Debris Removal
- Property Removed
- Loss Assessment
- Collapse
- Ordinance or Law

### Debris Removal

Debris Removal coverage provides payment for reasonable expenses associated with the removal of debris of covered property that has been damaged by a covered cause of loss. This coverage also applies to a building or property in a building that suffers direct loss caused by ash, dust, or particles from a volcanic eruption.

Debris removal expense is included in the limit of liability applicable to the damaged property.



## Section 1: Personal Residential Coverages



Madison's Coverage A – Dwelling limit is \$100,000. Her policy will have an adequate Dwelling coverage limit when her dwelling is damaged in a covered loss—the cost to repair (\$50,000) and the costs of removing the debris of the damaged structure (\$5,000).

However, if the cost of damage plus the cost of debris removal exceeds the limit of liability applicable to the damaged property, an additional limit of 5% of the limit that applies to the damaged property is available.



Madison's Coverage A – Dwelling limit is \$100,000. If the cost to repair her detached shed damaged in a covered loss exceeds the Coverage B limit of liability (\$10,000), her policy will provide an additional \$500 for removing debris of the damaged structure.

Understanding that the cost of debris removal is included in the limit of liability applicable to the damaged property is important when estimating the replacement cost of the dwelling and setting the policy coverage limits. It is also a strong rebuttal for clients that argue about the limits of liability being too high—it is possible they may only be taking the cost of building materials into consideration.

### **E. Additional Coverages**

#### **1. Debris Removal**

**a.** We will pay your reasonable expense for the removal of:

- (1)** Debris of covered property if a Peril Insured Against that applies to the damaged property causes the loss; or
- (2)** Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.

This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit is available for such expense.

Fallen trees are common headaches for homeowners. Whether the tree grew on their property or their neighbors, once a tree has fallen on their “residence premises,” the problem is financially theirs. Debris Removal, provided under the ISO Homeowners Policy, provides coverage to remove trees that have fallen on the “residence premises” and not just when they damage a structure. For the reasonable expense to remove a felled tree (given a covered loss), the policy will pay up to \$3,000 per claim with a sublimit of \$1,500 per tree (regardless of the number of fallen trees).

## Section 1: Personal Residential Coverages

Coverage to remove a felled tree will be provided (triggered) if:

- your tree falls from windstorm, hail, weight of ice, snow or sleet, OR
- a neighbor's tree is felled by a Peril Insured Against in Coverage C

WHEN the tree

- damages a covered structure, OR
- blocks a driveway which prevents a "motor vehicle" from entering or leaving the "residence premises," OR
- blocks a ramp or other fixture designed to provide a handicapped person access in or out of the dwelling.

Coverage to remove fallen trees is additional insurance and does not reduce limits of liability.

### **E. Additional Coverages**

#### **1. Debris Removal**

**b.** We will also pay your reasonable expense, up to \$3,000, for the removal from the "residence premises" of:

**(1)** Your trees felled by the peril of Windstorm or Hail or Weight of Ice, Snow or Sleet; or

**(2)** A neighbor's trees felled by a Peril Insured Against under Coverage C;

provided the trees:

**(3)** Damage a covered structure; or

**(4)** Do not damage a covered structure, but:

**(a)** Block a driveway on the "residence premises" which prevents a "motor vehicle", that is registered for use on public roads or property, from entering or leaving the "residence premises"; or

**(b)** Block a ramp or other fixture designed to assist a handicapped person to enter or leave the dwelling building.

The \$3,000 limit is the most we will pay in any one loss, regardless of the number of fallen trees. No more than \$1,500 of this limit will be paid for the removal of any one tree.

This coverage is additional insurance.

## **Property Removed**

There is nothing that an insurance company agrees with more than protecting property from loss. This is why covered property is removed from a premises endangered by a covered peril (to protect the property), and the covered property will receive coverage for ANY direct loss (true all-risk coverage) for up to 30 days from the time the property was removed from the premises.

This coverage does not reduce the Coverage C – Personal Property limit of liability.

## Section 1: Personal Residential Coverages



Jessa loads her horse trailer with personal belongings to protect anything she can from a raging wildfire moving toward her home. She is temporarily staying with her brother until the threat passes. Five days later, flash flooding occurs during a heavy rain, causing damage to Jessa's property inside the trailer. Damage caused by flood is excluded under the ISO Homeowners Policy; however, because her property was removed in an act to protect it from a covered peril (fire), Jessa's Homeowners Policy will provide coverage for the property damaged by the flood.

### 5. Property Removed

We insure covered property against direct loss from any cause while being removed from a premises endangered by a Peril Insured Against and for no more than 30 days while removed.

This coverage does not increase the limit of liability that applies to the property being removed.

## Loss Assessment

Condo owners are not the only clients subject to the hazards or benefits of an owners' association. Neighborhoods or communities may form a homeowners' association (HOA) just as condominiums for a condo owners' association (COA). The association typically owns and maintains common areas and recreational facilities for residents' use. Association members will generally have obligations related to exposures created by these common areas and recreational facilities, and they can be subject to assessments for loss to the association's property.

Losses to commonly owned property (such as recreational facilities, playgrounds, and when applicable building exteriors, stairways, landscaping, etc.) that exceed the coverage limits provided by the association's insurance policy, sometimes referred to as the master policy, are typically shared by members of an association. Loss Assessment coverage in a Homeowners Policy pays up to \$2,000 (subject to policy deductible) for "your" share of an association's assessment following a direct loss to commonly owned property. These direct losses must be caused by a peril covered under Coverage A, except earthquake and volcanic eruption.



The limit applies per loss, regardless of the number of assessments. Higher limits are available by endorsement, which should be strongly considered if a client is a member of an owner's association.

Loss Assessment is an Additional Coverage.



An electrical fire causes damage to your client's neighborhood club house and meeting hall, which is managed by an HOA. The HOA's master policy has a \$25,000 deductible. Each unit owner is assessed \$1,250 for their share of the deductible. Fire is a covered loss under her Homeowners Policy, so her policy will respond, subject to the policy deductible.

## 6. Loss Assessment

- a. We will pay up to \$2,000 for your share of loss assessment charged during the policy period against you, as owner or tenant of the "residence premises", by a corporation or association of property owners. The assessment must be made as a result of direct loss to property, owned by all members collectively, of the type that would be covered by this Policy if owned by you, caused by a Peril Insured Against under Coverage A, other than:

- (1) Earthquake; or
- (2) Land shock waves or tremors before, during or after a volcanic eruption.

The limit of \$2,000 is the most we will pay with respect to any one loss, regardless of the number of assessments. We will only apply one deductible, per unit, to the total amount of any one loss to the property described above, regardless of the number of assessments.

- b. We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.

- c. Paragraph Q. Policy Period under Section I – Conditions does not apply to this coverage.

This coverage is additional insurance.



Loss Assessment limits can be increased up to \$50,000 by optional coverage endorsement **Supplemental Loss Assessment Coverage (HO 04 35)**. The Supplemental Loss Assessment Coverage endorsement will also increase Additional Coverage – Loss Assessment under Section II – Liability Coverages. Loss Assessment coverage for the peril of earthquake can be added with the **Loss Assessment Coverage For Earthquake (HO 04 36)** endorsement.

## Collapse

Collapse is excluded in the ISO Homeowners Policy except for the coverage is provided in Section I – Additional Coverages. In this coverage part, Collapse is defined as the abrupt falling down or caving in of a building or part of a building. For Collapse to be covered, it must be the direct result of one of the following:

- Perils Insured Against named under Coverage C (Personal Property)
- Hidden decay (unless known to an "insured")
- Hidden insect or vermin damage (unless known to an "insured")
- Weight of contents, equipment, animals, or people
- Weight of rain that collects on a roof
- Use of defective material or methods in construction, remodeling, or renovation, if a collapse occurs during such activity



Loss to certain residential property such as awnings, fences, decks, foundations, and swimming pools is only covered for collapse as a result of a building collapse.

This coverage does not extend coverage to a building in danger of falling down even when there is evidence of cracking, bulging, sagging, or leaning. There also is no coverage for the portion of a building that remains standing when another part of the building collapses.



## Section 1: Personal Residential Coverages

Collapse is an Additional Coverage.

### 7. Collapse

- a. The coverage provided under this Additional Coverage – Collapse applies only to an abrupt collapse.
- b. For the purpose of this Additional Coverage – Collapse, abrupt collapse means an abrupt falling down or caving in of a building or any part of a building with the result that the building or part of the building cannot be occupied for its intended purpose.
- c. This Additional Coverage – Collapse does not apply to:
  - (1) A building or any part of a building that is in danger of falling down or caving in;
  - (2) A part of a building that is standing, even if it has separated from another part of the building; or
  - (3) A building or any part of a building that is standing, even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.
- d. We insure for direct physical loss to covered property involving abrupt collapse of a building or any part of a building if such collapse was caused by one or more of the following:
  - (1) The Perils Insured Against named under Coverage C;
  - (2) Decay, of a building or any part of a building, that is hidden from view, unless the presence of such decay is known to an "insured" prior to collapse;
  - (3) Insect or vermin damage, to a building or any part of a building, that is hidden from view, unless the presence of such damage is known to an "insured" prior to collapse;
  - (4) Weight of contents, equipment, animals or people;
  - (5) Weight of rain which collects on a roof; or
  - (6) Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation.
- e. Loss to an awning, fence, patio, deck, pavement, swimming pool, underground pipe, flue, drain, cesspool, septic tank, foundation, retaining wall, bulkhead, pier, wharf or dock is not included under d.(2) through (6) above, unless the loss is a direct result of the collapse of a building or any part of a building.
- f. This coverage does not increase the limit of liability that applies to the damaged covered property.

## Ordinance Or Law

Ordinance Or Law coverage is important and can be misunderstood or overlooked. It is one of the Section I – Exclusions except as provided in this part. A common misstep insurance advisors make is assuming that newer homes do not need much coverage for Ordinance Or Law; however, ordinances change at a moment's notice, and neither the insured nor the agent are likely to reassess this coverage when these ordinances or laws change.

Ordinance Or Law coverage pays for increased costs to comply with the enforcement of any ordinance or law regulating the use, construction, repair, renovation or demolition of a building or other structure damaged by a Peril Insured Against. The coverage does not provide payment for loss in value of a covered building because of a required ordinance or law or costs incurred as a result of pollutants (testing, clean up, removing containing, etc.).



## Section 1: Personal Residential Coverages

This coverage may be used toward:

- 1) demolishing, reconstructing, or repairing a portion of a building damaged by a Peril Insured Against;
- 2) demolishing and reconstructing an undamaged portion of a building if total demolition is required as the result of a Peril Insured Against;
- 3) remodeling, removing, or replacing an undamaged portion of a building if such renovations are necessary when a portion of the structure is damaged by a Peril Insured Against.

The amount of coverage provided by the unendorsed Homeowners Policy is 10% of Coverage A – Dwelling and is additional insurance to the limit of liability.

Ordinance Or Law is an Additional Coverage.



A fire damages Jason's house. Local building code requires that aluminum wiring be replaced with copper wiring. Before a contractor can replace the aluminum wiring, he must remove an undamaged wall to access the wiring. The Additional Coverages – Ordinance Or Law provides coverage toward the additional costs of removing the undamaged wall, replacing the aluminum wiring with copper wiring, debris removal, and replacing the wall once the re-wiring is completed.



Higher limits of coverage are available with endorsement **Ordinance Or Law Increased Amount Of Coverage (HO 04 77)**. This endorsement can increase coverage from the provided limit of 10% up to 25%, 50%, 75%, or 100% of the Coverage A – Dwelling limit.

### 10. Ordinance Or Law

- a. We will pay up to 10% of the limit of liability that applies to Coverage **A** for the increased costs you incur due to the enforcement of any ordinance or law which requires or regulates:
  - (1) The construction, demolition, remodeling, renovation or repair of that part of a covered building or other structure damaged by a Peril Insured Against;
  - (2) The demolition and reconstruction of the undamaged part of a covered building or other structure, when that building or other structure must be totally demolished because of damage by a Peril Insured Against to another part of that covered building or other structure; or
  - (3) The remodeling, removal or replacement of the portion of the undamaged part of a covered building or other structure necessary to complete the remodeling, repair or replacement of that part of the covered building or other structure damaged by a Peril Insured Against.
- b. You may use all or part of this ordinance or law coverage to pay for the increased costs you incur to remove debris resulting from the construction, demolition, remodeling, renovation, repair or replacement of property as stated in a. above.
- c. We do not cover:
  - (1) The loss in value to any covered building or other structure due to the requirements of any ordinance or law; or
  - (2) The costs to comply with any ordinance or law which requires any "insured" or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants in or on any covered building or other structure.


Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

This coverage is additional insurance.

## Section 1: Personal Residential Coverages



While Additional Coverages—Debris Removal, Property Removed, Loss Assessment, Collapse, and Ordinance Or Law—have been reviewed, there are seven more provided in the ISO Homeowners Policy to be familiar with. Table 1.14 summarizes all eleven Section I – Additional Coverages.

**Table 1.14**

Summary of Section I – Additional Coverages			
Coverage	Limit	Additional Insurance	Deductible Applies
Debris Removal	<ul style="list-style-type: none"> <li>Included in limit for that property damage unless it exceeds limit; then additional 5% of covered property limit available</li> <li>Up to \$3,000 trees per loss/\$1,500 maximum each tree</li> </ul>	Only if it exceeds the limit for Covered Property	Yes
Reasonable Repairs	Included in Coverage A	No	Yes
Trees, Shrubs, Plants, and Lawns  (Fire, lightning, explosion, riot, civil commotion, aircraft, vehicles, V&MM, and theft)	<ul style="list-style-type: none"> <li>5% of Coverage A with maximum of \$1,500 for one tree, shrub, or plant</li> <li>“Cannabis” is excluded.</li> </ul>	Yes	Yes
Fire Department Service Charge	Up to \$500	Yes	No
Property Removed (All risk for 30 days)	Included in the limit that applies to property damaged	No	Yes
Loss Assessment 	<ul style="list-style-type: none"> <li>Up to \$2,000</li> <li>Loss Assessment limits can be increased up to \$50,000 by optional coverage endorsement Supplemental Loss Assessment Coverage (HO 04 35).</li> </ul>	Yes	Yes
Collapse	Included in the limit that applies to property damaged	No	Yes



## Section 1: Personal Residential Coverages

Summary of Section I – Additional Coverages			
Coverage	Limit	Additional Insurance	Deductible Applies
Glass or Safety Glazing Material	Included in the limit that applies to property damaged	No	Yes
Landlord's Furnishings 	<ul style="list-style-type: none"> <li>Up to \$3,000</li> <li>Does not apply to home-sharing unless the Broadened Home-sharing Host Activities Coverage endorsement is attached.</li> <li>Supplemental Landlord's Furnishings Coverage (HO 05 46) can increase coverage up to \$10,000</li> </ul>	No	Yes
Ordinance Or Law 	<ul style="list-style-type: none"> <li>Up to 10% of Coverage A</li> <li>Ordinance Or Law Increased Amount Of Coverage (HO 04 77) can increase coverage from the provided limit of 10% up to 25%, 50%, 75%, or 100% of the Coverage A – Dwelling limit.</li> </ul>	Yes	Yes
Grave Markers	Up to \$5,000	No	Yes

## Check-In



**Directions:** Provide the limit of liability for each Section I – Additional Coverage below and indicate if coverage is additional to policy limits or not.

1. Trees, Shrubs, And Other Plants, and Lawns

**Limit:** \_\_\_\_\_

**Additional**

**Not Additional**

2. Collapse

**Limit:** \_\_\_\_\_

**Additional**

**Not Additional**

3. Landlord's Furnishings

**Limit:** \_\_\_\_\_

**Additional**

**Not Additional**

4. Ordinance Or Law

**Limit:** \_\_\_\_\_

**Additional**

**Not Additional**

5. Reasonable Repairs

**Limit:** \_\_\_\_\_

**Additional**

**Not Additional**

## Section I – Perils Insured Against

In the ISO Homeowners Policy, Section I – Perils Insured Against not only describes what loss events are covered but also gives parameters for what is not covered. Homeowners Policy Forms use one of two approaches to describe Perils Insured Against.

- **Approach 1:** The named perils approach—the policy will list every covered peril individually.
- **Approach 2:** The open perils approach—the policy will state that the risk of direct physical loss or damage is covered as long as the loss is not specifically excluded.

The ISO Homeowners 3 – Special Form divides Perils Insured Against between (1) Dwelling and Other Structures (Open Perils) and (2) Personal Property (Named Perils).

### Coverage A – Dwelling and Coverage B – Other Structures (Perils Insured Against)

For Dwelling and Other Structures covered by the ISO HO-3, coverage is provided for direct physical loss unless otherwise excluded. When open perils are utilized, the burden of proof is on the insurance company to prove the cause of loss is excluded. For Dwelling and Other Structures, Section I – Perils Insured Against begins to alert the insured to what the policy will not cover.

#### **SECTION I – PERILS INSURED AGAINST**






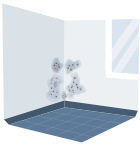

##### **A. Coverage A – Dwelling And Coverage B – Other Structures**

- 1. We insure against direct physical loss to property described in Coverages A and B.**

Table 1.15 is an overview of Losses Not Covered for Coverage A and B as identified in Section I – Perils Insured Against. Keep this table in mind, or use it to jot down quick notes.

## Section 1: Personal Residential Coverages

Table 1.15

Section I – Perils Insured Against Losses Not Covered for Coverage A and B	
	Section I – Exclusions
	Collapse
	Freezing
	Theft
	Vandalism and malicious mischief
	Mold, fungus, or wet rot
	Normal wear and tear, environmental factors, and certain losses caused by animals and insects

## Perils Insured Against: Losses Not Covered for Coverages A and B

1. **Section I – Exclusions:** First and foremost, Section I – Exclusions will apply to Coverage A – Dwelling and Coverage B – Other Structures.

### EXCLUSIONS

2. **Collapse:** The policy excludes losses due to Collapse except as provided in Section I – Additional Coverages E.7. Collapse includes an abrupt falling down or caving in of a building, including any building showing signs of sagging, bending, leaning, settling, etc., if it relates to an abrupt falling down, caving in, or loss of structural integrity.



#### SECTION I – PERILS INSURED AGAINST

##### A. Coverage A – Dwelling And Coverage B – Other Structures

##### 2. We do not insure, however, for loss:

##### a. Excluded under Section I – Exclusions;

##### b. Involving collapse, including any of the following conditions of property or any part of the property:

##### (1) An abrupt falling down or caving in;

##### (2) Loss of structural integrity, including separation of parts of the property or property in danger of falling down or caving in; or

##### (3) Any cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion as such condition relates to (1) or (2) above;

except as provided in E.7. Collapse under Section I – Property Coverages; or

3. **Freezing:** The policy excludes damage for Coverages A and B caused by freezing of plumbing, heating, air conditioning, or appliances, and Freezing is not covered unless heat is maintained in the building or the water supply is shut off and the water is drained from the system and appliances. However, if the building is protected by a fire sprinkler system, heat and water supply to the building must be maintained for coverage to apply.



##### c. Caused by:

##### (1) Freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance, or by discharge, leakage or overflow from within the system or appliance caused by freezing. This provision does not apply if you have used reasonable care to:

##### (a) Maintain heat in the building; or

##### (b) Shut off the water supply and drain all systems and appliances of water.

However, if the building is protected by an automatic fire protective sprinkler system, you must use reasonable care to continue the water supply and maintain heat in the building for coverage to apply.

For purposes of this provision, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment;

## Section 1: Personal Residential Coverages

Also not covered is the freezing, thawing, and weight of water or ice on fences, patios, swimming pools, foundations, walls, retaining walls, piers, or docks.

- (2) Freezing, thawing, pressure or weight of water or ice, whether driven by wind or not, to a:
- (a) Fence, pavement, patio or swimming pool;
  - (b) Footing, foundation, bulkhead, wall, or any other structure or device that supports all or part of a building, or other structure;
  - (c) Retaining wall or bulkhead that does not support all or part of a building or other structure; or
  - (d) Pier, wharf or dock;

4. **Theft:** No coverage is provided for losses related to theft arising out of “home-sharing host activities” or which occurs in or to a residence under construction, including construction-related materials (such as uninstalled cabinetry or plumbing fixtures) and supplies prior to construction being complete and the dwelling occupied.



The **Limited Theft – Coverage A and B – Dwelling Under Construction (HO 06 07)** endorsement can be used to add back limited theft coverage to Dwellings Under Construction for Coverages A and B if desired. Coverage will begin on the date shown in the schedule and end on the earliest of the termination date in the schedule or the date the dwelling is finished and occupied.

- (3) Theft:
- (a) If such loss arises out of or results from “home-sharing host activities”; or
  - (b) In or to a dwelling under construction, or of materials and supplies for use in the construction until the dwelling is finished and occupied;

5. **Vandalism and malicious mischief:** There is no coverage for vandalism and malicious mischief (V&MM) that occurs from “home-sharing host activities” or if the dwelling has been vacant for more than 60 consecutive days. Additionally, there is no coverage for any ensuing loss resulting from V&MM. What about an ensuing loss? A fire started in the course of vandalism would not be covered if the dwelling was vacant more than 60 consecutive days immediately prior to the loss. A dwelling being constructed, remodeled, renovated, or repaired is not considered vacant.



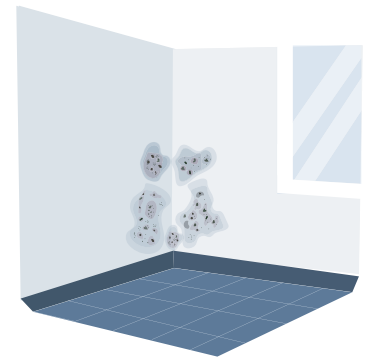
Check insurance company and state provisions for variances in this vacancy time period. Coverage for breakage of glass or safety glazing material is also excluded if a dwelling has been vacant for more than 60 consecutive days prior to the loss unless caused by earth movement. When a home is vacant, certain risks are just too high to bear without additional premium to compensate for that risk.

## Section 1: Personal Residential Coverages

The term vacant is not defined within the Homeowners Policy, but there is certainly a difference between vacant and unoccupied. When terms are undefined, leaving ambiguity, the majority of courts disregard the insurer's intentions and, instead, analyze the language based on how a reasonably prudent insured would interpret it. Like any contractual agreement, clarity in drafting the vacancy clause is essential to prevent ambiguity.

- (4) Vandalism and malicious mischief, and any ensuing loss caused by any intentional and wrongful act committed in the course of the vandalism or malicious mischief, if:
- (a) The loss arises out of or results from "home-sharing host activities"; or
  - (b) The dwelling has been vacant for more than 60 consecutive days immediately before the loss. A dwelling being constructed, remodeled, renovated or repaired is not considered vacant;

6. **Mold, fungus, or wet rot:** Mold and fungus are prolific and costly to get rid of; they cannot be easily cleaned. This is why the Homeowners Policy does not provide coverage for damage caused by the growth of mold, fungus, or wet rot unless hidden within walls or ceilings, beneath floors, or above ceilings (therefore, visible mold, fungus, or wet rot, or that which is on an exterior surface is not covered). In addition to being hidden, for coverage to apply, the mold, fungus, or wet rot must result from:



- the accidental discharge or overflow of water or steam from within a household appliance, utility, heating or air-conditioning, fire sprinkler, or plumbing system\* ON the "residence premises,"

**OR**

- the accidental discharge or overflow of water or steam occurs from within a storm drain, water pipes, steam pipes, or sewer pipes OFF the "residence premises."

*\*A plumbing system does not include a sump pump, roof drain, gutter, downspout, or other similar equipment.*



It is important to note that Section I – Exclusion A.3, parts a. and c. (which pertain to coverage exclusions for flood, surface water, tides, groundwater, and water below the surface of the ground) do not apply to the water coverage exception provided under mold, fungus, or wet rot.



Water that overflows from a storm drain or water pipes off the residence and contributes to hidden mold damage will be covered, unlike ground or surface water, which is later excluded.



The **Limited Fungi, Wet Or Dry Rot, Or Bacteria Coverage (HO 04 27)** endorsement can be used to limit coverage for damage caused by "fungi" (as defined by the endorsement), wet or dry rot, or bacteria. The limit shown in the schedule can be used to remove "fungi" and to tear out and replace a part of the building needed to gain access to the "fungi," as well as to pay the cost of testing the air to confirm the absence, presence, or level of "fungi." This



## Section 1: Personal Residential Coverages

endorsement limits coverage which may be broad under the policy; as such, it is sometimes mandated by underwriting or by insurance companies for an entire region.

- (5) Mold, fungus or wet rot. However, we do insure for loss caused by mold, fungus or wet rot that is hidden within the walls or ceilings or beneath the floors or above the ceilings of a structure if such loss results from the accidental discharge or overflow of water or steam from within:
- (a) A plumbing, heating, air conditioning or automatic fire protective sprinkler system, or a household appliance, on the "residence premises"; or
  - (b) A storm drain, or water, steam or sewer pipes, off the "residence premises".
- For purposes of this provision, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment; or

### 7. Normal wear and tear, certain environmental factors, and certain losses caused by insects or animals: The

following causes of loss are found under Section I – Perils Insured Against for Coverage A – Dwelling And Coverage B – Other Structures, **2.c.(6)**, are NOT covered. These are specifically grouped so that a coverage exception stated at the end of 2.c.(6) may be applied. Generally, these losses are related to normal wear and tear, certain environmental factors, and certain losses caused by insects or animals. The policy states that NONE of the following causes of loss are covered unless **Exception to c.(6)** applies.



- Wear and tear, marring, or deterioration

*Regular homeowner maintenance is expected of a dwelling owner in order to reduce exposure to loss. The Homeowners Policy is not a maintenance plan.*

- Mechanical breakdown, latent defect, inherent vice, or quality causing self-destruction of property



The **Mechanical Breakdown Coverage (HO 06 33)** endorsement can be used to provide up to a \$50,000 aggregate limit for "mechanical breakdown" as defined in the endorsement.

- Smog, rust, or other corrosion or dry rot
- Smoke from agricultural smudging or industrial operations

*Smudging is a common practice used by farmers and crop growers. Smudge pots, which burn fuel in the bottom of the pot, produce a warm smoke that will coat crops—generally large orchards—to help protect them from frost damage.*

- Pollution, unless discharge, dispersal, seepage, migration, release, or escape is caused by a Coverage C named peril

*Pollutants are defined as any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, and waste. Items to be recycled or reconditioned are included in waste. Examples of pollution include asbestos, pesticides, lead, cleaning products, smoke from*



## Section 1: Personal Residential Coverages

*fireplaces and wood stoves, and household furnishings that may include or be treated with contaminants during the manufacturing process.*



For example, if a pollutant damaged an insured's home because of a chemical leak, this would be excluded. But if the damage was caused by fire and the chemical damaged the home, that would be covered.

- Settling, shrinking, bulging, or expansion (including resultant cracking) of bulkheads, pavements, patios, footings, foundations, walls, floors, roofs, or ceilings are not covered; however, other kinds of cracking damage to floors or ceilings (such as dropping an item on a floor) would be covered.
- Birds, rodents, or insects

*Damage caused by birds, rodents, and insects can be complicated and are therefore not covered. However, if a mouse chews a wire, causing a fire, the resulting fire damage is covered.*



Alex opens an air vent to find that a swarm of bees has taken up residence inside her kitchen wall. The drywall and insulation will need to be removed and replaced, and the wiring contained within the wall will need to be cleaned and possibly replaced. The damage and repairs necessary for this event will not be covered by Alex's Homeowners Policy.

- Nesting or infestation, or release of waste products or secretions by any animal
- Animals owned or kept by an "insured"



Alex's dog was enclosed in the laundry room while he was away. The dog chewed through the drywall to escape. This damage will not be covered under Alex's Homeowners Policy.

**(6) Any of the following:**

- (a)** Wear and tear, marring, deterioration;
- (b)** Mechanical breakdown, latent defect, inherent vice or any quality in property that causes it to damage or destroy itself;
- (c)** Smog, rust or other corrosion, or dry rot;
- (d)** Smoke from agricultural smudging or industrial operations;
- (e)** Discharge, dispersal, seepage, migration, release or escape of pollutants unless the discharge, dispersal, seepage, migration, release or escape is itself caused by a Peril Insured Against named under Coverage C.  
Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed;
- (f)** Settling, shrinking, bulging or expansion, including resultant cracking, of bulkheads, pavements, patios, footings, foundations, walls, floors, roofs or ceilings;
- (g)** Birds, rodents or insects;
- (h)** Nesting or infestation, or discharge or release of waste products or secretions, by any animals; or
- (i)** Animals owned or kept by an "insured".

## Section 1: Personal Residential Coverages

What is the **Exception to 2.c.(6)**? For all of the losses not covered identified in 2.c.(6), the Homeowners Policy states that unless a loss is otherwise excluded elsewhere, losses to property insured under Coverage A and B will be covered when resulting from accidental discharge of water or steam from:

- An off-premises storm drain or water, steam, or sewer pipe
- Plumbing, heating, air conditioning, fire sprinkler system, or household appliance

The coverage exception includes the cost to tear out and replace any part of the building, if necessary, to repair the system or appliance, BUT it does NOT include loss to the system or appliance itself.



Settling, which is excluded, may cause stress on a plumbing pipe, causing it to burst. This coverage give-back states that damage caused by the water discharge will be covered; however, the cost of repairing or replacing the broken pipe itself will not be covered. The cost of cutting and soldering the broken pipe is likely to be minimal compared to the resulting damaged property.

These coverages only apply to Part B for damages to a building, not a different type of structure (such as a sidewalk or driveway).

Section I – Exclusion for Water (A.3.) does not apply to losses covered under c. (5) and c.(6). This is to ensure that coverage for water damage given back is not later excluded by the Section I – Water Exclusion.

In addition, ensuing losses resulting from losses identified in the exclusion for collapse (2.b.) and all six of the 2.c. exclusions will be covered as long as the ensuing loss is not excluded elsewhere.



Consider theft of copper wiring or elements from a dwelling under construction. The theft of the copper is excluded; however, if a short in the electrical system due to the missing copper were to cause a fire, the ensuing fire loss would be covered.

### **Exception To c.(6)**

Unless the loss is otherwise excluded, we cover loss to property covered under Coverage A or B resulting from an accidental discharge or overflow of water or steam from within a:

- (i) Storm drain, or water, steam or sewer pipe, off the "residence premises"; or
- (ii) Plumbing, heating, air conditioning or automatic fire protective sprinkler system or household appliance on the "residence premises". This includes the cost to tear out and replace any part of a building, or other structure, on the "residence premises", but only when necessary to repair the system or appliance. However, such tear out and replacement coverage only applies to other structures if the water or steam causes actual damage to a building on the "residence premises".

We do not cover loss to the system or appliance from which this water or steam escaped.

For purposes of this provision, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment.

Section I – Exclusion A.3. Water, Paragraphs a. and c. that apply to surface water and water below the surface of the ground do not apply to loss by water covered under c.(5) and (6) above.

Under 2.b. and c. above, any ensuing loss to property described in Coverages A and B not precluded by any other provision in this Policy is covered.

## Coverage C – Personal Property (Perils Insured Against)

ISO Homeowners 3 – Special Form, Coverage C – Personal Property insures for direct physical loss to personal property owned or used by an “insured” as long as it is caused by one of the following 16 named perils. (Section I – Property Exclusions will also apply).

Coverage C – Personal Property: Sixteen Covered Perils (Subject to Section I – Exclusions)			
Fire Or Lightning	Windstorm Or Hail	Explosion	Riot Or Civil Commotion
			
Aircraft	Vehicles	Smoke	Vandalism Or Malicious Mischief
			
Theft	Falling Objects	Weight Of Ice, Snow Or Sleet	Accidental Discharge Or Overflow Of Water Or Steam
			
Sudden And Accidental Tearing Apart, Cracking, Burning Or Bulging	Freezing	Sudden And Accidental Damage From Artificially Generated Electrical Current	Volcanic Eruption
			

## 1. Fire Or Lightning



### B. Coverage C – Personal Property

We insure for direct physical loss to the property described in Coverage C caused by any of the following perils unless the loss is excluded in Section I – Exclusions.

#### 1. Fire Or Lightning

## 2. Windstorm Or Hail



Included in this peril is coverage for damage to watercraft, trailers, furnishings, equipment, and outboard motors, for windstorm or hail damage ONLY while inside a fully enclosed building.

It is important to understand that loss to property inside a building will not be covered if rain, snow, sleet, sand, or dust enters the building through an opening other than one created in the roof or walls by direct force of wind or hail. That said, if a client leaves the overhead garage door open, exposing property inside the garage to hail, damage to that property will not be covered.

### B. Coverage C – Personal Property

We insure for direct physical loss to the property described in Coverage C caused by any of the following perils unless the loss is excluded in Section I – Exclusions.

#### 2. Windstorm Or Hail

This peril includes loss to watercraft of all types and their trailers, furnishings, equipment, and outboard engines or motors, only while inside a fully enclosed building.

This peril does not include loss to the property contained in a building caused by rain, snow, sleet, sand or dust unless the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand or dust enters through this opening.

## 3. Explosion



### B. Coverage C – Personal Property

We insure for direct physical loss to the property described in Coverage C caused by any of the following perils unless the loss is excluded in Section I – Exclusions.

#### 3. Explosion

#### 4. Riot Or Civil Commotion



##### **B. Coverage C – Personal Property**

We insure for direct physical loss to the property described in Coverage C caused by any of the following perils unless the loss is excluded in Section I – Exclusions.

##### **4. Riot Or Civil Commotion**

#### 5. Aircraft



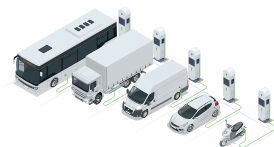
##### **B. Coverage C – Personal Property**

We insure for direct physical loss to the property described in Coverage C caused by any of the following perils unless the loss is excluded in Section I – Exclusions.

##### **5. Aircraft**

This peril includes self-propelled missiles and spacecraft.

#### 6. Vehicles



##### **B. Coverage C – Personal Property**

We insure for direct physical loss to the property described in Coverage C caused by any of the following perils unless the loss is excluded in Section I – Exclusions.

##### **6. Vehicles**

## 7. Smoke



Loss caused by smoke that is sudden and accidental will be covered. This includes puff-back from a boiler, furnace, or related equipment but excludes agricultural smudging or industrial operations.

### B. Coverage C – Personal Property

We insure for direct physical loss to the property described in Coverage C caused by any of the following perils unless the loss is excluded in Section I – Exclusions.

#### 7. Smoke

This peril means sudden and accidental damage from smoke, including the emission or puffback of smoke, soot, fumes or vapors from a boiler, furnace or related equipment.

This peril does not include loss caused by smoke from agricultural smudging or industrial operations.

## 8. Vandalism Or Malicious Mischief



Loss to property caused by Vandalism or Malicious Mischief is covered; however, such loss arising out of “home-sharing host activities” is excluded.

### B. Coverage C – Personal Property

We insure for direct physical loss to the property described in Coverage C caused by any of the following perils unless the loss is excluded in Section I – Exclusions.

#### 8. Vandalism Or Malicious Mischief

This peril does not include loss caused by vandalism or malicious mischief to property arising out of or resulting from “home-sharing host activities”.

## 9. Theft

Theft and attempted theft are common occurrences for Homeowners. While theft of property is a covered peril, there are several instances where theft of property is excluded; these instances include:

- When an “insured” commits the theft
- When a theft occurs in a dwelling under construction (including the theft of construction materials)



The **Limited Theft – Coverage C – Dwelling Under Construction (HO 06 07)** endorsement can be used to provide coverage for theft of property located in a dwelling under construction; coverage is added back for the time period shown in the schedule. Coverage ends the sooner of the end date shown in the schedule or when the dwelling is finished AND occupied.



## Section 1: Personal Residential Coverages

- When the property is located in a part of a “residence premises” rented by an “insured” to someone other than another “insured” (such as a tenant, roomer, or boarder)



The **Extended Theft Coverage For Residence Premises Occasionally Rented to Others (HO 05 41)** endorsement can be used to provide coverage for theft of property from the “residence premises” occasionally rented to others (not including “home-sharing occupants”). Coverage is excluded for theft of money, gold, silver, jewelry, furs, etc., as well as securities and accounts.



The **Broadened Home-Sharing Host Activities Coverage (HO 06 63** – for HO3) endorsement permits Additional Coverage – Landlords Furnishings to be used for property in a space primarily held for rental to a “home-sharing occupant.”

- Trailers, semi-trailers, and campers when OFF the “residence premises”
- Any watercraft (and its equipment, furnishings, and motors) when OFF the “residence premises”



Morgan’s boat and trailer were stolen from a duck lease in another county. Since the watercraft and trailer theft occurred off the “residence premises,” Morgan’s Homeowners Policy will not provide coverage for this theft loss.



- Property normally located at any other residence owned by, rented to, or occupied by an “insured” (a secondary location the “insured” owns or rents), EXCEPT coverage is provided when:
  - the “insured” is temporarily living there (a client visiting their secondary lake home for the weekend),
  - OR
  - it is the property of an “insured” who is a student while their property is located at the residence they occupy while attending school, but only if the student has been there any time during the 90 days immediately preceding the loss.



**Coverage Excluded:** Jake is a homeowner who rents a room in his house to a friend who is not a relative. Jake’s personal property is stolen from the room. There is no coverage under Jake’s Homeowners Policy for the theft of his personal property located in that portion of Jake’s home rented to others.

**Coverage Applies:** Cindy went to her lake house for the weekend. While she was out picking up groceries, a thief entered the lakehouse and stole Cindy’s personal property. Because Cindy is temporarily residing at the lake house, she has coverage for the loss of personal property.

Finally, theft of property resulting from “home-sharing host activities” is not covered.

**B. Coverage C – Personal Property**

We insure for direct physical loss to the property described in Coverage C caused by any of the following perils unless the loss is excluded in Section I – Exclusions.

**9. Theft**

- a. This peril includes attempted theft and loss of property from a known place when it is likely that the property has been stolen.
- b. This peril does not include loss caused by theft:
  - (1) Committed by an "insured";
  - (2) In or to a dwelling under construction, or of materials and supplies for use in the construction until the dwelling is finished and occupied;
  - (3) From that part of a "residence premises" rented by an "insured" to someone other than another "insured";
  - (4) That occurs off the "residence premises" of:
    - (a) Trailers, semitrailers and campers;
    - (b) Watercraft of all types, and their furnishings, equipment and outboard engines or motors; or
    - (c) Property while at any other residence owned by, rented to, or occupied by an "insured", except while an "insured" is temporarily living there. Property of an "insured" who is a student is covered while at the residence the student occupies to attend school as long as the student has been there at any time during the 90 days immediately before the loss; or
  - (5) If such loss arises out of or results from "home-sharing host activities".

Table 1.16 provides a summary of Theft coverage and limitations explored so far.

**Table 1.16**

Recap of Theft Limitations	
Section I – Property Coverages Coverage C – Special Limits of Liability	\$2,000 Jewelry, watches, and furs \$3,000 Silverware, etc. \$3,000 Firearms and Related Equipment
Section I – Property Coverages Additional Coverages	\$3,000 Landlord’s Furnishings, excludes theft
Section I – Perils Insured Against Coverage A – Dwelling and Coverage B – Other Structures	<ul style="list-style-type: none"><li>• Theft to a dwelling under construction until completed and occupied</li><li>• Theft of materials and supplies for use in the construction until completed and occupied</li></ul>



Recap of Theft Limitations	
Section I – Perils Insured Against Coverage C – Personal Property	<ul style="list-style-type: none"> <li>• Theft to a dwelling under construction until completed and occupied</li> <li>• Theft of materials and supplies for use in the construction until completed and occupied</li> <li>• Theft from the part of the residence premises rented to someone other than an insured</li> <li>• Theft of watercraft, trailers, and campers that occurs off the residence premises</li> <li>• Theft of property at any other residence owned, rented, or occupied by an insured except while the insured is temporarily living there</li> <li>• Theft of property of an insured student at college unless the student has been there anytime within the 90 days prior to the loss</li> <li>• Theft arising out of “home-sharing host activities”</li> </ul>

## 10. Falling objects

Coverage for damage to personal property caused by falling objects is triggered when the roof or an outside wall is damaged first, and personal property within the building is damaged as a result. Damage to the object which fell is not covered.



A heavy bowling ball falls off a shelf and damages the washing machine below the shelf and the tile floor; it is not considered a falling object, and therefore, the damage is not covered.



### B. Coverage C – Personal Property

We insure for direct physical loss to the property described in Coverage C caused by any of the following perils unless the loss is excluded in Section I – Exclusions.

#### 10. Falling Objects

This peril does not include loss to property contained in a building unless the roof or an outside wall of the building is first damaged by a falling object. Damage to the falling object itself is not included.

**11. Weight Of Ice, Snow, Or Sleet that causes damage to property inside of a building**



**B. Coverage C – Personal Property**

We insure for direct physical loss to the property described in Coverage C caused by any of the following perils unless the loss is excluded in Section I – Exclusions.

**11. Weight Of Ice, Snow Or Sleet**

This peril means weight of ice, snow or sleet which causes damage to property contained in a building.

**12. Accidental Discharge Or Overflow Of Water Or Steam**

Coverage is provided for damage to personal property caused by Accidental Discharge Or Overflow Of Water Or Steam from within a plumbing, heating, or air conditioning system, fire protective sprinkler, or from within a household appliance.

This covered peril will NOT include coverage to the system or appliance itself; loss caused by freezing, except as provided in the peril of Freezing, below; a loss resulting from discharge or overflow occurring off the “residence premises”; or loss caused by mold, fungus, or wet rot, unless hidden within walls, ceilings, beneath the floors, or above the ceilings.



Many insurance companies add more restrictive language to coverage for accidental discharge or overflow of water or steam (under Coverages A, B, and C). Look out for language that may apply a coverage exclusion for continuous or repeated seepage or leakage of water or steam over a period of weeks, months, or years.

In some instances, language may be as restrictive as stating continuous or repeated seepage or leakage of water or steam for more than 14 days. Notice that a more restrictive time period could put a client in a bind with damage caused by accidental discharge of water.

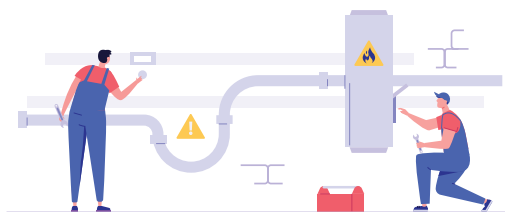
## B. Coverage C – Personal Property

We insure for direct physical loss to the property described in Coverage C caused by any of the following perils unless the loss is excluded in Section I – Exclusions.

### 12. Accidental Discharge Or Overflow Of Water Or Steam

- a. This peril means accidental discharge or overflow of water or steam from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system or from within a household appliance.
- b. This peril does not include loss:
  - (1) To the system or appliance from which the water or steam escaped;
  - (2) Caused by or resulting from freezing except as provided in Peril Insured Against 14. Freezing;
  - (3) On the "residence premises" caused by accidental discharge or overflow which occurs off the "residence premises"; or
  - (4) Caused by mold, fungus or wet rot unless hidden within the walls or ceilings or beneath the floors or above the ceilings of a structure.
- c. In this peril, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment.
- d. Section I – Exclusion A.3. Water, Paragraphs a. and c. that apply to surface water and water below the surface of the ground do not apply to loss by water covered under this peril.

### 13. Sudden And Accidental Tearing Apart, Cracking, Burning, or Bulging of a steam or hot water system, etc.



## B. Coverage C – Personal Property

We insure for direct physical loss to the property described in Coverage C caused by any of the following perils unless the loss is excluded in Section I – Exclusions.

### 13. Sudden And Accidental Tearing Apart, Cracking, Burning Or Bulging

This peril means sudden and accidental tearing apart, cracking, burning or bulging of a steam or hot water heating system, an air conditioning or automatic fire protective sprinkler system, or an appliance for heating water.

We do not cover loss caused by or resulting from freezing under this peril.

### 14. Freezing

This peril gives coverage for damage to personal property caused by freezing of a plumbing, heating, air conditioning, fire sprinkler system, or household appliance ONLY if reasonable care is taken to maintain heat in the building OR to shut off the water supply and drain all systems and appliances.

For coverage to apply, reasonable care must be taken to maintain the water supply and heat in the building if the building is protected by a fire sprinkler system. This is identical to what we saw with coverage provided for Coverage A – Dwelling and B – Other Structures.



**B. Coverage C – Personal Property**

We insure for direct physical loss to the property described in Coverage C caused by any of the following perils unless the loss is excluded in Section I – Exclusions.

**14. Freezing**

- a. This peril means freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance, but only if you have used reasonable care to:

- (1) Maintain heat in the building; or
- (2) Shut off the water supply and drain all systems and appliances of water.

However, if the building is protected by an automatic fire protective sprinkler system, you must use reasonable care to continue the water supply and maintain heat in the building for coverage to apply.

- b. In this peril, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment.

**15. Sudden And Accidental Damage From Artificially Generated Electrical Current**



This peril does NOT include damage to electrical components or circuitry of items such as appliances, computers, and home entertainment units.

**B. Coverage C – Personal Property**

We insure for direct physical loss to the property described in Coverage C caused by any of the following perils unless the loss is excluded in Section I – Exclusions.

**15. Sudden And Accidental Damage From Artificially Generated Electrical Current**

This peril does not include loss to tubes, transistors, electronic components or circuitry that is a part of appliances, fixtures, computers, home entertainment units or other types of electronic apparatus.

**16. Volcanic Eruption**



**B. Coverage C – Personal Property**

We insure for direct physical loss to the property described in Coverage C caused by any of the following perils unless the loss is excluded in Section I – Exclusions.

**16. Volcanic Eruption**

This peril does not include loss caused by earthquake, land shock waves or tremors.

## Section 1: Personal Residential Coverages

Personal Property is covered for only these sixteen named perils. A Homeowners Policy that offers open perils for Coverages A and B but named perils for Coverage C leaves the client at risk for experiencing a loss where damage to the residential structure is covered but damage to personal property may not be covered. To avoid this potential coverage gap, keep in mind that the ISO Homeowners 5 – Comprehensive Form broadens Perils Insured Against for Coverage C from named perils to open perils.

Recall Table 1.3, which identifies the Perils Insured Against and Loss Settlement differences between the ISO HO-3 and HO-5 Forms.

**Table 1.3**

ISO Homeowners Form	Dwelling	Personal Property
HO-3 Special Form	Open Perils Replacement Cost (RC)	Named Perils Actual Cash Value (ACV)
HO-5 Comprehensive Form	Open Perils Replacement Cost (RC)	Open Perils Actual Cash Value (ACV)

Under an HO-5, Coverage C – Personal Property will receive flood coverage for personal property away from a premises, theft coverage for personal property located in a residence other than the “residence premises,” breakage of non-fragile items such as TVs and computers, spillage of paint and chemicals, and coverage for losses caused by artificially generated electrical current (power surges). Though coverage under an HO-5 will be broader than an HO-3, the following exclusions under Coverage C – Personal Property will be added:

- Breakage of fragile items unless caused by specified perils
- Dampness of atmosphere or extremes of temperature unless the direct cause of loss is rain, snow, sleet, or hail
- Refinishing, renovating, or repairing property other than watches, jewelry, or furs
- Collision, other than collision with a land vehicle and sinking of watercraft
- Destruction by a government authority
- Acts or decisions of a group



The ISO Homeowners Program makes available the **Special Personal Property Coverage (HO 05 24)** endorsement ONLY for use with the Homeowners 4 – Contents Broad Form to broaden Perils Insured Against for Coverage C from named perils to open perils. Some insurance companies may allow the use of this form with the HO 00 03 as well.

### Check-In



**Directions:** Review the statements below. Select whether you believe the property is covered, limited, or excluded.

- The detached garage in which your insured operates a beauty salon

**Covered**

**Limited**

**Excluded**

- \$10,000 in personal property the insureds take on their vacation to Europe

**Covered**

**Limited**

**Excluded**

- The insured's 18-year-old son has personal property valued at \$5,000 in his college dorm room. The insured has a \$75,000 Coverage C – Personal Property limit.

**Covered**

**Limited**

**Excluded**

- Furniture and household goods valued at \$10,000 your insureds keep at their mountain cabin

**Covered**

**Limited**

**Excluded**

## Section I – Exclusions

Exclusions exist in insurance policies for a reason. Not everything can be covered, nor should it be. Exclusions are used within a policy to eliminate coverage for the following possible reasons:

### EXCLUSIONS

- The exposure is not insurable by the company (like Flood and War).
- The risk or exposure is not something that the average insured encounters (like ownership of aircraft).
- The exposure is something covered by other insurance policies or endorsements (such as water/sewer back-up).
- The exposure is so severe that rates charged do not anticipate covering the exposure (like intentional injury to others).

In the ISO Homeowners Policy, Part A of Section I – Exclusions will apply to all Section I – Property Coverages, while Part B applies only to Coverage A and B. But be careful; many exclusions will take coverage away only to give a little back. This allows insurance companies to dictate the exact amount of coverage they are willing to offer, if any at all.

Insurance professionals must have a deep understanding of exclusions to know what coverage a Homeowners Policy provides and what it does not. Only then will the insurance



## Section 1: Personal Residential Coverages

advisor understand what coverage to offer their client and how to advise them on exposures that cannot be adequately covered (if at all).

Part A of Section I – Exclusions includes anti-concurrent causation language. **Concurrent causation** is a situation where two or more causes of loss simultaneously contribute to an event (or loss). The most common court interpretation of this clause is when a claim encompasses two or more contributing causes of loss, damage resulting from a covered cause of loss will be covered, while damage resulting from an excluded cause of loss will not be covered. In short, the whole claim may not be denied just because one of the concurrent causes of loss is excluded.

### SECTION I – EXCLUSIONS

**A.** We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss. These exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

Here is a breakdown of Part A of Section I – Exclusions for a better understanding:

1. “We do not insure for loss caused directly or indirectly by any of the following.”

This means that the insurance policy does not provide coverage for any losses caused, either directly or indirectly, by the specific events or conditions listed in the part of the policy that follows (i.e., Section I – Exclusions).

2. “Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss.”

This part (the anti-concurrent causation part) emphasizes that when a cause of loss falls under the listed exclusions, that loss will not be covered by the insurance, no matter what other factors may have played a role.



Wind and water claims from Hurricane Katrina are a good example. “Water damage” caused by the hurricane surge was not covered, but direct wind damage was, even though the surge also contributed to the excluded flood loss.



3. “These exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.”

This clause clarifies that the exclusions mentioned in the policy are applicable regardless of the scale or extent of the damage.

### Ordinance Or Law

The Ordinance Or Law exclusion, which does not apply to the amount of coverage given back in Section I – Additional Coverages (E.10. Ordinance Or Law), removes coverage for any expenses related solely to the compliance of laws or ordinances and applies whether or not a property has been physically damaged. It also excludes any ordinance or law that results in a loss of property value, or that requires an “insured” to test for or clean up pollutants.



Do you remember how much coverage is provided by E.10. Ordinance Or Law?<sup>9</sup>

What kind of situation may be excluded under the Ordinance Or Law exclusion?



Ismay added 25 solar panels to the roof of her home. A city ordinance does not allow solar panels to be on the street-facing side of dwellings; she must remove ten of her solar panels. The cost to comply with this ordinance (total of \$5,500) will not be covered by Ismay’s Homeowners Policy since there is not a triggering covered cause of loss.



#### SECTION I – EXCLUSIONS

**A.** We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss. These exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

##### 1. Ordinance Or Law

Ordinance Or Law means any ordinance or law:

- a.** Requiring or regulating the construction, demolition, remodeling, renovation or repair of property, including removal of any resulting debris. This Exclusion **A.1.a.** does not apply to the amount of coverage that may be provided for in **E.10. Ordinance Or Law** under Section I – Property Coverages;
- b.** The requirements of which result in a loss in value to property; or
- c.** Requiring any “insured” or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

This Exclusion **A.1.** applies whether or not the property has been physically damaged.

<sup>9</sup> Answer: 10% of Coverage A



## Earth Movement



The ISO Homeowners Policy excludes damage to property caused by earthquake activity; tremors before, during, or after a volcanic eruption; landslides; mudslides; mudflows; sinkholes; or other earth movements, including sinking, rising, and shifting (regardless of act of nature or manmade). However, despite this exclusion, losses caused by fire, explosions, or theft associated with earth movements will be covered.



During an earthquake event, a gas line within Peter's home ruptured and resulted in an explosion. Thankfully, Peter was not home. Any portion of Peter's home damaged only by the earth movement will not be covered by his Homeowners Policy, but any damage from the resulting explosion will be.



There are two endorsements offered by the ISO Homeowners Program that may be available for use to buy back limited coverage.



The **Sinkhole Collapse Coverage (HO 04 99)** endorsement can be used to buy back coverage for actual physical damage to covered property arising out of sudden settlement or collapse of the earth supporting the property that results from underground voids created by water movement or limestone (or similar) formations.



Limited coverage for direct physical loss to property covered under Section I caused by earthquake, including land shock waves or tremors before, during, or after a volcanic eruption, may be given back through the **Earthquake (HO 04 54)** endorsement. Exclusions apply to exterior masonry veneer, flood, or filling land. Limits of liability are not increased by this coverage. The coverage is subject to a deductible, which is determined to be a percentage (%) of either Coverage A or Coverage C.



Earthquake/earth movement coverage solutions may not be available through all insurance companies. Specialty policies may be available in the form of traditional Earthquake Coverage or Parametric Earthquake Coverage. **Parametric Insurance** provides loss payment based on predefined parameters, offering immediate claims payment for specific risks (such as flood, wind, and earthquake). Parametric coverage can stand alone or be supplemental to traditional insurance coverage, often providing relief for large named peril deductibles.

It is important to check state rules and regulations as some states require clients to specifically sign an Earthquake coverage rejection form.

## SECTION I – EXCLUSIONS

**A.** We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss. These exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

### 2. Earth Movement

Earth Movement means:

- a. Earthquake, including land shock waves or tremors before, during or after a volcanic eruption;
- b. Landslide, mudslide or mudflow;
- c. Subsidence or sinkhole; or
- d. Any other earth movement including earth sinking, rising or shifting.

This Exclusion **A.2.** applies regardless of whether any of the above, in **A.2.a.** through **A.2.d.**, is caused by an act of nature or is otherwise caused.

However, direct loss by fire, explosion or theft resulting from any of the above, in **A.2.a.** through **A.2.d.**, is covered.

## Water

Damage caused by water, especially large quantities of water or water standing for periods of time, causes damage far beyond just damage to materials. There are also costs associated with mitigating mold and mildew and cleanup of contaminants and waterborne material, which is why insurance companies seek to limit or eliminate their exposure to these risks without requiring additional premium.

Water damage caused by flood, surface water, tidal wave, water below the surface of the ground, or overflow of a body of water is excluded whether caused by an act of nature or otherwise. This includes escape, overflow, or discharge from a dam, levee, seawall, etc.



The most catastrophic water loss, Flood, is completely excluded by ISO Homeowners Policies, and coverage can only be obtained through the National Flood Insurance Program (NFIP) administered by the Federal Emergency Management Agency (FEMA). Some insurance companies may offer flood coverage through Write Your Own (WYO) programs or by endorsement.

Additionally, damage caused by water that backs up through the sewer or overflows from a sump or sump pump (a mechanical device that pumps and removes excess water from basements or lower areas in homes) is not covered. This exclusion does not apply to water damage from an appliance, which is specifically given back in Accidental Discharge Or Overflow Of Water Or Steam peril. An exception to this exclusion for Water provides coverage for direct loss caused by fire, explosion, or theft resulting from excluded water losses.

Though such losses caused by water are excluded, ensuing fire, explosion, or theft is covered.



The **Limited Water Back-Up And Sump Discharge Or Overflow Coverage (HO 04 95)** endorsement provides up to \$25,000 coverage for loss types specified in the endorsement but only for water back-up that originates within the dwelling.



Percy's plumbing began bubbling up with a backflow of water shortly after he turned his washing machine on. A plumber discovered a clog in his main-line drain. If Percy had experienced water damage to property because of this back-up, his Homeowners Policy with the Limited Water Back-Up And Sump Discharge Or Overflow Coverage (HO 04 95) endorsement attached would have provided coverage for the damage.



The **Broadened Water Back-Up And Sump Discharge Or Overflow Coverage (HO 06 95)** endorsement provides similar coverage as the HO 04 95 but broadens coverage by removing restrictive language that a water back-up must originate within the dwelling. Limits up to \$25,000 are available.



After election season, many election signs found their way into city storm drains. Drains in Percy's basement that drain into these city drains backed up as a result. With only the Limited Water Back-Up And Sump Discharge Or Overflow Coverage (HO 04 95) endorsement, Percy will not have coverage since the back-up originated outside the dwelling. The Broadened Water Back-Up And Sump Discharge Or Overflow Coverage (HO 06 95) would have provided coverage.

## SECTION I – EXCLUSIONS

**A.** We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss. These exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

### 3. Water

This means:

- a. Flood, surface water, waves, including tidal wave and tsunami, tides, tidal water, overflow of any body of water, or spray from any of these, all whether or not driven by wind, including storm surge;
- b. Water which:
  - (1) Backs up through sewers or drains; or
  - (2) Overflows or is otherwise discharged from a sump, sump pump or related equipment;
- c. Water below the surface of the ground, including water which exerts pressure on, or seeps, leaks or flows through a building, sidewalk, driveway, patio, foundation, swimming pool or other structure; or
- d. Waterborne material carried or otherwise moved by any of the water referred to in A.3.a. through A.3.c. of this exclusion.

This Exclusion **A.3.** applies regardless of whether any of the above, in **A.3.a.** through **A.3.d.**, is caused by an act of nature or is otherwise caused.

This Exclusion **A.3.** applies to, but is not limited to, escape, overflow or discharge, for any reason, of water or waterborne material from a dam, levee, seawall or any other boundary or containment system.

However, direct loss by fire, explosion or theft resulting from any of the above, in **A.3.a.** through **A.3.d.**, is covered.

## Power Failure

Power failure refers to the loss of power or other utility service if the failure occurs away from the “residence premises.” However, if the failure results in a loss caused by a Peril Insured Against on the “residence premises,” then the loss caused by that peril is covered.



One of the most common losses following power failure is spoilage of refrigerated food. The **Refrigerated Property Coverage (HO 04 98)** endorsement can be used to provide up to \$500 in coverage, with a \$100 deductible. The endorsement includes losses caused by mechanical failure and is exempt from the Power Failure exclusion.

### SECTION I – EXCLUSIONS

**A.** We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss. These exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

#### 4. Power Failure

Power Failure means the failure of power or other utility service if the failure takes place off the “residence premises”. But if the failure results in a loss, from a Peril Insured Against on the “residence premises”, we will pay for the loss caused by that peril.

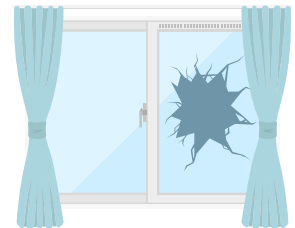
## Neglect

Client education is important. This includes not only informing them on the coverages they have but also the responsibilities they have under the policy. Boarding up property or protecting vulnerable property after experiencing a loss may seem like common sense, but it may not be as well understood as one would think. When an “insured” fails to protect vulnerable property from further loss, this could be determined to be neglectful.

The term “neglect” applies to an “insured” who has failed to use all reasonable means to save and preserve property at and after the time of a loss.



A tree falls during a windstorm and breaks out a window of Robert’s home. Robert fails to board up the window, and several days later, another storm brings wind and rain, causing more damage to the flooring, walls, and furniture near the broken window. Robert failed to protect the property from further damage. This neglectful action may result in a portion of the claim being denied.



#### SECTION I – EXCLUSIONS

A. We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss. These exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

##### 5. Neglect

Neglect means neglect of an "insured" to use all reasonable means to save and preserve property at and after the time of a loss.

## War



War includes a number of conflicts and their consequences, including undeclared war; civil war; insurrection; rebellion or revolution; warlike actions by a military force or by military personnel; destruction, seizure, or use for military purposes; and discharge of a nuclear weapon, even if it is accidental. Because of the destructive nature of war on a mass scale, damage to property caused by war is excluded.

#### SECTION I – EXCLUSIONS

A. We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss. These exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

##### 6. War

War includes the following and any consequence of any of the following:

- a. Undeclared war, civil war, insurrection, rebellion or revolution;
  - b. Warlike act by a military force or military personnel; or
  - c. Destruction, seizure or use for a military purpose.
- Discharge of a nuclear weapon will be deemed a warlike act even if accidental.

## Nuclear Hazard

Often, robust and thriving communities are built near nuclear power plants. Homeowners may be concerned about the risk of damage to their homes if a nuclear event occurs. In the Homeowners Policy, Nuclear Hazard includes nuclear reaction, radiation, or radioactive contamination, whether these events are controlled or uncontrolled, and all are excluded.



#### SECTION I – EXCLUSIONS

A. We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss. These exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

##### 7. Nuclear Hazard

This Exclusion A.7. pertains to Nuclear Hazard to the extent set forth in N. Nuclear Hazard Clause under Section I – Conditions.



## Intentional Loss

Intentional loss occurs when an insured deliberately damages their own property to collect insurance money. Allowing coverage for intentional losses would create a moral hazard. Without exclusions for intentional loss, individuals might be tempted to purposefully cause damage to their property in order to receive a payout from the insurance company. This would lead to fraudulent claims and increase the financial burden on insurance companies, ultimately leading to higher premiums for all policyholders.

The Intentional Loss exclusion means any loss arising from any act an “insured” commits or conspires to commit with the intent to cause a loss. Should such a loss occur, even “insureds,” other than the “insured” who committed, or conspired to commit, an act to create a loss, are not entitled to coverage.

Clients may commit fraud when facing financial hardships. They may think such fraudulent claims are victimless, which is simply inaccurate. Fraudulent claims pass significant financial losses on to other policyholders through rate increases or adding additional exclusions or limitations to policies. Investigating these claims strains insurance company resources that could be better utilized elsewhere. Ultimately, fraudulent losses can affect the overall stability of the insurance industry, and in the case of widespread insurance fraud, these losses could lead to the insolvency of insurance companies.

### SECTION I – EXCLUSIONS

**A.** We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss. These exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

#### 8. Intentional Loss

Intentional Loss means any loss arising out of any act an “insured” commits or conspires to commit with the intent to cause a loss.

In the event of such loss, no “insured” is entitled to coverage, even “insureds” who did not commit or conspire to commit the act causing the loss.

## Governmental Action

The term “Governmental Action” refers to the destruction, confiscation, or seizure of property described in Coverages A, B, and C by any order of any governmental or public authority. In this sense, loss to property caused by Governmental Action is not covered unless the action was taken to prevent the spread of fire, but only if the loss by fire would have been covered by the policy.



In serving a search warrant of Gillam’s home, police damaged the front door and frame and seized personal property throughout the home. This damage and seizure of property is not covered by Gillam’s Homeowners Policy.



### SECTION I – EXCLUSIONS

**A.** We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss. These exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

#### 9. Governmental Action

Governmental Action means the destruction, confiscation or seizure of property described in Coverage A, B or C by order of any governmental or public authority.

This exclusion does not apply to such acts ordered by any governmental or public authority that are taken at the time of a fire to prevent its spread, if the loss caused by fire would be covered under this Policy.

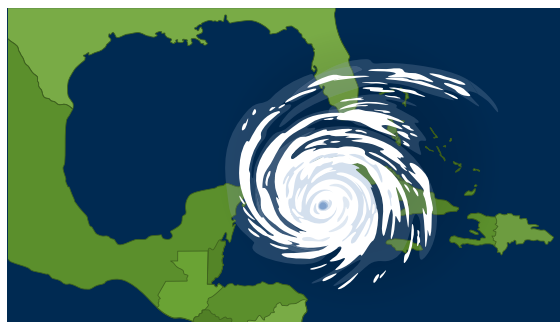


Part B of Section I – Exclusions excludes loss to property covered under Coverage A – Dwelling and Coverage B – Other Structures for certain losses but gives back coverage for ensuing loss (unless excluded elsewhere).

### Weather Conditions

The ISO Homeowners Policy excludes loss caused by weather conditions. In simpler terms, the policy won't cover losses caused by certain previously excluded events combined with weather conditions. Before confusion sets in, this exclusion only applies if weather conditions contribute to a loss previously excluded.

However, the ensuing loss to Coverage A or Coverage B property not excluded elsewhere in the policy is covered.



Consider the events of a hurricane. A hurricane is a wind event, and wind is a covered peril. Hurricane events often bring devastating floods, but water damage caused by flooding is excluded. Just because the flooding is caused by an otherwise covered wind event does not mean damage caused by flooding will be covered.

**B.** We do not insure for loss to property described in Coverages A and B caused by any of the following. However, any ensuing loss to property described in Coverages A and B not precluded by any other provision in this Policy is covered.

1. Weather conditions. However, this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in A. above to produce the loss.

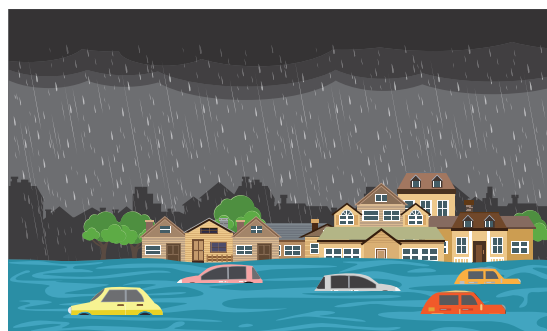
### Acts or decisions by an organization or governmental body

The exclusion for acts or decisions, or failures to act or decide, which are made by any person, group, organization, or governmental body, can be tricky since almost anything could be attributed to an act or failure to act.

However, the ensuing loss to Coverage A or Coverage B property not excluded elsewhere in the policy is covered.



Consider homes protected by a levee, but during a historic flood event, the Army Corps of Engineers decides to open “flood gates,” bypassing the levee and resulting in the flooding of a small community. The measure was taken to lower water levels and to prevent a dam from being breached, flooding a major business district and metropolitan area. This is an unfortunate circumstance caused by the decision of the Army Corps of Engineers, but flood damage will remain excluded.



**B. We do not insure for loss to property described in Coverages A and B caused by any of the following. However, any ensuing loss to property described in Coverages A and B not precluded by any other provision in this Policy is covered.**

- 2. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.**

### Faulty or inadequate planning, zoning, development, materials, design, construction, renovation, remodeling, or maintenance

The final Section I – Exclusion relates to losses arising from faulty, substandard, or inadequate aspects of design or construction. Take a moment to understand the different elements of this exclusion. The Homeowners Policy will not cover:

- losses resulting from mistakes, errors, or problems related to planning, zoning regulations, land development, land surveying, or selecting the location for building on the property;
- losses caused by issues with design, specifications, quality of workmanship, repairs, construction, renovations, grading (i.e., leveling the land), or compaction (i.e., compressing soil). Essentially, if a loss occurs due to subpar design, construction, or related activities, it won't be covered;
- losses resulting from the use of defective or improper materials in repair, construction, renovation, or remodeling; or
- losses resulting from inadequate or faulty maintenance. This part of the exclusion applies to part or all of any property, on or off the “residence premises.” This emphasizes the importance of proper property upkeep.



## Section 1: Personal Residential Coverages

However, the ensuing loss to Coverage A or Coverage B property not excluded elsewhere in the policy is covered.



Many personal lines insurance professionals come across Homeowners claims citing faulty installation of an asphalt shingle roof. The roof installers may over-drive the roofing nails, pushing the nails straight through the shingle. As a result, shingles may start to slide off the roof or easily lift from the roof during a rainstorm. The roof materials and replacement of the roof would not be covered due to faulty installation. However, if water damage to the home occurred during the rainstorm as a result of the missing shingles, the ensuing water damage would be covered.



**B.** We do not insure for loss to property described in Coverages A and B caused by any of the following. However, any ensuing loss to property described in Coverages A and B not precluded by any other provision in this Policy is covered.

**3. Faulty, inadequate or defective:**


- a. Planning, zoning, development, surveying, siting;
- b. Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
- c. Materials used in repair, construction, renovation or remodeling; or

Table 1.17 lists and summarizes all twelve Section II – Exclusions of the ISO Homeowners 3 – Special Form.

**Table 1.17**

Section I – Exclusion	Summary
Ordinance Or Law  	Excludes coverage for any expenses related solely to the compliance of laws or ordinances and applies whether or not a property has been physically damaged with the exception of limited coverage (10% of Coverage A) given back in Section I – Additional Coverages.  Use <b>Ordinance Or Law Increased Amount of Coverage (HO 04 77)</b> to increase coverage.
Earth Movement  	Excludes earthquake activity, including tremors before, during, or after a volcanic eruption; landslides; mudslides; mudflows; sinkholes; or other earth movements, including sinking, rising, and shifting.  Use <b>Earthquake (HO 04 54)</b> endorsement to add coverage back with a percentage deductible.

## Section 1: Personal Residential Coverages

Section I – Exclusion	Summary
<p>Water</p> 	<p>Excludes water damage caused by flood, surface water, tidal wave, or water below the surface of the ground, or overflow of a body of water, whether caused by an act of nature or otherwise. Water damage caused by back-up of sewers or drains or overflow from sump pumps is also excluded.</p> <p>Use <b>Limited Water Back-Up And Sump Discharge Or Overflow Coverage (HO 04 95)</b> and <b>Broadened Water Back-Up And Sump Discharge Or Overflow Coverage (HO 06 95)</b> endorsements to add coverage back for water or waterborne material back up through sewers or drains or overflows from a back-up/sump pump.</p>
Power Failure	Excludes loss caused by power failure not resulting from a Peril Insured Against.
Neglect	Excludes loss caused by an “insured’s” failure to reasonably protect property at and after the time of a loss.
War	Excludes damage caused by many variations of “war-like” actions.
Nuclear Hazard	Excludes loss caused by nuclear hazard, including nuclear reaction, radiation, or radioactive contamination, whether these events are controlled or uncontrolled.
Intentional Loss	Damage intentionally caused by an “insured” is excluded. Innocent “insureds” are not entitled to coverage.
Governmental Action	Excludes destruction, confiscation, or seizure of property unless ordered to prevent the spread of fire.
Weather Conditions	Excludes weather conditions that contribute to an already excluded cause of loss.
Acts or decisions by an organization or governmental body	Excludes loss caused by acts or decisions (or failure) of any person, group, organization, or governmental body.
Faulty or inadequate planning, zoning, development, materials, design, construction, renovation, remodeling, or maintenance	Excludes loss related to faulty or defective development, construction, materials, and workmanship. Consider siding detaching from a home due to poor workmanship.

## Knowledge Check



**Directions:** Read the following scenario and respond to each question part.

Andrew's home is insured on a Homeowners 3 – Special Form, with \$200,000 for Coverage A – Dwelling. For each of the three parts below, state (1) whether or not Section I – Property Coverage is provided by Andrew's unendorsed Homeowners Policy, (2) the coverage amount (if applicable), and (3) if any applicable endorsement could have improved coverage. Explain your answers. (Ignore deductibles and valuation).

**Part 1:** Andrew experiences a \$30,000 loss resulting from a back-up of water in his basement due to a failed sump pump.

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**Part 2:** A deer crashes through Andrew's sliding glass door, causing damage to the door, wall, and personal property in the living room (TV, lamps, glass table, and sofa).

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**Part 3:** Andrew rents a venue for a family reunion. A propellant party popper sparked a fire and caused \$20,000 in damages to the venue.

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## Section I – Conditions

### Learning Objective:

- 1.7 Apply the Section I – Loss Settlement Condition to certain loss scenarios and describe how applicable endorsements may modify valuation at the time of loss.

The final stop in Section I of a Homeowners Policy outlines policy conditions. Policy conditions are obligations an insured and insurance company require to carry out other policy provisions. An insurer promises to pay, defend, or provide some other service that is only enforceable if (1) a covered event occurs and (2) the “insured” has complied with the contractual obligations as indicated by 19 policy conditions.

**Table 1.18** summarizes each of the 19 Section I – Conditions, but for the purposes of this course, this Learning Guide will focus on the following key conditions:

- Duties After A Loss\*
- Deductible\*
- Loss Settlement
- Policy Period

*\*In this Learning Guide, Conditions Duties After A Loss and Deductible are presented out of order from the ISO Homeowners Policy. Table 1.18 lists the Conditions of the ISO Homeowners Policy in their proper order.*

### Duties After A Loss

This condition details several requirements of the “insured” after a loss occurs which the client expects the company to consider for coverage. When a claim is reported to you as the agent, it is important that you make sure your client is aware of these duties, or coverage issues may arise. The most important of the duties can be expressed with the acronym **P.I.N.E.S.:**



## Section 1: Personal Residential Coverages

### Protect

**P** The policyholder is responsible for taking reasonable steps to prevent further damage to the property. This could involve temporary repairs to secure the property from additional harm.



### Inventory

**I** The policyholder is required to create a detailed inventory of damaged personal property. This inventory should include descriptions, quantities, values, and the amount of loss for each item. Supporting documentation such as bills, receipts, and related documents should be attached to justify the figures in the inventory.



This step becomes easier when the insurance advisor has taken time before a claim to provide their client with tools to document personal property and values. This may come in the form of a personal property inventory list by room or appraisals on valuables and should include serial numbers for electronics (such as tablets, computers, and TVs), firearms, watches, and more.

### Notify

**N** The policyholder must inform the insurance company or the insurance advisor as soon as possible after a loss occurs. Prompt notification ensures that the insurer is aware of the situation and can initiate the claims process in a timely manner.



Additionally, the policyholder must report the incident to the police if the loss is theft-related. This step helps establish the claim's legitimacy and provides evidence of criminal activity if needed. Reporting theft also reduces the incidence of fraudulent theft claims—insurance fraud is a crime, and so is making a false police report.

### Exhibit

**E** The policyholder must allow the insurer to inspect the damaged property before the property is disposed of, repaired, or replaced. This step may not come naturally to an insured. When property is damaged, insureds are often anxious to return to normal and may innocently dispose of and replace property before the loss has been properly adjusted.



### Submit

**S** The policyholder must submit a signed and sworn proof of loss. This provides essential information related to the loss, including the time and cause of the loss, details about all insured parties, any other insurance coverage, changes in property ownership or occupancy, specifications for damaged structures, repair estimates, and supporting documentation for expenses incurred due to the loss.

**Submit**



When a client reports a loss, insurance advisors should always advise their clients of the duties required of them after a loss. As a best practice, many insurance advisors report printing the Duties After A Loss condition in an insured's policy and providing it to the insured.

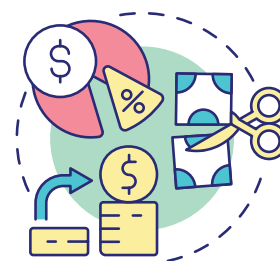
### C. Duties After Loss

In case of a loss to covered property, we have no duty to provide coverage under this Policy if the failure to comply with the following duties is prejudicial to us. These duties must be performed either by you, an "insured" seeking coverage or a representative of either:

1. Give prompt notice to us or our agent;
2. Notify the police in case of loss by theft;
3. Protect the property from further damage. If repairs to the property are required, you must:
  - a. Make reasonable and necessary repairs to protect the property; and
  - b. Keep an accurate record of repair expenses;
4. Cooperate with us in the investigation of a claim;
5. Prepare an inventory of damaged personal property showing the quantity, description, actual cash value and amount of loss. Attach all bills, receipts and related documents that justify the figures in the inventory;
6. As often as we reasonably require:
  - a. Show the damaged property;
  - b. Provide us with records and documents we request and permit us to make copies; and
  - c. Submit to examination under oath, while not in the presence of another "insured", and sign the same;
7. Send to us, within 60 days after our request, your signed, sworn proof of loss which sets forth, to the best of your knowledge and belief:
  - a. The time and cause of loss;
  - b. The interests of all "insureds" and all others in the property involved and all liens on the property;
  - c. Other insurance which may cover the loss;
  - d. Changes in title or occupancy of the property during the term of the Policy;
  - e. Specifications of damaged buildings and detailed repair estimates;
  - f. The inventory of damaged personal property described in 5. above; and
  - g. Receipts for additional living expenses incurred and records that support the fair rental value loss.

## Deductible

The Deductible condition is a key condition in a Homeowners Policy that outlines how much the policyholder must pay out of their own pocket while the insurance company pays the cost of a covered loss or claim above the deductible. This condition is designed to reduce the frequency of small and routine claims and helps insurance companies manage their risk exposure. Below is a breakdown of the application of this condition:



### 1. Deductible Amount

The deductible amount is listed on the Declarations and is selected by the policyholder with the assistance of the insurance advisor. It is the dollar amount the policyholder is responsible for paying for a covered loss. In other words, the deductible is subtracted from the amount of the loss, not the amount of insurance. Then, the limit of insurance is applied to that total.

When several smaller losses are present in the policyholder's loss history, the insurance company may require the application of a higher deductible before approving the application for issuance.

In addition, deductibles may be offered as a flat dollar amount (i.e., \$1,000) or a percentage of the coverage limit (i.e., 2% of Coverage A – Dwelling).

## 2. Excess over Deductible

The condition holds the insurance company responsible for paying the portion of a covered loss that exceeds the policy deductible.

## 3. Application of Deductible to a Single Loss

When a claim is covered, the deductible is due. The deductible will apply to each covered claim separately. This means that for each claim filed, the insured will be responsible for paying the deductible.



Isaac files a claim for damage to his roof after a hailstorm. The covered claim will cost \$10,000. Issac has a \$2,500 deductible. For this claim, Isaac will pay \$2,500 (likely to the roofer), and the insurance company will pay the remaining \$7,500.

When multiple coverage parts are triggered within the same loss occurrence, only one deductible applies.



During a windstorm, a tree was blown down. It hit Cody's home and created an opening in his room, allowing rain to pour in through the attic, collapsing the ceiling of his bedroom and causing damage to his bedroom furniture. Cody has damage to his home totaling \$25,000 to the Dwelling (Coverage A) and \$10,000 to Personal Property (Coverage B). His policy deductible is \$2,500. For this claim, the insurance company will pay Cody \$32,500, while Cody will pay \$2,500 (likely to the repairing contractor) out of his pocket.

## 4. Multiple Deductibles

It is not uncommon for Homeowners Policies to have more than one deductible: generally, one deductible for a specific peril (such as Wind or Hail) and a second for all other perils (AOP). The condition states that if multiple deductibles apply to a single loss, only the highest deductible amount will apply. This prevents the policyholder from having to pay multiple deductibles for the same incident.



Jarren experienced a wind loss to his home that caused damage to the electrical system and started a fire on the exterior of his home, melting the vinyl siding. His Wind/Hail deductible is \$5,000, and his AOP deductible is \$1,000. Though multiple perils contributed to this loss (Wind and Fire), only the \$5,000 Wind/Hail deductible will apply since it is the highest deductible.

### B. Deductible

Unless otherwise noted in this Policy, the following deductible provision applies:

With respect to any one loss:

1. Subject to the applicable limit of liability, we will pay only that part of the total of all loss payable that exceeds the deductible amount shown in the Declarations.
2. If two or more deductibles under this Policy apply to the loss, only the highest deductible amount will apply.



### Loss Settlement

Understanding how losses will be valued is important to understand how claims may be paid to your client and why quoting and writing adequate coverage limits is so important.

The Loss Settlement condition explains the application of actual cash value (ACV) and replacement cost (RC) and how buildings, personal property, and non-building structures will be valued to determine the amount a claim may pay. The cost to repair or replace damaged property will not include costs to comply with ordinance or law, except as given back in coverage E.10. Ordinance Or Law under Section I – Property Coverages.



### Loss Settlement of Personal Property and Other Non-Building Structures

The following types of property will be settled with ACV:

- All personal property (Coverage C)
- Awnings, carpeting, appliances, outdoor antennas, and outdoor equipment
- One may believe carpeting to be insured under Coverage A – Dwelling, and it is, but wear and tear affect carpets quickly, losing ten to fourteen percent of its value each year<sup>70</sup>. For instance, mid-grade carpet is recommended to be replaced every five to fifteen years, even with frequent cleanings.
- Grave markers and mausoleums
- Structures that are not buildings (such as a pool, driveway, or fence)
- Consider the following: outdoor kitchens or patios, underground and above-ground pools, pergolas, gazebos, fences, dog houses, mailboxes, decks not attached to the dwelling, and playground sets.

The amount paid will not exceed the limit of liability applicable to the damaged property.

#### **D. Loss Settlement**

In this Condition D., the terms "cost to repair or replace" and "replacement cost" do not include the increased costs incurred to comply with the enforcement of any ordinance or law, except to the extent that coverage for these increased costs is provided in E.10. Ordinance Or Law under Section I – Property Coverages. Covered property losses are settled as follows:

**1. Property of the following types:**

- a. Personal property;
  - b. Awnings, carpeting, household appliances, outdoor antennas and outdoor equipment, whether or not attached to buildings;
  - c. Structures that are not buildings; and
  - d. Grave markers, including mausoleums;
- at actual cash value at the time of loss but not more than the amount required to repair or replace.

<sup>70</sup> [https://www.nh.gov/insurance/consumers/documents/summary\\_cov.pdf](https://www.nh.gov/insurance/consumers/documents/summary_cov.pdf)

## Loss Settlement of Buildings (Coverage A – Dwelling and Coverage B – Other Structures)

This part of the Loss Settlement condition is a bit complex, but it is critical to understand why correctly assessing full replacement value on dwellings and other structures is important.

For the Dwelling and Other Structures (that are buildings), it is important to understand that the ISO Homeowners Policy (and some insurance company policies) includes an insurance-to-value requirement with what looks like a co-insurance clause (though slightly different).



**Homeowners Insurance-to-Value Requirement:** The insurance-to-value requirement refers to the requirement to insure buildings for a certain minimum percentage of their total replacement values.

**Co-insurance:** Should the property not be properly insured to value, co-insurance requires the insured to share in any property loss by reducing the amount payable on the claim.

11

The ISO Homeowners Policy insurance-to-value requirement for the Dwelling and Other Structures (buildings) is that these structures must be insured to at least 80% of their full replacement cost immediately BEFORE the loss. The policy states that when determining replacement cost, certain building features are not to be considered. These features include underground wires, pipes, drains, and devices supporting the structure (piers, footings, foundations) and which are below the basement floor or ground surface.

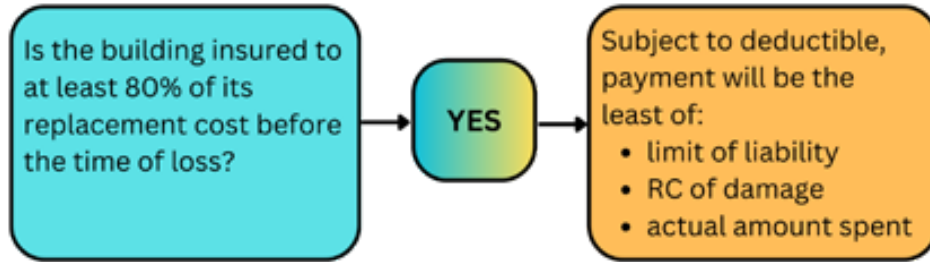
In the best-case scenario, when these buildings are insured to at least 80% of their full replacement cost before a loss, the insurance company will pay the cost to repair or replace the damage (without depreciation deduction), less the applicable deductible. However, payment will not exceed the least of:

- the limit of liability that applies to the building;
- replacement cost of the damaged part of the building with like kind and quality materials;
- the necessary amount actually spent to repair or replace the damaged building.

If the insured relocates and rebuilds at a new premises, the payment will be the same as if the building had been rebuilt at the existing location. This statement is made because, in some locations, it may be more expensive than others to build or rebuild a structure, and the insurance company does not desire to pay more than what it would have cost to rebuild at the site the policy originally insured.

11 <https://www.independentagent.com/vu/Insurance/Personal-Lines/Miscellaneous/GermondWhatIsCoinsurance.aspx>

## Section 1: Personal Residential Coverages



What happens if a damaged building is NOT insured to at least 80% of its full replacement cost before the time of a loss? In this instance, the insurance company will pay the greatest of (1) actual cash value (ACV) or (2) an amount as determined by a formula stated within the policy.

**The formula:**

$$\frac{\text{Limit of Liability}}{(\text{Replacement Cost} \times 80\%)} \times \text{Loss} = \$$$

**Limit of Liability** = The limit shown on the Declarations for the building damaged.

**Replacement Cost** = 100% of the Replacement Cost immediately before the loss.

**Loss:** The full cost to repair or replace the damaged building.

**Demonstration of the Formula:**

Dwelling Limit of Liability: \$120,000

Replacement Cost of the Dwelling: \$200,000

80% of Replacement Cost:  $\$200,000 \times 0.80$  (80%) = \$160,000

The Loss: \$100,000

$$\begin{array}{c} \frac{\$120,000}{(\$200,000 \times 80\%) = \$160,000} \\ \downarrow \\ .75 \end{array} \times \$100,000 = \$$$
$$.75 \times \$100,000 = \$75,000$$

## Section 1: Personal Residential Coverages

With the application of the formula above, for a loss with these figures, the insurance company would pay (*not to exceed the Limit of Liability and subject to the applicable deductible*) the greatest of:

1. actual cash value (ACV)
- OR
2. \$75,000.

Using the calculator on your phone, practice the formula:

Dwelling Limit of Liability: \$128,000

Replacement Cost of the Dwelling: \$200,000

80% of Replacement Cost: \$200,000 x 0.80 (80%) = \$160,000

The Loss: \$100,000

<div style="border: 1px solid black; border-radius: 10px; padding: 10px; width: 300px; margin: 0 auto;"><div style="text-align: center;">\$ _____ (\$     x 80%) = \$</div></div>	X	<div style="border: 1px solid black; border-radius: 10px; padding: 10px; width: 100px; margin: 0 auto;">Loss \$100,000</div>	=	<div style="border: 1px solid black; border-radius: 10px; padding: 10px; width: 100px; margin: 0 auto;">\$</div>
<div style="font-size: 2em;">↓</div>				
<div style="border: 1px solid black; border-radius: 10px; padding: 10px; width: 300px; margin: 0 auto;"><div style="text-align: center;">_____ _____</div></div>	X	<div style="border: 1px solid black; border-radius: 10px; padding: 10px; width: 100px; margin: 0 auto;">Loss \$100,000</div>	=	<div style="border: 1px solid black; border-radius: 10px; padding: 10px; width: 100px; margin: 0 auto;">\$ _____</div>

Understanding the ACV of the loss is \$75,000, the insurance company would pay (disregard deductible): \$ \_\_\_\_\_

Answer:

$$\begin{array}{c}
 \begin{array}{ccccc}
 \boxed{\begin{array}{c} \$128,000 \\ (\$200,000 \times 80\%) = \$160,000 \end{array}} & \times & \boxed{\begin{array}{c} \text{Loss} \\ \$100,000 \end{array}} & = & \boxed{\$} \\
 \downarrow & & & & \\
 \boxed{.80} & \times & \boxed{\begin{array}{c} \text{Loss} \\ \$100,000 \end{array}} & = & \boxed{\$80,000}
 \end{array}
 \end{array}$$

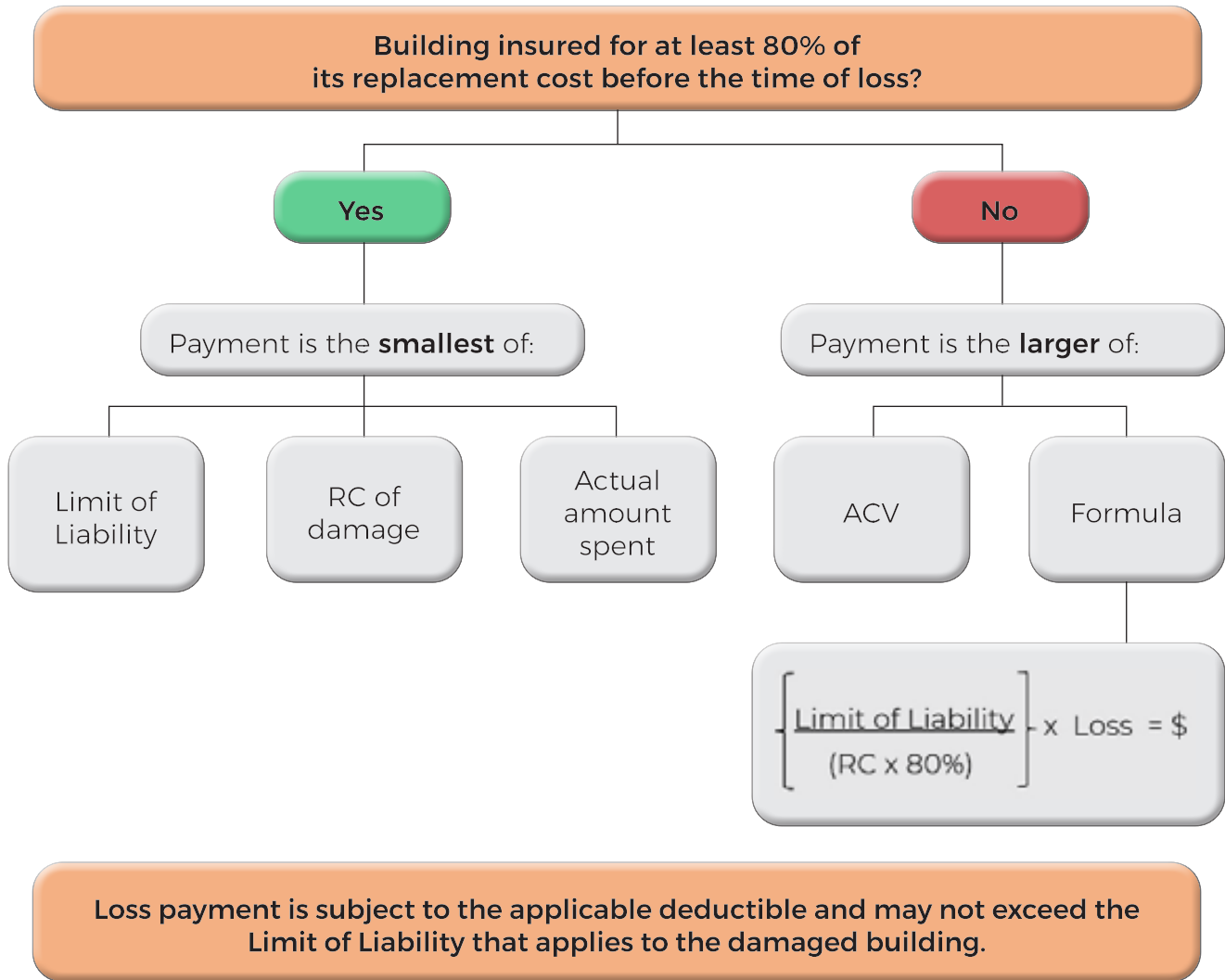
Understanding the ACV of the Loss is \$75,000, the insurance company would pay:

\$ 80,000

## Section 1: Personal Residential Coverages

The following, graphic 1.2, summarizes Loss Settlement for buildings insured under Coverages A and Coverage B.

**Graphic: 1.2**



There are a few more details to understand about the Loss Settlement condition for buildings insured under Dwelling and Other Structures. First, replacement cost will not be paid until the repair or replacement of the damaged building is complete. Generally speaking, when buildings are eligible for replacement cost loss settlement, the ACV will be paid to the insured, with the remaining replacement cost paid once all damage is repaired or replaced.

However, if the damage to the building(s) is BOTH less than 5% of the limit of insurance applicable to the building AND less than \$5,000, replacement cost will be paid regardless of repair or replacement. This allows the insurance company to pay smaller claims and move on quickly.

Finally, the insured may decline replacement cost payment and choose an ACV settlement. This may occur in situations where the insured is not interested in rebuilding or repairing

## Section 1: Personal Residential Coverages

a damaged building. However, if the insured later decides they would like to proceed with repair or replacement of the damaged dwelling and would like to claim additional coverage, they may do so if they notify the insurance company within 180 days after the date of loss.

**2. Buildings covered under Coverage A or B at replacement cost without deduction for depreciation, subject to the following:**

- a.** If, at the time of loss, the amount of insurance in this Policy on the damaged building is 80% or more of the full replacement cost of the building immediately before the loss, we will pay the cost to repair or replace, after application of any deductible and without deduction for depreciation, but not more than the least of the following amounts:

- (1)** The limit of liability under this Policy that applies to the building;
- (2)** The replacement cost of that part of the building damaged with material of like kind and quality and for like use; or
- (3)** The necessary amount actually spent to repair or replace the damaged building.

If the building is rebuilt at a new premises, the cost described in **(2)** above is limited to the cost which would have been incurred if the building had been built at the original premises.

- b.** If, at the time of loss, the amount of insurance in this Policy on the damaged building is less than 80% of the full replacement cost of the building immediately before the loss, we will pay the greater of the following amounts, but not more than the limit of liability under this Policy that applies to the building:

- (1)** The actual cash value of that part of the building damaged; or
- (2)** That proportion of the cost to repair or replace, after application of any deductible and without deduction for depreciation, that part of the building damaged, which the total amount of insurance in this Policy on the damaged building bears to 80% of the replacement cost of the building.

- c.** To determine the amount of insurance required to equal 80% of the full replacement cost of the building immediately before the loss, do not include the value of:

- (1)** Excavations, footings, foundations, piers, or any other structures or devices that support all or part of the building, which are below the undersurface of the lowest basement floor;
- (2)** Those supports described in **(1)** above which are below the surface of the ground inside the foundation walls, if there is no basement; and
- (3)** Underground flues, pipes, wiring and drains.

- d.** We will pay no more than the actual cash value of the damage until actual repair or replacement is complete. Once actual repair or replacement is complete, we will settle the loss as noted in **2.a.** and **b.** above.

However, if the cost to repair or replace the damaged property is both:

- (1)** Less than 5% of the amount of insurance in this Policy on the building; and
- (2)** Less than \$5,000;

we will settle the loss as noted in **2.a.** and **b.** above whether or not actual repair or replacement is complete.

- e.** You may disregard the replacement cost loss settlement provisions and make claim under this Policy for loss to buildings on an actual cash value basis. You may then make claim for any additional liability according to the provisions of this Condition **D. Loss Settlement**, provided you notify us, within 180 days after the date of loss, of your intent to repair or replace the damaged building.



### Importance of Correct Valuation of Insured Buildings:

Consider the consequences of incorrectly estimating the replacement cost of buildings insured by the Homeowners Policy:

- **Underinsured:**

- Total Loss:

If the amount of insurance is less than the structure's replacement value, the insured will not have enough coverage to replace the property.

- Partial Loss:

If the amount of insurance is less than the replacement value of the structure, the policy contains an insurance-to-value condition that may result in a penalty in the event of a partial loss.

- **Over-insured:**

- If the amount of insurance is more than the replacement cost of the dwelling, the insured is paying for unnecessary insurance.

- Percentage deductibles may be higher than necessary.



It is important to ensure that endorsements offered by insurance companies for inflation protection are placed on policies. These endorsements will automatically increase Dwelling coverage with each renewal in an effort to avoid underinsured buildings, but this does not mean the increase will be enough. However, it is also a best practice to review the account often and update the replacement cost estimate when necessary.

### Endorsements that change Loss Settlement



The **Personal Property Replacement Cost Loss Settlement (HO 04 90)** endorsement changes coverage for personal property, awnings, outdoor equipment, carpeting, and household appliances from ACV to replacement cost loss settlement without a deduction for depreciation. The HO 04 90 also requires that the property be replaced to receive a replacement cost loss settlement if the loss is over \$1,000. Unfortunately, specific property such as antiques, fine arts, articles of rarity, memorabilia, souvenirs, articles not maintained in good or working condition, and articles that are outdated and stored or not being used are not eligible for replacement cost.

The **Replacement Cost Loss Settlement For Certain Non-Building Structures On The Residence Premises (HO 04 43)** endorsement changes coverage for Other Structures that are not buildings (such as metal/fiberglass/plastic fences (not wooden fences), patios, driveways, and certain in-ground pools) from ACV to replacement cost loss settlement.

The **Green Upgrades Coverage (HO 06 31)** endorsement is an optional endorsement that modifies replacement cost loss settlement to add coverage for increased costs associated with repairing or replacing covered property damaged as a result of a covered cause of loss with more energy-efficient

## Section 1: Personal Residential Coverages

materials or methods that are accepted as a “green standards-setter” as defined within the endorsement.



The **Specified Additional Amount of Insurance For Coverage A – Dwelling (HO 04 20)** endorsement provides additional coverage above the policy limit for Coverage A – Dwelling. Under this endorsement, the dwelling must be insured to 100% replacement cost. The endorsement does not increase the Coverage A – Dwelling limit but provides an additional 25% to 50% (as selected) if needed. Other coverages based on a percentage of Coverage A do not change because the Coverage A limit of liability has not changed. Along with insuring the dwelling to 100% replacement cost, the “insured” must notify the insurance company of any alterations that increase the dwelling value by 5% or more within 30 days of completing the alterations.

### HO 04 20 Specified Additional Amount of Insurance for Coverage A Only

HO-3 Dwelling Coverage = \$150,000

Endorsement HO 04 20 is attached, with a 25% additional limit selected.

**Claim:** Total loss and cost to rebuild equals \$180,000

**Claim Payment:**

Coverage A pays \$150,000.

Endorsement HO 04 20 pays \$30,000 (maximum up to 25% of coverage).

The **Additional Limits of Liability For Coverages A, B, C, and D (HO 04 11)** endorsement provides an additional amount of insurance to rebuild the dwelling at the time of a loss. Under this endorsement, the dwelling must be insured to 100% replacement cost. The endorsement does not have a coverage limit or cap but allows coverage to be increased at the time of a loss. At the time of a loss, if dwelling coverage exceeds the limit of Coverage A – Dwelling, coverage will be increased to equal the current replacement cost. Other coverages based on a percentage of Coverage A are also increased, and premium will be adjusted according to the changes.

## Section 1: Personal Residential Coverages

### HO 04 11 Additional Limits of Liability for Coverages A, B, C, and D

HO-3 Dwelling Coverage = \$150,000

Endorsement HO 04 11 attached

**Claim:** Total loss and cost to rebuild equals \$180,000

**Claim Payment:** Coverage A is increased to \$180,000 and the policy pays \$180,000

**Note:** Premium is adjusted for increased coverage. Coverages B, C, and D are increased accordingly.

Coverage B: \$ 18,000 (10%)

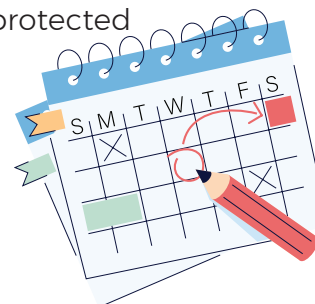
Coverage C: \$ 90,000 (50%)

Coverage D: \$ 54,000 (30%)

Ordinance Or law: \$ 18,000 (10%)

### Policy Period

The Policy Period specifies the duration for which the policyholder is protected under the Homeowners insurance policy. This period is defined by the effective (start) and expiration (stop) dates. Any covered events or damages that occur within this period will be eligible for claim settlement, subject to the terms and conditions of the policy.



#### Q. Policy Period

This Policy applies only to loss which occurs during the policy period.

The period of time during which Coverage D – Loss of Use can be paid (Additional Living Expense, Fair Rental Value, and Civil Authority Prohibits Use) is not limited by the policy's expiration.

On occasion, a client may select a new insurance company to provide their Homeowners insurance but may be unaware of existing damage that may be covered by their prior insurance provider. In these instances, the claim should still be turned in to the prior insurance company, as the coverage applies according to the date of loss.

Now that Section I – Conditions Deductible, Duties After A Loss, Loss Settlement, and Policy Period have been reviewed, there are nineteen Section I – Conditions provided in the ISO Homeowners Policy to become familiar with. **Table 1.18** summarizes all nineteen Section I – Conditions in the ISO Homeowners Policy.



Refer to pages 16–19 of the ISO Homeowners 3 – Special Form provided with this Learning Guide for the actual policy language of Section I – Conditions.

Table 1.18

Summary of Section I – Conditions (all 19)
<b>Insurable Interest and Limit of Liability:</b> No matter the number of people with an insurable interest, an insurance company will not be liable in any one loss for more than the amount of an “insured’s” interest at the time of loss or for more than the applicable limit of liability.
<b>Deductible:</b> Applicable to limit of liability, the insurance company will pay that part of the claim that exceeds the deductible shown in the Declarations. If more than one deductible exists, only the highest deductible will apply.
<b>Duties After Loss:</b> The insurance company has no duty to provide coverage until the “insured” complies with the eight terms of Duties After Loss. Use the acronym, PINES, to recall the most important duties after loss.
<b>Loss Settlement:</b> Explains the application of “cost to repair or replace” and conditions for “replacement cost” deduction to buildings covered under Coverage A or B
<b>Loss To A Pair Or Set:</b> Explains the options the insurance company has to pay for losses to property that belongs to a pair or set
<b>Appraisal:</b> Details the rights of the “insured” and the insurance company to demand an appraisal should there be disagreement between the parties regarding the amount of loss
<b>Other Insurance and Service Agreement:</b> The extent of the insurance company’s obligations should an “insured” have other insurance or a service plan, such as a home warranty
<b>Suit Against Us:</b> Describes the terms under which a suit can be brought against the company; the policyholder must comply fully with all the terms under Section I, and the action must begin within two years after the date of loss
<b>Our Option:</b> The insurance company retains the right to repair or replace any part of the damaged property with like kind and quality if written notice is given to the “insured” within 30 days of receiving a signed, sworn proof of loss.

*continued...*

Summary of Section I – Conditions (all 19) <i>continued</i>	
<b>Loss Payment:</b>	The insurance company agrees to adjust all losses with and pay the “insured” unless another person is named in the policy or is legally entitled to receive payment.
<b>Abandonment Of Property:</b>	The insurance company is under no obligation to receive property abandoned by an “insured.”
<b>Mortgage Clause:</b>	Terms under which the insurance company will pay for losses payable under Coverages A or B to a mortgagee and the “insured”
<b>No Benefit To Bailee:</b>	The insurance company does not recognize assignments or grants that benefit an individual or organization that holds, stores, or moves property for a fee.
<b>Nuclear Hazard Clause:</b>	“Nuclear hazard” is defined and will not be considered loss caused by fire, explosion, or smoke, whether a named peril or otherwise included within Perils Insured Against.
<b>Recovered Property:</b>	Should the insurance company recover property for which they have already made payment, it gives the “insured” the option of having the property returned. If the “insured” chooses to receive the recovered property, the insurance company will adjust the loss payment.
<b>Volcanic Eruption Period:</b>	The insurance company defines a volcanic eruption period as one or more eruptions occurring within a 72-hour period.
<b>Policy Period:</b>	The policy applies only to loss that occurs during the policy period.
<b>Concealment Of Fraud:</b>	No coverage is provided if the “insured” has intentionally concealed or misrepresented information, engaged in fraudulent conduct, or made false statements related to the insurance, whether before or after a loss.
<b>Loss Payable Clause:</b>	The definition of “insured” will include a loss payee with respect to certain listed property if the Declarations shows a loss payee for that insured property.

## ▶▶ Knowledge Check



**Directions:** Read the following scenario and respond to each question part; using a calculator is allowed.

Mac has an unendorsed Homeowners 3 - Special Form with \$300,000 for Coverage A - Dwelling. He suffered severe damage to his home from a covered loss. At the time of the loss, the replacement cost of his dwelling was determined to be \$500,000. Mac's total losses are as follows:

Loss	Replacement cost	Actual Cash Value
Dwelling	\$ 25,000	\$ 20,000
Iron Fence	\$ 5,000	\$ 3,000
Personal Property	\$ 15,000	\$ 10,000

**Part 1:** Explain how much will be paid for each of the above losses. (Ignore deductibles.)

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**Part 2:** What changes, if any, could have been made so that Mac received better coverage?

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## Section II – Liability Coverages

### Learning Objective:

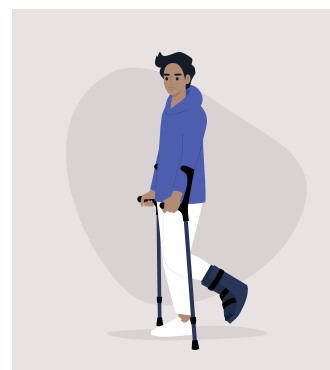
- 1.8 Apply knowledge of relevant policy definitions and the Section II – Liability Coverages Insuring Agreements, including an explanation of coverage provided for an “insured” and the need for the Personal Injury Coverage (HO 24 82) endorsement.



The following information will predominantly utilize the common policy structure and language of the ISO Homeowners 3 – Special Form (HO 00 03).

*Merriam-Webster’s Dictionary* defines liability as “the state of being liable or obligated, according to law.” A liable individual is “exposed to or subject to some adverse” event or condition. In insurance, protection from liability means protection against claims arising from injuries to people (“bodily injury”) and damage to property (“property damage”).

Individuals can be sued for damages caused to others, even when the damages were unintentional. Individuals may easily be held liable for damages that occur while playing golf or at a PTA meeting or for the actions of their pets or their child(ren). This is coverage that clients often undervalue until they’ve experienced a liability claim of their own or know someone who has.



The personal liability coverage offered within the Homeowners Policy provides protection against many personal liability possibilities. Insurance advisors should take time to understand liability coverages provided by Homeowners Policies so that they may best advise their clients on how this critical coverage protects their current and future assets.





# Focused Policy Definitions

## Who is an “Insured”?



Revisit who is considered an “insured” to maintain an understanding of who will receive liability protection from the ISO Homeowners Policy. **Table 1.19** will reference Wayne’s ISO HO-3 Policy.



Table 1.19

 “Insured”	 Example
You	The policyholder, Wayne Wayne’s spouse, Cassandra, who resides in the home
Your resident relatives	Garth, Wayne’s 14-year-old son Alan, Wayne’s 35-year-old brother, who lives in the home
Other persons under age 21 in your care, or the care of a resident relative	Stacy, Alan’s two-year-old daughter, who lives in the home with Alan
A full-time student living away to attend school (previously a resident), who is under 24 years old and your relative	Alice, Wayne’s 19-year-old daughter, who attends school full-time at State University and resides in the dorms
A full-time student living away to attend school (previously a resident), who is under 21 years old and in your care or the care of a resident relative	Guillermo, a 19-year-old exchange student who attends school with Alice and who lives with Wayne when school is not in session

9. “Insured” means:
- a. You and residents of your household who are:
    - (1) Your relatives; or
    - (2) Other persons under the age of 21 and in your care or the care of a resident of your household who is your relative;
  - b. A student enrolled in school full-time, as defined by the school, who was a resident of your household before moving out to attend school, provided the student is under the age of:
    - (1) 24 and your relative; or
    - (2) 21 and in your care or the care of a resident of your household who is your relative; or

## Section 1: Personal Residential Coverages

Don't forget that there are additional "insureds" (not resident relatives) specifically identified for Section II – Liability Coverages.

 <b>Section II – "Insured"</b>	 <b>Example</b>
<p>Any person or organization legally responsible for animals owned by you or an "insured"</p> <p>(excludes in the course of any "business" or without the owner's consent)</p>	<p>Cooper, Wayne's co-worker, who is dog-sitting Wayne's Poodle while he is on vacation</p>
<p>Any person or organization legally responsible for watercraft owned by you or an "insured"</p> <p>(excludes in the course of any "business" or without the owner's consent)</p>	<p>Wayne's friend while they are operating Wayne's 15hp boat as the two are fishing</p>
<p>"Insured" or persons engaged in your employ for a "motor vehicle"</p>	<p>Wayne's personal chef while using a mobility scooter when grocery shopping for Wayne</p>
<p>Other persons using the "motor vehicle" on an "insured" location with your consent</p>	<p>Wayne's groundskeeper while operating Wayne's side-by-side ATV to maintain Wayne's lawn and flower beds</p>

### 9. "Insured" means:

#### c. Under Section II:

(1) With respect to animals or watercraft to which this Policy applies, any person or organization legally responsible for these animals or watercraft which are owned by you or any person described in 9.a. or b. "Insured" does not mean a person or organization using or having custody of these animals or watercraft in the course of any "business" or without consent of the owner; or

(2) With respect to a "motor vehicle" to which this Policy applies:

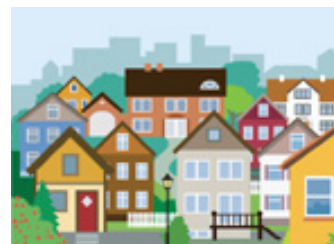
(a) Persons while engaged in your employ or that of any person described in 9.a. or b.; or

(b) Other persons using the vehicle on an "insured location" with your consent.

Under both Sections I and II, when the word an immediately precedes the word "insured", the words an "insured" together mean one or more "insureds".

### What is an “Insured Location”?

Outside of policy definitions, the term “insured location” is first used in Section II – Liability Coverage of the ISO Homeowners Policy and is defined to identify those locations for which premises liability coverage is provided. This only limits locations for premises, not personal activities exposures. Locations defined as an “insured location” include:



- the “residence premises”
- other residences used by an “insured” and which are shown on the Declarations;
- other residences acquired by the “insured” during the policy period for their use as a residence;



Demi maintains her primary residence in Texas but decided to lease an apartment near her employer in Ohio. The apartment will be considered an “insured location” during the policy term in which it was acquired. Before the policy term renews, she should obtain a separate policy or add an endorsement to her Homeowners Policy to extend liability to her apartment.

- locations where the “insured” is temporarily living but does not own the location;



Examples include a hotel room/suite, a vacation rental home, temporarily staying with a friend or relative, temporary shelter during emergencies.

- vacant land (other than farmland) owned or rented to an “insured;”

Vacant land is not defined in the Homeowners Policy, but many court decisions bring clarity. In a 1998 Massachusetts Supreme Judicial Court decision (*Citation Insurance Company v. Brenda Gomez et al.*), precedence was set to view “vacant” land as meaning “land that is free of permanently affixed structures.”



Insurance advisors should ask questions of an “insured” who indicates they have “vacant land.” These questions will identify any possible structures, such as driveways, foundations, utility connections, fences, billboards, sheds, pole barns, deer stands, duck blinds, and more. Consult with an underwriter for a full understanding of what is considered “vacant land” by individual insurance companies.

## Section 1: Personal Residential Coverages

- land owned where a one- to four-family dwelling is being built as the “insured’s residence”;



Jared purchased land and is finally getting to build his dream home. This location will be considered an “insured location” under Jared’s current Homeowners Policy while the residence is being built.

- family cemetery plots or burial vaults of an “insured”; and
- premises rented to an “insured” on occasion (such as an event venue) unless used for “business.”

### 10. “Insured location” means:

- a. The “residence premises”;
- b. The part of other premises, other structures and grounds used by you as a residence; and
  - (1) Which is shown in the Declarations; or
  - (2) Which is acquired by you during the policy period for your use as a residence;
- c. Any premises used by you in connection with a premises described in a. and b. above;
- d. Any part of a premises:
  - (1) Not owned by an “insured”; and
  - (2) Where an “insured” is temporarily residing;
- e. Vacant land, other than farm land, owned by or rented to an “insured”;
- f. Land owned by or rented to an “insured” on which a one-, two-, three- or four-family dwelling is being built as a residence for an “insured”;
- g. Individual or family cemetery plots or burial vaults of an “insured”; or
- h. Any part of a premises occasionally rented to an “insured” for other than “business” use.

## “Bodily Injury”

Bodily harm, sickness, or disease and resulting death are all considered “bodily injury.” However, “bodily injury” encompasses more than physical injury to a person. Required care and loss of services are included in “bodily injury” as well and will include an injured party’s inability to provide various duties to a relative, such as a parent making meals or providing laundry services for their child.



Be careful not to confuse “bodily injury” with “personal injury.” Coverage for personal injury, which relates to libel, slander, and wrongful eviction, is not provided in the unendorsed ISO Homeowners Policy.

2. “Bodily injury” means bodily harm, sickness or disease, including required care, loss of services and death that results.

## “Property Damage”

The term “property damage” is fairly simply defined in the ISO Homeowners Policy as physical injury to, destruction of, or loss of use to tangible property. For the purposes of property insurance, tangible property is physically present and is made of physical materials.

Take care to notice that loss of use is included in the definition of “property damage” and is not contingent on that property being damaged.

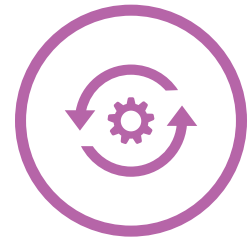


Max borrowed his neighbor’s snow blower. Max accidentally hit a tree stump, causing damage to the impeller blades (bent and misaligned). While the snowblower was being repaired, his neighbor had to rent a snowblower from a local hardware store. The rental costs are a consequence of the loss of use of the snow blower.

**13. “Property damage” means physical injury to, destruction of or loss of use of tangible property.**

## “Occurrence”

An “occurrence” is an event that causes “bodily injury” or “property damage” during the policy term and includes both continuous or repeated exposure to the same situation causing the injury or damage. Continuous or repeated exposure means that if a loss exposure is uninterrupted or recurring, it will be treated as one event.



Overnight, there were two hail events an hour apart but from the same severe thunderstorm. These two separate hail events may be treated as one “occurrence.”

**12. “Occurrence” means an accident, including continuous or repeated exposure to substantially the same general harmful conditions, which results, during the policy period, in:**  
**a. “Bodily injury”; or**  
**b. “Property damage”.**

### Check-In



**Directions:** For the scenarios below, identify whether the location in the scenario is an “insured location” or not.

1. A hotel in Cleveland where the insured is staying while on business

**“insured location”**

**not an “insured location”**

2. The mini-storage unit the insured has been renting for two years

**“insured location”**

**not an “insured location”**

3. 10 acres of undeveloped land the insured will eventually be subdividing into two-acre lots

**“insured location”**

**not an “insured location”**

4. The dorm where the insured’s 18-year-old son lives while attending college

**“insured location”**

**not an “insured location”**

5. The Firefighter’s Hall the insured rents for a client appreciation banquet

**“insured location”**

**not an “insured location”**

The ISO Homeowners Policy has two Insuring Agreements in Section II:

1. Personal Liability (Coverage E)
2. Medical Payments To Others (Coverage F)

Under Section II – Liability Coverage, a deductible does not apply as one does in Section I – Property Coverages. A covered claim will pay from the first dollar.



The insuring agreements for Personal Liability and Medical Payments To Others state what coverage is to be provided and who will be afforded these protections.

## Coverage E – Personal Liability



The ISO Homeowners Policy provides Coverage E – Personal Liability for “bodily injury” and “property damage” caused by the personal activities of an “insured.” The ISO Homeowners Policy begins with a \$100,000 per occurrence (or per claim) limit of liability, though this limit can and should be increased.

While liability coverages are provided when a lawsuit is brought against an “insured,” for payment of damages to be made, the “insured” must be legally liable. This means coverages such as defense will be provided regardless of an “insured’s” negligence.

According to the insuring agreement, the insurance company will provide a defense (at their expense) for a claim or suit that arises from the covered activities of an “insured,” even if the suit is groundless, false, or fraudulent. For defense, the insurance company will:

- choose the attorney to defend the insured and
- pay all defense costs.

The insurance company’s duty to defend will end when payment of judgment or settlement has exhausted the limit of liability. Thankfully, coverage for defense is in addition to the limit of liability, meaning defense costs do not reduce the limit of liability for Coverage E – Personal Liability. If defense coverage was included in the limit of liability, limits could quickly be exhausted before a judgment or settlement was ever rendered.

When an insured is determined legally liable for a covered “occurrence,” the company will pay up to the limit of liability, which includes **pre-judgment interest** (a dollar amount that accrues from the date of injury or damage to the time that judgment is determined).



Amari’s Homeowners Policy has a Personal Liability Coverage limit of liability of \$100,000. A covered lawsuit resulted in a judgment of \$96,000 for “property damage” and \$9,600 in pre-judgment interest. Her total defense costs are \$25,000. The insurance company will pay \$25,000 in defense costs. Amari will be financially responsible for \$5,600 out of pocket since the company will only pay a \$100,000 maximum for the judgment and pre-judgment interest combined.

Furthermore, the Coverage E – Personal Liability Insuring Agreement also states that the insurance company has the right to investigate and settle any claim they decide is appropriate. The following are reasons an insurance company may decide to settle a claim:

- **Clear liability:** When it is clear that the “insured” is liable for the injury or damages caused, settlement may avoid a costly legal battle.
- **Cost-effective:** Legal fees, court costs, and time resources can be significant—settling may be more cost-effective. It could also be that the limit of coverage is high, and the claimant is asking for low damages, in which case it may be more cost-effective to pay and close the claim without much cost for defense.
- **Legal uncertainty:** In areas of ambiguity, risking legal interpretation may be less than ideal. Settling may avoid setting unfavorable legal precedents.



## SECTION II – LIABILITY COVERAGES

### A. Coverage E – Personal Liability

If a claim is made or a suit is brought against an "insured" for damages because of "bodily injury" or "property damage" caused by an "occurrence" to which this coverage applies, we will:

1. Pay up to our limit of liability for the damages for which an "insured" is legally liable. Damages include prejudgment interest awarded against an "insured"; and
2. Provide a defense at our expense by counsel of our choice, even if the suit is groundless, false or fraudulent. We may investigate and settle any claim or suit that we decide is appropriate. Our duty to settle or defend ends when our limit of liability for the "occurrence" has been exhausted by payment of a judgment or settlement.

## Coverage For Personal Injury?

Notice that neither "bodily injury" nor "property damage" include terminology for personal injury incidents (such as libel, slander, wrongful eviction, and more.) Nor is any language found within the Coverage E – Personal Liability Insuring Agreement. This is because the ISO Homeowners Policy does not include coverage for Personal Injury.



Personal injury is frequently misunderstood as being a physical injury to a person. Recall that physical injury to a person is encompassed in "bodily injury."

When this coverage is added to the Homeowners Policy, coverage is provided for:

- false arrest, detention, or imprisonment;
- malicious prosecution;
- the wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling, or premises; and
- libel or slander.

Anyone with a social media account or who is able and willing to communicate their personal opinions is at risk of being accused of libel or slander (this is especially applicable to children). Anyone who may be a landlord or who attempts to prevent a suspected shoplifter from leaving a store is at risk of being accused of false detention. Personal Injury is a critically important coverage that should be added (without question!) to every Homeowners Policy.

Coverage for Personal Injury can be added with the following endorsements:



The **Personal Injury Coverage (HO 24 82)** endorsement adds Personal Injury Liability coverage for stated offenses on a per-offense basis (up to the Personal Liability limit of liability).



The **Personal Injury Coverage (Aggregate Limit Of Liability) (HO 24 10)** adds the same Personal Injury Liability coverage for stated offenses, but coverage is limited to a maximum amount payable during the policy period (i.e., aggregate limit).

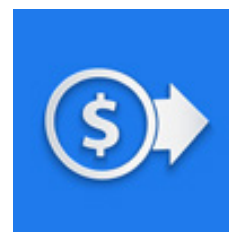




Check with individual insurance companies for these optional Personal Injury endorsements.

## Coverage F – Medical Payments To Others

The second liability coverage in the ISO Homeowners Policy is Coverage F – Medical Payment To Others. The ISO Homeowners Policy begins with a \$1,000 per person limit of liability but may be increased simply by selecting a higher limit. This coverage is meant to offer a quick way to help injured parties without having to determine liability. It pays for the medical expenses of others in the event they are accidentally injured on the “insured location” (with permission) or off the “insured location” if “bodily injury” is caused by:



- a condition on the “insured location” or areas immediately adjoining it;



Silas left a water hose from his waterspout stretched across the sidewalk in front of his house. A jogger tripped over the hose, fell, and was injured.

- the personal activities of an “insured”;



Silas’ son was playing baseball at the neighbor’s house. He hit a stray ball onto the neighbor’s roof, which rolled off and hit the neighbor on the head, causing a concussion.

- a “residence employee” in the course of their duties; or



Silas’ personal shopper was not paying attention and accidentally ran her grocery cart into a display of canned goods. The goods toppled from the display and injured a fellow shopper.

- an animal in the care of an “insured.”



Silas volunteers to foster animals for an animal shelter. A cat he was fostering and attempting to rehabilitate scratched and seriously injured the young friend of Silas’ son, who was attending a sleepover at his house.

**Table 1.20** provides a helpful overview of who is covered and where under Coverage F – Medical Payments to Others.

Table 1.20

Who Coverage F – Medical Payments To Others Extends To		
Who?	Where?	Occurrence
A person	ON the “insured location” with permission of an “insured”	Accidental “bodily injury” An occurrence of “bodily injury” is not detailed; in general, it is any occurrence unless excluded elsewhere in the policy.
A person	OFF the “insured location”	If “bodily injury”:
		a. arises out of a condition on the “insured location” or the ways immediately adjoining
		b. is caused by the activities of an “insured”
		c. is caused by a “residence employee” in the course of the “residence employee’s” employment by an “insured”
		d. is caused by an animal owned by or in the care of an “insured”

Medical Payments To Others coverage will not apply to the “Named Insured,” their resident spouse, or regular residents of their household, with an exception for “residence employees.” This makes sense. If the Homeowners Policy provided coverage for injury to these parties, the coverage could easily be abused or used in place of health insurance. These parties are expected to have health insurance to cover their medical expenses.

Medical expenses paid under this coverage must be (1) necessary and (2) incurred or medically ascertained within three years from the date of the accident. Such expenses will include reasonable charges for medical, surgical, X-ray, dental, ambulance, hospital, professional nursing, prosthetic devices, and funeral services.

#### **B. Coverage F – Medical Payments To Others**

We will pay the necessary medical expenses that are incurred or medically ascertained within three years from the date of an accident causing “bodily injury”. Medical expenses means reasonable charges for medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, prosthetic devices and funeral services. This coverage does not apply to you or regular residents of your household except “residence employees”. As to others, this coverage applies only:

1. To a person on the “insured location” with the permission of an “insured”; or
2. To a person off the “insured location”, if the “bodily injury”:
  - a. Arises out of a condition on the “insured location” or the ways immediately adjoining;
  - b. Is caused by the activities of an “insured”;
  - c. Is caused by a “residence employee” in the course of the “residence employee’s” employment by an “insured”; or
  - d. Is caused by an animal owned by or in the care of an “insured”.



## Knowledge Check



**Directions:** Describe a scenario for each of the following offenses that will adequately demonstrate the importance of adding the Personal Injury Coverage (HO 24 82) endorsement to a Homeowners Policy.

False imprisonment:

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Libel:

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Slander:

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Invasion of Privacy:

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## Section II – Exclusions

### Learning Objective:

- 1.9 Describe the coverage and limitations of the motor vehicle liability, watercraft liability, and aircraft liability exclusions in Section II – Liability, and identify the appropriate endorsement(s) that provide coverage.

Just as with Section I – Property Coverage, exclusions are present for Section II – Liability Coverages. The two insurance agreements give coverage to insureds, while the exclusions take coverage away and may give limited coverage back.

### EXCLUSIONS

Section II – Liability Coverage Exclusions in the ISO Homeowners Policy begins with exclusions for “motor vehicle liability,” “watercraft liability,” “aircraft liability,” and “hovercraft liability.” To understand these exclusions, a definition must first be understood.

For the purposes of liability coverage, the Homeowners Policy defines “aircraft liability,” “hovercraft liability,” “motor vehicle liability,” and “watercraft liability” as “bodily injury” or “property damage” arising from:

- Ownership by an “insured” of a vehicle or craft
- Maintenance, occupancy, operation, use, loading, or unloading (1) “Watercraft,” “Aircraft,” and “Hovercraft” by any person or (2) a “motor vehicle” by an “insured”
- An “insured” loaning or entrusting a vehicle or craft to any person
- An “insured’s” failure to supervise any person involving a vehicle or craft
- The **vicarious liability** of a child or minor involving a vehicle or craft

**B.** In addition, certain words and phrases are defined as follows:

1. “Aircraft Liability”, “Hovercraft Liability”, “Motor Vehicle Liability” and “Watercraft Liability”, subject to the provisions in b. below, mean the following:
  - a. Liability for “bodily injury” or “property damage” arising out of the:
    - (1) Ownership of such vehicle or craft by an “insured”;
    - (2) Maintenance, occupancy, operation, use, loading or unloading of:
      - (a) An aircraft, hovercraft or watercraft by any person; or
      - (b) A motor vehicle by an “insured”;
    - (3) Entrustment of such vehicle or craft by an “insured” to any person;
    - (4) Failure to supervise or negligent supervision of any person involving such vehicle or craft by an “insured”; or
    - (5) Vicarious liability, whether or not imposed by law, for the actions of a child or minor involving such vehicle or craft.

There is a second part to this definition that addresses what each particular type of craft means for the purposes of Section II – Liability Coverages—each will be addressed under each applicable exclusion.

## “Motor Vehicle Liability” Exclusion

For the purposes of the “motor vehicle liability” exclusion in Section II – Liability, a “motor vehicle” is defined as one that is a self-propelled (or capable of) land or amphibious vehicle and includes a trailer that is hitched to the vehicle (while towed or stationary).



Land vehicle	Amphibious vehicle
<ul style="list-style-type: none"> <li>• private passenger auto</li> <li>• motorhome</li> <li>• hitched/towed trailer or camper trailer</li> <li>• motorcycle</li> <li>• golf cart</li> <li>• ATV</li> <li>• snowmobile</li> <li>• excavator</li> <li>• lawnmower/tractor</li> <li>• electric bicycle</li> <li>• electric scooter</li> <li>• moped</li> <li>• electric skateboard</li> <li>• children’s riding toy</li> </ul>	<ul style="list-style-type: none"> <li>• Amphicar</li> <li>• Xtreme terrain vehicle (XTV)</li> <li>• land-to-water vehicles</li> <li>• duck boats</li> </ul>

**B.** In addition, certain words and phrases are defined as follows:

**1.** "Aircraft Liability", "Hovercraft Liability", "Motor Vehicle Liability" and "Watercraft Liability", subject to the provisions in **b.** below, mean the following:

**b.** For the purpose of this definition:

- (1)** Aircraft means any contrivance used or designed for flight except model or hobby aircraft not used or designed to carry people or cargo;
- (2)** Hovercraft means a self-propelled motorized ground effect vehicle and includes, but is not limited to, flarecraft and air cushion vehicles;
- (3)** Watercraft means a craft principally designed to be propelled on or in water by wind, engine power or electric motor, except model or hobby watercraft not designed to carry people or cargo; and
- (4)** Motor vehicle means a "motor vehicle" as defined in **11.** below.

**11.** "Motor vehicle" means:

- a.** A land or amphibious vehicle that is self-propelled or capable of being self-propelled; or
- b.** Any trailer or semitrailer which is being carried on, towed by or hitched for towing by a vehicle described in **11.a.** above.

There are two parts to the "motor vehicle liability" exclusion. Part A.1. of the "motor vehicle liability" exclusion removes coverage for "bodily injury" or "property damage" arising out of the maintenance, occupancy, operation, use, loading, or unloading of a "motor vehicle" by an "insured" as well as entrustment, failure to supervise, negligent supervision, and vicarious liability of a motor vehicle. The second part of the exclusion (Part A.2) gives back some coverage.

### Part 1 of the "Motor Vehicle Liability" Exclusion


The first part seeks to remove coverage for vehicles that, for the most part, should be covered under a Personal Auto Policy. Coverages E – Liability and F – Medical Payments To Others will NOT apply to any "motor vehicle liability" if, at the time and place of an "occurrence," the "motor vehicle" is registered for use on public roads or property; OR is not registered but is required by law to be registered for use at the place of the "occurrence."



- Warren's sedan, which he drives daily, is excluded from liability under his Homeowners Policy since it is a registered vehicle for use on public roads.
- The small pick-up Warren only uses on his five-acre private residence is not registered. This use of the truck will NOT be excluded from liability under his Homeowners Policy since it is not required to be registered for use on his private property.
- When Warren drives the small pickup to the local auto shop for repairs, the truck is excluded for liability under his Homeowners Policy since it is required to be a registered vehicle for use on public roads.

## Section 1: Personal Residential Coverages

In addition, Personal Liability Coverages (E and F) do not apply to any “motor vehicle” involved in any of the following situations at the time of the “occurrence”:

“Motor vehicle liability” exclusions	 Example
(1) The vehicle is being used in or practicing for a prearranged or organized race, speed contest, or other competition;	Zach is participating in a county race with his ride-on lawn mower. Liability is excluded.
(2) The vehicle is rented to others;	Zach has rented out one of his snowblowers on a community board. Liability is excluded.
(3) The vehicle is being used to carry persons or cargo for a charge (e.g., Uber/Lyft) or	Zach is using his golf cart to deliver groceries within his retirement community. Liability is excluded.
(4) The vehicle is being used for any “business” purpose unless it is a golf cart while in use on a golfing facility.	Zach is hosting a golf tournament for clients. The golf cart he is using is not excluded from liability.

### SECTION II – EXCLUSIONS

#### A. Motor Vehicle Liability

1. Coverages E and F do not apply to any “motor vehicle liability” if, at the time and place of an “occurrence”, the involved “motor vehicle”:
  - a. Is registered for use on public roads or property;
  - b. Is not registered for use on public roads or property, but such registration is required by a law, or regulation issued by a government agency, for it to be used at the place of the “occurrence”; or
  - c. Is being:
    - (1) Operated in, or practicing for, any prearranged or organized race, speed contest or other competition;
    - (2) Rented to others;
    - (3) Used to carry persons or cargo for a charge; or
    - (4) Used for any “business” purpose except for a motorized golf cart while on a golfing facility.

### Part 2 of the “Motor Vehicle Liability” Exclusion


While the first part of the “motor vehicle liability” exclusion took coverage away, the second part seeks to give back limited coverage. In this part, coverage is excluded for any other type of motor vehicle that may have been left out of the first part of the exclusion, but gives back some limited coverage. Coverage is given back mainly for vehicles commonly used by insureds for assisted mobility, lawn care, and some limited (lower risk) recreational use.



## Section 1: Personal Residential Coverages

The exception states that if any of the exclusions in Part A.1 do not apply to the “motor vehicle” in question, coverage for “motor vehicle liability” will still not apply UNLESS the “motor vehicle” is:

*Pay attention to when coverage applies according to use at the time of “occurrence”!*







Exceptions to the “motor vehicle liability” exclusion	 Example
a. In dead storage on an “insured location” Dead storage is undefined by ISO and can be broadly interpreted by courts—be careful not to make assumptions.	Glen is rebuilding a 1974 Ford. It has no engine and is elevated on jacks in Glen’s driveway. While assisting Glen, his friend was injured when one jack slipped. Liability is not excluded.
b. Used solely to service a residence Policy language doesn’t specify the insured’s residence, just that the “motor vehicle” is used to service <u>a</u> residence.	Glen’s residence has three acres of land with chickens, goats, and beehives. He uses a small side-by-side ATV to maintain his property. Liability is not excluded.
c. A riding lawn mower being used to mow a lawn at the time of the “occurrence” There is no distinction that the lawn must be the “insured’s” lawn or even that the lawn be that of a residence.	Glen has a zero-turn ride-on mower that he uses to maintain his residence. He also uses the mower to mow the lawn of the community playground across the street. Liability is not excluded.
d. Designed to assist the handicapped AND, at the time of an “occurrence,” is being used to assist the handicapped OR is parked on the “insured location”	Glen’s wife has paraplegia and uses an electric wheelchair. Her use of the electric wheelchair is not excluded from liability.

- 2. If Exclusion A.1. does not apply, there is still no coverage for “motor vehicle liability”, unless the “motor vehicle” is:**
- a. In dead storage on an “insured location”;**
  - b. Used solely to service a residence;**
  - c. A riding lawn mower that, at the time of the “occurrence”, is being used to mow a lawn;**
  - d. Designed to assist the handicapped and, at the time of an “occurrence”, it is:**
    - (1) Being used to assist a handicapped person; or**
    - (2) Parked on an “insured location”;**

## Section 1: Personal Residential Coverages

The “motor vehicle liability” exclusion is not yet finished. Many individuals have recreational off-road type vehicles, and the risk associated with such vehicles can be high, so insurance companies will seek to limit just how much risk they are willing to insure.

Under an ISO Homeowners Policy, a vehicle designed for off-road recreational use will receive liability coverage under particular circumstances. First, consider what types of vehicles may be regarded as recreational vehicles:

	ATV, UTV, or XTV
	Dirt/Moto-cross bike
	Go-kart
	Dune buggy
	Snowmobile
	Electric scooters/bicycles

The ISO Homeowners “motor vehicle liability” exclusion (A.2.e.) continues by stating that coverage for “motor vehicle liability” is provided to “motor vehicles” designed for recreational use off public roads AND:

- Not Owned by an “insured” (used anywhere)



Rick rented a snowmobile during his visit to the ski lodge. Liability coverage will apply unless otherwise excluded (i.e., registration required or prohibited use).

- Owned by an “insured” when the “occurrence” is:
  - On an “insured location,” but only for locations a., b., d., e., or h., as identified in the “insured location” definition (B.10).

## Section 1: Personal Residential Coverages

“insured locations” where “motor vehicle liability” applies	“insured locations” where “motor vehicle liability” is excluded
<ul style="list-style-type: none"> <li>a. The “residence premises”;</li> <li>b. The part of other premises, other structures and grounds used by you as a residence; and               <ul style="list-style-type: none"> <li>(1) Which is shown in the Declarations; or</li> <li>(2) Which is acquired by you during the policy period for your use as a residence;</li> </ul> </li> <li>d. Any part of a premises:               <ul style="list-style-type: none"> <li>(1) Not owned by an “insured”; and</li> <li>(2) Where an “insured” is temporarily residing;</li> </ul> </li> <li>e. Vacant land, other than farm land, owned by or rented to an “insured”;</li> <li>h. Any part of a premises occasionally rented to an “insured” for other than “business” use.</li> </ul>	<ul style="list-style-type: none"> <li>c. Any premises used by you in connection with a premises described in a. and b. above;</li> <li>f. Land owned by or rented to an “insured” on which a one-, two-, three- or four-family dwelling is being built as a residence for an “insured”;</li> <li>g. Individual or family cemetery plots or burial vaults of an “insured”; or</li> </ul>

- Off an “insured location” when it is a toy vehicle designed for use by children under seven years old, battery-powered, and does not exceed five mph on level ground.



Electric scooters (e-scooters) and bikes (e-bikes) are commonly used by individuals today. These vehicles are self-propelled and often reach speeds of 15 to 20mph. When they are non-owned and operated by an “insured” (such as the use of pay-per-use e-scooters and e-bikes in cities), liability coverage is provided by the Homeowners Policy. However, when they are owned, the policy limitations are clear; no liability coverage is provided off an “insured location.”



### The **Incidental Low Power Recreational Motor Vehicle Liability Coverage**

**(HO 24 13)** endorsement can be used to buy back Section II – Liability Coverage for owned motor vehicles designed for recreational use (off public roads) both ON and OFF the “insured location” as long as they were not built or modified to exceed 28mph on level ground. A moped or motorized golf cart, regardless of speed capability, is not eligible for coverage under this endorsement. This endorsement does not give back coverage for physical damage to the vehicle.

## Section 1: Personal Residential Coverages

2. If Exclusion A.1. does not apply, there is still no coverage for "motor vehicle liability", unless the "motor vehicle" is:

e. Designed for recreational use off public roads and:

- (1) Not owned by an "insured"; or
- (2) Owned by an "insured" provided the "occurrence" takes place:
  - (a) On an "insured location" as defined in Definition B.10.a., b., d., e. or h.; or
  - (b) Off an "insured location" and the "motor vehicle" is:
    - (i) Designed as a toy vehicle for use by children under seven years of age;
    - (ii) Powered by one or more batteries; and
    - (iii) Not built or modified after manufacture to exceed a speed of five miles per hour on level ground;

There is one final exception (or coverage give-back) to explore for the "motor vehicle liability" exclusion, and it specifically addressed golf carts.

Remember that NON-OWNED "motor vehicles" designed for recreational use OFF public roads (and not registered for road use or required to be) are covered both on and off an "insured location."

When the motorized golf cart is OWNED, liability exceptions are provided when the golf cart is designed to carry no more than four people and not manufactured or modified to exceed 25mph. However, coverage only applies when, at the time of the "occurrence," the golf cart is within the legal boundaries of:



A golfing facility  
AND

- Parked or stored there; or
- Being used by an "insured" to:
  - play golf; or
  - participate in other leisure activities; or
  - travel to and from parking areas; or
  - cross public roads at designated points.

A private residential  
community that is

- Where an "insured's" residence is located, AND
- Subject to the authority of a property owners association (POA).
- Includes public roads where a golf cart can travel.

## Section 1: Personal Residential Coverages

2. If Exclusion A.1. does not apply, there is still no coverage for "motor vehicle liability", unless the "motor vehicle" is:

f. A motorized golf cart that is owned by an "insured", designed to carry up to four persons, not built or modified after manufacture to exceed a speed of 25 miles per hour on level ground and, at the time of an "occurrence", is within the legal boundaries of:

(1) A golfing facility and is parked or stored there, or being used by an "insured" to:

- (a) Play the game of golf or for other recreational or leisure activity allowed by the facility;
- (b) Travel to or from an area where "motor vehicles" or golf carts are parked or stored; or
- (c) Cross public roads at designated points to access other parts of the golfing facility; or

(2) A private residential community, including its public roads upon which a motorized golf cart can legally travel, which is subject to the authority of a property owners association and contains an "insured's" residence.



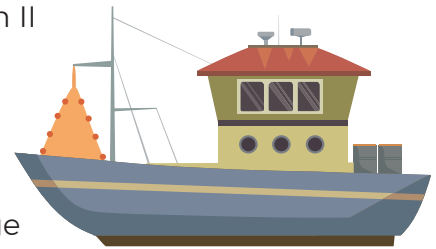
The ISO Homeowners Program offers the **Owned Snowmobile Liability (HO 24 64)** endorsement to provide liability coverage for snowmobiles owned by an "insured" for "occurrences" that take place OFF an "insured location." This endorsement does not give back coverage for physical damage to the vehicle.



Ideally, recreational vehicles should be provided coverage through a separate Recreational Vehicle Policy or the Personal Auto Policy with the use of the Miscellaneous Vehicle Type Endorsement (PP 03 23).

### "Watercraft Liability" Exclusion

For the purposes of the "watercraft liability" exclusion in Section II – Liability, a "watercraft" is defined as being designed to be propelled by wind, engine, or motor on or in water. Hobby or model watercraft (not designed to carry people or cargo) are not considered "watercraft."



The application of this definition to Section II – Liability Coverage means that watercraft such as kayaks, canoes, and paddle boats are not subject to the "watercraft liability" exclusions, though they are subject to limitations and exclusions for Section I – Property Coverage (\$2,000 Special Limit and excluded for theft of the "residence premises).

B. In addition, certain words and phrases are defined as follows:

1. "Aircraft Liability", "Hovercraft Liability", "Motor Vehicle Liability" and "Watercraft Liability", subject to the provisions in b. below, mean the following:

b. For the purpose of this definition:

(3) Watercraft means a craft principally designed to be propelled on or in water by wind, engine power or electric motor, except model or hobby watercraft not designed to carry people or cargo; and


## Section 1: Personal Residential Coverages

Just as with “motor vehicle liability,” the ISO Homeowners Policy limits coverage for “watercraft liability” because the risks associated with watercraft can be substantial. Though endorsements may be available for the Homeowners Policy to help add limited coverage back, watercraft policies (like the ISO Watercraft Policy WT 00 01) are better designed to insure these exposures than a Homeowners Policy.

The “watercraft liability” exclusion is another two-part exclusion that removes coverage in the first part (B.1.) for “bodily injury” or “property damage” arising out of the maintenance, occupancy, operation, use, loading, or unloading of watercraft by any person as well as entrustment, failure to supervise, negligent supervision, and vicarious liability of a watercraft. The second part of the exclusion (B.2.) gives back limited coverage.

### Part 1 of the “Watercraft Liability” Exclusion

Coverage E – Personal Liability and Coverage F – Medical Payments To Others will not apply to any “watercraft liability” if, at the time of an “occurrence,” the watercraft is:

“Watercraft liability” exclusions	 Example
a. being used in or practicing for a prearranged or organized race, speed contest, or other competition.  Does not apply to sailing vessels or <b>predicted log cruises</b> .	Lori has built a small Dragon Boat to compete in a community boat race. Coverage is not excluded since the craft does not meet the watercraft definition for Section II – Liability Coverage.
b. rented to others; or	Lori is renting her Jet Ski® to a vacationer for the weekend. Liability coverage will not be provided if an accident occurs.
c. being used to carry persons or cargo for a charge; or	Lori uses her Jet Ski® on the weekends to transport vacationers to and from a river island. Liability coverage will not be provided if an accident occurs.
d. being used for any “business” purpose.	Lori earns \$10,000 annually using her small 25hp watercraft to survey property along the riverbanks. Liability coverage will not be provided if an accident occurs while performing surveyor activities.

## Section 1: Personal Residential Coverages

### Part 2 of the “Watercraft Liability” Exclusion

While the first part of the “watercraft liability” exclusion took coverage away, the second part seeks to give back limited coverage. In this part, coverage is excluded for any other type of watercraft that may have been left out of the first part of the exclusion but gives back some limited coverage. Coverage is given back mainly for lower-powered watercraft or that which an insured may only have occasional exposure (such as rented or borrowed watercraft).

The exception states that if any of the exclusions in Part B.1 do not apply to the watercraft in question, coverage for “watercraft liability” will still not apply UNLESS at the time of the “occurrence,” the watercraft is a:

Type of Watercraft	Details	Possession of Watercraft	
		Owned	Non-owned
Sailing vessel	Less than 26 ft in length	Yes	Yes
	26 ft or more in length	No	Yes
Powered by engines or motors (including water jet pump)	25 horsepower or less	Yes	Yes
	More than 25 horsepower	No	Yes
	<p><b>More than 25hp outboard engines or motors</b> if acquired and owned by an insured:</p> <p>DURING the policy period</p> <p><b>OR</b></p> <p>BEFORE the policy period but ONLY</p> <ul style="list-style-type: none"> <li>• if declared at policy inception or</li> <li>• if intent to insure the craft is made in writing within 45 days of a “you” acquiring the watercraft.</li> </ul>		



## Section 1: Personal Residential Coverages

Notice that liability coverage for non-owned watercraft (borrowed or rented) has no horsepower limit. This means a client could rent a luxury yacht while on vacation and receive liability coverage from the Homeowners Policy. For owned watercraft, however, coverage under the Homeowners Policy is quite limited. That said—always borrow or rent watercraft!

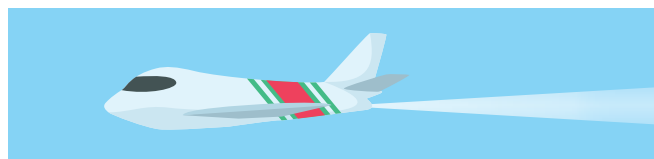
2. If Exclusion B.1. does not apply, there is still no coverage for "watercraft liability" unless, at the time of the "occurrence", the watercraft:
- a. Is stored;
  - b. Is a sailing vessel, with or without auxiliary power, that is:
    - (1) Less than 26 feet in overall length; or
    - (2) 26 feet or more in overall length and not owned by an "insured"; or
  - c. Is not a sailing vessel and is powered by one or more engines or motors, including those that power a water jet pump, totaling:
    - (1) 25 horsepower or less; or
    - (2) More than 25 horsepower; and
      - (a) Not owned by an "insured"; or
      - (b) Are outboard engines or motors owned by an "insured" who acquired such engines or motors:
        - (i) During the policy period; or
        - (ii) Before the policy period, but only if you declare them at policy inception or your intent to insure them is reported to us in writing within 45 days after you acquire them.
- The coverages in (b) above apply for the policy period.
- Horsepower means the maximum power rating assigned to the engine or motor by the manufacturer.



The ISO Homeowners Program makes available the **Supplemental Watercraft Liability Coverage (HO 24 75)** endorsement to provide Coverage E – Personal Liability and Coverage F – Medical Payments To Others coverage for watercraft listed in the endorsement schedule. This endorsement does not provide coverage for damage to the watercraft and is more of a band-aid than a solution. A Personal Watercraft Policy would provide coverage for common losses to watercraft (such as collision, other than collision, sinking, swamping, theft, on-water towing, and more) that the Homeowners Policy and applicable endorsement cannot provide.

### “Aircraft Liability” and “Hovercraft Liability” Exclusions

The next two exclusions are simple. The Homeowners Policy does not provide liability coverage for “bodily injury” or “property damage” arising out of the maintenance, occupancy, operation, use, loading, or unloading of aircraft or hovercraft by any person, nor entrustment, failure to supervise, negligent supervision, or vicarious liability of aircraft or hovercraft. No exceptions.



#### C. Aircraft Liability

This Policy does not cover "aircraft liability".

#### D. Hovercraft Liability

This Policy does not cover "hovercraft liability".



## Section 1: Personal Residential Coverages

For the purposes of these exclusions, aircraft and hovercraft are defined by the ISO Homeowners Policy.

- Aircraft means any contrivance (machine) used or designed for flight (except model or hobby aircraft).

Consider a drone. Drones are unmanned aerial vehicles that come in various sizes and are used for various reasons. Liability concerns may be injury or damage if they fall or crash, but may also include invasion of privacy and trespassing. As long as a drone was not used for “business” or to carry persons or cargo, it is possible that a drone could be considered hobby aircraft by the Homeowners Policy and afforded liability coverage (though it’s best advised to check with each insurance company).



- Hovercraft means a self-propelled motorized ground effect vehicle (including flare craft and air-cushion vehicles).

**B. In addition, certain words and phrases are defined as follows:**

1. “Aircraft Liability”, “Hovercraft Liability”, “Motor Vehicle Liability” and “Watercraft Liability”, subject to the provisions in b. below, mean the following:

**b. For the purpose of this definition:**

- (1) Aircraft means any contrivance used or designed for flight except model or hobby aircraft not used or designed to carry people or cargo;
- (2) Hovercraft means a self-propelled motorized ground effect vehicle and includes, but is not limited to, flarecraft and air cushion vehicles;

There are no endorsements related to giving back coverage for aircraft or hovercraft, but there are endorsements that will further restrict any possible liability coverage the Homeowners Policy may provide.



The **Model or Hobby Aircraft Liability Exclusion (HO 34 02)** removes liability coverage for all unmanned aircraft (including model and hobby aircraft), while the **Personal Injury Aircraft Liability Exclusion (HO 34 03)** further restricts liability coverage by removing coverage related to personal injury (such as invasion of privacy).

Identifying a client’s owned, borrowed, or rented watercraft, recreational vehicle, and drone exposures is important. These exposures cannot be risk-controlled or financed until you know about them. Consider what questions should be asked of clients to uncover these exposures to loss. A “risk analysis” is an effective risk management tool used to identify a client’s exposures to loss.



## Knowledge Check



**Directions:** Read and respond to the scenario.

Raven owns and lives in a residence in a small retirement community where the owners' association takes care of all exterior grounds and property maintenance for residents. The community allows the residents to drive golf carts around the property, though the community does not have a golf course. Explain whether Raven has liability coverage for the use of her two-person golf cart under her unendorsed Homeowners Policy.

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## Exclusions Applying to Coverage E – Personal Liability and Coverage F – Medical Payments To Others

### Learning Objective:

1.10 Explain the coverage and potential coverage gaps within Section II – Liability Exclusions, and identify the appropriate endorsement(s) to provide coverage.

Exclusions explored for motor vehicles, watercraft, aircraft, and hovercraft are all applicable to Coverage E – Liability and Coverage F – Medical Payments To Others. The exclusions that follow also apply to both liability coverages.

### EXCLUSIONS

#### Exclusion: Expected or Intended Injury

Just as under Section I – Property Coverage, the insurance company does not want to compensate for damages or injuries caused with intention. Personal Liability and Medical Payments to Others coverages will not apply to expected or intended “bodily injury” or “property damage.” However, the exclusion does not apply to an “insured” using reasonable force to protect persons or property.



#### E. Coverage E – Personal Liability And Coverage F – Medical Payments To Others

Coverages E and F do not apply to the following:

##### 1. Expected Or Intended Injury

“Bodily injury” or “property damage” which is expected or intended by an “insured”, even if the resulting “bodily injury” or “property damage”:

- a. Is of a different kind, quality or degree than initially expected or intended; or
- b. Is sustained by a different person, entity or property than initially expected or intended.

However, this Exclusion E.1. does not apply to “bodily injury” or “property damage” resulting from the use of reasonable force by an “insured” to protect persons or property;

#### Exclusion: Business

Utilize knowledge of the “business” definition to understand the Business exclusion. What should be noted while reviewing the Section II – Liability “business” exclusion and “business” definition together is that the purpose of the Homeowners Policy is to provide coverage for liability arising from ordinary, personal living activities. It is not designed to provide coverage for most business activities.



## Section 1: Personal Residential Coverages

The liability exclusion for Business states that Personal Liability and Medical Payments To Others coverages will not be provided for any “business” activities of an “insured” EXCEPT for:

- Renting or holding for rental of an “insured location” (not including “home-sharing host activities”):
  - if on an occasional basis for use as a residence;
  - in part for use only as a residence (no more than two roomers or boarders for a single-family home); or
  - in part as an office, school, studio, or private garage.
- An “insured” under the age of 21 (20 years old or younger) involved in a part-time or occasional self-employed “business” with no employees.

With the “business” exceptions above, Personal Liability and Medical Payments To Others coverage will be provided to a client renting a room or part of their home to a tenant through traditional means (not home-sharing), regardless of income earned.



**Liability Coverage Excluded:** Maggie works remotely for her employer from her home office. On occasion, clients must visit her home for notary services. Liability coverage will not be provided if a client is injured at Maggie’s home.

**Liability Coverage Provided:** Maggie’s 16-year-old son power-washes driveways by himself in the summer months. Liability coverage will be provided for accidental damage or injury caused while her son is engaged in this activity.

### E. Coverage E – Personal Liability And Coverage F – Medical Payments To Others

Coverages E and F do not apply to the following:

#### 2. Business

- a. “Bodily injury” or “property damage” arising out of or in connection with a “business” conducted from an “insured location” or engaged in by an “insured”, whether or not the “business” is owned or operated by an “insured” or employs an “insured”.

This Exclusion E.2. applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed or implied to be provided because of the nature of the “business”.

- b. With respect to other than “home-sharing host activities”, this Exclusion E.2. does not apply to:

- (1) The rental or holding for rental of an “insured location”;

(a) On an occasional basis if used only as a residence;

(b) In part for use only as a residence, unless a single-family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or

(c) In part, as an office, school, studio or private garage; and

- (2) An “insured” under the age of 21 years involved in a part-time or occasional, self-employed “business” with no employees;

The ISO Homeowners Program offers a few optional coverage endorsements that may provide coverage for some business exposures. However, clients are generally better served with a commercial lines policy when a home-based or extensive business exposure is present. ISO Homeowners Program endorsements available for use are:

## Section 1: Personal Residential Coverages



### The **Permitted Incidental Occupancies – Residence Premises (HO 04 42)**

endorsement provides liability coverages on the “residence premises” for the “business” of a “you,” and that is described in the endorsement. Liability coverage will apply to the necessary and incidental use of the premises to operate the “business” in the schedule. The workers compensation exclusion under Medical Payments To Others (G.2.) will still apply.

The **Designated Business Pursuits Liability Coverage (HO 24 71)** provides liability coverages both on and off the premises for eligible businesses such as clerical, sales, and teachers; however, no professional services other than teaching are eligible. Liability for corporal punishment may be available for teachers. The “business” cannot be owned or financially controlled by the “insured.”

The **Structures Rented To Others – Residence Premises (HO 04 40)** endorsement provides Personal Liability and Medical Payments To Others Coverage as well as property coverage for Coverage B – Other Structures when other structures are rented to others for use as a residence.

The **Broadened Home-Sharing Host Activities (HO 06 63)** endorsement provides a Personal Liability and Medical Payments To Others coverage exception under the “Business” exclusion (E.2) of Section II for “home-sharing host activities.” The form also gives back property coverage for Coverage B – Other Structures, Coverage D – Loss Of Use, Section I – Additional Coverage For Landlord’s Furnishings, and Section II – Damage To Property Of Others as they relate to “home-sharing host activities.”

The **Incidental Farming Personal Liability Coverage (HO 24 72)** endorsement provides Personal Liability and Medical Payments To Others for incidental farming operations by providing a Business exclusion exception for the farming operations identified in the form schedule.

### Exclusion: Professional Services

The liability exclusion for Professional Services states that Personal Liability and Medical Payments To Others coverages will not be provided for “bodily injury” or “property damage” resulting from providing or failing to provide professional services. Professions with high exposure and need for specialty coverage include but are not limited to legal professionals, financial advisors, architects, engineers, real estate professionals, teachers, tutors, or health and wellness professionals. Many of these professions can be operated from their homes, which may mislead clients to believe their Homeowners Policy may provide liability coverage in their time of need. These clients should be offered a Professional Liability Insurance Policy or Errors and Omissions Insurance Policy for adequate coverage.



## Section 1: Personal Residential Coverages



Warren is a registered nurse. In his spare time, he hosts in-home Botox and filler parties. He accidentally injected a client with a lip filler rather than Botox and is being sued. The Professional Services exclusion applies; his Homeowners Policy will not provide Section II – Liability Coverages.

### **E. Coverage E – Personal Liability And Coverage F – Medical Payments To Others**

Coverages E and F do not apply to the following:

#### **3. Professional Services**

"Bodily injury" or "property damage" arising out of the rendering of or failure to render professional services;

### **Exclusion: Insured's Premises Not An Insured Location**

This liability exclusion states that Personal Liability and Medical Payments to Others coverages will not be provided for "bodily injury" or "property damage" arising from a premises owned by or rented to an "insured" or that is rented to others by an "insured" IF the premises is not an "insured location."



Natalia rents a self-storage unit but has not needed it. She does not want to terminate the lease because self-storage units are hard to get in the city. Natalia rents the unit to her friend to regain some of her rental expense rather than terminate the lease. The self-storage does not fit the definition of "insured location" and, as such, will not receive Section II – Liability Coverages from Natalia's Homeowners Policy.

### **E. Coverage E – Personal Liability And Coverage F – Medical Payments To Others**

Coverages E and F do not apply to the following:

#### **4. Insured's Premises Not An Insured Location**

"Bodily injury" or "property damage" arising out of a premises:

- a. Owned by an "insured";
  - b. Rented to an "insured"; or
  - c. Rented to others by an "insured";
- that is not an "insured location";



At the end of exclusions applicable to Coverage E and Coverage F, the ISO Homeowners Policy states that exclusions for "motor vehicle liability," "watercraft liability," "aircraft liability," "hovercraft liability," and the exclusion for "insured's" premises not an "insured location" will not apply to the "bodily injury" of a "residence employee" arising in the course of their duties.



Otto sent his groundskeeper to get something from a lake house he has owned for years but does not insure. While at the lake house, a tool shelf on the wall of the shed fell, and the groundskeeper was injured. Though the lake house is not an "insured location" on Otto's primary Homeowners Policy, it will still provide liability coverage for the groundskeeper's injuries.



## Section 1: Personal Residential Coverages

### Exclusion: War

The liability exclusion for War states that Personal Liability and Medical Payments To Others coverages will not be provided for "bodily injury" or "property damage" arising directly or indirectly from war (including undeclared war).

Simply put, the cost of war is far too great for an insurance company to bear.

In times of political or social unrest, individuals will feel compelled to voice their opinions and stand up for their beliefs, participating in protests, demonstrations, and rallies to demand change. It's not unheard of for peaceful gatherings to escalate and, in extreme cases, potentially lead to insurrection. Participating clients may find themselves swept up in these events. Their Homeowners Policy will not provide Section II – Liability Coverages for their potential liability in these matters.



#### **E. Coverage E – Personal Liability And Coverage F – Medical Payments To Others**

Coverages E and F do not apply to the following:

##### **5. War**

"Bodily injury" or "property damage" caused directly or indirectly by war, including the following and any consequence of any of the following:

- a. Undeclared war, civil war, insurrection, rebellion or revolution;
- b. Warlike act by a military force or military personnel; or
- c. Destruction, seizure or use for a military purpose.

Discharge of a nuclear weapon will be deemed a warlike act even if accidental;

### Exclusion: Communicable Disease

#### **E. Coverage E – Personal Liability And Coverage F – Medical Payments To Others**

Coverages E and F do not apply to the following:

##### **6. Communicable Disease**

"Bodily injury" or "property damage" which arises out of the transmission of a communicable disease by an "insured";

### Exclusion: Sexual Molestation, Corporal Punishment Or Physical Or Mental Abuse

#### **E. Coverage E – Personal Liability And Coverage F – Medical Payments To Others**

Coverages E and F do not apply to the following:

##### **7. Sexual Molestation, Corporal Punishment Or Physical Or Mental Abuse**

"Bodily injury" or "property damage" arising out of sexual molestation, corporal punishment or physical or mental abuse; or



### Exclusion: Controlled Substance

Not surprisingly, there is also no coverage for “bodily injury” or “property damage” related to the use, sale, manufacture, delivery, transfer, or possession of a controlled substance. An exception provides coverage for lawful and legitimate use of a prescription under the care of a licensed.

This exclusion applies to “cannabis,” regardless of whether it is considered a controlled substance or not. However, the exclusion does not apply to the lawful and legitimate use of “cannabis” under the care of a licensed professional.



There is significance in the wording— “cannabis,” regardless of whether such is considered a controlled substance. The legalization landscape of “cannabis” is hotly debated and amended with every legislative session on the state and national levels. The ISO Homeowners Policy is attempting to stay one step ahead to prevent the application of liability coverage to the recreational use of cannabis.

#### E. Coverage E – Personal Liability And Coverage F – Medical Payments To Others

Coverages E and F do not apply to the following:

##### 8. Controlled Substance

“Bodily injury” or “property damage” arising out of the use, sale, manufacture, delivery, transfer or possession by any person of:

- a. A Controlled Substance as defined by the Federal Food and Drug Law at 21 U.S.C.A. Sections 811 and 812; or
- b. Any “cannabis” regardless of whether such “cannabis” is considered a Controlled Substance.

Controlled Substances include but are not limited to cocaine, LSD and all narcotic drugs. However, this exclusion does not apply to the legitimate use of prescription drugs by a person following the lawful orders of a licensed health care professional.

### Exclusions Applying to Coverage E – Personal Liability Only

All Section II – Exclusions explored so far have applied to both Coverage E – Personal Liability and Coverage F – Medical Payments To Others. The exclusions that follow are only applicable to Coverage E – Personal Liability.

#### Exclusion: Liability for loss assessment and contractual liability

Applying only to Coverage E – Personal Liability, there is no coverage for:

- Loss assessment. However, limited coverage is given back in Section II – Additional Coverages (\$2,000).
- This is similar to the Loss Assessment coverage in Section I, but rather than being assessed a share of a property damage claim, the insured may be assessed for a portion of a liability loss of an owners’ association (COA, HOA, or POA) of which they are a member.

## Section 1: Personal Residential Coverages



Consider scenarios where a property guest at a condominium is injured on poorly maintained gym equipment or a child injured on structurally unsound playground equipment, resulting in a lawsuit.

- Contractual liability:

However, exceptions are provided for written contracts (unless coverage is excluded elsewhere in the policy):

- related to the ownership, maintenance, or use of an “insured location”
- where the “insured” assumes someone else’s liability prior to an “occurrence” (such as a lease signed by an “insured” to rent premises)

### **F. Coverage E – Personal Liability**

Coverage E does not apply to:

#### **1. Liability:**

- a. For any loss assessment charged against you as a member of an association, corporation or community of property owners, except as provided in D. Loss Assessment under Section II – Additional Coverages;
- b. Under any contract or agreement entered into by an “insured”. However, this exclusion does not apply to written contracts:
  - (1) That directly relate to the ownership, maintenance or use of an “insured location”; or
  - (2) Where the liability of others is assumed by you prior to an “occurrence”;unless excluded in a. above or elsewhere in this Policy;

### **Exclusion: “Property damage” to property owned by an “insured”**

The Homeowners Policy provides coverage for damage to the client’s property under Section I – Property Coverages. To avoid overlapping coverage, Coverage E – Personal Liability will not provide coverage for “property damage” to property owned by an “insured.” This includes costs the insured may incur to repair the property to prevent injury to others (i.e., home maintenance).



Murphy was informed that handrails missing from the steps leading to his front porch are a liability concern. Murphy’s Homeowners Policy will not cover the expense of adding handrails to prevent injury.

### **F. Coverage E – Personal Liability**

Coverage E does not apply to:

2. “Property damage” to property owned by an “insured”. This includes costs or expenses incurred by an “insured” or others to repair, replace, enhance, restore or maintain such property to prevent injury to a person or damage to property of others, whether on or away from an “insured location”;

## Section 1: Personal Residential Coverages

### **Exclusion: “Property damage” to property rented to, occupied by, used by, or in the care of an “insured”**

Liability coverage will not apply to “property damage” of property rented to, occupied by, used by, or in the care of an “insured.” However, coverage is given back if the “property damage” was caused by:



Since Coverage A – Dwelling only applies to a “residence premises,” and the Renters/Tenant Policies (HO-4 and HO-14) do not include Dwelling coverage, this exclusion exception is what provides coverage for damage to a residential location an insured is renting. This exception also gives coverage for “property damage” to locations where an insured temporarily resides, such as a hotel room. But again, only for fire, smoke, or explosion.



While Walt is staying at a hotel, he accidentally damages a sprinkler head, and water begins pouring from the ceiling. This water damage would not be covered under Walt’s Homeowners or Renters Policy since he rented and occupied the room, and the damage was not caused by fire, smoke, or explosion. However, if damage continues to the hotel room below Walt’s, that water damage would be covered, as Walt is not occupying the room below, nor is it rented to or in his care.



Various insurance companies may offer coverage for accidental water discharge. Be sure to check the policy language with each insurance company to understand broader or more restrictive language.

### **F. Coverage E – Personal Liability**

Coverage E does not apply to:

3. “Property damage” to property rented to, occupied or used by or in the care of an “insured”. This exclusion does not apply to “property damage” caused by fire, smoke or explosion;

**Exclusion: “Bodily injury” to persons eligible for workers compensation or similar**

Personal Liability will not apply to “bodily injury” to any person eligible to receive benefits voluntarily provided or required to be provided by an “insured” under laws such as workers compensation law. This exclusion exists so that the Homeowners Policy does not get used as a commercial workers compensation policy.

Clients should buy workers compensation insurance as soon as they hire their first employee. In many states, it may be the law, but even when it’s not required, purchasing a workers compensation policy is a smart decision. If a person is required to provide or wishes to voluntarily provide such coverage, then a corresponding workers compensation or disability policy should be obtained.

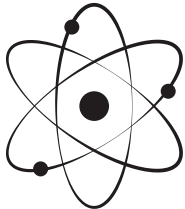


**F. Coverage E – Personal Liability**

Coverage E does not apply to:

4. “Bodily injury” to any person eligible to receive any benefits voluntarily provided or required to be provided by an “insured” under any:
  - a. Workers' compensation law;
  - b. Non-occupational disability law; or
  - c. Occupational disease law;

**Exclusion: “Bodily injury” or “Property damage” for persons insured under a nuclear energy policy**



A nuclear energy policy provides coverage for damage or injury to the public caused by commercial nuclear or nuclear plant events. The insurance is mandated and provided under the Price-Anderson Act of 1957. For this reason, the ISO Homeowners policy provides a liability exclusion to ensure that the policy does not provide duplicate liability coverage for anyone insured under a nuclear liability policy.

For the average individual, radioactive materials can sometimes end up in unexpected places, whether because of improper disposal or natural occurrence. In these rare instances, the insured would have the protection of their liability coverage if they are in some way liable for injury or damage to others.

**F. Coverage E – Personal Liability**

Coverage E does not apply to:

5. "Bodily injury" or "property damage" for which an "insured" under this Policy:
  - a. Is also an insured under a nuclear energy liability policy issued by the:
    - (1) Nuclear Energy Liability Insurance Association;
    - (2) Mutual Atomic Energy Liability Underwriters;
    - (3) Nuclear Insurance Association of Canada;or any of their successors; or
  - b. Would be an insured under such a policy but for the exhaustion of its limit of liability; or

**Exclusion: "Bodily injury" to you or an "insured"**

Liability coverage for "bodily injury" is not provided to you or an "insured" as defined under either part 9.a. or 9.b. of the Homeowners Policy definition of "insured."

This exclusion will apply even if a suit requires an "insured" to repay or share damages with another person for "bodily injury" damages to an "insured." This means that the Named Insured and anyone else considered an "insured" will not be able to claim their own injury under Homeowners Personal Liability, including injury caused between two "insureds" where one "insured" might be liable for injury or damage to the other.



Scott and Mae are siblings residing together in Scott's home. While Scott is cleaning a firearm, it accidentally discharges, injuring Mae. Mae sues Scott for her injuries, medical costs, and treatment of post-traumatic stress disorder (PTSD) and receives a settlement of \$250,000. This claim will not be covered under Scott's Homeowners Policy liability coverage.

**F. Coverage E – Personal Liability**

Coverage E does not apply to:

6. "Bodily injury" to you or an "insured" as defined under Definition 9.a. or b.

This exclusion also applies to any claim made or suit brought against you or an "insured" to:

  - a. Repay; or
  - b. Share damages with;another person who may be obligated to pay damages because of "bodily injury" to an "insured".

## Check-In



**Directions:** Read each True/False statement and select the correct answer.

1. In a fit of rage, Tom's 10-year-old child damages the television. Since the child is liable for the damage, Tom's liability coverage will pay for the damages.

**True**

**False**

2. While at a baseball game, a spectator grabs a fly ball right from Mason's glove. Mason gets angry and pushes the spectator down the stairs. Mason only intends to knock the spectator down—not to cause him injury. Mason's liability coverage will pay for the injuries.

**True**

**False**

3. Cory is a stone mason who volunteers to put together pre-fabricated steel residential wheelchair ramps for disabled veterans. While working on a ramp at a veteran's house, Cory accidentally shatters a window. Cory's liability coverage will pay for the damages.

**True**

**False**

4. Andrea knowingly sent her young child to school sick with pneumonia. Another child in the school became ill and was hospitalized. The child's parent sues Andrea for medical costs. Andrea's liability coverage will respond.

**True**

**False**

5. Susan mislabeled brownies baked with "cannabis." Three children visiting her home ate them. Susan was sued for approximately \$10,000 per child. Susan's liability coverage will respond.





**True**

**False**

## Exclusions Applying to Coverage F – Medical Payments Only

The final subsection of Section II – Liability Coverage exclusions in the ISO Homeowners Policy are those that apply only to Coverage F – Medical Payments To Others. The final four liability exclusions presented in **Table 1.21** are only applicable to Coverage F – Medical Payments To Others.

**Table 1.21**

Policy Exclusion	Summary
<p>“Residence employee,” off residence, not in the course of employment</p> <ol style="list-style-type: none"> <li>1. To a “residence employee” if the “bodily injury”:               <ol style="list-style-type: none"> <li>a. Occurs off the “insured location”; and</li> <li>b. Does not arise out of or in the course of the “residence employee’s” employment by an “insured”;</li> </ol> </li> </ol>	 <p>Med Pay does not apply to a “residence employee” OFF the “insured location” UNLESS “bodily injury” arises in the course of their employment with the “insured.”</p>
<p>Workers compensation or similar law</p> <ol style="list-style-type: none"> <li>2. To any person eligible to receive benefits voluntarily provided or required to be provided under any:               <ol style="list-style-type: none"> <li>a. Workers’ compensation law;</li> <li>b. Non-occupational disability law; or</li> <li>c. Occupational disease law;</li> </ol> </li> </ol>	 <p>Med Pay does not apply to a person eligible to receive benefits provided voluntarily or by specific laws such as workers compensation.</p>
<p>Nuclear loss</p> <ol style="list-style-type: none"> <li>3. From any:               <ol style="list-style-type: none"> <li>a. Nuclear reaction;</li> <li>b. Nuclear radiation; or</li> <li>c. Radioactive contamination; all whether controlled or uncontrolled or however caused; or</li> <li>d. Any consequence of any of these; or</li> </ol> </li> </ol>	 <p>Med Pay does not apply to a person who experiences “bodily injury” caused by a nuclear reaction, nuclear radiation, or radioactive contamination.</p>
<p>Certain residents of the “insured location”</p> <ol style="list-style-type: none"> <li>4. To any person, other than a “residence employee” of an “insured”, regularly residing on any part of the “insured location”.</li> </ol>	 <p>Med Pay does not apply to a “home-sharing occupant” or a regular resident of the “insured location.”</p> <p>Coverage is provided for an “insured’s” live-in “residence employee.”</p>





## Knowledge Check



**Directions:** Read the following scenario and respond to each question part.

Grant's residence is insured by an unendorsed Homeowners 3 - Special Form. For each scenario below, indicate how Grant's Liability Coverage will respond. If there is no coverage, indicate whether an endorsement could have provided coverage. Explain your answers.

**Part 1:** Grant is an accountant and operates his business from an office in his home. A client was injured when a light fixture in Grant's office fell from the ceiling. The client's injuries resulted in medical treatment totaling \$10,000.

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**Part 2:** Grant's residence is located by a lake and has a dock with a sitting area and a small fire pit. Grant's home is projected to be in the "path of totality" for a rare solar eclipse. Grant decided to rent out his whole home for \$5,000 for two nights during the event and did so through word of mouth through friends. A guest renting Grant's home was injured when the dock railing collapsed while the guest was leaning over to look at the water. The guest has \$7,500 in medical bills.

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## Section II – Additional Coverages

### Learning Objective:

*1.11 Describe how Damage to Property of Others in Section II – Liability coordinates with Coverage for Property of Others provided in Section I – Property.*

In a Homeowners Policy, Section II – Exclusions are followed by Section II – Additional Coverages. This section of the policy explains to “insureds” what their insurance companies will cover, in addition to the limits of liability. The coverages are offered regardless of exclusions within the policy. Covered categories include:

- Claims Expenses,
- First Aid Expenses,
- Damage To Property Of Others, and
- Loss Assessment.

### Claims Expenses

Under the terms of the Homeowners Policy, the insurance company will pay expenses incurred by the insurance company and the costs charged against an “insured” in legal suits that the insurance company defends. The company will also pay premiums on bonds required in a suit the insurance company defends, but not for bond amounts more than the Coverage E limit of liability. Types of bonds covered are not listed in the policy but may be bail bonds or the cost of a bond to release a lien on property following a judgment, for example. The insurer is only obligated to pay for the bond and does not apply for or provide the bond.



The insurance company also promises to pay the reasonable expenses an “insured” incurs at the company’s request (such as filing or document creation fees), up to an established limit. This additional coverage ensures that items needed to progress a suit will not be stalled by an “insured’s” inability to afford filing fees, bond premiums, etc.

Additionally, any interest on a judgment that accrues in the time between judgment and payment by the insurance company will also be the responsibility of the insurance company and in addition to the limits of liability.

In summary, Section II – Additional Coverage for Claims Expenses will pay for:

- Defense costs
- Bond premiums
- Reasonable expenses
- Post-judgment interest

## SECTION II – ADDITIONAL COVERAGES

We cover the following in addition to the limits of liability:

### A. Claim Expenses

We pay:

1. Expenses we incur and costs taxed against an "insured" in any suit we defend;
2. Premiums on bonds required in a suit we defend, but not for bond amounts more than the Coverage E limit of liability. We need not apply for or furnish any bond;
3. Reasonable expenses incurred by an "insured" at our request, including actual loss of earnings (but not loss of other income) up to \$250 per day, for assisting us in the investigation or defense of a claim or suit; and
4. Interest on the entire judgment which accrues after entry of the judgment and before we pay or tender, or deposit in court that part of the judgment which does not exceed the limit of liability that applies.

## First Aid Expenses

An insurance company promises to pay expenses for first aid to others incurred by an "insured" for a "bodily injury" covered under the Homeowners Policy. However, the company will not pay for first aid to an "insured."



Eddie was hosting dinner at his home when a guest had a severe allergic reaction to an ingredient in the food and went into anaphylaxis. Eddie used an epinephrine injector from his medicine cabinet to help his guest while he called 911. The insurance company would reimburse Eddie for the expense of the drug injector, which can cost hundreds of dollars.



## SECTION II – ADDITIONAL COVERAGES

We cover the following in addition to the limits of liability:

### B. First Aid Expenses

We will pay expenses for first aid to others incurred by an "insured" for "bodily injury" covered under this Policy. We will not pay for first aid to an "insured".

## Damage To Property Of Others

Recall that "property damage" to property rented to, occupied by, used by, or in the care of an insured is excluded. Limited coverage may be found under Section II – Additional Coverages, Damage To Property of Others.

Under the terms of an ISO Homeowners Policy, an insurance company will pay up to \$5,000 per "occurrence" for "property damage" when an "insured" causes damage to the property of others, but this will not apply in all cases. There is no coverage for amounts recoverable under Section I – Property Coverages or for intentional damage to property of others caused by any "insured" who is 13 years of age or older. Also not covered is property owned by an "insured" and property owned by or rented to a tenant of an "insured" or household resident. This means there is no coverage when an insured, in a fit of rage, picks up his roommate's electric guitar and smashes it to the ground—consequently, intentional damage remains excluded.

## Section 1: Personal Residential Coverages

Furthermore, the company will not pay for damage to property of others when arising out of:

- A "business"
- Act or omission in connection with premises owned, rented, or controlled by an "insured" other than the "insured location"
- Ownership, maintenance, occupancy, operation, loading or unloading of aircraft, hovercraft, watercraft, or "motor vehicles"

However, "motor vehicles" will be provided this limited additional coverage when designed for recreational use off public roads or a "motor vehicle" not owned by an "insured" when it is not required by law to be registered for use on public roads or property at the time of the "occurrence."

### SECTION II – ADDITIONAL COVERAGES

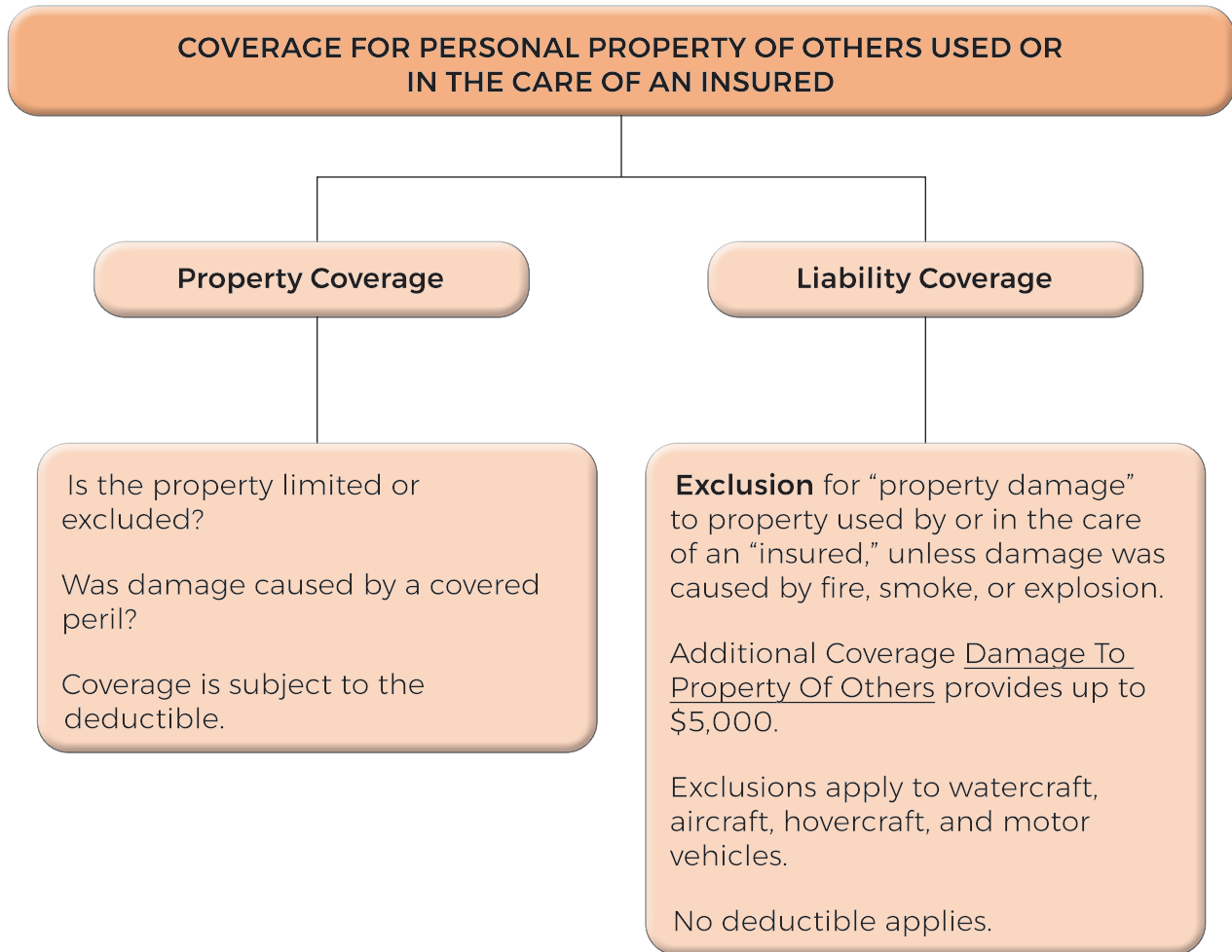
We cover the following in addition to the limits of liability:

#### C. Damage To Property Of Others

1. We will pay, at replacement cost, up to \$5,000 per "occurrence" for "property damage" to property of others caused by an "insured".
2. We will not pay for "property damage":
  - a. To the extent of any amount recoverable under Section I;
  - b. Caused intentionally by an "insured" who is 13 years of age or older;
  - c. To property owned by an "insured";
  - d. To property owned by or rented to a tenant of an "insured" or a resident in your household; or
  - e. Arising out of:
    - (1) A "business" engaged in by an "insured";
    - (2) Any act or omission in connection with a premises owned, rented or controlled by an "insured", other than the "insured location"; or
    - (3) The ownership, maintenance, occupancy, operation, use, loading or unloading of aircraft, hovercraft, watercraft or "motor vehicles".This Exclusion e.(3) does not apply to a "motor vehicle" that:
    - (a) Is designed for recreational use off public roads;
    - (b) Is not owned by an "insured"; and
    - (c) At the time of the "occurrence", is not required by law, or regulation issued by a government agency, to have been registered for it to be used on public roads or property.

Though Section II – Additional Coverage, Damage To Property Of Others coverage may be provided when coverage does not exist under Section I – Property coverage, the coverage will never be duplicated. The following graphic represents how coverage may coordinate between Section I and Section II.

Graphic: 1.3



Jenny borrowed a boat from her friend for Memorial Day. When she pulled the trailered boat out of the water, it became clear that she had failed to properly secure the boat to the trailer, causing the boat to fall. This loss was not caused by a covered peril under Section I; Section II excludes coverage for damage to property in the care of an “insured,” and Damage To Property of Others (Section II – Additional Coverage) excludes watercraft. Jenny does not have coverage under her Homeowners Policy for damage to her friend’s boat.



The **Damage To Property Of Others - Increased Limits (HO 06 51)** endorsement can be used to provide increased limits of \$10,000, \$25,000, or \$50,000 under Section II – Liability, Additional Coverages. Coverage is selected by the client and displayed in the Declarations. All exclusions within the policy remain the same.

## Section 1: Personal Residential Coverages

### Loss Assessment

Property owners in a neighborhood or condominium building subject to a property owners' association (POA, HOA, or COA) enjoy access to shared recreational facilities and other common spaces. They also bear responsibility for maintaining and running these amenities. Owners may be subject to assessments for liability losses arising from property owned by the POA or property or liability claims against the association or its leaders. This coverage isn't only relevant to condo owners; homeowners in POAs or HOAs should also consider it. Recall that Section II excludes loss assessment charges except as provided in Section II – Additional Coverage... that's here!



While Coverage E limit of liability and Defense will not be provided in connection with loss assessments, Loss Assessment under Section II – Additional Coverage promises to pay up to \$2,000 for a client's portion of a loss assessment charged against them that results from "bodily injury" or "property damage" not excluded under Section II – Liability Coverage. Coverage will also apply to an assessment related to liability for an act of a director, officer, or trustee if the person is elected by the neighborhood association and serves in that position without pay.

The assessment must be charged against the "insured" by a corporation or association of property owners during the policy period. Loss Assessment coverage will not apply to assessments charged by a governmental body. The \$2,000 limit is the most that will be paid regardless of the number of assessments for generally the same repeated exposure or despite the number of directors, officers, and trustees involved. Unlike Section I Loss Assessment coverage, no deductible applies to Section II Loss Assessment coverage.



The **Supplemental Loss Assessment Coverage (HO 04 35)** endorsement allows the selection of a higher limit for both Section I – Additional Coverage (E.7) and Section II – Additional Coverage (D.) for Loss Assessment (up to \$50,000). It is in a client's best interest to obtain a copy of the property owners' association bylaws to ensure adequate limits are selected.



A local jogger made a claim against a homeowners' association stating that the pavement at the front gate to the community was in poor condition and caused his injury. To pay the claim, the association assesses each homeowner in the community \$500 to pay the damages. A Homeowners Policy will respond to this claim.

## **SECTION II – ADDITIONAL COVERAGES**

We cover the following in addition to the limits of liability:

### **D. Loss Assessment**

1. We will pay up to \$2,000 for your share of loss assessment charged against you, as owner or tenant of the "residence premises", during the policy period by a corporation or association of property owners, when the assessment is made as a result of:
  - a. "Bodily injury" or "property damage" not excluded from coverage under Section II – Exclusions; or
  - b. Liability for an act of a director, officer or trustee in the capacity as a director, officer or trustee, provided such person:
    - (1) Is elected by the members of a corporation or association of property owners; and
    - (2) Serves without deriving any income from the exercise of duties which are solely on behalf of a corporation or association of property owners.
2. Paragraph I. **Policy Period** under **Section II – Conditions** does not apply to this **Loss Assessment Coverage**.
3. Regardless of the number of assessments, the limit of \$2,000 is the most we will pay for loss arising out of:
  - a. One accident, including continuous or repeated exposure to substantially the same general harmful condition; or
  - b. A covered act of a director, officer or trustee. An act involving more than one director, officer or trustee is considered to be a single act.
4. We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.





## Knowledge Check



**Directions:** Read the following scenarios and respond to each question part.

Andrew's residence is provided coverage under an unendorsed Homeowners 3 – Special Form. Review the two scenarios below and explain which parts of Andrew's Homeowners Policy will provide coverage (if any) for the described damage.

**Part 1:** Andrew rented a venue for a family reunion. A propellant party popper sparked a fire and caused \$20,000 in damages to the venue.

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**Part 2:** Andrew is using a borrowed ATV and utility trailer to drive fencing materials around his residential property while repairing his fence. He left the ATV idling, and it rolled into his pond, resulting in water damage to the engine.

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## Section II – Conditions

Conditions are divided into Section I, Section II, and Conditions that apply to both Section I and Section II in the ISO Homeowners Policy. Remember that policy Conditions are provisions that generally clarify how the policy will perform or set requirements of an “insured.” We’ve previously explored the conditions for Section I. Ten Conditions apply to Section II – Liability Coverages (Coverage E – Personal Liability and Coverage F – Medical Payments To Others).



The **Limit Of Liability** condition states that regardless of the number of “insureds,” claims made, or persons injured, the per “occurrence” limit is the most that will be paid for claims applicable to Coverage E – Personal Liability. Any one accident or continuous or repeated exposure to the same general harmful conditions is going to be considered the result of a single “occurrence.”

Next, this condition addresses the total limit of liability for Coverage F – Medical Payments To Others. The policy specifies that the total liability for all medical costs or expenses payable for “bodily injury” to one person as the result of one accident will not exceed the limit of liability shown in the Declarations. This means that the Medical Payments Coverage limit applies individually to each covered claimant.

### SECTION II – CONDITIONS

#### A. Limit Of Liability

Our total liability under Coverage E for all damages resulting from any one “occurrence” will not be more than the Coverage E Limit Of Liability shown in the Declarations. This limit is the same regardless of the number of “insureds”, claims made or persons injured. All “bodily injury” and “property damage” resulting from any one accident or from continuous or repeated exposure to substantially the same general harmful conditions shall be considered to be the result of one “occurrence”.

Our total liability under Coverage F for all medical expense payable for “bodily injury” to one person as the result of one accident will not be more than the Coverage F Limit Of Liability shown in the Declarations.

The **Severability Of Insurance** condition states that insurance applies separately to each “insured.” This means a claim could be denied for one “insured” and covered for another. What this also means is that when two insureds need representation and coverage for the same “occurrence,” there is still only one limit of liability.

### SECTION II – CONDITIONS

#### B. Severability Of Insurance

This insurance applies separately to each “insured”. This condition will not increase our limit of liability for any one “occurrence”.

## Section 1: Personal Residential Coverages

The **Duties After Occurrence** condition outlines the requirements of an “insured” after a loss, including prompt reporting, cooperation, etc. Keep in mind that an “insured” may not only be the policyholder. Anyone considered an insured for the purposes of this coverage and an “occurrence” must adhere to Duties After Occurrence. The six duties an “insured” must perform after a loss are:

1. Notify the insurance company or agent;
2. Cooperate in the investigation, settlement, or defense of a claim or suit;
3. Forward notices related to the “occurrence” to the insurance company;
4. Help the insurance company with certain tasks to settle the claim or suit;
5. Submit a sworn statement of loss within 60 days after a loss and show the insurance company the damaged property if that property is in the “insured’s” control.
6. No “insured” should voluntarily make payment, assume obligation, or incur expenses other than providing first aid to others at the time of a “bodily injury.”

### SECTION II – CONDITIONS

#### C. Duties After Occurrence

In case of an “occurrence”, you or another “insured” will perform the following duties that apply. We have no duty to provide coverage under this Policy if your failure to comply with the following duties is prejudicial to us. You will help us by seeing that these duties are performed:

1. Give written notice to us or our agent as soon as is practical, which sets forth:
  - a. The identity of the Policy and the “named insured” shown in the Declarations;
  - b. Reasonably available information on the time, place and circumstances of the “occurrence”; and
  - c. Names and addresses of any claimants and witnesses;
2. Cooperate with us in the investigation, settlement or defense of any claim or suit;
3. Promptly forward to us every notice, demand, summons or other process relating to the “occurrence”;
4. At our request, help us:
  - a. To make settlement;
  - b. To enforce any right of contribution or indemnity against any person or organization who may be liable to an “insured”;
  - c. With the conduct of suits and attend hearings and trials; and
  - d. To secure and give evidence and obtain the attendance of witnesses;
5. With respect to **C. Damage To Property Of Others** under Section II – Additional Coverages, submit to us within 60 days after the loss a sworn statement of loss and show the damaged property, if in an “insured’s” control;
6. No “insured” shall, except at such “insured’s” own cost, voluntarily make payment, assume obligation or incur expense other than for first aid to others at the time of the “bodily injury”.

## Section 1: Personal Residential Coverages

The **Duties Of An Injured Person – Coverage F – Medical Payments To Others** condition details obligations of persons seeking coverage under Coverage F (which will be persons other than an “insured,” so compliance may be difficult). The insurance company expects an injured person, or someone acting on behalf of that person, to provide written proof of claim, under oath, if necessary, as soon as would be deemed practical. The injured person is also expected to authorize the insurance company to obtain copies of medical reports and records.

This condition also specifies that an injured person will submit to a physical examination conducted by a physician of the company’s choice when and as often as the company deems reasonable.

### SECTION II – CONDITIONS

#### D. Duties Of An Injured Person – Coverage F – Medical Payments To Others

1. The injured person or someone acting for the injured person will:
  - a. Give us written proof of claim, under oath if required, as soon as is practical; and
  - b. Authorize us to obtain copies of medical reports and records.
2. The injured person will submit to a physical exam by a doctor of our choice when and as often as we reasonably require.

The **Payment Of Claim – Coverage F – Medical Payments To Others** condition states that if payment is made under Coverage E – Medical Payments To Others coverage, it is not an admission of liability of an “insured.” Remember, this is a courtesy coverage and does not require the legal liability of an “insured” for payment under this coverage.

### SECTION II – CONDITIONS

#### E. Payment Of Claim – Coverage F – Medical Payments To Others

Payment under this coverage is not an admission of liability by an “insured” or us.

Now that Section II – Conditions Limit Of Liability, Duties After Occurrence, Duties Of An Injured Person – Coverage F – Medical Payments To Others, and Payment Of Claim – Coverage F – Medical Payments To Others have been reviewed, there are ten Section II – Conditions provided in the ISO Homeowners Policy to become familiar with. **Table 1.22** summarizes all ten Section II – Conditions in the ISO Homeowners Policy.

Table 1.22

Section II – Conditions Summarized (all 10)	
<b>A. Limit Of Liability</b>	Coverage E – Personal Liability will not exceed the limit of liability stated in the Declarations per “occurrence,” and Coverage F – Medical Payments to Others will not pay more than the limit stated in the Declarations per person as the result of one accident.
<b>B. Severability Of Insurance</b>	Coverage provided under Section II applies separately to each “insured” but does not increase the limit of liability. Example: Defense is provided at the expense of the insurance company. Should your client find that more than one “insured,” like a parent and child, is involved in a liability claim, each would receive separate legal counsel paid for by the insurance company. They would still share the limit of liability for the “occurrence.”
<b>C. Duties After Occurrence</b>	Duties the “insured” must perform in the event of an “occurrence”
<b>D. Duties Of An Injured Person – Coverage F – Medical Payments To Others</b>	Duties required of persons seeking Medical Payments Coverage
<b>E. Payment Of Claim – Coverage F – Medical Payments To Others</b>	Neither the insurance company nor the “insured” admits the obligation of liability by making payment under Medical Payments To Others.
<b>F. Suit Against Us</b>	A lawsuit cannot be filed against the insurance company unless all terms under Section II have been complied with. No one will have the right to be a co-defendant with the “insured” in a suit the insurance company is defending, and the legal obligation of an “insured” must be determined before a suit can be brought to the insurance company.
<b>G. Bankruptcy Of An Insured</b>	The insurance company is not relieved of its obligations under the terms of the Homeowners Policy in cases of an “insured’s” bankruptcy or insolvency.
<b>H. Key Condition: Other Insurance</b>	The Homeowners Policy will be excess over other valid and collectible insurance except for policies such as an Umbrella or Excess Liability.
<b>I. Policy Period</b>	The policy will only apply to “bodily injury” or “property damage” which occurs during the policy period.
<b>J. Concealment Or Fraud</b>	Coverage is not provided to an “insured” who, before or after a loss, intentionally concealed or misrepresented facts or circumstances of a claim, engaged in fraudulent conduct, or made false statements relating to the insurance provided through the policy.

## Section I and II – Conditions

Following Section II – Conditions, the ISO Homeowners Policy provides another set of conditions; only these apply to the entire policy. Regardless of the insurance company, this set of conditions generally address how mandatory endorsements will apply to a policy (including when becoming effective mid-policy term), the terms of policy cancellation and nonrenewal, assignment of benefits, a right to reimbursement of claims paid where another party is liable (subrogation), and who may be considered an “insured” if the “Named Insured” passes away. Many of these conditions are often changed by State Special Provision endorsements. **Table 1.23** summarizes all seven Section I and II – Conditions. Refer to pages 26–27 of the ISO Homeowners 3 – Special Form for actual policy language.

**Table 1.23**

Section I and II – Conditions Summarized (all 7)	
<b>A. Liberalization Clause</b>	If the insurance company makes a change during the policy period or within 60 days prior to the policy, which broadens coverage and does not charge premium, the change will be applied on the date it is implemented in the policy’s state.
<b>B. Waiver Or Change Of Policy Provisions</b>	The insurance company must receive a request for waiver or change of a policy provision in writing. The company will not waive any of its rights by requesting an appraisal or examination.
<b>C. Cancellation</b>	The “insured” may cancel the policy any time with written notice to the insurance company. The policy may be canceled by the insurance company with written notice to the “insured” and within a certain time period, depending on the reason for cancellation.
<b>D. Nonrenewal</b>	The insurance company may choose not to renew the policy by providing written notice to the “insured” within 30 days of the policy expiration.
<b>E. Assignment</b>	Neither the policy nor coverages can be assigned to another party without the insurance company’s written consent.
<b>F. Subrogation</b>	Subrogation is essentially the right of the insurance company to collect reimbursement for a claim paid under the policy if another party was responsible or negligent; however, this condition will not apply to Damage To Property Of Others, Section II – Medical Payment To Others, or Section II – Additional Coverages. The “insured” may actually waive the right to recovery against another person or organization if submitted in writing. Waivers of subrogation are common in remodeling contracts, for example.

**Section I and II – Conditions Summarized (all 7)**

**G. Death**

If the “insured” becomes deceased, the policy will provide certain persons with “insured” status with respect to premises and property covered by the policy.

## Case Study

The following exercise is a capstone to the Personal Residential section of the CIC Personal Lines course. This exercise will explore the same claim scenario utilizing an understanding of the ISO Homeowners Policy learned from this course.

Follow the directions in the Mindful Mastery case study below. Be sure to focus only on the ISO Homeowners 3 – Special Form Policy when exploring this scenario.



**Mindful Mastery – Homeowners Policy**

Inspect the following Homeowners Declarations. Write down any assumptions you can make from the information. What can you learn about the “insured,” property insured, and selected coverages?



## Section 1: Personal Residential Coverages

### HOMEOWNERS POLICY DECLARATIONS

**Company:** The Best Insurance Company, Inc.

**Producer:** Top Notch Insurance Agency

**Named Insured:** Emilio Smith

**Mailing Address:** 1234 Street Dr., Denver, CO 80221

**Residence Address if different from the mailing address:**  
4321 Loop Cv., Denver, CO 80221

**Policy Period**

**Effective Date:** January 01, 20x1

12:01 AM Standard time at the residence premises

**Expiration Date:** January 01 20x2

12:01 AM Standard time at the residence premises

We will provide the insurance described in this policy in return for the premium and compliance with all applicable policy provisions.

Coverage is provided where a premium or limit of liability is shown for the coverage.

**Property Coverage**

A. Dwelling

**Limit of Liability**

\$250,000

**Premium**

\$ 1845.00

B. Other Structures

\$25,000

C. Personal Property

\$100,000

D. Loss of Use

\$75,000

**Deductible(s)**

Wind/Hail

2% (\$5,000)

All Other Perils

\$1,500

**Liability Coverage**

E. Personal Liability

\$500,000

\$

50.00

F. Medical Payments To Others

\$5,000

\$

16.00

**Forms and Endorsements**

HO 00 03 03 22 – Homeowners 3 – Special Form

HO 01 05 11 23 – Special Provisions – Colorado

HO 06 48 03 22 – Residence Premises Definition

HO 03 12 03 22 – Windstorm or Hail Percentage Deductible

HO 04 95 03 22 – Limited Water Back-Up

\$25,000

\$

55.00

HO 24 82 03 22 – Personal Injury Coverage

\$

35.00

**Claim Scenario Details:**

Emilio borrowed his sister's snowmobile. Emilio loaded the snowmobile into the bed of his truck and drove home. Having forgotten about the snowmobile in the bed of his truck, he damaged his truck, the snowmobile, and his attached garage when he pulled into his garage. Emilio's home is determined to be insured to 100% of its estimated replacement cost at the time of the loss.

Damages are as follows:

- Emilio's attached garage: \$25,000 (ACV \$15,000)
- Emilio's truck: \$10,000
- The snowmobile: total loss of \$15,500 (ACV \$10,500)

**Solve:** Draw on your knowledge of the ISO Homeowners 3 – Special Form coverage as well as coverage limits and endorsements identified on the Declarations to answer the questions below.

- What damage is there?
- Who is owed for damages?
- What damages will be paid from Emilio's Homeowners Policy? Consider which part(s) of the policy.
- What is the dollar amount of damages that will be paid by Emilio's Homeowners Policy? Apply appropriate coverage limits and utilize the applicable policy condition(s).

**Hindsight is 20/20:** Think about this scenario using the five risk management steps.

1. **Risk Identification:** Are there any questions that could have been asked that would have uncovered this risk before the claim?
2. **Risk Analysis:** If the risk could have been uncovered (or now that you know about it), what questions could be asked to discover the frequency of exposure to this risk?
3. **Risk Control:** Is there anything the client could have done to minimize or avoid the risk?
4. **Risk Financing:** What options may be available to better cover the claim?
5. **Risk Administration:** What could you do as an insurance advisor to monitor this risk with the client?

## Section 1: Personal Residential Coverages

What damage is there?

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Who is owed for these damages?

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What damages will be paid from Emilio's Homeowners Policy? Consider which part(s) of the policy apply.

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What is the dollar amount of damages Emilio's Homeowners Policy will pay? Apply appropriate coverage limits and utilize the necessary policy condition(s).

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## Section 1: Personal Residential Coverages

**Risk Identification:** Are there any questions that could have been asked that would have uncovered this risk before the claim?

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**Risk Analysis:** If the risk could have been uncovered (now that you know about it), what questions could be asked to discover the frequency of exposure to this risk?

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**Risk Control:** Could the client have done anything to minimize or avoid the risk?

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**Risk Financing:** What options may be available to better cover the claim?

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**Risk Administration:** What could you do as an insurance advisor to monitor this risk with the client?

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## Summary

Insurance professionals use risk management techniques every day to assess their clients and offer them the best possible solutions. They do so by using the following five basic risk management principles:

1. Risk Identification
2. Risk Analysis
3. Risk Control
4. Risk Finance
5. Risk Administration

The Homeowners Policy Program consists of seven coverage forms, each designed to address a specific residential exposure. The currently available Homeowners Coverage Forms are:

1. HOMEOWNERS 2 – BROAD FORM (HO 00 02)
2. HOMEOWNERS 3 – SPECIAL FORM (HO 00 03)
3. HOMEOWNERS 4 – CONTENTS BROAD FORM (HO 00 04)
4. HOMEOWNERS 5 – COMPREHENSIVE FORM (HO 00 05)
5. HOMEOWNERS 6 – UNIT-OWNERS FORM (HO 00 06)
6. HOMEOWNERS 8 – MODIFIED COVERAGE FORM (HO 00 08)
7. HOMEOWNERS 14 – CONTENTS COMPREHENSIVE FORM (HO 00 14)

Eligibility and underwriting rules apply for the use of a Homeowners Policy, but not all types of dwellings, ownerships, occupancies, or uses are eligible.

Each form is utilized for different reasons, and when used for similar purposes (like the tenant forms HO-4 and HO-14), there are coverage differences between the forms to address various client needs.

In general, each Homeowners Policy has a similar structure:

The Declarations

The Agreement

Definitions

Section I – Property Coverages

Section II – Liability Coverages

Section I And II – Conditions

Endorsements

## Section 1: Personal Residential Coverages

The Declarations contains important information regarding property insured by the policy and coverage limits selected by the policyholder or offered by the insurance company.

Section I – Property Coverages provide coverage for damage to property belonging to the Named Insured (or residence relatives) covered by the policy. This includes the dwelling named on the Declarations and the personal belongings of an insured. The policy deductible will apply to losses covered by the policy. This part of the policy identifies what, specifically, is insured under each coverage part: Coverage A – Dwelling, Coverage B – Other Structures, and Coverage C – Personal Property. Information is provided on what causes of loss (perils) trigger coverage; however, exclusions will limit or outright remove coverage for higher-risk exposures.

Section II – Liability Coverage provides the policyholder with financial protection against “bodily injury” and “property damage” claims (or lawsuits) related to the action of an insured or conditions arising out of an insured location (as defined by the policy). A deductible does not apply to claims covered under Section II – Liability Coverages. For the ISO Homeowners Policy, coverage for “personal injury” is not provided unless endorsed to the policy. As with Section I, exclusions are present and will limit or outright remove coverage for higher-risk liability exposures.

Endorsements, which are additional forms containing policy language, can be added at the option of the insured, at the advisement of the insurance advisor, or as mandated by the insurance company or state requirements. Endorsements may broaden, restrict, or clarify coverage throughout a policy and are part of the policy contract.

Policy conditions are located in and apply to Sections I and II (both individually and together). These are obligations required of an insured and insurance company to carry out other policy provisions.

A Homeowners Policy is a valuable tool for any individual who has a residence and provides them with protective coverages that limit and reduce the possibility of financial devastation in the event of a catastrophic property or liability loss. Depending on each client’s unique requirements, there are numerous options to customize coverage to their needs, and given the number of insurance companies available in the personal lines market, there is a place and coverage for everyone. It is an insurance advisor’s responsibility and duty to listen, assess, and respond with pertinent and understandable answers to their clients’ questions and to supply the coverages, solutions, or risk mitigation techniques that meet their clients’ needs.

**Some of the relevant policy forms and endorsements have been included at the end of this section.**

# Set Yourself Up for Success!

## Visit the “Resources” Webpage at [RiskEducation.org/PLresources](https://RiskEducation.org/PLresources)

For valuable reinforcement, be sure to visit the “Resources” webpage. This webpage contains a variety of materials that will help you absorb the course material *and* set you up for success on the Final Exam. You’ll find:

### Study Guide

Download a copy of the Study Guide. It contains all the Check-In questions, Knowledge Checks, and Self-Quizzes contained in this Learning Guide in a format that makes it easy for you to practice and check your answers.

### Video Clips

View video clips about important concepts related to the learning objectives in this section.



“Speaking From Experience”—Residential Loss Settlement (ITV)/ACV Methods

### Articles/Web Links

- [https://RiskEducation.org/wp-content/uploads/2023/03/ER\\_-Cannabis-MKoscielny\\_23\\_03\\_10.pdf](https://RiskEducation.org/wp-content/uploads/2023/03/ER_-Cannabis-MKoscielny_23_03_10.pdf)
- [https://RiskEducation.org/wp-content/uploads/2023/03/Crypto-Assets\\_23\\_03\\_15.pdf](https://RiskEducation.org/wp-content/uploads/2023/03/Crypto-Assets_23_03_15.pdf)
- <https://www.adjustersinternational.com/pubs/adjusting-today/actual-cash-value-depreciation-deduction-and-the-broad-evidence-rule/index.html>
- <https://www.independentagent.com/vu/Insurance/Commercial-Lines/Property/Conditions/BoggsACV2.aspx>

## In Addition...

### Appendix

The Appendix of this Learning Guide contains a Glossary of terms as well as tips for study techniques and sample test questions that will help you prepare for the Final Exam.



## Section 1 Self-Quiz

1. When determining eligibility for an ISO Homeowners Policy, dwelling type, ownership, and geographic location must be considered.

**True**

**False**

2. Which one of the following is eligible for an ISO Homeowners 3 – Special Form?

- ☐ A single-family, site-built home owned by Miriam but rented to others
- ☐ A mobile home owned and occupied by Miriam
- ☐ A site-built duplex Miriam owns and resides in one unit but rents the second unit to a family
- ☐ An apartment Miriam rents as a secondary residence

3. A prospect would like a policy for a residential single-family, site-built dwelling where he resides. He has requested a policy that provides open perils coverage for Dwelling and Personal Property. Which ISO Homeowners Form should be quoted?

- ☐ Homeowners 3 – Special Form
- ☐ Homeowners 5 – Comprehensive Form
- ☐ Homeowners 14 – Contents Comprehensive Form
- ☐ Homeowners 6 – Unit-Owners Form

4. Which one of the following accurately identifies eligible occupancy of an ISO Homeowners 3 – Special Form?

- ☐ Owner occupied with no more than two roomers or boarders
- ☐ Tenant occupied with no more than two roomers or boarders
- ☐ Owner occupied with no additional occupancy
- ☐ Tenant occupied with no additional occupancy

5. The ISO Homeowners 6 – Unit-Owners Form (HO-6) Policy is typically used to insure which type of residential property?

- ☐ A residential dwelling owned and occupied by an individual
- ☐ A residential dwelling rented by an individual
- ☐ A condominium building owned by a company
- ☐ A condominium unit owned by an individual

## Section 1: Personal Residential Coverages

6. In a multi-unit fire loss scenario caused by lightning, what parts of the condo unit's structure would typically be covered under Coverage A of the HO-6 policy?
- ☐ Roofing
  - ☐ Exterior siding
  - ☐ Cabinetry and plumbing fixtures
  - ☐ Common stairwells between units
7. Clinton is the only "Named Insured" (a you) on his Homeowners Policy. Of the following, who else is a you?
- ☐ Clinton's resident mother, Anne
  - ☐ Clinton's resident spouse, Randi
  - ☐ Clinton's resident son, Bobby
  - ☐ Clinton's roomer, Angel
8. Luca and his partner live together, but Luca's partner has no insurable interest in the dwelling where they reside. Which endorsement (if any) should be added to Luca's Homeowners Policy to provide personal property coverage, loss of use, and liability coverage to his partner, who has lived with him for over a year?
- ☐ Additional Insured – Household Resident
  - ☐ Additional Insured – Residence Premises
  - ☐ No endorsement is needed.
  - ☐ The partner should be added as a Named Insured on the Declarations.
9. Glen's fiancée just moved in with him; they are getting married in 90 days. Glen's fiancée \_\_\_\_\_.

**is an "insured"**

**is not an "insured"**

10. Glen's spouse has not yet been added as a Named Insured to his Homeowners Policy. Glen's spouse \_\_\_\_\_.

**is an "insured"**

**is not an "insured"**

## Section 1: Personal Residential Coverages

**Directions:** Select the correct term that completes the statement. Some words may be used more than once or not at all.

<b>Section I – Property Coverage</b>	<b>Coverage C – Personal Property</b>	<b>“residence premises”</b>
<b>Coverage B – Other Structures</b>	<b>Coverage A – Dwelling</b>	<b>“business” activities</b>

11. Coverage B – Other Structures provides a coverage limit of up to 10% of \_\_\_\_\_ for structures detached from but located on the “residence premises.”
12. Materials and supplies used to build, alter, or repair the dwelling or other structures on the “residence premises” are provided coverage under \_\_\_\_\_ when the materials are on or next to the “residence premises.”
13. \_\_\_\_\_ does NOT include structures from which “business” is conducted or used to store “business” property.
14. A sublimit of 10% of \_\_\_\_\_ (or \$1,500) will apply to personal property that is normally located at another residence of an “insured.”
15. Which one of the following is an exception to the ISO Homeowners Policy definition of “business”?
- ☐ Louie participates in volunteer activities with Cub Scouts, receiving club dues from attending scouts on behalf of the Cub Scouts of America.
  - ☐ Louie rents a portion of his driveway through a website and allows a renter to store their RV.
  - ☐ Louie works full-time from an office in his home as a web design consultant.
  - ☐ Louie’s 14-year-old son charges a fee to clean up pet waste from yards on the weekends.

## Section 1: Personal Residential Coverages

**Directions:** Identify which of the following would be a covered Additional Living Expense.

16. Donna's home was damaged by a fire, and she will not be able to live there for three months during remediation and repairs.

Expense	Covered	Not Covered
Temporary housing in an extended-stay hotel		
Laundry costs since the hotel does not have laundry facilities		
Storage costs for storing undamaged property		
Monthly mortgage payment		
Ongoing utilities for the residence		
Restaurant meals, even though the hotel has a kitchenette		

17. Which of the following individuals may be covered under Additional Living Expense when the insured's "residence premises" becomes unfit to live in due to a covered loss to covered property?
- ☐ You and resident relatives only
  - ☐ You, resident relatives, and other persons in your care (or the care of a resident relative) under 21 years old
  - ☐ You and any individuals residing in the same neighborhood
  - ☐ You, resident relatives, and other persons in your care over 21 years old
18. Why is it crucial for insurance advisors and policyholders to understand the limits and terms of Additional Living Expense (ALE) coverage?
- ☐ To maximize the amount of money paid out by the insurance company
  - ☐ To determine the cost of relocating to a different residence
  - ☐ To ensure that policyholders receive compensation for damaged property
  - ☐ To effectively plan for and cover necessary living expenses during home repairs or relocation
19. Which coverage will provide for the cost to update plumbing throughout the kitchen according to code after a portion of the kitchen was damaged by a covered fire loss?
- ☐ Additional Living Expense
  - ☐ Reasonable Repairs
  - ☐ Loss Assessment
  - ☐ Ordinance Or Law

## Section 1: Personal Residential Coverages

20. Debris Removal provides coverage for which of the following:

- ☐ Expenses associated with replacing trees, shrubs, and plants when damaged by a covered peril
- ☐ Expenses associated with the removal of damaged property and debris resulting from a covered loss
- ☐ Expenses associated with removing covered property from the residence to protect it from endangerment by a covered peril
- ☐ Expenses associated with an ordinance violation to remove yard waste and debris from the residence

**Directions:** Review the statements below. Select whether you believe the property would be covered, limited, or excluded.

21. The insured's \$10,000 lawn tractor is stolen from their residence.

**Covered**

**Limited**

**Excluded**

22. The insured's personal watercraft, valued at \$5,500, is stolen from their driveway.

**Covered**

**Limited**

**Excluded**

23. The insured received the \$8,000 limit from the Scheduled Personal Property Endorsement for the stolen ring but wants to be paid more since the replacement value at the time of the loss was \$10,000.

**Covered**

**Limited**

**Excluded**

24. Emilee thought that loss to all property covered under her Homeowners Policy would receive replacement cost loss settlement. Which of the following will correct Emilee's understanding of the coverage provided by an unendorsed ISO HO-3?

- ☐ Emilee's interpretation is correct. All property receives replacement cost loss valuation.
- ☐ Personal property, non-building structures, carpets, and awnings will receive actual cash value loss valuation.
- ☐ Only the Dwelling received replacement cost loss valuation.
- ☐ All property received actual cash value loss valuation.

## Section 1: Personal Residential Coverages

25. After a covered loss, it is determined that Blair's dwelling coverage limit is 60% of its actual replacement cost value. Which of the following correctly describes what Blair may expect as payment for damage to her dwelling?
- ☐ Blair will receive replacement cost of the damaged property minus the policy deductible.
  - ☐ Blair will receive nothing since the dwelling was underinsured.
  - ☐ Blair will receive the greater of actual cash value or an amount reduced by an insurance-to-value penalty minus the policy deductible.
  - ☐ Blair will receive the lesser of actual cash value or an amount reduced by an insurance-to-value penalty minus the policy deductible.
26. Which solution will provide a homeowner with the most assurance that a covered total loss to their home will receive adequate replacement cost limits?
- ☐ Insuring the dwelling to at least 80% of the estimated replacement cost
  - ☐ Insuring the dwelling to 100% of the estimated replacement cost
  - ☐ Adding the Specified Additional Amount Of Insurance For Coverage A endorsement and selecting an additional 25%
  - ☐ Adding the Additional Limits of Liability For Coverages A, B, C, and D
27. Section II – Liability Coverages of an unendorsed ISO Homeowners Policy provides coverage when an “insured” is legally liable for which of the following:

	Covered	Not Covered
False imprisonment		
“Bodily injury” to others		
“Bodily injury” to a resident relative		
Necessary medical expenses of a person injured on the “insured location”		
Slander		
“Property damage” to others		

## Section 1: Personal Residential Coverages

28. The Personal Injury Coverage endorsement provides coverage for which of the following?

- ☐ Defense coverage when sued for alleged invasion of privacy and liability coverage if proven legally liable
- ☐ Medical payments coverage for an injury the “insured” personally receives at the hands of another person
- ☐ Liability coverage when legally liable for a personal automobile accident
- ☐ Liability coverage when legally liable for covered “bodily injury” to others

29. According to the ISO Homeowners Policy, “aircraft liability,” “hovercraft liability,” “motor vehicle liability,” and “watercraft liability” only pertain to bodily injury or property damage arising from ownership by an “insured” of a vehicle or craft.

**True**

**False**

30. A golf cart used by a realtor while entertaining a business client on the golf course may be eligible for Liability Coverage under the ISO Homeowners Policy.

**True**

**False**

31. The Incidental Low Power Recreational Motor Vehicle Liability Coverage endorsement can be used to provide Liability Coverage for an owned electric bike used on city biking trails.

**True**

**False**

32. Which of the following scenarios qualifies for Personal Liability and Medical Payments To Others coverage under the ISO Homeowners Policy?

- ☐ Any personal “business” activity conducted by an insured
- ☐ Renting a portion of an “insured location” as an office for “business” purposes
- ☐ An 18-year-old resident relative of the “insured” operating a part-time, self-employed business with two additional employees
- ☐ Renting a room in the home to a tenant through traditional means, regardless of income earned

33. Which ISO Homeowners Program endorsement would be most appropriate for a homeowner seeking liability coverage for home-based “business” activities involving clerical and sales activities?

- ☐ Permitted Incidental Occupancies – Residence Premises
- ☐ Designated Business Pursuits Liability Coverage
- ☐ Structures Rented To Others – Residence Premises
- ☐ Broadened Home-Sharing Host Activities



## Section 1: Personal Residential Coverages

34. The “insured” damaged the watercraft he borrowed from his friend when he hit a log close to a riverbank. His unendorsed ISO Homeowners Policy will pay up to \$2,000 under Section I – Property Coverage and up to \$5,000 under Section II, Additional Coverage – Damage To Property Others.

**True**

**False**

35. The “insured” rented an ATV for a July 4<sup>th</sup> campout. The ATV caught fire from a misfired artillery shell-style firework. Their unendorsed Homeowners Policy will pay up to \$5,000 under Section II, Additional Coverage – Damage To Property Others for this damage.

**True**

**False**

**Directions:** Pair the Section II – Additional Coverage with the correct description.

<b>A.</b> Claims Expense <b>B.</b> First Aid Expense <b>C.</b> Damage To Property Of Others <b>D.</b> Loss Assessment	_____ The insurance company will pay up to \$5,000 per “occurrence” for “property damage” when an “insured” causes damage to the property of others.
	_____ The insurance company will pay up to \$2,000 for a client’s portion of a loss fee charged against them (as the owner or tenant of a property) that results from “bodily injury” or “property damage” not excluded under Section II – Additional Coverages as well as a loss fee related to liability for an act of a director, officer, or trustee if the person is elected by the neighborhood association and serves in that position without pay.
	_____ The insurance company will pay expenses incurred by the insurance company and the costs charged against an “insured” in legal suits that the insurance company defends.
	_____ The insurance company will pay expenses for first aid to others incurred by an “insured” for a “bodily injury” that is covered under the Homeowners Policy

## Section 1: Personal Residential Reference Forms

- HO 00 03 03 22 – Homeowners 3 – Special Form
- HO 06 48 03 22 – Residence Premises Definition (Mandatory)
- HO 04 10 03 22 – Additional Interest – Residence Premises
- HO 04 41 03 22 – Additional Insured – Residence Premises
- HO 04 90 03 22 – Personal Property Replacement Cost Loss Settlement
- HO 24 82 03 22 – Personal Injury Coverage

## HO 00 03 03 22 – Homeowners 3 – Special Form

**HOMEOWNERS  
HO 00 03 03 22**

### HOMEOWNERS 3 – SPECIAL FORM

#### AGREEMENT

We will provide the insurance described in this Policy in return for the premium and compliance with all applicable provisions of this Policy.

#### DEFINITIONS

- A.** In this Policy, "you" and "your" refer to the "named insured" shown in the Declarations and the spouse if a resident of the same household. "We", "us" and "our" refer to the company providing this insurance.
- B.** In addition, certain words and phrases are defined as follows:
- 1.** "Aircraft Liability", "Hovercraft Liability", "Motor Vehicle Liability" and "Watercraft Liability", subject to the provisions in **b.** below, mean the following:
    - a.** Liability for "bodily injury" or "property damage" arising out of the:
      - (1)** Ownership of such vehicle or craft by an "insured";
      - (2)** Maintenance, occupancy, operation, use, loading or unloading of:
        - (a)** An aircraft, hovercraft or watercraft by any person; or
        - (b)** A motor vehicle by an "insured";
      - (3)** Entrustment of such vehicle or craft by an "insured" to any person;
      - (4)** Failure to supervise or negligent supervision of any person involving such vehicle or craft by an "insured"; or
      - (5)** Vicarious liability, whether or not imposed by law, for the actions of a child or minor involving such vehicle or craft.
    - b.** For the purpose of this definition:
      - (1)** Aircraft means any contrivance used or designed for flight except model or hobby aircraft not used or designed to carry people or cargo;
      - (2)** Hovercraft means a self-propelled motorized ground effect vehicle and includes, but is not limited to, flarecraft and air cushion vehicles;
      - (3)** Watercraft means a craft principally designed to be propelled on or in water by wind, engine power or electric motor, except model or hobby watercraft not designed to carry people or cargo; and
      - (4)** Motor vehicle means a "motor vehicle" as defined in **11.** below.
  - 2.** "Bodily injury" means bodily harm, sickness or disease, including required care, loss of services and death that results.
  - 3.** "Business" means:
    - a.** A trade, profession or occupation engaged in on a full-time, part-time or occasional basis;
    - b.** The leasing of the mineral rights of an "insured location";
    - c.** "Home-sharing host activities"; or
    - d.** Any other activity engaged in for money or other compensation, except the following:
      - (1)** One or more activities, not described in **(2)** through **(4)** below, for which no "insured" receives more than \$5,000 in total compensation for the 12 months before the beginning of the policy period;
      - (2)** Volunteer activities for which no money is received other than payment for expenses incurred to perform the activity;
      - (3)** Providing home day care services for which no compensation is received, other than the mutual exchange of such services; or
      - (4)** The rendering of home day care services to a relative of an "insured".

## Section 1: Personal Residential Coverages

4. "Cannabis" means:
- a. Any good or product that consists of or contains any amount of Tetrahydrocannabinol (THC) or any other cannabinoid, regardless of whether any such THC or cannabinoid is natural or synthetic.
  - b. Paragraph 4.a. above includes, but is not limited to, any of the following containing such THC or cannabinoid:
    - (1) Any plant of the genus Cannabis L., or any part thereof, such as seeds, stems, flowers, stalks and roots; or
    - (2) Any compound, by-product, extract, derivative, mixture or combination, such as:
      - (a) Resin, oil or wax;
      - (b) Hash or hemp; or
      - (c) Infused liquid or edible cannabis;whether or not derived from any plant or part of any plant set forth in Paragraph 4.b.(1) above.
  - c. Paragraph 4.a. above includes, but is not limited to, marijuana.
5. "Employee" means an employee of an "insured", or an employee leased to an "insured" by a labor leasing firm under an agreement between an "insured" and the labor leasing firm, whose duties are other than those performed by a "residence employee".
6. "Home-sharing host activities" means:
- a. The:
    - (1) Rental or holding for rental; or
    - (2) Mutual exchange of services;  
of the "residence premises", in whole or in part, by an "insured" to a "home-sharing occupant" through the use of a "home-sharing network platform"; and
  - b. Any other related property or services made available by an "insured" for use during such:
    - (1) Rental; or
    - (2) Mutual exchange of services;  
except those property or services provided by another party.
7. "Home-sharing network platform" means an online-enabled application, web site or digital network that:
- a. Is used for the purpose of facilitating, for money, mutual exchange of services or other compensation, the rental of a dwelling or other structure, in whole or in part; and
  - b. Allows for the agreement and compensation with respect to such rental to be transacted through such online-enabled application, web site or digital network.
8. "Home-sharing occupant" means a person, other than an "insured", who:
- a. Has entered into an agreement or arranged compensation with an "insured" through the use of a "home-sharing network platform" for "home-sharing host activities"; or
  - b. Is accompanying or staying with a person described in Paragraph 8.a. above under such "home-sharing host activities".
9. "Insured" means:
- a. You and residents of your household who are:
    - (1) Your relatives; or
    - (2) Other persons under the age of 21 and in your care or the care of a resident of your household who is your relative;
  - b. A student enrolled in school full-time, as defined by the school, who was a resident of your household before moving out to attend school, provided the student is under the age of:
    - (1) 24 and your relative; or
    - (2) 21 and in your care or the care of a resident of your household who is your relative; or

**c. Under Section II:**

- (1) With respect to animals or watercraft to which this Policy applies, any person or organization legally responsible for these animals or watercraft which are owned by you or any person described in **9.a.** or **b.** "Insured" does not mean a person or organization using or having custody of these animals or watercraft in the course of any "business" or without consent of the owner; or
- (2) With respect to a "motor vehicle" to which this Policy applies:
  - (a) Persons while engaged in your employ or that of any person described in **9.a.** or **b.**; or
  - (b) Other persons using the vehicle on an "insured location" with your consent.

Under both Sections **I** and **II**, when the word an immediately precedes the word "insured", the words an "insured" together mean one or more "insureds".

**10. "Insured location" means:**

- a.** The "residence premises";
- b.** The part of other premises, other structures and grounds used by you as a residence; and
  - (1) Which is shown in the Declarations; or
  - (2) Which is acquired by you during the policy period for your use as a residence;
- c.** Any premises used by you in connection with a premises described in **a.** and **b.** above;
- d.** Any part of a premises:
  - (1) Not owned by an "insured"; and
  - (2) Where an "insured" is temporarily residing;
- e.** Vacant land, other than farm land, owned by or rented to an "insured";
- f.** Land owned by or rented to an "insured" on which a one-, two-, three- or four-family dwelling is being built as a residence for an "insured";
- g.** Individual or family cemetery plots or burial vaults of an "insured"; or
- h.** Any part of a premises occasionally rented to an "insured" for other than "business" use.

**11. "Motor vehicle" means:**

- a.** A land or amphibious vehicle that is self-propelled or capable of being self-propelled; or
- b.** Any trailer or semitrailer which is being carried on, towed by or hitched for towing by a vehicle described in **11.a.** above.

**12. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions, which results, during the policy period, in:**

- a.** "Bodily injury"; or
- b.** "Property damage".

**13. "Property damage" means physical injury to, destruction of or loss of use of tangible property.**

**14. "Residence employee" means:**

- a.** An employee of an "insured", or an employee leased to an "insured" by a labor leasing firm, under an agreement between an "insured" and the labor leasing firm, whose duties are related to the maintenance or use of the "residence premises", including household or domestic services; or
- b.** One who performs similar duties elsewhere not related to the "business" of an "insured".

A "residence employee" does not include a temporary employee who is furnished to an "insured" to substitute for a permanent "residence employee" on leave or to meet seasonal or short-term workload conditions.

**15. "Residence premises" means:**

- a.** The one-family dwelling where you reside;
  - b.** The two-, three- or four-family dwelling where you reside in at least one of the family units; or
  - c.** That part of any other building where you reside;
- and which is shown as the "residence premises" in the Declarations.

"Residence premises" also includes other structures and grounds at that location.

**C. In this Policy, the terms:**

1. Roomer;
2. Boarder;
3. Tenant; or
4. Guest;

do not include a "home-sharing occupant".

**SECTION I – PROPERTY COVERAGES**

**A. Coverage A – Dwelling**

**1. We cover:**

- a. The dwelling on the "residence premises" shown in the Declarations, including structures attached to the dwelling; and
- b. Materials and supplies located on or next to the "residence premises" used to construct, alter or repair the dwelling or other structures on the "residence premises".

**2. We do not cover land, including land on which the dwelling is located.**

**B. Coverage B – Other Structures**

**1. We cover other structures on the "residence premises" set apart from the dwelling by clear space. This includes structures connected to the dwelling by only a fence, utility line or similar connection.**

**2. We do not cover:**

- a. Land, including land on which the other structures are located;
- b. Other structures rented or held for rental to any person not a tenant of the dwelling, unless used solely as a private garage;
- c. Other structures from which any "business" is conducted; or
- d. Other structures used to store "business" property. However, we do cover a structure that contains "business" property solely owned by an "insured" or a tenant of the dwelling, provided that "business" property does not include gaseous or liquid fuel, other than fuel in a permanently installed fuel tank of a vehicle or craft parked or stored in the structure.

**3. The limit of liability for this coverage will not be more than 10% of the limit of liability that applies to Coverage A. Use of this coverage does not reduce the Coverage A limit of liability.**

**C. Coverage C – Personal Property**

**1. Covered Property**

We cover personal property owned or used by an "insured" while it is anywhere in the world. After a loss and at your request, we will cover personal property owned by:

- a. Others while the property is on the part of the "residence premises" occupied by an "insured"; or
- b. A guest or a "residence employee", while the property is in any residence occupied by an "insured".

**2. Limit For Property At Other Locations**

**a. Other Residences**

Our limit of liability for personal property usually located at an "insured's" residence, other than the "residence premises", is 10% of the limit of liability for Coverage C, or \$1,500, whichever is greater. However, this limitation does not apply to personal property:

**(1) Moved from the "residence premises" because it is:**

- (a) Being remodeled, renovated or repaired; and
- (b) Not fit to live in or store property in; or

**(2) In a newly acquired principal residence for 30 days from the time you begin to move the property there.**

### **b. Self-storage Facilities**

Our limit of liability for personal property owned or used by an "insured" and located in a self-storage facility is 10% of the limit of liability for Coverage **C**, or \$1,500, whichever is greater. However, this limitation does not apply to personal property:

- (1) Moved from the "residence premises" because it is:
  - (a) Being remodeled, renovated or repaired; and
  - (b) Not fit to live in or store property in; or
- (2) Usually located in an "insured's" residence, other than the "residence premises".

### **3. Special Limits Of Liability**

The special limit for each category shown below is the total limit for each loss for all property in that category. These special limits do not increase the Coverage **C** limit of liability.

- a. \$300 on money, bank notes, bullion, gold other than goldware, silver other than silverware, platinum other than platinumware, coins, medals, scrip, stored value cards and smart cards.
- b. \$2,000 on securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, personal records, passports, tickets and stamps. This dollar limit applies to these categories regardless of the medium (such as paper or computer software) on which the material exists.  
This limit includes the cost to research, replace or restore the information from the lost or damaged material.
- c. \$2,000 on watercraft of all types, including their trailers, furnishings, equipment and outboard engines or motors.
- d. \$2,000 on trailers or semitrailers not used with watercraft of all types.
- e. \$2,000 for loss by theft of jewelry, watches, furs, precious and semiprecious stones.
- f. \$3,000 for loss by theft of firearms and related equipment.
- g. \$3,000 for loss by theft of silverware, silver-plated ware, goldware, gold-plated ware, platinumware, platinum-plated ware and pewterware. This includes flatware, hollowware, tea sets, trays and trophies made of or including silver, gold or pewter.
- h. \$3,000 on property, on the "residence premises", used primarily for "business" purposes.
- i. \$1,500 on property, away from the "residence premises", used primarily for "business" purposes. However, this limit does not apply to antennas, tapes, wires, records, disks or other media that are:
  - (1) Used with electronic equipment that reproduces, receives or transmits audio, visual or data signals; and
  - (2) In or upon a "motor vehicle".
- j. \$2,000 on portable electronic equipment that:
  - (1) Reproduces, receives or transmits audio, visual or data signals;
  - (2) Is designed to be operated by more than one power source, one of which is a "motor vehicle's" electrical system; and
  - (3) Is in or upon a "motor vehicle".
- k. \$300 on antennas, tapes, wires, records, disks or other media that are
  - (1) Used with electronic equipment that reproduces, receives or transmits audio, visual or data signals; and
  - (2) In or upon a "motor vehicle".
- l. \$2,000 on model or hobby aircraft not used or designed to carry people or cargo.

### **4. Property Not Covered**

We do not cover:

- a. Articles separately described and specifically insured, regardless of the limit for which they are insured, in this or other insurance;
- b. Animals, birds or fish;

## Section 1: Personal Residential Coverages

**c. "Motor vehicles".**

This includes a "motor vehicle's" equipment, and parts, that are in or upon the "motor vehicle". However, this Paragraph **4.c.** does not apply to:

**(1)** Portable electronic equipment that:

**(a)** Reproduces, receives or transmits audio, visual or data signals; and

**(b)** Is designed so that it may be operated from a power source other than a "motor vehicle's" electrical system.

**(2)** "Motor vehicles" not required to be registered for use on public roads or property which are:

**(a)** Used solely to service a residence; or

**(b)** Designed to assist the handicapped;

**d. Aircraft, meaning any contrivance used or designed for flight, including any parts whether or not attached to the aircraft.**

We do cover model or hobby aircraft not used or designed to carry people or cargo;

**e. Hovercraft and parts. Hovercraft means a self-propelled motorized ground effect vehicle and includes, but is not limited to, flarecraft and air cushion vehicles;**

**f. Property of:**

**(1)** A "home-sharing occupant";

**(2)** Any other person occupying the "residence premises" as a result of any "home-sharing host activities"; and

**(3)** Roomers, boarders and other tenants, except property of roomers and boarders related to an "insured";

**g. Property in:**

**(1)** A space while rented or primarily held for rental to a "home-sharing occupant"; or

**(2)** Subject to Paragraph **g.(1)**, an apartment regularly rented or held for rental to others by an "insured", except as provided in **E.9. Landlord's Furnishings** under Section **I – Property Coverages**;

**h. Property used primarily for "home-sharing host activities";**

**i. Property rented or held for rental to others off the "residence premises";**

**j. "Business" data, including such data stored in:**

**(1)** Books of account, drawings or other paper records; or

**(2)** Computers and related equipment.

We do cover the cost of blank recording or storage media and of prerecorded computer programs available on the retail market;

**k. Credit cards, electronic fund transfer cards or access devices used solely for deposit, withdrawal or transfer of funds;**

**l. Water or steam;**

**m. Virtual currency of any kind, by whatever name known, whether actual or fictitious including, but not limited to, digital currency, crypto currency or any other type of electronic currency; or**

**n. Any:**

**(1)** Controlled Substances, other than "cannabis", as defined by the Federal Food and Drug Law at 21 U.S.C.A. Sections 811 and 812; and

**(2)** "Cannabis" regardless of whether such "cannabis" is considered a Controlled Substance.

Controlled Substances include but are not limited to cocaine, LSD and all narcotic drugs.

However, this Paragraph **4.n.** does not apply to:

**(3)** Prescription drugs obtained following the lawful orders of a licensed health care professional; or



(4) Goods or products containing or derived from hemp, including, but not limited to:

- (a) Seeds;
- (b) Food;
- (c) Clothing;
- (d) Lotions, oils or extracts;
- (e) Building materials; or
- (f) Paper.

However, this Paragraph 4.n.(4) does not apply to the extent any such goods or products are prohibited under an applicable state or local statute, regulation or ordinance in the state where such goods or products are located.

**D. Coverage D – Loss Of Use**

The limit of liability for Coverage D is the total limit for the coverages in 1. Additional Living Expense, 2. Fair Rental Value and 3. Civil Authority Prohibits Use below.

**1. Additional Living Expense**

If a loss covered under Section I makes that part of the "residence premises" where you reside not fit to live in, we cover any necessary increase in living expenses incurred by you and residents of your household who are:

- a. Your relatives; or
- b. Other persons under the age of 21 and in your care or the care of a resident of your household who is your relative;

so that your household can maintain its normal standard of living.

Payment will be for the shortest time required to repair or replace the damaged property or, if your household permanently relocates, the shortest time required for your household to settle elsewhere.

**2. Fair Rental Value**

If a loss covered under Section I makes that part of the "residence premises" rented to others or held for rental by you not fit to live in, we cover the fair rental value of such premises less any expenses that do not continue while it is not fit to live in.

However, we do not cover any fair rental value arising out of or in connection with "home-sharing host activities".

Payment will be for the shortest time required to repair or replace the damaged property.

**3. Civil Authority Prohibits Use**

If a civil authority prohibits you from use of the "residence premises" as a result of direct damage to neighboring premises by a Peril Insured Against, we cover the loss as provided in 1. Additional Living Expense and 2. Fair Rental Value above for no more than two weeks.

**4. Loss Or Expense Not Covered**

We do not cover loss or expense due to cancellation of a lease or agreement.

The periods of time under 1. Additional Living Expense, 2. Fair Rental Value and 3. Civil Authority Prohibits Use above are not limited by expiration of this Policy.

**E. Additional Coverages**

**1. Debris Removal**

a. We will pay your reasonable expense for the removal of:

- (1) Debris of covered property if a Peril Insured Against that applies to the damaged property causes the loss; or
- (2) Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.

This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit is available for such expense.

b. We will also pay your reasonable expense, up to \$3,000, for the removal from the "residence premises" of:

- (1) Your trees felled by the peril of Windstorm or Hail or Weight of Ice, Snow or Sleet; or
- (2) A neighbor's trees felled by a Peril Insured Against under Coverage C;  
provided the trees:
- (3) Damage a covered structure; or
- (4) Do not damage a covered structure, but:
  - (a) Block a driveway on the "residence premises" which prevents a "motor vehicle", that is registered for use on public roads or property, from entering or leaving the "residence premises"; or
  - (b) Block a ramp or other fixture designed to assist a handicapped person to enter or leave the dwelling building.

The \$3,000 limit is the most we will pay in any one loss, regardless of the number of fallen trees. No more than \$1,500 of this limit will be paid for the removal of any one tree.

This coverage is additional insurance.

## 2. Reasonable Repairs

- a. We will pay the reasonable cost incurred by you for the necessary measures taken solely to protect covered property that is damaged by a Peril Insured Against from further damage.
- b. If the measures taken involve repair to other damaged property, we will only pay if that property is covered under this Policy and the damage is caused by a Peril Insured Against. This coverage does not:
  - (1) Increase the limit of liability that applies to the covered property; or
  - (2) Relieve you of your duties, in case of a loss to covered property, described in C.3. under Section I – Conditions.

## 3. Trees, Shrubs And Other Plants

We cover trees, shrubs, plants or lawns, on the "residence premises", for loss caused by the following Perils Insured Against:

- a. Fire or Lightning;
- b. Explosion;
- c. Riot or Civil Commotion;
- d. Aircraft;
- e. Vehicles not owned or operated by a resident of the "residence premises";
- f. Vandalism or Malicious Mischief; or
- g. Theft.

We will pay up to 5% of the limit of liability that applies to the dwelling for all trees, shrubs, plants or lawns. No more than \$1,500 of this limit will be paid for any one tree, shrub or plant. We do not cover:

- h. Property, other than "cannabis", grown for "business" purposes; or
- i. "Cannabis" whether or not grown for "business" purposes.

This coverage is additional insurance.

## 4. Fire Department Service Charge

We will pay up to \$500 for your liability assumed by contract or agreement for fire department charges incurred when the fire department is called to save or protect covered property from a Peril Insured Against. We do not cover fire department service charges if the property is located within the limits of the city, municipality or protection district furnishing the fire department response.

This coverage is additional insurance. No deductible applies to this coverage.

## 5. Property Removed

We insure covered property against direct loss from any cause while being removed from a premises endangered by a Peril Insured Against and for no more than 30 days while removed.

This coverage does not increase the limit of liability that applies to the property being removed.

### 6. Loss Assessment

a. We will pay up to \$2,000 for your share of loss assessment charged during the policy period against you, as owner or tenant of the "residence premises", by a corporation or association of property owners. The assessment must be made as a result of direct loss to property, owned by all members collectively, of the type that would be covered by this Policy if owned by you, caused by a Peril Insured Against under Coverage A, other than:

- (1) Earthquake; or
- (2) Land shock waves or tremors before, during or after a volcanic eruption.

The limit of \$2,000 is the most we will pay with respect to any one loss, regardless of the number of assessments. We will only apply one deductible, per unit, to the total amount of any one loss to the property described above, regardless of the number of assessments.

b. We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.

c. Paragraph Q. Policy Period under Section I – Conditions does not apply to this coverage.

This coverage is additional insurance.

### 7. Collapse

a. The coverage provided under this Additional Coverage – Collapse applies only to an abrupt collapse.

b. For the purpose of this Additional Coverage – Collapse, abrupt collapse means an abrupt falling down or caving in of a building or any part of a building with the result that the building or part of the building cannot be occupied for its intended purpose.

c. This Additional Coverage – Collapse does not apply to:

- (1) A building or any part of a building that is in danger of falling down or caving in;
- (2) A part of a building that is standing, even if it has separated from another part of the building; or
- (3) A building or any part of a building that is standing, even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

d. We insure for direct physical loss to covered property involving abrupt collapse of a building or any part of a building if such collapse was caused by one or more of the following:

- (1) The Perils Insured Against named under Coverage C;
- (2) Decay, of a building or any part of a building, that is hidden from view, unless the presence of such decay is known to an "insured" prior to collapse;
- (3) Insect or vermin damage, to a building or any part of a building, that is hidden from view, unless the presence of such damage is known to an "insured" prior to collapse;
- (4) Weight of contents, equipment, animals or people;
- (5) Weight of rain which collects on a roof; or
- (6) Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation.

e. Loss to an awning, fence, patio, deck, pavement, swimming pool, underground pipe, flue, drain, cesspool, septic tank, foundation, retaining wall, bulkhead, pier, wharf or dock is not included under d.(2) through (6) above, unless the loss is a direct result of the collapse of a building or any part of a building.

f. This coverage does not increase the limit of liability that applies to the damaged covered property.

### 8. Glass Or Safety Glazing Material

a. We cover:

- (1) The breakage of glass or safety glazing material which is part of a covered building, storm door or storm window;

- (2) The breakage of glass or safety glazing material which is part of a covered building, storm door or storm window when caused directly by earth movement; and
- (3) The direct physical loss to covered property caused solely by the pieces, fragments or splinters of broken glass or safety glazing material which is part of a building, storm door or storm window.

b. This coverage does not include loss:

- (1) To covered property which results because the glass or safety glazing material has been broken, except as provided in a.(3) above; or
- (2) On the "residence premises" if the dwelling has been vacant for more than 60 consecutive days immediately before the loss, except when the breakage results directly from earth movement as provided in a.(2) above. A dwelling being constructed, remodeled, renovated or repaired is not considered vacant.

c. This coverage does not increase the limit of liability that applies to the damaged property.

#### 9. Landlord's Furnishings

We will pay up to \$3,000 for your appliances, carpeting and other household furnishings, in each apartment on the "residence premises" regularly rented or held for rental to others by an "insured", for loss caused by a Peril Insured Against in Coverage C, other than Theft.

This limit is the most we will pay in any one loss regardless of the number of appliances, carpeting or other household furnishings involved in the loss.

This coverage does not increase the limit of liability applying to the damaged property.

#### 10. Ordinance Or Law

a. We will pay up to 10% of the limit of liability that applies to Coverage A for the increased costs you incur due to the enforcement of any ordinance or law which requires or regulates:

- (1) The construction, demolition, remodeling, renovation or repair of that part of a covered building or other structure damaged by a Peril Insured Against;
- (2) The demolition and reconstruction of the undamaged part of a covered building or other structure, when that building or other structure must be totally demolished because of damage by a Peril Insured Against to another part of that covered building or other structure; or
- (3) The remodeling, removal or replacement of the portion of the undamaged part of a covered building or other structure necessary to complete the remodeling, repair or replacement of that part of the covered building or other structure damaged by a Peril Insured Against.

b. You may use all or part of this ordinance or law coverage to pay for the increased costs you incur to remove debris resulting from the construction, demolition, remodeling, renovation, repair or replacement of property as stated in a. above.

c. We do not cover:

- (1) The loss in value to any covered building or other structure due to the requirements of any ordinance or law; or
- (2) The costs to comply with any ordinance or law which requires any "insured" or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants in or on any covered building or other structure.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

This coverage is additional insurance.

#### 11. Grave Markers

We will pay up to \$5,000 for grave markers, including mausoleums, on or away from the "residence premises" for loss caused by a Peril Insured Against under Coverage C.

This coverage does not increase the limits of liability that apply to the damaged covered property.

**SECTION I – PERILS INSURED AGAINST**

**A. Coverage A – Dwelling And Coverage B – Other Structures**

1. We insure against direct physical loss to property described in Coverages **A** and **B**.
2. We do not insure, however, for loss:
  - a. Excluded under Section I – Exclusions;
  - b. Involving collapse, including any of the following conditions of property or any part of the property:
    - (1) An abrupt falling down or caving in;
    - (2) Loss of structural integrity, including separation of parts of the property or property in danger of falling down or caving in; or
    - (3) Any cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion as such condition relates to (1) or (2) above;except as provided in **E.7. Collapse under Section I – Property Coverages**; or
  - c. Caused by:
    - (1) Freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance, or by discharge, leakage or overflow from within the system or appliance caused by freezing. This provision does not apply if you have used reasonable care to:
      - (a) Maintain heat in the building; or
      - (b) Shut off the water supply and drain all systems and appliances of water.However, if the building is protected by an automatic fire protective sprinkler system, you must use reasonable care to continue the water supply and maintain heat in the building for coverage to apply.  
For purposes of this provision, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment;
    - (2) Freezing, thawing, pressure or weight of water or ice, whether driven by wind or not, to a:
      - (a) Fence, pavement, patio or swimming pool;
      - (b) Footing, foundation, bulkhead, wall, or any other structure or device that supports all or part of a building, or other structure;
      - (c) Retaining wall or bulkhead that does not support all or part of a building or other structure; or
      - (d) Pier, wharf or dock;
    - (3) Theft:
      - (a) If such loss arises out of or results from "home-sharing host activities"; or
      - (b) In or to a dwelling under construction, or of materials and supplies for use in the construction until the dwelling is finished and occupied;
    - (4) Vandalism and malicious mischief, and any ensuing loss caused by any intentional and wrongful act committed in the course of the vandalism or malicious mischief, if:
      - (a) The loss arises out of or results from "home-sharing host activities"; or
      - (b) The dwelling has been vacant for more than 60 consecutive days immediately before the loss. A dwelling being constructed, remodeled, renovated or repaired is not considered vacant;
    - (5) Mold, fungus or wet rot. However, we do insure for loss caused by mold, fungus or wet rot that is hidden within the walls or ceilings or beneath the floors or above the ceilings of a structure if such loss results from the accidental discharge or overflow of water or steam from within:
      - (a) A plumbing, heating, air conditioning or automatic fire protective sprinkler system, or a household appliance, on the "residence premises"; or
      - (b) A storm drain, or water, steam or sewer pipes, off the "residence premises".For purposes of this provision, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment; or

**(6) Any of the following:**

- (a)** Wear and tear, marring, deterioration;
- (b)** Mechanical breakdown, latent defect, inherent vice or any quality in property that causes it to damage or destroy itself;
- (c)** Smog, rust or other corrosion, or dry rot;
- (d)** Smoke from agricultural smudging or industrial operations;
- (e)** Discharge, dispersal, seepage, migration, release or escape of pollutants unless the discharge, dispersal, seepage, migration, release or escape is itself caused by a Peril Insured Against named under Coverage **C**.  
Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed;
- (f)** Settling, shrinking, bulging or expansion, including resultant cracking, of bulkheads, pavements, patios, footings, foundations, walls, floors, roofs or ceilings;
- (g)** Birds, rodents or insects;
- (h)** Nesting or infestation, or discharge or release of waste products or secretions, by any animals; or
- (i)** Animals owned or kept by an "insured".

**Exception To c.(6)**

Unless the loss is otherwise excluded, we cover loss to property covered under Coverage **A** or **B** resulting from an accidental discharge or overflow of water or steam from within a:

- (i)** Storm drain, or water, steam or sewer pipe, off the "residence premises"; or
- (ii)** Plumbing, heating, air conditioning or automatic fire protective sprinkler system or household appliance on the "residence premises". This includes the cost to tear out and replace any part of a building, or other structure, on the "residence premises", but only when necessary to repair the system or appliance. However, such tear out and replacement coverage only applies to other structures if the water or steam causes actual damage to a building on the "residence premises".

We do not cover loss to the system or appliance from which this water or steam escaped.

For purposes of this provision, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment.

Section **I** – Exclusion **A.3**. Water, Paragraphs **a.** and **c.** that apply to surface water and water below the surface of the ground do not apply to loss by water covered under **c.(5)** and **(6)** above.

Under **2.b.** and **c.** above, any ensuing loss to property described in Coverages **A** and **B** not precluded by any other provision in this Policy is covered.

**B. Coverage C – Personal Property**

We insure for direct physical loss to the property described in Coverage **C** caused by any of the following perils unless the loss is excluded in Section **I** – Exclusions.

- 1. Fire Or Lightning**
- 2. Windstorm Or Hail**

This peril includes loss to watercraft of all types and their trailers, furnishings, equipment, and outboard engines or motors, only while inside a fully enclosed building.

This peril does not include loss to the property contained in a building caused by rain, snow, sleet, sand or dust unless the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand or dust enters through this opening.

- 3. Explosion**
- 4. Riot Or Civil Commotion**
- 5. Aircraft**

This peril includes self-propelled missiles and spacecraft.



## 6. Vehicles

## 7. Smoke

This peril means sudden and accidental damage from smoke, including the emission or puffback of smoke, soot, fumes or vapors from a boiler, furnace or related equipment.

This peril does not include loss caused by smoke from agricultural smudging or industrial operations.

## 8. Vandalism Or Malicious Mischief

This peril does not include loss caused by vandalism or malicious mischief to property arising out of or resulting from "home-sharing host activities".

## 9. Theft

a. This peril includes attempted theft and loss of property from a known place when it is likely that the property has been stolen.

b. This peril does not include loss caused by theft:

- (1) Committed by an "insured";
- (2) In or to a dwelling under construction, or of materials and supplies for use in the construction until the dwelling is finished and occupied;
- (3) From that part of a "residence premises" rented by an "insured" to someone other than another "insured";
- (4) That occurs off the "residence premises" of:
  - (a) Trailers, semitrailers and campers;
  - (b) Watercraft of all types, and their furnishings, equipment and outboard engines or motors; or
  - (c) Property while at any other residence owned by, rented to, or occupied by an "insured", except while an "insured" is temporarily living there. Property of an "insured" who is a student is covered while at the residence the student occupies to attend school as long as the student has been there at any time during the 90 days immediately before the loss; or
- (5) If such loss arises out of or results from "home-sharing host activities".

## 10. Falling Objects

This peril does not include loss to property contained in a building unless the roof or an outside wall of the building is first damaged by a falling object. Damage to the falling object itself is not included.

## 11. Weight Of Ice, Snow Or Sleet

This peril means weight of ice, snow or sleet which causes damage to property contained in a building.

## 12. Accidental Discharge Or Overflow Of Water Or Steam

a. This peril means accidental discharge or overflow of water or steam from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system or from within a household appliance.

b. This peril does not include loss:

- (1) To the system or appliance from which the water or steam escaped;
- (2) Caused by or resulting from freezing except as provided in Peril Insured Against 14. Freezing;
- (3) On the "residence premises" caused by accidental discharge or overflow which occurs off the "residence premises"; or
- (4) Caused by mold, fungus or wet rot unless hidden within the walls or ceilings or beneath the floors or above the ceilings of a structure.

c. In this peril, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment.

d. Section I – Exclusion A.3. Water, Paragraphs a. and c. that apply to surface water and water below the surface of the ground do not apply to loss by water covered under this peril.

## 13. Sudden And Accidental Tearing Apart, Cracking, Burning Or Bulging

This peril means sudden and accidental tearing apart, cracking, burning or bulging of a steam or hot water heating system, an air conditioning or automatic fire protective sprinkler system, or an appliance for heating water.

We do not cover loss caused by or resulting from freezing under this peril.

**14. Freezing**

a. This peril means freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance, but only if you have used reasonable care to:

- (1) Maintain heat in the building; or
- (2) Shut off the water supply and drain all systems and appliances of water.

However, if the building is protected by an automatic fire protective sprinkler system, you must use reasonable care to continue the water supply and maintain heat in the building for coverage to apply.

b. In this peril, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment.

**15. Sudden And Accidental Damage From Artificially Generated Electrical Current**

This peril does not include loss to tubes, transistors, electronic components or circuitry that is a part of appliances, fixtures, computers, home entertainment units or other types of electronic apparatus.

**16. Volcanic Eruption**

This peril does not include loss caused by earthquake, land shock waves or tremors.

**SECTION I – EXCLUSIONS**

A. We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss. These exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

**1. Ordinance Or Law**

Ordinance Or Law means any ordinance or law:

- a. Requiring or regulating the construction, demolition, remodeling, renovation or repair of property, including removal of any resulting debris. This Exclusion **A.1.a.** does not apply to the amount of coverage that may be provided for in **E.10. Ordinance Or Law** under Section I – Property Coverages;
- b. The requirements of which result in a loss in value to property; or
- c. Requiring any "insured" or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

This Exclusion **A.1.** applies whether or not the property has been physically damaged.

**2. Earth Movement**

Earth Movement means:

- a. Earthquake, including land shock waves or tremors before, during or after a volcanic eruption;
- b. Landslide, mudslide or mudflow;
- c. Subsidence or sinkhole; or
- d. Any other earth movement including earth sinking, rising or shifting.

This Exclusion **A.2.** applies regardless of whether any of the above, in **A.2.a.** through **A.2.d.**, is caused by an act of nature or is otherwise caused.

However, direct loss by fire, explosion or theft resulting from any of the above, in **A.2.a.** through **A.2.d.**, is covered.

**3. Water**

This means:

- a. Flood, surface water, waves, including tidal wave and tsunamis, tides, tidal water, overflow of any body of water, or spray from any of these, all whether or not driven by wind, including storm surge;
- b. Water which:
  - (1) Backs up through sewers or drains; or



(2) Overflows or is otherwise discharged from a sump, sump pump or related equipment;

- c. Water below the surface of the ground, including water which exerts pressure on, or seeps, leaks or flows through a building, sidewalk, driveway, patio, foundation, swimming pool or other structure; or
- d. Waterborne material carried or otherwise moved by any of the water referred to in **A.3.a.** through **A.3.c.** of this exclusion.

This Exclusion **A.3.** applies regardless of whether any of the above, in **A.3.a.** through **A.3.d.**, is caused by an act of nature or is otherwise caused.

This Exclusion **A.3.** applies to, but is not limited to, escape, overflow or discharge, for any reason, of water or waterborne material from a dam, levee, seawall or any other boundary or containment system.

However, direct loss by fire, explosion or theft resulting from any of the above, in **A.3.a.** through **A.3.d.**, is covered.

#### **4. Power Failure**

Power Failure means the failure of power or other utility service if the failure takes place off the "residence premises". But if the failure results in a loss, from a Peril Insured Against on the "residence premises", we will pay for the loss caused by that peril.

#### **5. Neglect**

Neglect means neglect of an "insured" to use all reasonable means to save and preserve property at and after the time of a loss.

#### **6. War**

War includes the following and any consequence of any of the following:

- a. Undeclared war, civil war, insurrection, rebellion or revolution;
- b. Warlike act by a military force or military personnel; or
- c. Destruction, seizure or use for a military purpose.

Discharge of a nuclear weapon will be deemed a warlike act even if accidental.

#### **7. Nuclear Hazard**

This Exclusion **A.7.** pertains to Nuclear Hazard to the extent set forth in **N.** Nuclear Hazard Clause under Section **I** – Conditions.

#### **8. Intentional Loss**

Intentional Loss means any loss arising out of any act an "insured" commits or conspires to commit with the intent to cause a loss.

In the event of such loss, no "insured" is entitled to coverage, even "insureds" who did not commit or conspire to commit the act causing the loss.

#### **9. Governmental Action**

Governmental Action means the destruction, confiscation or seizure of property described in Coverage **A**, **B** or **C** by order of any governmental or public authority.

This exclusion does not apply to such acts ordered by any governmental or public authority that are taken at the time of a fire to prevent its spread, if the loss caused by fire would be covered under this Policy.

- B.** We do not insure for loss to property described in Coverages **A** and **B** caused by any of the following. However, any ensuing loss to property described in Coverages **A** and **B** not precluded by any other provision in this Policy is covered.

- 1. Weather conditions. However, this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in **A.** above to produce the loss.
- 2. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.
- 3. Faulty, inadequate or defective:
  - a. Planning, zoning, development, surveying, siting;
  - b. Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
  - c. Materials used in repair, construction, renovation or remodeling; or

d. Maintenance;

of part or all of any property whether on or off the "residence premises".

## **SECTION I – CONDITIONS**

### **A. Insurable Interest And Limit Of Liability**

Even if more than one person has an insurable interest in the property covered, we will not be liable in any one loss:

1. To an "insured" for more than the amount of such "insured's" interest at the time of loss; or
2. For more than the applicable limit of liability.

### **B. Deductible**

Unless otherwise noted in this Policy, the following deductible provision applies:

With respect to any one loss:

1. Subject to the applicable limit of liability, we will pay only that part of the total of all loss payable that exceeds the deductible amount shown in the Declarations.
2. If two or more deductibles under this Policy apply to the loss, only the highest deductible amount will apply.

### **C. Duties After Loss**

In case of a loss to covered property, we have no duty to provide coverage under this Policy if the failure to comply with the following duties is prejudicial to us. These duties must be performed either by you, an "insured" seeking coverage or a representative of either:

1. Give prompt notice to us or our agent;
2. Notify the police in case of loss by theft;
3. Protect the property from further damage. If repairs to the property are required, you must:
  - a. Make reasonable and necessary repairs to protect the property; and
  - b. Keep an accurate record of repair expenses;
4. Cooperate with us in the investigation of a claim;
5. Prepare an inventory of damaged personal property showing the quantity, description, actual cash value and amount of loss. Attach all bills, receipts and related documents that justify the figures in the inventory;
6. As often as we reasonably require:
  - a. Show the damaged property;
  - b. Provide us with records and documents we request and permit us to make copies; and
  - c. Submit to examination under oath, while not in the presence of another "insured", and sign the same;
7. Send to us, within 60 days after our request, your signed, sworn proof of loss which sets forth, to the best of your knowledge and belief:
  - a. The time and cause of loss;
  - b. The interests of all "insureds" and all others in the property involved and all liens on the property;
  - c. Other insurance which may cover the loss;
  - d. Changes in title or occupancy of the property during the term of the Policy;
  - e. Specifications of damaged buildings and detailed repair estimates;
  - f. The inventory of damaged personal property described in 5. above; and
  - g. Receipts for additional living expenses incurred and records that support the fair rental value loss.

### **D. Loss Settlement**

In this Condition D., the terms "cost to repair or replace" and "replacement cost" do not include the increased costs incurred to comply with the enforcement of any ordinance or law, except to the extent that coverage for these increased costs is provided in E.10. Ordinance Or Law under Section I – Property Coverages. Covered property losses are settled as follows:

1. Property of the following types:
  - a. Personal property;

- b. Awnings, carpeting, household appliances, outdoor antennas and outdoor equipment, whether or not attached to buildings;
- c. Structures that are not buildings; and
- d. Grave markers, including mausoleums;

at actual cash value at the time of loss but not more than the amount required to repair or replace.

**2. Buildings covered under Coverage A or B at replacement cost without deduction for depreciation, subject to the following:**

- a. If, at the time of loss, the amount of insurance in this Policy on the damaged building is 80% or more of the full replacement cost of the building immediately before the loss, we will pay the cost to repair or replace, after application of any deductible and without deduction for depreciation, but not more than the least of the following amounts:

- (1) The limit of liability under this Policy that applies to the building;
- (2) The replacement cost of that part of the building damaged with material of like kind and quality and for like use; or
- (3) The necessary amount actually spent to repair or replace the damaged building.

If the building is rebuilt at a new premises, the cost described in (2) above is limited to the cost which would have been incurred if the building had been built at the original premises.

- b. If, at the time of loss, the amount of insurance in this Policy on the damaged building is less than 80% of the full replacement cost of the building immediately before the loss, we will pay the greater of the following amounts, but not more than the limit of liability under this Policy that applies to the building:

- (1) The actual cash value of that part of the building damaged; or
- (2) That proportion of the cost to repair or replace, after application of any deductible and without deduction for depreciation, that part of the building damaged, which the total amount of insurance in this Policy on the damaged building bears to 80% of the replacement cost of the building.

- c. To determine the amount of insurance required to equal 80% of the full replacement cost of the building immediately before the loss, do not include the value of:

- (1) Excavations, footings, foundations, piers, or any other structures or devices that support all or part of the building, which are below the undersurface of the lowest basement floor;
- (2) Those supports described in (1) above which are below the surface of the ground inside the foundation walls, if there is no basement; and
- (3) Underground flues, pipes, wiring and drains.

- d. We will pay no more than the actual cash value of the damage until actual repair or replacement is complete. Once actual repair or replacement is complete, we will settle the loss as noted in 2.a. and b. above.

However, if the cost to repair or replace the damaged property is both:

- (1) Less than 5% of the amount of insurance in this Policy on the building; and
- (2) Less than \$5,000;

we will settle the loss as noted in 2.a. and b. above whether or not actual repair or replacement is complete.

- e. You may disregard the replacement cost loss settlement provisions and make claim under this Policy for loss to buildings on an actual cash value basis. You may then make claim for any additional liability according to the provisions of this Condition D. Loss Settlement, provided you notify us, within 180 days after the date of loss, of your intent to repair or replace the damaged building.

**E. Loss To A Pair Or Set**

In case of loss to a pair or set, we may elect to:

- 1. Repair or replace any part to restore the pair or set to its value before the loss; or
- 2. Pay the difference between actual cash value of the property before and after the loss.

**F. Appraisal**

If you and we fail to agree on the amount of loss, either may demand an appraisal of the loss. In this event, each party will choose a competent and impartial appraiser within 20 days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the state where the "residence premises" is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss.

Each party will:

1. Pay its own appraiser; and
2. Bear the other expenses of the appraisal and umpire equally.

**G. Other Insurance And Service Agreement**

If a loss covered by this Policy is also covered by:

1. Other insurance, we will pay only the proportion of the loss that the limit of liability that applies under this Policy bears to the total amount of insurance covering the loss; or
2. A service agreement, this insurance is excess over any amounts payable under any such agreement. Service agreement means a service plan, property restoration plan, home warranty or other similar service warranty agreement, even if it is characterized as insurance.

**H. Suit Against Us**

No action can be brought against us unless there has been full compliance with all of the terms under Section I of this Policy and the action is started within two years after the date of loss.

**I. Our Option**

If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may repair or replace any part of the damaged property with material or property of like kind and quality.

**J. Loss Payment**

We will adjust all losses with you. We will pay you unless some other person is named in the Policy or is legally entitled to receive payment. Loss will be payable 60 days after we receive your proof of loss and:

1. Reach an agreement with you;
2. There is an entry of a final judgment; or
3. There is a filing of an appraisal award with us.

**K. Abandonment Of Property**

We need not accept any property abandoned by an "insured".

**L. Mortgage Clause**

1. If a mortgagee is named in this Policy, any loss payable under Coverage **A** or **B** will be paid to the mortgagee and you, as interests appear. If more than one mortgagee is named, the order of payment will be the same as the order of precedence of the mortgages.
2. If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:
  - a. Notifies us of any change in ownership, occupancy or substantial change in risk of which the mortgagee is aware;
  - b. Pays any premium due under this Policy on demand if you have neglected to pay the premium; and
  - c. Submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so. Paragraphs **F. Appraisal**, **H. Suit Against Us** and **J. Loss Payment** under Section **I** – Conditions also apply to the mortgagee.
3. If we decide to cancel or not to renew this Policy, the mortgagee will be notified at least 10 days before the date cancellation or nonrenewal takes effect.
4. If we pay the mortgagee for any loss and deny payment to you:
  - a. We are subrogated to all the rights of the mortgagee granted under the mortgage on the property; or

b. At our option, we may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, we will receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.

5. Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.

**M. No Benefit To Bailee**

We will not recognize any assignment or grant any coverage that benefits a person or organization holding, storing or moving property for a fee regardless of any other provision of this Policy.

**N. Nuclear Hazard Clause**

1. "Nuclear Hazard" means any nuclear reaction, radiation, or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these.
2. Loss caused by the nuclear hazard will not be considered loss caused by fire, explosion or smoke, whether these perils are specifically named in or otherwise included within the Perils Insured Against.
3. This Policy does not apply under Section I to loss caused directly or indirectly by nuclear hazard, except that direct loss by fire resulting from the nuclear hazard is covered.

**O. Recovered Property**

If you or we recover any property for which we have made payment under this Policy, you or we will notify the other of the recovery. At your option, the property will be returned to or retained by you or it will become our property. If the recovered property is returned to or retained by you, the loss payment will be adjusted based on the amount you received for the recovered property.

**P. Volcanic Eruption Period**

One or more volcanic eruptions that occur within a 72-hour period will be considered as one volcanic eruption.

**Q. Policy Period**

This Policy applies only to loss which occurs during the policy period.

**R. Concealment Or Fraud**

We provide coverage to no "insureds" under this Policy if, whether before or after a loss, an "insured" has:

1. Intentionally concealed or misrepresented any material fact or circumstance;
  2. Engaged in fraudulent conduct; or
  3. Made false statements;
- relating to this insurance.

**S. Loss Payable Clause**

If the Declarations shows a loss payee for certain listed insured personal property, the definition of "insured" is changed to include that loss payee with respect to that property.

If we decide to cancel or not renew this Policy, that loss payee will be notified in writing.

**SECTION II – LIABILITY COVERAGES**

**A. Coverage E – Personal Liability**

If a claim is made or a suit is brought against an "insured" for damages because of "bodily injury" or "property damage" caused by an "occurrence" to which this coverage applies, we will:

1. Pay up to our limit of liability for the damages for which an "insured" is legally liable. Damages include prejudgment interest awarded against an "insured"; and
2. Provide a defense at our expense by counsel of our choice, even if the suit is groundless, false or fraudulent. We may investigate and settle any claim or suit that we decide is appropriate. Our duty to settle or defend ends when our limit of liability for the "occurrence" has been exhausted by payment of a judgment or settlement.

## B. Coverage F – Medical Payments To Others

We will pay the necessary medical expenses that are incurred or medically ascertained within three years from the date of an accident causing "bodily injury". Medical expenses means reasonable charges for medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, prosthetic devices and funeral services. This coverage does not apply to you or regular residents of your household except "residence employees". As to others, this coverage applies only:

1. To a person on the "insured location" with the permission of an "insured"; or
2. To a person off the "insured location", if the "bodily injury":
  - a. Arises out of a condition on the "insured location" or the ways immediately adjoining;
  - b. Is caused by the activities of an "insured";
  - c. Is caused by a "residence employee" in the course of the "residence employee's" employment by an "insured"; or
  - d. Is caused by an animal owned by or in the care of an "insured".

## SECTION II – EXCLUSIONS

### A. Motor Vehicle Liability

1. Coverages **E** and **F** do not apply to any "motor vehicle liability" if, at the time and place of an "occurrence", the involved "motor vehicle":
  - a. Is registered for use on public roads or property;
  - b. Is not registered for use on public roads or property, but such registration is required by a law, or regulation issued by a government agency, for it to be used at the place of the "occurrence"; or
  - c. Is being:
    - (1) Operated in, or practicing for, any prearranged or organized race, speed contest or other competition;
    - (2) Rented to others;
    - (3) Used to carry persons or cargo for a charge; or
    - (4) Used for any "business" purpose except for a motorized golf cart while on a golfing facility.
2. If Exclusion **A.1.** does not apply, there is still no coverage for "motor vehicle liability", unless the "motor vehicle" is:
  - a. In dead storage on an "insured location";
  - b. Used solely to service a residence;
  - c. A riding lawn mower that, at the time of the "occurrence", is being used to mow a lawn;
  - d. Designed to assist the handicapped and, at the time of an "occurrence", it is:
    - (1) Being used to assist a handicapped person; or
    - (2) Parked on an "insured location";
  - e. Designed for recreational use off public roads and:
    - (1) Not owned by an "insured"; or
    - (2) Owned by an "insured" provided the "occurrence" takes place:
      - (a) On an "insured location" as defined in Definition **B.10.a., b., d., e. or h.**; or
      - (b) Off an "insured location" and the "motor vehicle" is:
        - (i) Designed as a toy vehicle for use by children under seven years of age;
        - (ii) Powered by one or more batteries; and
        - (iii) Not built or modified after manufacture to exceed a speed of five miles per hour on level ground;

f. A motorized golf cart that is owned by an "insured", designed to carry up to four persons, not built or modified after manufacture to exceed a speed of 25 miles per hour on level ground and, at the time of an "occurrence", is within the legal boundaries of:

- (1) A golfing facility and is parked or stored there, or being used by an "insured" to:
  - (a) Play the game of golf or for other recreational or leisure activity allowed by the facility;
  - (b) Travel to or from an area where "motor vehicles" or golf carts are parked or stored; or
  - (c) Cross public roads at designated points to access other parts of the golfing facility; or
- (2) A private residential community, including its public roads upon which a motorized golf cart can legally travel, which is subject to the authority of a property owners association and contains an "insured's" residence.

#### **B. Watercraft Liability**

1. Coverages **E** and **F** do not apply to any "watercraft liability" if, at the time of an "occurrence", the involved watercraft is being:
  - a. Operated in, or practicing for, any prearranged or organized race, speed contest or other competition. This exclusion does not apply to a sailing vessel or a predicted log cruise;
  - b. Rented to others;
  - c. Used to carry persons or cargo for a charge; or
  - d. Used for any "business" purpose.
2. If Exclusion **B.1.** does not apply, there is still no coverage for "watercraft liability" unless, at the time of the "occurrence", the watercraft:
  - a. Is stored;
  - b. Is a sailing vessel, with or without auxiliary power, that is:
    - (1) Less than 26 feet in overall length; or
    - (2) 26 feet or more in overall length and not owned by an "insured"; or
  - c. Is not a sailing vessel and is powered by one or more engines or motors, including those that power a water jet pump, totaling:
    - (1) 25 horsepower or less; or
    - (2) More than 25 horsepower; and
      - (a) Not owned by an "insured"; or
      - (b) Are outboard engines or motors owned by an "insured" who acquired such engines or motors:
        - (i) During the policy period; or
        - (ii) Before the policy period, but only if you declare them at policy inception or your intent to insure them is reported to us in writing within 45 days after you acquire them.

The coverages in (b) above apply for the policy period.

Horsepower means the maximum power rating assigned to the engine or motor by the manufacturer.

#### **C. Aircraft Liability**

This Policy does not cover "aircraft liability".

#### **D. Hovercraft Liability**

This Policy does not cover "hovercraft liability".

#### **E. Coverage E – Personal Liability And Coverage F – Medical Payments To Others**

Coverages **E** and **F** do not apply to the following:

##### **1. Expected Or Intended Injury**

"Bodily injury" or "property damage" which is expected or intended by an "insured", even if the resulting "bodily injury" or "property damage":

- a. Is of a different kind, quality or degree than initially expected or intended; or
- b. Is sustained by a different person, entity or property than initially expected or intended.



## Section 1: Personal Residential Coverages

However, this Exclusion **E.1.** does not apply to "bodily injury" or "property damage" resulting from the use of reasonable force by an "insured" to protect persons or property;

### 2. Business

- a. "Bodily injury" or "property damage" arising out of or in connection with a "business" conducted from an "insured location" or engaged in by an "insured", whether or not the "business" is owned or operated by an "insured" or employs an "insured".

This Exclusion **E.2.** applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed or implied to be provided because of the nature of the "business".

- b. With respect to other than "home-sharing host activities", this Exclusion **E.2.** does not apply to:

- (1) The rental or holding for rental of an "insured location";
  - (a) On an occasional basis if used only as a residence;
  - (b) In part for use only as a residence, unless a single-family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or
  - (c) In part, as an office, school, studio or private garage; and
- (2) An "insured" under the age of 21 years involved in a part-time or occasional, self-employed "business" with no employees;

### 3. Professional Services

"Bodily injury" or "property damage" arising out of the rendering of or failure to render professional services;

### 4. Insured's Premises Not An Insured Location

"Bodily injury" or "property damage" arising out of a premises:

- a. Owned by an "insured";
  - b. Rented to an "insured"; or
  - c. Rented to others by an "insured";
- that is not an "insured location";

### 5. War

"Bodily injury" or "property damage" caused directly or indirectly by war, including the following and any consequence of any of the following:

- a. Undeclared war, civil war, insurrection, rebellion or revolution;
- b. Warlike act by a military force or military personnel; or
- c. Destruction, seizure or use for a military purpose.

Discharge of a nuclear weapon will be deemed a warlike act even if accidental;

### 6. Communicable Disease

"Bodily injury" or "property damage" which arises out of the transmission of a communicable disease by an "insured";

### 7. Sexual Molestation, Corporal Punishment Or Physical Or Mental Abuse

"Bodily injury" or "property damage" arising out of sexual molestation, corporal punishment or physical or mental abuse; or

### 8. Controlled Substance

"Bodily injury" or "property damage" arising out of the use, sale, manufacture, delivery, transfer or possession by any person of:

- a. A Controlled Substance as defined by the Federal Food and Drug Law at 21 U.S.C.A. Sections 811 and 812; or
- b. Any "cannabis" regardless of whether such "cannabis" is considered a Controlled Substance.



Controlled Substances include but are not limited to cocaine, LSD and all narcotic drugs. However, this exclusion does not apply to the legitimate use of prescription drugs by a person following the lawful orders of a licensed health care professional.

Exclusions **A.** "Motor Vehicle Liability", **B.** "Watercraft Liability", **C.** "Aircraft Liability", **D.** "Hovercraft Liability" and **E.4.** "Insured's" Premises Not An "Insured Location" do not apply to "bodily injury" to a "residence employee" arising out of and in the course of the "residence employee's" employment by an "insured".

## F. Coverage E – Personal Liability

Coverage **E** does not apply to:

### 1. Liability:

**a.** For any loss assessment charged against you as a member of an association, corporation or community of property owners, except as provided in **D.** Loss Assessment under Section **II** – Additional Coverages;

**b.** Under any contract or agreement entered into by an "insured". However, this exclusion does not apply to written contracts:

(1) That directly relate to the ownership, maintenance or use of an "insured location"; or

(2) Where the liability of others is assumed by you prior to an "occurrence";

unless excluded in **a.** above or elsewhere in this Policy;

**2.** "Property damage" to property owned by an "insured". This includes costs or expenses incurred by an "insured" or others to repair, replace, enhance, restore or maintain such property to prevent injury to a person or damage to property of others, whether on or away from an "insured location";

**3.** "Property damage" to property rented to, occupied or used by or in the care of an "insured". This exclusion does not apply to "property damage" caused by fire, smoke or explosion;

**4.** "Bodily injury" to any person eligible to receive any benefits voluntarily provided or required to be provided by an "insured" under any:

**a.** Workers' compensation law;

**b.** Non-occupational disability law; or

**c.** Occupational disease law;

**5.** "Bodily injury" or "property damage" for which an "insured" under this Policy:

**a.** Is also an insured under a nuclear energy liability policy issued by the:

(1) Nuclear Energy Liability Insurance Association;

(2) Mutual Atomic Energy Liability Underwriters;

(3) Nuclear Insurance Association of Canada;

or any of their successors; or

**b.** Would be an insured under such a policy but for the exhaustion of its limit of liability; or

**6.** "Bodily injury" to you or an "insured" as defined under Definition **9.a.** or **b.**

This exclusion also applies to any claim made or suit brought against you or an "insured" to:

**a.** Repay; or

**b.** Share damages with;

another person who may be obligated to pay damages because of "bodily injury" to an "insured".

## G. Coverage F – Medical Payments To Others

Coverage **F** does not apply to "bodily injury":

**1.** To a "residence employee" if the "bodily injury":

**a.** Occurs off the "insured location"; and

**b.** Does not arise out of or in the course of the "residence employee's" employment by an "insured";

**2.** To any person eligible to receive benefits voluntarily provided or required to be provided under any:

**a.** Workers' compensation law;

- b. Non-occupational disability law; or
    - c. Occupational disease law;
  - 3. From any:
    - a. Nuclear reaction;
    - b. Nuclear radiation; or
    - c. Radioactive contamination;all whether controlled or uncontrolled or however caused; or
  - d. Any consequence of any of these; or
- 4. To:
  - a. A "home-sharing occupant"; or
  - b. Any person, other than a "residence employee" of an "insured", regularly residing on any part of the "insured location".

## SECTION II – ADDITIONAL COVERAGES

We cover the following in addition to the limits of liability:

### A. Claim Expenses

We pay:

- 1. Expenses we incur and costs taxed against an "insured" in any suit we defend;
- 2. Premiums on bonds required in a suit we defend, but not for bond amounts more than the Coverage E limit of liability. We need not apply for or furnish any bond;
- 3. Reasonable expenses incurred by an "insured" at our request, including actual loss of earnings (but not loss of other income) up to \$250 per day, for assisting us in the investigation or defense of a claim or suit; and
- 4. Interest on the entire judgment which accrues after entry of the judgment and before we pay or tender, or deposit in court that part of the judgment which does not exceed the limit of liability that applies.

### B. First Aid Expenses

We will pay expenses for first aid to others incurred by an "insured" for "bodily injury" covered under this Policy. We will not pay for first aid to an "insured".

### C. Damage To Property Of Others

- 1. We will pay, at replacement cost, up to \$5,000 per "occurrence" for "property damage" to property of others caused by an "insured".
  - 2. We will not pay for "property damage":
    - a. To the extent of any amount recoverable under Section I;
    - b. Caused intentionally by an "insured" who is 13 years of age or older;
    - c. To property owned by an "insured";
    - d. To property owned by or rented to a tenant of an "insured" or a resident in your household; or
    - e. Arising out of:
      - (1) A "business" engaged in by an "insured";
      - (2) Any act or omission in connection with a premises owned, rented or controlled by an "insured", other than the "insured location"; or
      - (3) The ownership, maintenance, occupancy, operation, use, loading or unloading of aircraft, hovercraft, watercraft or "motor vehicles".
- This Exclusion e.(3) does not apply to a "motor vehicle" that:
- (a) Is designed for recreational use off public roads;
  - (b) Is not owned by an "insured"; and
  - (c) At the time of the "occurrence", is not required by law, or regulation issued by a government agency, to have been registered for it to be used on public roads or property.

#### D. Loss Assessment

1. We will pay up to \$2,000 for your share of loss assessment charged against you, as owner or tenant of the "residence premises", during the policy period by a corporation or association of property owners, when the assessment is made as a result of:
  - a. "Bodily injury" or "property damage" not excluded from coverage under Section II – Exclusions; or
  - b. Liability for an act of a director, officer or trustee in the capacity as a director, officer or trustee, provided such person:
    - (1) Is elected by the members of a corporation or association of property owners; and
    - (2) Serves without deriving any income from the exercise of duties which are solely on behalf of a corporation or association of property owners.
2. Paragraph I. Policy Period under Section II – Conditions does not apply to this Loss Assessment Coverage.
3. Regardless of the number of assessments, the limit of \$2,000 is the most we will pay for loss arising out of:
  - a. One accident, including continuous or repeated exposure to substantially the same general harmful condition; or
  - b. A covered act of a director, officer or trustee. An act involving more than one director, officer or trustee is considered to be a single act.
4. We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.

### SECTION II – CONDITIONS

#### A. Limit Of Liability

Our total liability under Coverage E for all damages resulting from any one "occurrence" will not be more than the Coverage E Limit Of Liability shown in the Declarations. This limit is the same regardless of the number of "insureds", claims made or persons injured. All "bodily injury" and "property damage" resulting from any one accident or from continuous or repeated exposure to substantially the same general harmful conditions shall be considered to be the result of one "occurrence".

Our total liability under Coverage F for all medical expense payable for "bodily injury" to one person as the result of one accident will not be more than the Coverage F Limit Of Liability shown in the Declarations.

#### B. Severability Of Insurance

This insurance applies separately to each "insured". This condition will not increase our limit of liability for any one "occurrence".

#### C. Duties After Occurrence

In case of an "occurrence", you or another "insured" will perform the following duties that apply. We have no duty to provide coverage under this Policy if your failure to comply with the following duties is prejudicial to us. You will help us by seeing that these duties are performed:

1. Give written notice to us or our agent as soon as is practical, which sets forth:
  - a. The identity of the Policy and the "named insured" shown in the Declarations;
  - b. Reasonably available information on the time, place and circumstances of the "occurrence"; and
  - c. Names and addresses of any claimants and witnesses;
2. Cooperate with us in the investigation, settlement or defense of any claim or suit;
3. Promptly forward to us every notice, demand, summons or other process relating to the "occurrence";
4. At our request, help us:
  - a. To make settlement;
  - b. To enforce any right of contribution or indemnity against any person or organization who may be liable to an "insured";
  - c. With the conduct of suits and attend hearings and trials; and
  - d. To secure and give evidence and obtain the attendance of witnesses;

5. With respect to **C. Damage To Property Of Others** under Section II – Additional Coverages, submit to us within 60 days after the loss a sworn statement of loss and show the damaged property, if in an "insured's" control;

6. No "insured" shall, except at such "insured's" own cost, voluntarily make payment, assume obligation or incur expense other than for first aid to others at the time of the "bodily injury".

**D. Duties Of An Injured Person – Coverage F – Medical Payments To Others**

1. The injured person or someone acting for the injured person will:

- a. Give us written proof of claim, under oath if required, as soon as is practical; and
- b. Authorize us to obtain copies of medical reports and records.

2. The injured person will submit to a physical exam by a doctor of our choice when and as often as we reasonably require.

**E. Payment Of Claim – Coverage F – Medical Payments To Others**

Payment under this coverage is not an admission of liability by an "insured" or us.

**F. Suit Against Us**

1. No action can be brought against us unless there has been full compliance with all of the terms under this Section II.

2. No one will have the right to join us as a party to any action against an "insured".

3. Also, no action with respect to Coverage E can be brought against us until the obligation of such "insured" has been determined by final judgment or agreement signed by us.

**G. Bankruptcy Of An Insured**

Bankruptcy or insolvency of an "insured" will not relieve us of our obligations under this Policy.

**H. Other Insurance**

This insurance is excess over other valid and collectible insurance except insurance written specifically to cover as excess over the limits of liability that apply in this Policy.

**I. Policy Period**

This Policy applies only to "bodily injury" or "property damage" which occurs during the policy period.

**J. Concealment Or Fraud**

We do not provide coverage to an "insured" who, whether before or after a loss, has:

1. Intentionally concealed or misrepresented any material fact or circumstance;
  2. Engaged in fraudulent conduct; or
  3. Made false statements;
- relating to this insurance.

**SECTIONS I AND II – CONDITIONS**

**A. Liberalization Clause**

If we make a change which broadens coverage under this edition of our policy without additional premium charge, that change will automatically apply to your insurance as of the date we implement the change in your state, provided that this implementation date falls within 60 days prior to or during the policy period stated in the Declarations.

This Liberalization Clause does not apply to changes implemented with a general program revision that includes both broadenings and restrictions in coverage, whether that general program revision is implemented through introduction of:

1. A subsequent edition of this Policy; or
2. An amendatory endorsement.

**B. Waiver Or Change Of Policy Provisions**

A waiver or change of a provision of this Policy must be in writing by us to be valid. Our request for an appraisal or examination will not waive any of our rights.

**C. Cancellation**

1. You may cancel this Policy at any time by returning it to us or by letting us know in writing of the date cancellation is to take effect.
2. We may cancel this Policy only for the reasons stated below by letting you know in writing of the date cancellation takes effect. This cancellation notice may be delivered to you, or mailed to you at your mailing address shown in the Declarations. Proof of mailing will be sufficient proof of notice.
  - a. When you have not paid the premium, we may cancel at any time by letting you know at least 10 days before the date cancellation takes effect.
  - b. When this Policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason by letting you know at least 10 days before the date cancellation takes effect.
  - c. When this Policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel:
    - (1) If there has been a material misrepresentation of fact which if known to us would have caused us not to issue the Policy; or
    - (2) If the risk has changed substantially since the Policy was issued.

This can be done by letting you know at least 30 days before the date cancellation takes effect.
  - d. When this Policy is written for a period of more than one year, we may cancel for any reason at anniversary by letting you know at least 30 days before the date cancellation takes effect.
3. When this Policy is canceled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata.
4. If the return premium is not refunded with the notice of cancellation or when this Policy is returned to us, we will refund it within a reasonable time after the date cancellation takes effect.

**D. Nonrenewal**

We may elect not to renew this Policy. We may do so by delivering to you, or mailing to you at your mailing address shown in the Declarations, written notice at least 30 days before the expiration date of this Policy. Proof of mailing will be sufficient proof of notice.

**E. Assignment**

Assignment of this Policy will not be valid unless we give our written consent.

**F. Subrogation**

An "insured" may waive in writing before a loss all rights of recovery against any person or organization. If not waived, we may require an assignment of rights of recovery for a loss to the extent that payment is made by us.

If an assignment is sought, an "insured" must sign and deliver all related papers and cooperate with us.

**Subrogation** does not apply to Coverage F or Paragraph C. **Damage To Property Of Others** under **Section II – Additional Coverages**.

**G. Death**

If any person named in the Declarations or the spouse, if a resident of the same household, dies, the following apply:

1. We insure the legal representative of the deceased but only with respect to the premises and property of the deceased covered under the Policy at the time of death; and
2. "Insured" includes:
  - a. An "insured" who is a member of your household at the time of your death, but only while a resident of the "residence premises"; and
  - b. With respect to your property, the person having proper temporary custody of the property until appointment and qualification of a legal representative.

## HO 06 48 03 22 – Residence Premises Definition (Mandatory)

HOMEOWNERS  
HO 06 48 03 22

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

### **RESIDENCE PREMISES DEFINITION**

#### **DEFINITIONS**

Definition **B.15.** is replaced by the following:

**15.** "Residence premises" means:

- a.** The one-family dwelling where you reside;
- b.** The two-, three- or four-family dwelling where you reside in at least one of the family units; or
- c.** That part of any other building where you reside;

on the inception date of the policy period shown in the Declarations and which is shown as the "residence premises" in the Declarations.

"Residence premises" also includes other structures and grounds at that location.

All other provisions of this Policy apply.

## HO 04 10 03 22 – Additional Interests – Residence Premises

POLICY NUMBER:

HOMEOWNERS  
HO 04 10 03 22

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

### **ADDITIONAL INTERESTS – RESIDENCE PREMISES**

#### **SCHEDULE**

**Name And Address Of Person Or Organization:**

**Effective Date Of Interest (Optional):**

**Description Of Interest:**

**Name And Address Of Person Or Organization:**

**Effective Date Of Interest (Optional):**

**Description Of Interest:**

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

In addition to the Mortgagee(s) shown in the Declarations or elsewhere in this Policy, the persons or organizations named in the Schedule above also have an interest in the "residence premises".

#### **CANCELLATION AND NONRENEWAL NOTIFICATION**

If we decide to cancel or not to renew this Policy, the persons or organizations named in the Schedule will be notified in writing.

All other provisions of this Policy apply.

## HO 04 41 03 22 – Additional Insured – Residence Premises

POLICY NUMBER:

HOMEOWNERS  
HO 04 41 03 22

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

### **ADDITIONAL INSURED – RESIDENCE PREMISES**

#### **SCHEDULE**

**Name And Address Of Person Or Organization:**

**Interest:**

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

#### **DEFINITIONS**

Definition **9.**, which defines "insured", is extended to include the person or organization named in the Schedule above, but only with respect to:

1. Coverage **A** – Dwelling and Coverage **B** – Other Structures; and
2. Coverage **E** – Personal Liability and Coverage **F** – Medical Payments To Others but only with respect to "bodily injury" or "property damage" arising out of the ownership, maintenance or use of the "residence premises".

#### **SECTION II – EXCLUSIONS**

This coverage does not apply to "bodily injury" to an "employee", "residence employee" or a temporary employee furnished to the "insured" to substitute for a permanent "residence employee" arising out of or in the course of the employee's employment by the person or organization.

#### **CANCELLATION AND NONRENEWAL NOTIFICATION**

If we decide to cancel or not to renew this Policy, the person or organization named in the Schedule will be notified in writing.

All other provisions of this Policy apply.



## HO 04 90 03 22 – Personal Property Replacement Cost Loss Settlement

HOMEOWNERS  
HO 04 90 03 22

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

### **PERSONAL PROPERTY REPLACEMENT COST LOSS SETTLEMENT**

#### **A. Eligible Property**

1. Covered losses to the following property are settled at replacement cost at the time of the loss:
  - a. Coverage C; and
  - b. If covered in this Policy:
    - (1) Awnings, outdoor antennas and outdoor equipment; and
    - (2) Carpeting and household appliances;  
whether or not attached to buildings.
2. This method of loss settlement will also apply to the following articles or classes of property if they are separately described and specifically insured in this Policy and not subject to agreed value loss settlement:
  - a. Jewelry;
  - b. Furs and garments:
    - (1) Trimmed with fur; or
    - (2) Consisting principally of fur;
  - c. Cameras, projection machines, films and related articles of equipment;
  - d. Musical equipment and related articles of equipment;
  - e. Silverware, silver-plated ware, goldware, gold-plated ware and pewterware, but excluding:
    - (1) Pens or pencils;
    - (2) Flasks;
    - (3) Smoking implements; or
    - (4) Jewelry; and
  - f. Golfer's equipment meaning golf clubs, golf clothing and golf equipment.

Personal Property Replacement Cost loss settlement will not apply to other classes of property separately described and specifically insured.

#### **B. Ineligible Property**

Property listed below is not eligible for replacement cost loss settlement. Any loss will be settled at actual cash value at the time of loss but not more than the amount required to repair or replace.

1. Antiques, fine arts, paintings and similar articles of rarity or antiquity, which cannot be replaced.
2. Memorabilia, souvenirs, collectors items and similar articles, whose age or history contribute to their value.
3. Articles not maintained in good or workable condition.
4. Articles that are outdated or obsolete and are stored or not being used.

#### **C. Replacement Cost Loss Settlement Condition**

The following loss settlement condition applies to all property described in **A.** above:

1. We will pay no more than the least of the following amounts:
  - a. Replacement cost at the time of loss without deduction for depreciation;
  - b. The full cost of repair at the time of loss;
  - c. The limit of liability that applies to Coverage C, if applicable;
  - d. Any applicable special limits of liability stated in this Policy; or

## Section 1: Personal Residential Coverages

- e. For loss to any item described in **A.2.a.** through **f.** above, the limit of liability that applies to the item.
- 2. If the cost to repair or replace the property described in **A.** above is more than \$1,000, we will pay no more than the actual cash value for the loss until the actual repair or replacement is complete.
- 3. You may make a claim for loss on an actual cash value basis and then make claim for any additional liability in accordance with this endorsement provided you notify us, within 180 days after the date of the loss, of your intent to repair or replace the damaged property.

All other provisions of this Policy apply.

## HO 24 82 03 22 – Personal Injury Coverage

HOMEOWNERS  
HO 24 82 03 22

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

### PERSONAL INJURY COVERAGE

#### DEFINITIONS

The following definitions are added:

"Personal injury" means injury arising out of one or more of the following offenses, but only if the offense was committed during the policy period:

1. False arrest, detention or imprisonment;
2. Malicious prosecution;
3. The wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premises that a person occupies, committed by or on behalf of its owner, landlord or lessor;
4. Oral or written publication, in any manner, of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services; or
5. Oral or written publication, in any manner, of material that violates a person's right of privacy.

"Fungi" means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.

However, this does not include any fungi that are, are on, or are contained in, a good or product intended for consumption.

#### SECTION II – LIABILITY COVERAGES

The following is added to **A. Coverage E – Personal Liability**

##### Personal Injury Coverage

If a claim is made or suit is brought against an "insured" for damages resulting from an offense, defined under "personal injury", to which this coverage applies, we will:

1. Pay up to our limit of liability for the damages for which an "insured" is legally liable. Damages include prejudgment interest awarded against an "insured"; and
2. Provide a defense at our expense by counsel of our choice, even if the suit is groundless, false or fraudulent. We may investigate and settle any claim or suit that we decide is appropriate. Our duty to settle or defend ends when our limit of liability for the offense has been exhausted by payment of a judgment or settlement.

#### SECTION II – EXCLUSIONS

With respect to the coverage provided by this endorsement, **Section II – Exclusions** is replaced by the following:

##### Section II – Exclusions

This insurance does not apply to:

1. "Personal injury":
  - a. Caused by or at the direction of an "insured" with the knowledge that the act would violate the rights of another and would inflict "personal injury";
  - b. Arising out of oral or written publication of material, if done by or at the direction of an "insured" with knowledge of its falsity;
  - c. Arising out of oral or written publication of material whose first publication took place before the beginning of the policy period;
  - d. Arising out of a criminal act committed by or at the direction of an "insured";
  - e. Arising out of liability assumed by an "insured" under any contract or agreement except any indemnity obligation assumed by an "insured" under a written contract directly relating to the ownership, maintenance or use of the premises;

## Section 1: Personal Residential Coverages

- f. Sustained by any person as a result of an offense directly or indirectly related to the employment of this person by an "insured";
- g. Arising out of or in connection with a "business" conducted from an "insured location" or engaged in by an "insured", whether or not the "business" is owned or operated by an "insured" or employs an "insured". This exclusion applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed or implied to be provided because of the nature of the "business".

With respect to other than "home-sharing host activities", this exclusion does not apply to:

- (1) The rental or holding for rental of an "insured location";
  - (a) On an occasional basis if used only as a residence;
  - (b) In part for use only as a residence, unless a single-family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or
  - (c) In part, as an office, school, studio or private garage; and
- (2) An "insured" under the age of 21 years involved in a part-time or occasional, self-employed "business" with no employees;
- h. Arising out of civic or public activities performed for pay by an "insured";
- i. To you or an "insured" as defined under Definition 9.a. or 9.b.

This exclusion also applies to any claim made or suit brought against you or an "insured" to:

- (1) Repay; or
- (2) Share damages with;  
another person who may be obligated to pay damages because of "personal injury" to an "insured";
- j. Arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants at any time.  
Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed; or
- k. Arising directly or indirectly, in whole or in part, out of the actual, alleged or threatened inhalation of, ingestion of, contact with, exposure to, existence of, or presence of any "fungi", wet or dry rot, or bacteria.

### 2. Any loss, cost or expense arising out of any:

- a. Request, demand or order that an "insured" or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants, "fungi", wet or dry rot, or bacteria; or
- b. Claim or suit by or on behalf of a governmental authority for damages because of testing for, monitoring, clean up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of, pollutants, "fungi", wet or dry rot, or bacteria.

## SECTION II – ADDITIONAL COVERAGES

With respect to the coverage provided by this endorsement, Paragraph **D. Loss Assessment** is replaced by the following:

### **D. Loss Assessment**

We will pay up to \$2,000 for your share of loss assessment charged against you, as an owner or tenant of the "residence premises", during the policy period by a corporation or association of property owners, when the assessment is made as a result of "personal injury" not excluded under this endorsement.

We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.

Regardless of the number of assessments, the limit of \$2,000 is the most we will pay for loss arising out of "personal injury".

## SECTION II – CONDITIONS

With respect to the coverage provided by this endorsement, **Section II – Conditions, I. Policy Period** does not apply and Conditions **A. Limit Of Liability**, **B. Severability Of Insurance** and **C. Duties After Occurrence** are replaced by the following:

### A. Limit Of Liability

Our total liability under Personal Injury Coverage for all damages resulting from any one offense will not be more than the Limit Of Liability shown in the Declarations for Coverage **E**. This limit is the same regardless of the number of "insureds", claims made or suits brought.

### B. Severability Of Insurance

This insurance applies separately to each "insured". This condition will not increase our limit of liability for any one offense.

### C. Duties After Offense

In the event of a covered offense, you or another "insured" will perform the following duties that apply. We have no duty to provide coverage under this Policy if your failure to comply with the following duties is prejudicial to us. You will help us by seeing that these duties are performed:

1. Give written notice to us or our agent as soon as is practical, which sets forth:
  - a. The identity of the Policy and "named insured";
  - b. Reasonably available information on the time, place and circumstances of the offense; and
  - c. Names and addresses of any claimants and witnesses;
2. Cooperate with us in the investigation, settlement or defense of any claim or suit;
3. Promptly forward to us every notice, demand, summons or other process relating to the offense;
4. At our request, help us:
  - a. To make settlement;
  - b. To enforce any right of contribution or indemnity against any person or organization who may be liable to an "insured";
  - c. With the conduct of suits and attend hearings and trials; and
  - d. To secure and give evidence and obtain the attendance of witnesses;
5. No "insured" shall, except at such "insured's" own cost, voluntarily make payment, assume obligation or incur expense other than for first aid to others at the time of the "personal injury".

All other provisions of this Policy apply.

## Section 1: Personal Residential Coverages

## Section 2: Personal Automobile Coverages

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### Section Goal:

In this section, participants will develop a transformative understanding of the ISO Personal Auto Policy and relevant endorsements, enabling them to identify coverage gaps and recommend the appropriate coverage to meet clients' unique needs.

### Learning Objectives:

- 2.1 *Determine eligibility for an ISO Personal Auto Policy based on vehicle ownership, type of vehicle, and vehicle usage.*
- 2.2 *Explain who is an "insured" for Part A - Liability and coverage provided by understanding the Part A - Liability Insuring Agreement and relevant policy definitions.*
- 2.3 *Recognize potential coverage gaps within Part A - Liability Exclusions and identify the appropriate endorsement(s) to provide coverage.*
- 2.4 *Explain who is an "insured" and the coverage provided under Part B - Medical Payments Coverage, and then describe the coverage differences between Medical Payments and Personal Injury Protection.*
- 2.5 *Describe Part C - Uninsured and Underinsured Motorists Coverage, including coverage provided, who is an "insured," state variations of the "underinsured motor vehicle" definition (trigger), and how much an "insured" may receive (offset).*
- 2.6 *Explain the differences between "Collision" and Other Than "Collision" coverages provided within the Part D - Coverage For Damage To Your Auto Insuring Agreement.*
- 2.7 *Explain coverage provided by Part D - Coverage For Damage To Your Auto for a "non-owned auto."*
- 2.8 *Recognize potential gaps in coverage using the Part D - Coverage For Damage To Your Auto exclusions and the Limit Of Liability provision and identify the appropriate endorsement(s) to provide coverage.*
- 2.9 *Explain the geographic areas where an ISO Personal Auto Policy provides coverage.*

# Introduction



The Personal Auto Policy is a cornerstone in personal lines coverage and touches the lives of millions of individuals and families every day. Unlike Homeowners insurance, Personal auto insurance is **compulsory** (required) in most states. Whether you're an insurance professional, a policyholder, or simply someone looking to understand the protection offered by auto insurance, this section is designed to shed light on the critical aspects of this essential coverage.

The statistics change daily for automobile accidents that result in property damage, bodily injury, and death. These accidents may involve a variety of factors—teens, pedestrians, motorcycles, and driving while distracted or intoxicated—to name a few. However, what does not change is that these automobile accident statistics never indicate a decreasing trend in risk or a reduction in the average cost of claims.

Personal auto insurance is not just about protecting vehicles; it's about safeguarding individuals and families from the unexpected. Whether it is a minor fender-bender or a more serious accident involving injuries or death, having the right coverage can make all the difference in getting lives back on track. Understanding the Personal Auto Policy is essential to making informed decisions and providing the best possible protection for yourself and/or your clients.



**Disclaimer:** This section will primarily focus on the ISO PP 00 01 09 18 policy.

Actual policy language and its legal interpretation supersedes any verbal or written interpretation/advisement in this course.

## Policy Format and Coverage Parts

### Policy Structure Overview

Understanding the basic structure of Personal Auto Policies is helpful when comparing one policy to another and is essential for knowing exactly where to look for answers to the questions clients may have. An insurance professional with a comprehensive understanding of the policy will know how to navigate the policy contract to connect policy definitions to coverage parts and supplement the base policy form with changes found within the attached optional and mandatory endorsements.





## The Personal Auto Policy

Declarations

Agreement

Definitions

Part A – Liability Coverage

Part B – Medical Payments Coverage/Personal  
Injury Protection

Part C – Uninsured/Underinsured Motorists Coverage

Part D – Coverage For Damage To Your Auto

Part E – Duties After An Accident or Loss

Part F – General Provisions

Like the Homeowners Policy, each Personal Auto Policy will start with the Declarations, which identifies important information connected to the insured and the insured property, as well as coverage limits and details that guide the application of the entire policy. The Declarations signifies the *who*, *what*, and *when* of a client's coverage. In other words, it details to whom coverage is provided, what specific coverage the policy provides, and when it will provide those coverages. The accuracy of the information presented in the Declarations is extremely important since this information is the starting point for applying coverage (definitions and terms of coverage) at the time of a loss. Insurance advisors and professionals must review the Declarations when the policy is received and then review it again any time the policy is serviced to ensure the information is correct and the policy reflects the coverages requested.

## Personal Auto Policy Declarations

ABC Insurance Company of America

**POLICYHOLDER:** Chris and Karen Swift  
(Named Insured): 8110 Lake Street  
Lincoln, Nebraska 68506

**POLICY NUMBER:** 296 S 468211

**POLICY PERIOD:** **FROM:** September 1, 20x1  
**TO:** March 1, 20x2

But only if the required premium for this period has been paid, and for six-month renewed periods if renewal premiums are paid as required. Each period begins and ends at 12:01 A.M. standard time and the address of the policyholder.

### INSURED VEHICLES AND SCHEDULE OF COVERAGES

VEHICLE COVERAGES	LIMITS OF INSURANCE	PREMIUM
1 2008 Toyota Corolla	ID#: JT2AL21E8B3306553	
<b>Coverage A – Liability:</b>		
Bodily Injury Liability	\$ 100,000 Each Person \$ 300,000 Each Accident	\$ 110.00
Property Damage Liability	\$ 50,000 Each Accident	\$ 40.00
Coverage B – Medical Payments	\$ 5,000 Each Person	\$ 36.00
<b>Coverage C – Uninsured Motorist:</b>		
Bodily Injury	\$ 100,000 Each Person \$ 300,000 Each Accident	\$ 40.00
<b>TOTAL</b>		<b>\$ 226.00</b>
2 2018 Ford Fusion	ID#1FABP30U7GG212619	
<b>Coverage A – Liability:</b>		
Bodily Injury Liability	\$ 100,000 Each Person \$ 300,000 Each Accident	\$ 145.00
Property Damage Liability	\$ 50,000 Each Accident	\$ 60.00
Coverage B – Medical Payments	\$ 5,000 Each Person	\$ 36.00
<b>Coverage C – Uninsured Motorist:</b>		
Bodily Injury	\$ 100,000 Each Person \$ 300,000 Each Accident	\$ 40.00
Coverage D – Other Than Collision	Actual Cash Value Less \$250	\$ 50.00
– Collision	Actual Cash Value Less \$500	\$ 130.00
<b>TOTAL</b>		<b>\$ 461.00</b>

**POLICY FORM AND ENDORSEMENTS:** PP 00 01 09 18, PP 03 06 09 18, PP 03 06 09 18, PP 01 85 09 18

## Section 2: Personal Automobile Coverages

Following the Declarations, the base policy form will first provide an agreement between the policyholder and insurance company, followed by policy Definitions and, finally, the coverage parts of the policy.



Policy parts A through D operate independently of each other. Each has its own insuring agreement, additional definitions, exclusions, and conditions that apply to that coverage only.

### Liability Coverage

Liability Coverage encompasses coverage for bodily injury and property damage to others that an insured is legally responsible for in the event of an automobile accident. This coverage part is the main part of the Personal Auto Policy that makes auto insurance compulsory in most states.

The Liability Coverage limits may be shown in the Declarations as either “split limits” or a “combined single limit.” When presented as split limits, the first number is the bodily injury limit per person, the second is the bodily injury limit per accident, and the third is the property damage limit per accident.



\$100,000	\$300,000	\$100,000
Maximum bodily injury per person	Maximum bodily injury per accident	Maximum property damage per accident

This may be written as 100/300/100. These limits are the maximum that will be paid, as indicated, on a per person or per accident basis.

A combined single limit (CSL) differs from a split limit in that there is no per person/per accident limit for bodily injury or a per accident limit for property damage. The entire limit shown in the Declarations becomes available for bodily injury and property damage, wherever it is needed. The entire limit could be paid to one person for bodily injury or used entirely for property damage.

### “Minimum Limits”

The minimum limit of liability that is available for a Personal Auto Policy is determined by state regulation (i.e., **Automobile Financial Responsibility Laws**). Each state’s mandatory Amendment of Policy Provision endorsement will define the “minimum limits” according to that state’s regulation. **Table 2.1** provides a glance at how widely state minimum limits can vary:

Table: 2.1

State	Minimum Required Liability Limits
Alaska <sup>12</sup>	50/100/25
California <sup>13</sup>	15/30/5
Florida <sup>14</sup>	\$10,000 Property Damage Liability (PDL) and \$10,000 PIP
New Hampshire <sup>15</sup>	New Hampshire motor vehicle laws do not require auto insurance. However, drivers must be able to demonstrate the ability to meet New Hampshire motor vehicle financial responsibility requirements (25/50/25).
Texas <sup>16</sup>	30/60/25

The “minimum limits” may be required in any given state, but they are not adequate to fully protect a client’s financial security.



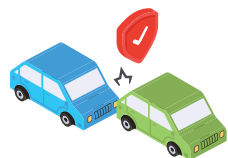
Visit [RiskEducation.org/PLresources](https://www.riskeducation.org/PLresources) for a listing of auto Financial Responsibility Requirements by State.

## Medical Payments and/or Personal Injury Coverages

This coverage part may also be compulsory (or required) depending on state regulation. The coverage provides payment for medical treatment to the driver and passengers of a car insured by the policy. Some states may offer one or both coverage parts (Med Pay or PIP), which means that insurance advisors must know the difference to help their clients select the coverage that best meets their needs.



## Uninsured/Underinsured Motorists (UM/UIM) Coverage



This coverage part is another area where coverage may be compulsory. UM/UIM coverage ensures that an insured is paid for damages caused to them by another at-fault party who either has no insurance or not enough insurance.

<sup>12</sup> Department of Commerce, Community, and Economic Development Division of Insurance, State of Alaska, “Auto Coverage Options,” accessed 2023, <https://www.commerce.alaska.gov/web/ins/Consumers/Auto/CoverageOptions.aspx>

<sup>13</sup> “Insurance Requirements,” CA.gov DMV, accessed 2023, <https://www.dmv.ca.gov/portal/vehicle-registration/insurance-requirements/>

<sup>14</sup> “Florida Insurance Requirements,” Florida Highway Safety and Motor Vehicles, accessed 2023, <https://www.flhsmv.gov/insurance/>

<sup>15</sup> “New Hampshire Insurance Department, 2022 Automobile Insurance Consumer Frequently Asked Questions,” PDF, [https://www.nh.gov/insurance/consumers/documents/nh\\_auto\\_guide.pdf](https://www.nh.gov/insurance/consumers/documents/nh_auto_guide.pdf)

<sup>16</sup> “Auto Insurance Guide,” Texas Department of Insurance, accessed 2023, <https://www.tdi.texas.gov/pubs/consumer/cb020.html>

### Physical Damage Coverage

This coverage part is optional, and most likely, this is the coverage clients are most concerned about since it provides financial protection for damage to their vehicle. Depending on the coverage(s) selected, this coverage will pay for damages caused by the insured's vehicle colliding with another object or damages caused to the insured's vehicle through a non-collision occurrence (such as a hailstorm or theft).



### Endorsements

#### Endorsement Name and Explanation



Endorsements change policy coverage and may be mandated by state regulation, optionally purchased by the insured, or added by the insurance company. Endorsements may broaden, restrict, or clarify coverage throughout a policy. The part of a policy (or coverage) that is amended or replaced will be noted within the endorsement language. Insurance advisors are responsible for understanding and explaining to the policyholder how these policy language substitutions are made in order to confirm coverage.

The following are mandatory forms to the ISO Personal Auto Contract:

- PP 00 01 – The Personal Auto Policy  
This is the base Personal Auto Policy form
- PP 13 01 – Coverage For Damage To Your Auto Exclusion Endorsement  
This endorsement reinforces that there is no coverage for loss due to diminution in value under Part D – Coverage For Damage To Your Auto
- PP 43 33 – Public or Livery Conveyance Exclusion (Including Delivery Network)  
This endorsement, added in 2023, reinforces that the “public or livery conveyance” exclusion in the ISO Personal Auto Policy also applies to delivery network services.
- Mandatory State Endorsements

**Table 2.2** provides an example of how the **ISO PP 01 74 Amendment Of Policy Provisions – Illinois** replaces the definition of “you” and “your” in the ISO PP 00 01 Personal Auto Policy.

**Table: 2.2**

ISO PP 00 01 Personal Auto Policy and ISO PP 01 74 Amendment Of Policy Provisions – Illinois Replacement Definitions	
ISO PP 00 01 Sample Policy Language	
<p><b>A.</b> Throughout this Policy, “you” and “your” refer to:</p> <ol style="list-style-type: none"> <li>1. The named insured shown in the Declarations; and</li> <li>2. The spouse if a resident of the same household.</li> </ol> <p>If the spouse ceases to be a resident of the same household during the policy period or prior to the inception of this Policy, the spouse will be considered “you” and “your” under this Policy but only until the earlier of:</p> <ol style="list-style-type: none"> <li>a. The end of 90 days following the spouse’s change of residency;</li> <li>b. The effective date of another policy listing the spouse as a named insured; or</li> </ol>	
ISO PP 01 74 AMENDMENT OF POLICY PROVISIONS – ILLINOIS Sample Policy Language	
<p><b>B.</b> Definition <b>A.</b> is replaced by the following:</p> <p><b>A.</b> Throughout this Policy, “you” and “your” refer to the named insured shown in the Declarations, and:</p> <ol style="list-style-type: none"> <li>1. The spouse; or</li> <li>2. A party who has entered into a civil union with the named insured recognized under Illinois law; if a resident of the same household.</li> </ol> <p>If the spouse or party who has entered into a civil union with the named insured ceases to be a resident of the same household during the policy period or prior to the inception of this Policy, the spouse or such party will be considered “you” and “your” under this Policy but only until the earlier of:</p> <ol style="list-style-type: none"> <li>1. The end of 90 days following the spouse’s or such party’s change of residency;</li> <li>2. The effective date of another policy listing the spouse or such party as a named insured; or</li> <li>3. The end of the policy period.</li> </ol>	
<p><b>Substituting the Endorsement:</b></p> <p>Notice that the endorsement states that the entire Definition <b>A.</b> is replaced. In practice, this would mean striking through the PP 00 01 policy language and only considering the definition offered by the PP 01 74 endorsement.</p>	

## Comparison of ISO and Proprietary/Company Forms

This course will focus on ISO coverage forms, which are standard in the insurance industry. Some insurance companies use unaltered ISO forms, while others customize or create their own proprietary forms. This variation can make policy comparisons challenging for insurance professionals.

ISO forms are known for clarity and consistency but may lack flexibility for a changing market. Proprietary forms, however, are unique to an insurance company and are tailored to their offerings and regions. Insurance companies may or may not offer



## Section 2: Personal Automobile Coverages

endorsements similar to ISO endorsements and may choose to use those that are not available in ISO insurance programs.

Insurance companies using proprietary forms undergo a more rigorous regulatory approval process than those using ISO forms, which can be adopted more readily. State regulators review all forms for compliance, but proprietary forms often face longer approval times.

In addition, the adoption of form versions may vary between states. The most current version of the ISO Personal Auto Policy, adopted by much of the United States, is form number **PP 00 01 09 18 (September 2018)**. Texas utilizes the **PP 00 01 01 05** (January 2005) ISO Personal Auto Policy (as does California and Florida), while Puerto Rico still utilizes the **PP 00 01 06 98** (June 1998) form version. North Carolina, on the other hand, does not use ISO advisory forms. They utilize forms developed through the North Carolina Rate Bureau. Despite North Carolina's deviation, the **NC 00 01 06 05** policy language is similar to other standardized forms.



As the course progresses, place knowledge of specific insurance company coverage details aside and focus on ISO coverage details. Noticing where similarities and differences occur will become a valuable skill to develop to ensure accurate and thoughtful comparisons of coverage between various endorsement forms and insurance companies.

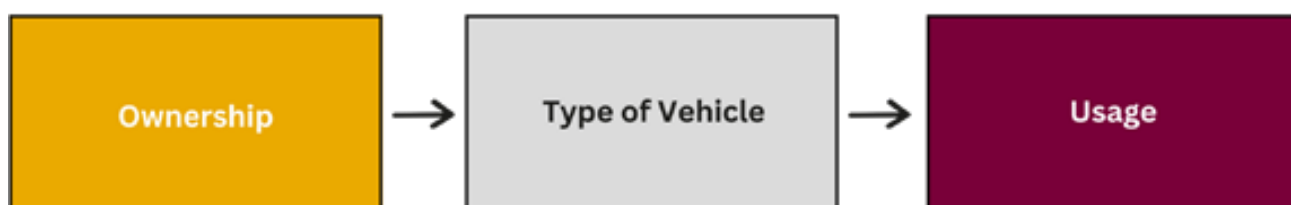
## Eligibility

### Learning Objective:

- 2.1 Determine eligibility for an ISO Personal Auto Policy based on vehicle ownership, type of vehicle, and vehicle usage.



One of the first considerations when it comes to providing personal auto coverage for a client is whether the client meets the eligibility requirements. Eligibility for a Personal Auto Policy is determined by three categories:



In addition to eligibility requirements, clients must also meet the insurance company's underwriting requirements, which consider factors such as driver history, claims history, driver-to-vehicle ratio, and more. This course will not include details on underwriting requirements since underwriting requirements vary greatly between insurance companies.



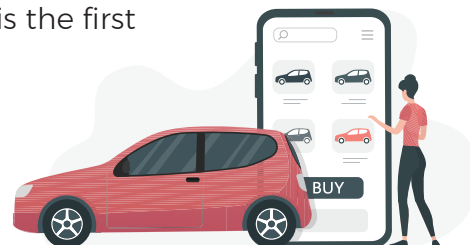
## Section 2: Personal Automobile Coverages



Eligibility does not determine coverage. Eligibility is based on the ownership, vehicle, and usage requirements at the time of application, while coverage is determined by policy language at the time of a loss.

### Ownership

Ownership of a private passenger auto (i.e., auto or vehicle) is the first eligibility requirement to consider. Autos owned by an LLC, corporation, partnership (other than a family farm co-partnership or corporation), or any other legal entity are not eligible to be written on a Personal Auto Policy. The word “*personal*” is in the title of the policy form, after all. There are several ownerships under which an ISO Personal Auto Policy may be issued; they include:



- Individually owned autos
- Jointly owned autos
- Trust owned autos
- Non-owned autos (with the Named Non-Owner Coverage Endorsement)

### Individually Owned Autos

Vehicles owned by an individual or individual and spouse who reside in the same household are likely the most common individual ownership. Both spouses (who are residents of the same household) may be listed as Named Insureds on the Declarations.



Lisa and her resident spouse, Tanner, are buying a sedan. The car is titled to both Lisa and Tanner. Lisa and Tanner may both be Named Insureds on their new automobile policy.

### Jointly Owned Autos

Other than vehicles jointly owned by spouses, a Personal Auto Policy may also be written for the following joint ownerships:

- Individuals who are related (other than spouses) and live in the same household



Lisa and her resident son, Mason, bought Mason’s first car together. The car is titled to both Lisa and Mason.

- Individuals who are *not* related and live in the same household



Two friends, Blake and Gwen, share an apartment and purchase a vehicle together. The vehicle is titled to both of them.

**Caution:** Check individual insurance company guidelines for eligibility of joint ownerships between unrelated residents.



## Section 2: Personal Automobile Coverages

- Individuals who are related and live in separate households



Lisa is helping her 34-year-old daughter, Ellen, buy a car. Ellen lives in another town; the car will be titled to both Lisa and Ellen.



The **Joint Ownership Coverage (PP03 34)** endorsement is used when a vehicle is jointly owned by individuals, other than spouses, residing in the same household or “nonresident relatives.” The vehicle and joint owner must be listed in the endorsement schedule. This endorsement alters the definitions of “you” and “your” to include the aforementioned parties. The endorsement includes a Liability Coverage exclusion for vehicles owned by a “nonresident relative” (or their “family member”) unless the vehicle is shown in the endorsement. However, this exclusion can be waived.

### Trust Owned Autos

Individuals may establish a trust and name the trust as the owner of certain property, such as personal automobiles or residences. Vehicles owned by or titled to a trust (known as a vehicle(s) held in trust) may also be eligible for a Personal Auto Policy. To be eligible for a Personal Auto Policy, the grantor/settlor of the trust must be an individual or spouse and will be the Named Insured(s) in the policy’s Declarations.

**Ineligible trusts:** A trust ownership where the grantor is a corporate entity is not eligible for a Personal Auto Policy. In addition, trusts managed by a partnership, corporation, limited liability company (LLC), or other organization are ineligible. A Commercial Auto Policy would be suitable in these instances.



The **Trust Endorsement (PP 12 03)** allows a vehicle whose title has been transferred to a trust to be considered owned by a person for coverage purposes. For this endorsement to be used, all vehicles on the policy must be owned by the trust.

### Named Non-Owners Coverage (by endorsement)

While many will own an automobile at some point in their lives, others may regularly drive autos that belong to someone else, or they may be provided with a company-owned auto to use for both business and personal purposes. The Personal Auto Policy may also be used to provide coverage to a named individual who does not own an automobile and is not a “you” or a “family member” under any other Personal Auto Policy by attaching the **Named Non-owner Coverage (PP 03 22)** endorsement. This option generally requires underwriting approval.



Named Non-Owners Coverage will be excess over any primary coverage.

## Section 2: Personal Automobile Coverages



The **Named Non-Owner Coverage (PP 03 22)** endorsement will provide a named individual (who is not a “you” or “family member” under another policy) with Liability, Medical Payments, and Uninsured/Underinsured Motorists Coverages. This ISO endorsement allows Collision and Other Than Collision coverage to be added, up to a stated amount (less the deductible).

**Caution:** *Physical Damage Coverage may not be available from all insurance companies.*



Holly does not own a vehicle and often has to rent one while traveling. Rental car liability waivers may only provide the minimum required liability limits, but she would like to purchase coverage with higher limits. Holly is eligible for a Personal Auto Policy with the Named Non-Owner Coverage endorsement attached.

Commercial clients often drive vehicles that are owned by a business for both personal and “business” purposes. An argument can be made that a Commercial Auto Policy can provide coverage for the personal use of a business auto, so there is no need to purchase Named Non-Owner coverage. While this may be true (when coverage is selected), there are many valid reasons for offering Named Non-Owner Coverage to personal lines clients:

- To purchase higher limits of liability
- To meet underlying coverage requirements for a Personal Umbrella Policy
- To show proof of financial responsibility when a vehicle is not owned (such as with SR22 or FR22 filings)
- To provide excess coverage for vehicles furnished or available for regular use by checking the appropriate box on the endorsement
- To receive a broader application of Medical Payments Coverage (i.e., coverage as a pedestrian)
- To obtain Uninsured/Underinsured Motorists Coverage
- To have coverage when driving other non-owned autos (such as a rental, car share, or a friend’s vehicle)
- To have coverage if the commercial auto policy lapses
- To maintain a history of coverage
- To maximize multi-line discounts and underwriting favorability

## Check-In



**Directions:** Indicate whether the following individuals are eligible for a Personal Auto Policy based on ownership.

	Yes	No
Bob and his resident spouse, Mary, jointly own three vehicles.		
Alan and Stacey own their vehicles individually. They are currently separated and do not reside together.		
Casey and his roommate, Carl, jointly own a Jeep Wrangler.		
Harvey does not own a vehicle but regularly uses a company car.		

## Type of Vehicle and Usage

Once ownership is determined to be eligible, the next eligibility requirements for a Personal Auto Policy are (1) the type of vehicle to be insured by the policy and (2) how the vehicle is used.

The *ISO Personal Vehicle Manual* (Rule 3. Eligibility) states that a Personal Auto Policy can be used to provide “coverage to private passenger autos and motor vehicles considered as private passenger autos.”<sup>17</sup>

When it comes to private passenger autos, the *ISO Personal Vehicle Manual* states eligibility of private passenger autos on a specified auto basis, meaning vehicles must be individually identified and are not insurable on a blanket basis (i.e., one coverage limit for multiple vehicles not itemized in the policy).

### Private Passenger Auto



The *ISO Personal Vehicle Manual* defines a private passenger auto as a four-wheeled motor vehicle (other than a truck-type vehicle) that is either owned or leased for six months or longer.

Leased vehicles with a written agreement of six continuous months or more are not only addressed in the *ISO Personal Vehicle Manual* but also in the ISO Personal Auto Policy (Definitions). This ensures that a leased vehicle will be treated as an owned vehicle.

<sup>17</sup> *Personal Lines: ISO Personal Vehicle Manual – Multistate Rules V, Rule 3, Insurance Services Office, Inc., 2022.*

## Section 2: Personal Automobile Coverages

### DEFINITIONS

C. For purposes of this Policy, a private passenger type auto, pickup or van shall be deemed to be owned by a person if leased:

1. Under a written agreement to that person; and
2. For a continuous period of at least six months.

In addition, the vehicle cannot be used for public or livery conveyance and may not be rented to others. **Public or livery conveyance** refers to the use of a vehicle for transporting people or goods for a fee (or hire)—consider a taxi or delivery service. While certain endorsements may be available to add limited coverage for app-based rideshare and some app-based delivery services, generally, policy coverage will remain excluded when the driver is actively transporting people or goods. These scenarios will be addressed later in this section.

### Trucks and Vans



There are special considerations for truck-type vehicles and vans to be considered private passenger autos. To be considered a private passenger auto, a pickup or van must meet additional requirements. One of the requirements is that the **gross vehicle weight**



**rating (GVWR)** of these types of vehicles must be 10,000 pounds (lbs.) or less.

Some states modify the eligible GVWR by lowering it to 9,000 lbs. or increasing it to 12,000 lbs. or more in their **Amendment Of Policy Provisions** endorsement.



Texas provides eligibility to pickups, utility vehicles, or vans up to 25,000 GVWR (**Amendment of Policy Provisions Texas PP 01 50 01 20**).

Gross vehicle weight rating (GVWR) refers to the maximum weight a vehicle is designed to safely carry according to the vehicle manufacturer and includes the total weight of the vehicle plus passengers, vehicle fluids, accessories, and cargo. For perspective, consider the GVWR of the vehicles in **Table 2.3**.

**Table: 2.3**

GVWR	Vehicle Example
5,420 lbs.	2023 Ford Transit Connect Van
6,800 lbs.	2024 GMC Sierra 1500 Crew Cab
10,600 lbs.	2024 Sierra 2500 Heavy Duty Crew Cab
11,200 lbs.	2024 Sierra 3500 Heavy Duty Crew Cab

## Section 2: Personal Automobile Coverages

Cargo vans, high-capacity passenger vans, the Ford E-350, flatbed trucks (e.g., RAM 3500, 4500, 5500), and extended passenger vans (Ford E-series Econoline, Ford Transit, and Mercedes-Benz Sprinter) all typically exceed 10,000 lbs. GVWR and, as such, may not be eligible for a Personal Auto Policy. However, when a symbol is displayed in the *Symbol and Identification Manual*, a pickup or van weighing more than 10,000 lbs. GVWR may be considered a private passenger auto and, therefore, eligible for a Personal Auto Policy.

In addition to meeting GVWR requirements for eligibility, a pickup or a van may not be used to transport goods or materials unless it is:

- Incidental to the insured's business of installing, maintaining, or repairing furnishings



James, a plumber, carries parts and supplies needed for various jobs in his pickup.

- A farm or ranch vehicle



Delilah uses her pickup to drop hay bales in her pasture to feed cattle.



Business use of a private passenger auto (other than that specified previously as applying to pickups and vans) does not make the vehicle ineligible.

### Additional Eligible Vehicles

In addition to private passenger autos, the *ISO Personal Vehicle Manual* states the ISO Personal Auto Policy may be used to provide coverage to motorcycles, motor homes, golf carts, or other similar type vehicles and snowmobiles when certain endorsements are attached.

**Caution:** *Not all insurance companies require endorsement to insure vehicles other than a private passenger auto. Additionally, some insurance companies may require a specialty policy for such vehicle types.*



### Endorsement Name and Explanation



The **Miscellaneous Type Vehicle Endorsement (PP 03 23)** may be used to provide limited coverage for motorcycles, motor homes, golf carts, or other similar types of vehicles. The endorsement defines a “miscellaneous type vehicle” as a motor home, motorcycle, or other similar type vehicle, all-terrain vehicle, dune buggy, or golf cart and then changes the definition of “your covered auto” to include these vehicle types (including when newly acquired). Policy coverage will then apply to these vehicles.



The **Snowmobile Endorsement (PP 03 20)** may be used to provide limited coverage for snowmobiles by replacing the definition of “your covered auto” with “your covered snowmobile.”

“Trailers,” which are specifically defined in the Personal Auto Policy (PAP), are eligible for coverage on that same policy when designed for use with (or to be pulled by) private passenger autos, pickups, or vans or if they are camper bodies designed for use with pickups. “Trailers” also include farm wagons or implements when towed by private passenger autos, pickups, or vans (although farm wagons or implements are ineligible for Part D coverages).



#### DEFINITIONS

I. “Trailer” means a vehicle designed to be pulled by a:

1. Private passenger auto; or
2. Pickup or van.



Do not confuse eligibility with coverage. Eligible vehicles may not be covered for a loss due to an exclusion in the policy; likewise, a vehicle that was eligible at the time the policy was written may not be an eligible vehicle at the time of a loss but may still receive coverage from the policy.

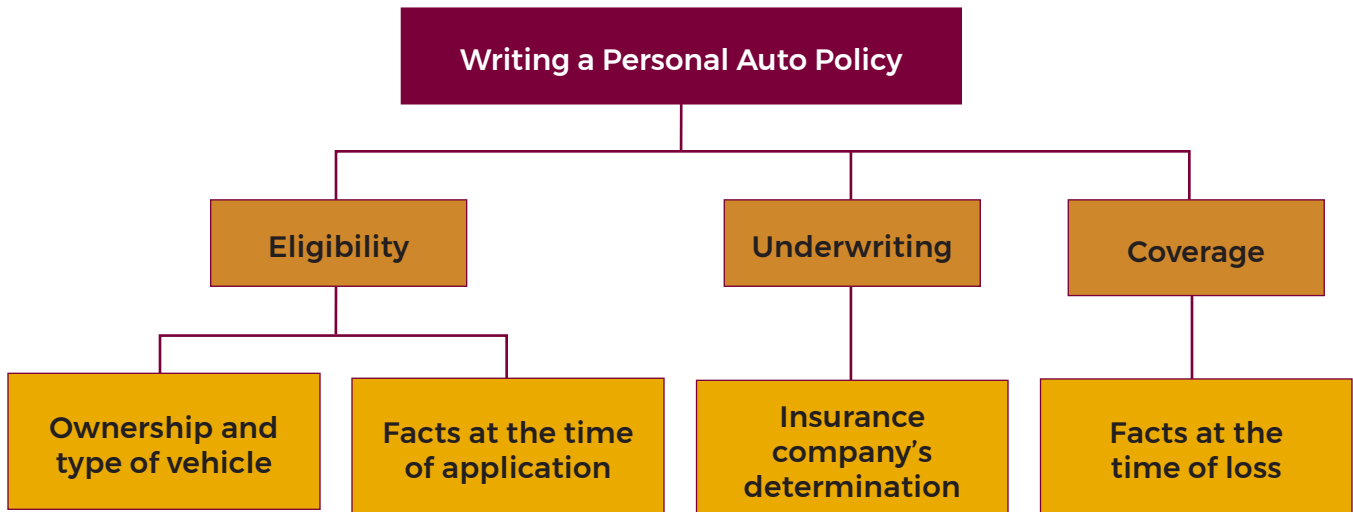
“Trailers” are not eligible if:

- used for “business” purposes with non-private passenger autos,
- there is no other auto present on the PAP, or
- located for use as a residence (such as trailers parked as residences in mobile home parks or perhaps at a long-term campsite or RV park).

The following flow chart depicts the information relevant to the stages of eligibility, underwriting, and coverage determination. Eligibility is determined at the time of the policy application, using ownership, type of vehicle, usage, and other discoverable facts required by the insurance company. Through the process of underwriting, the company will decide on approving the application for policy issuance. When a loss occurs, underwriting and

## Section 2: Personal Automobile Coverages

eligibility do not determine coverage; it is the facts of the loss that determine how policy coverage and exclusions will apply to the claim.



At the time Marie and Hal's agent wrote their Personal Auto Policy, they were resident spouses who individually owned their vehicles. Both are Named Insureds on the policy. Marie and Hal were separated for six months, and, during that time, Marie was involved in a covered at-fault accident. Marie and Hal may not be eligible for a new Personal Auto Policy together, but her current policy will still provide coverage for Marie's accident.



### Knowledge Check



**Directions:** Read and respond to the scenario below. Identify whether the individual is eligible for a Personal Auto Policy, and explain your understanding of each eligibility category.

Eli wants to insure a 2015 Ford F250 pickup. He states that his company, Luxury Lawn Service, owns the vehicle. He drives the pickup for both business and personal use.

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# The ISO Personal Auto Policy

## Learning Objective:

- 2.2 Explain who is an “insured” for Part A – Liability and coverage provided by understanding the Part A – Liability Insuring Agreement and relevant policy definitions.

## Agreement



Each Personal Auto Policy form will begin with a policy Agreement; it is only one sentence, yet so much is offered in this one sentence.

### AGREEMENT

In return for payment of the premium and subject to all the terms of this Policy, we agree with you as follows:

The purpose of this Agreement is to establish a legally binding contract between the insurance company and the policyholder and serves several important purposes:

- **Risk Transfer**

By paying premiums and abiding by the terms of the policy, the insured will receive the policy's protections. This first agreement formalizes a transfer of risk from the policyholder to the insurance company.

- **Coverage and Protection**

The Agreement is left open with a colon (:), indicating that the agreement applies to the verbiage of the entire policy. This is a promise of coverage by the insurance company to the policyholder.

- **Financial Agreement**

The Agreement establishes that the policyholder must pay the policy premium to benefit from the protection of the policy.

- **Legal Framework**

By referring to “the terms of the policy,” the Agreement establishes that the policyholder can refer to the terms and conditions of the policy as the basis for the resolution of claims or any disputes.

- **Compliance and Accountability**

Within the Agreement, both parties are held accountable for their respective roles in the insurance relationship by requiring both parties to adhere to the terms and conditions of the policy.



Ultimately, the policy Insuring Agreement should be seen as a reason for peace of mind for the policyholder since it assures them that they will receive benefits outlined in the policy for covered events. The policy agreement is the promised foundation of their financial security.

### Focused Policy Definitions



The ISO Personal Auto Policy has eleven policy definitions (A. through K.). Throughout the ISO Personal Auto Policy, defined words are in quotation marks; however, some insurance companies may choose to use bold-face terms rather than quotations. This helps the reader identify when a particular definition applies. Words or phrases defined by the policy apply to all parts of the policy unless otherwise indicated. When a term is not specifically defined in the policy, legal precedence or the common definition of the word generally applies.

For this course, an understanding of policy definitions will be provided as each definition becomes relevant.

### Parties To the Contract

The ISO Personal Auto Policy begins with definitions that identify the parties to the insurance contract: “you”/“your” and “we”/“us”/“our.” Whether or not an insurance company begins its policy definitions the same is moot since the parties to the contract are the same.

These parties	enter into a contractual agreement with these parties, the insurance company, or Issuing Company.
“you”	“we”
“your”	“us”
	“our”

#### “You” and “Your”

Unlike other policy definitions, the ISO PAP does not present “you” and “your” in quotations throughout the policy language. However, in this Learning Guide, “you” and “your” will be presented in quotation marks when used in the context of policy language.

“You” and “your” is the first definition presented in the Personal Auto Policy. Individuals who are a “you” or “your” are provided the best coverage provided by the policy. Anywhere these terms are found, they refer to:

- The Named Insured shown in the Declarations, and
- The spouse (as an unnamed insured) while they are a resident of the same household.

## Section 2: Personal Automobile Coverages



Leon is shown as the Named Insured on the Declarations of his Personal Auto Policy. He is a “you.” His resident spouse, Tamara, is not named on the Declarations but is also a “you.”

Many states amend the “you” and “your” definitions to include partners of civil unions or domestic partnerships in the Amendment of Policy Provisions endorsement.

**The definition states that a spouse (as an unnamed insured) will no longer be considered a “you” or “your” if they are no longer a resident of the household on the earliest of:**

- the end of 90 days after they cease to be a resident of the same household, OR
- the effective date of another policy in their name, OR
- the end of the Policy Period.



What happens when a spouse/partner who is not named in the Declarations is no longer a resident of the same household?

### DEFINITIONS

A. Throughout this Policy, “you” and “your” refer to:

1. The named insured shown in the Declarations; and
2. The spouse if a resident of the same household.

If the spouse ceases to be a resident of the same household during the policy period or prior to the inception of this Policy, the spouse will be considered “you” and “your” under this Policy but only until the earlier of:

- a. The end of 90 days following the spouse’s change of residency;
- b. The effective date of another policy listing the spouse as a named insured; or
- c. The end of the policy period.

### Reflection Question



The policy states, *“If the spouse ceases to be a resident of the same household during the policy period or prior to the inception of this policy, the spouse will be considered “you” and “your” under this policy until the earlier of”* the stated events.

Could this mean the unnamed-nonresident spouse receives “you” status into the next policy period if there are fewer than 90 days left in the policy period?

The application of including “prior to the inception of the policy period” could indicate that in situations where the unnamed spouse’s residency status changes before the policy officially begins, the spouse may be considered a “you” and a “your” under the policy for a specified period.



When a Personal Auto Policy is to be written for an individual and spouse/partner, ensure that both names are in the Declarations so that both are a “you” and receive the best coverage provided by the policy, regardless of relationship or residency status.

### “We,” “Us,” and “Our”

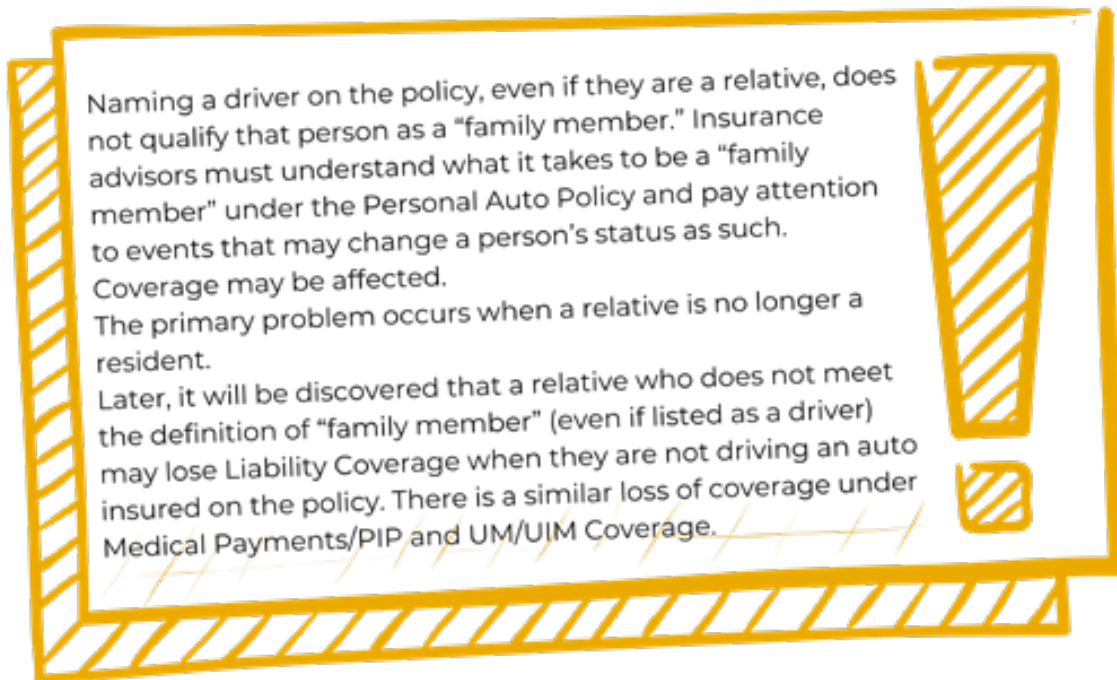
Policy definitions “we,” “us,” and “our” refer to the insurance company providing the coverage.

Combined with “you” and “your,” “we,” “us,” and “our” make up the parties to the Personal Auto Policy contract. Recall that the policy Insuring Agreement states, “in return for premium payment ‘we’ agree with ‘you’...,” which is followed by the remainder of the policy contract.

### “Family Member”

While the “you” and “your” receive the best coverage of the Personal Auto Policy, those who are a “family member” receive second-best coverage. To be a “family member,” the ISO Personal Auto Policy has two requirements. The person must be:

1. Related to “you” (the Named Insured or resident spouse) by blood, marriage, adoption, or is a ward or foster child;
- AND
2. Be a resident of the same household as the Named Insured.



Clients may have an individual living with them that is not related to them. This individual could be a significant other, au pair or nanny, a friend of one of their children, etc. Regardless of who they are, these individuals are not a “family member” and do not have the second-best coverage reserved for a “family member” that your client may want them to have.

## Section 2: Personal Automobile Coverages



The **Additional Resident of Your Household (PP 33 37)** endorsement allows a non-related resident of the household, who is shown in the schedule, to be considered a “family member” and receive the broad coverage provided by the policy as a “family member.” The Named Insured (“you”) must notify the insurance company within 30 days if this individual no longer lives in the same household.

### Check-In



**Directions:** Indicate who is a “family member.”

Sarah has a Personal Auto Policy. Which of the following individuals are considered a “family member” by her policy?

	Yes	No
Sarah’s 17-year-old unlicensed resident son, Brady		
Sarah’s sister, who is visiting her for a week		
Sarah’s adult son, Marcus, who lives in his own home		
Sarah’s daughter-in-law, Sherry, who is living with her for a year while Sarah’s son, who is in the military, is stationed overseas		
Sarah’s boyfriend, Bob, who lives with her		

### Covered Vehicles

Within the ISO Personal Auto Policy definitions, terminology for vehicles covered by the policy is found.

These definitions may not be presented in the same order as they appear in the ISO Personal Auto Policy.

#### Leased Vehicles

The ISO Personal Auto Policy identifies that leased vehicles will be considered owned by a person when they are under a written agreement (or lease) of six continuous months or more. This ensures that a leased vehicle will be treated as an owned vehicle.

#### DEFINITIONS

- C.** For purposes of this Policy, a private passenger type auto, pickup or van shall be deemed to be owned by a person if leased:
1. Under a written agreement to that person; and
  2. For a continuous period of at least six months.

### “Your Covered Auto”

The defined term “your covered auto” is a key definition identifying which vehicles receive the broadest coverage under the Personal Auto Policy. Four categories of vehicles make up the definition of “your covered auto.” Understand that these four categories of vehicles are not the only ones that receive coverage; they are merely the ones provided the broadest coverage by the policy. They are:

#### 1. Any vehicle shown in the Declarations

Vehicles on the Declarations are usually vehicles eligible for coverage under the policy. However, if an ineligible vehicle makes it onto the Declarations, it may receive coverage from the policy because it is a “your covered auto” by definition.

#### 2. “Newly acquired autos” (as defined by the policy)

A vehicle purchased, leased, traded, or gifted to an insured is newly acquired, even if it is not a brand-new vehicle. A vehicle may either be added to those already insured on the policy (such as adding a second vehicle to a one-vehicle policy) or replace a vehicle insured on the policy (such as trading in one car to purchase of another).

Additional provisions to the “newly acquired auto” definition will be outlined later.

#### 3. Any “trailer” owned by a “you,” whether or not being towed by a vehicle

#### 4. Temporary substitutes—meaning any auto not owned by a “you” that is being used because a “your covered auto” is out of normal use due to breakdown, repair, servicing, loss, or destruction

(The temporary substitute provision under “your covered auto” does not apply to Part D – Coverage For Damage To Your Auto. Part D has a separate application for non-owned autos that will be addressed later.)



The battery in Pria’s electric vehicle is dead and needs replacement. She borrowed her neighbor’s small camper van to get to and from work. Since the camper van is temporarily replacing Pria’s vehicle due to a breakdown while it is being serviced, the van will be considered a “your covered auto” by Pria’s Personal Auto Policy.

### DEFINITIONS

J. "Your covered auto" means:

1. Any vehicle shown in the Declarations;
2. A "newly acquired auto";
3. Any "trailer" you own; or
4. Any auto or "trailer" you do not own while used as a temporary substitute for any other vehicle described in this definition which is out of normal use because of its:
  - a. Breakdown;
  - b. Repair;
  - c. Servicing;
  - d. Loss; or
  - e. Destruction.

This provision (J.4.) does not apply to Coverage For Damage To Your Auto.

### "Trailer"

Before understanding the "newly acquired auto" definition, let's get "trailer" out of the way. A trailer may not be thought of as a vehicle, but the Personal Auto Policy considers it one.

A "trailer" is a vehicle designed to be pulled by a private passenger auto, pickup, or van.

A boat trailer, camping trailer, horse trailer, and utility trailer are all "trailers." Farm wagons or farm implements are also considered "trailers," but only while being towed by a private passenger auto, pickup, or van.



### DEFINITIONS

I. "Trailer" means a vehicle designed to be pulled by a:

1. Private passenger auto; or
2. Pickup or van.

Furthermore, the policy states that any "trailer," regardless of being towed by a vehicle that is owned by a "you," will be considered a "your covered auto." Remember that a "family member" is not a "you."



Gil's utility trailer, parked in his driveway, is a "your covered auto," even if it is not listed on the Declarations.

### “Newly Acquired Auto”

Vehicles included in this definition are a “your covered auto” and will receive the broadest policy coverages. “Newly acquired auto” is an important definition in the policy since it not only offers clarity but also provides coverage. First, consider what it takes for a vehicle to be considered a “newly acquired auto” by the ISO Personal Auto Policy. The vehicle must be:

- **Acquired by a “you” during the policy period.**

This does not include a vehicle acquired by a “family member.”

- **A private passenger auto, pickup, or van.**

Pickups and vans have GVWR and use restrictions under this definition.

— GVWR less than 10,000 lbs.

— Not used for delivery or transportation of goods and materials (with exceptions for farming or ranching and incidental use arising out of “your” “business” of installing, maintaining, or repairing furnishings or equipment).



#### DEFINITIONS

##### K. “Newly acquired auto”:

1. “Newly acquired auto” means any of the following types of vehicles you become the owner of during the policy period:
  - a. A private passenger auto; or
  - b. A pickup or van, for which no other insurance policy provides coverage, that:
    - (1) Has a Gross Vehicle Weight Rating of 10,000 lbs. or less; and
    - (2) Is not used for the delivery or transportation of goods and materials unless such use is:
      - (a) Incidental to your “business” of installing, maintaining or repairing furnishings or equipment; or
      - (b) For farming or ranching.

### Coverage of a “Newly Acquired Auto”

In the ISO Personal Auto Policy, the definition of “newly acquired auto” provides limited automatic coverage(s) to newly acquired autos. This coverage can be broken down into two groups:

- All coverage except Part D – Coverage for Damage To Your Auto
- Part D – Coverage For Damage To Your Auto

Coverage(s) provided within the definition “newly acquired auto” can vary significantly by state (within the Amendment of Policy Provisions endorsement) and even by insurance company. Not only may coverages and time restrictions vary, but coverage may also be applied differently among replacement vehicles and additional vehicles. Next, consider what coverage is afforded to “newly acquired autos.”



- **All coverages except Part D – Coverage For Damage To Your Auto:**

For all coverages purchased or provided by the policy, except for Coverage D – Coverage For Damage To Your Auto (that is, coverage such as Liability, Med Pay, and Uninsured/Underinsured coverages), the “newly acquired auto” will be provided the broadest coverage purchased of any vehicle shown on the Declarations IF a “you” makes a request to the insurance company to insure the vehicle within 14 days of becoming the owner.

### DEFINITIONS

#### K. “Newly acquired auto”:

##### 2. Coverage for a “newly acquired auto” is provided as follows:

- a. For any coverage provided in this Policy other than Coverage For Damage To Your Auto, a “newly acquired auto” will have the broadest coverage we now provide for any vehicle shown in the Declarations. However, for this coverage to apply, you must ask us to insure it within 14 days after you become the owner.

What does it mean to be provided the broadest coverage purchased of any vehicle shown on the Declarations?

While it is unusual (and generally unlikely) for vehicles to have different limits for Liability, Med Pay, and UM/UIM, this statement means that if this did occur, the new vehicle would receive the HIGHEST limits purchased.

What does it mean that the vehicle will be provided coverages IF a “you” makes a request to the insurance company to insure the vehicle within 14 days of becoming the owner?

Ideally, when a vehicle is purchased/acquired, the owner (and any **lienholder**) would like coverage to apply to the new vehicle on the same day. However, these transactions often occur outside of regular business hours. This statement ensures that the “newly acquired auto” will receive policy coverage on the exact date it was purchased/acquired as long as the insurance company is notified within the first 14 days of ownership. This is also known as **retroactive coverage**.



Fiona purchased a new two-door coupe on Saturday. Her insurance agent’s office is closed on the weekend. Unfortunately, Fiona hit another vehicle the next day. Fiona’s new vehicle will receive automatic Liability, Med Pay/PIP, and UM/UIM coverage (if purchased) as long as she notifies her insurance agent or the insurance company within 14 days of purchase.



What happens if the insurance company is not notified within 14 days of the insured becoming the owner of a vehicle?



If the insured does not notify the insurance company within the stated time period, coverage for the vehicle will begin on the date the insured finally makes notification.

*This provision applies to all coverage afforded by the “newly acquired auto” definition.*



Fiona purchased a new sedan on July 1<sup>st</sup> and forgot to notify her insurance agent of the purchase until September 6<sup>th</sup>. Coverage for Fiona’s new sedan will be effective September 6<sup>th</sup>. Any claims that may have occurred before September 6<sup>th</sup> will not be covered.

d. For all coverages addressed in Paragraphs K.2.a., b. and c., if you first ask us to insure the “newly acquired auto” after the applicable time period has elapsed, coverage will begin on the day you first ask us to insure the “newly acquired auto”.



Insurance advisors should be careful not to provide a broad advisement to clients when presented with the question, “I’m buying a new car this weekend—am I covered?” Be sure to check that client’s specific policy language.

The policy language for Collision and Other Than Collision Coverages is written in separate paragraphs in the ISO Personal Auto Policy, but the language is nearly identical. As such, each coverage will be treated separately when determining coverage for a “newly acquired auto.”

- **Part D – Coverage For Damage To Your Auto**

The ISO Personal Auto Policy “newly acquired auto” definition provides separate coverage clauses for Collision and Other Than Collision coverage (i.e., Part D – Coverage For Damage To Your Auto). However, the application of each coverage and the reporting periods are the same.

The ISO Personal Auto Policy provides two reporting periods for two separate circumstances:

1. Fourteen days when coverage is already purchased for a vehicle listed in the Declarations.

When Collision—or Other Than Collision—coverage is shown in the Declarations (i.e., already purchased), a “newly acquired auto” will receive the broadest coverage provided (of any vehicle shown).

A “you” must ask the insurance company to insure the vehicle within 14 days of becoming the owner.

## Section 2: Personal Automobile Coverages

2. Four days for notification when coverage is NOT purchased for any vehicle in the Declarations.

When Collision—or Other Than Collision—coverage is NOT shown for any vehicle in the Declarations, a “newly acquired auto” will receive coverage with a \$500 deductible.

A “you” must ask the insurance company to insure the vehicle within 14 days of becoming the owner.

Remember that if the insurance company is not notified within the stated time period, coverage for the vehicle will begin on the date a “you” finally makes notification. In addition, since Collision and Other Than Collision coverages are treated separately when determining coverage for a “newly acquired auto” (between multiple insurers or by state), it is possible for one coverage to have 14 days for reporting, while the other may have only four. This depends on what coverage was previously purchased (as shown on the Declarations) when the new auto is acquired.

### DEFINITIONS

#### K. “Newly acquired auto”:

- b. Collision Coverage for a “newly acquired auto” begins on the date you become the owner. However, for this coverage to apply, you must ask us to insure it within:
  - (1) 14 days after you become the owner, if the Declarations indicates that Collision Coverage applies to at least one auto. In this case, the “newly acquired auto” will have the broadest coverage we now provide for any auto shown in the Declarations.
  - (2) Four days after you become the owner, if the Declarations does not indicate that Collision Coverage applies to at least one auto. If you comply with the four-day requirement and a loss occurred before you asked us to insure the “newly acquired auto”, a Collision deductible of \$500 will apply.
- c. Other Than Collision Coverage for a “newly acquired auto” begins on the date you become the owner. However, for this coverage to apply, you must ask us to insure it within:
  - (1) 14 days after you become the owner, if the Declarations indicates that Other Than Collision Coverage applies to at least one auto. In this case, the “newly acquired auto” will have the broadest coverage we now provide for any auto shown in the Declarations.
  - (2) Four days after you become the owner, if the Declarations does not indicate that Other Than Collision Coverage applies to at least one auto. If you comply with the four-day requirement and a loss occurred before you asked us to insure the “newly acquired auto”, an Other Than Collision deductible of \$500 will apply.
- d. For all coverages addressed in Paragraphs K.2.a., b. and c., if you first ask us to insure the “newly acquired auto” after the applicable time period has elapsed, coverage will begin on the day you first ask us to insure the “newly acquired auto”.

## Section 2: Personal Automobile Coverages

**Table 2.4** summarizes the automatic coverages provided within the ISO Personal Auto Policy “newly acquired auto” definition.

**Table: 2.4**

Coverage Recap for a “Newly Acquired Auto”	
Eligible vehicle acquired during the policy period by a “you” if reported within the required period of time	
Liability Medical Payments/PIP UM/UIM	Coverage up to 14 days* Broadest coverage of any vehicle in the Declarations
Collision	Up to 14 days* if a vehicle in the Declarations has Collision Up to four days* if no vehicle in the Declarations has Collision (\$500 deductible)
Other Than Collision Coverage (OTC)	Up to 14 days* if a vehicle in the Declarations has OTC Up to four days* if no vehicle in the Declarations has OTC (\$500 deductible)

*\*May have less than four or 14 days of coverage if fewer days remain in the policy period.*



If fewer days are remaining in the policy period of a policy that expired, there may be less than four or 14 days where any automatic coverage is provided, since a “newly acquired auto” must be one purchased within the policy period.



Fiona’s Personal Auto Policy currently provides Liability, Med Pay, UM/UIM, and Other Than Collision Coverage (\$1,000 deductible). When she purchases a new sedan on July 1<sup>st</sup>, her new vehicle will receive Collision coverage (with a \$500 deductible) for up to four days and all other coverages (shown in the Declarations) for up to 14 days. Fiona must report the new vehicle to her insurance company within those reporting periods for coverage to continue.

## Check-In



**Directions:** Read and respond to the scenarios below.

Meredith is the Named Insured on an unendorsed ISO Personal Auto Policy that provides the following coverages. What coverages, if any, are provided to Meredith for each of the scenarios below?

1974 AMC Gremlin	2023 Honda
Liability	Liability
Medical Payments	Medical Payments
UM/UIM	UM/UIM
\$100 deductible OTC	\$250 deductible OTC
	\$1,000 deductible Collision

1. Meredith trades in her Honda for a 1968 Chevrolet Camaro.

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2. Meredith purchases a 1990 Chevrolet pickup.

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3. Meredith buys a 2002 Winnebago motor home.

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4. Meredith's 19-year-old resident son purchases a 2014 Toyota.

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## Section 2: Personal Automobile Coverages

**Table 2.5** is a summary of all ISO Personal Auto Policy Definitions. As these Definitions become relevant within the context of this course, more details will be provided.

**Table: 2.5: Summary of Policy Definitions**

Term	Summary
"You" and "Your"	The Named Insured and resident spouse  Receives the broadest coverage the policy offers—a spouse has time-sensitive status as a "you" when no longer a resident
"We," "Us," and "Our"	The insurance company
Leased Auto	Private passenger autos, pickups, and vans leased for six continuous months or longer are considered owned
"Bodily Injury"	Bodily harm, sickness, or disease—includes resulting death—one of two main Liability Coverages (Bodily Injury and Property Damage)
"Business"	Trade, profession, or occupation
"Family member"	"Your" resident relative (blood, marriage, adoption, foster child)
"Occupying"	Getting in, upon, in, on, out, or off a vehicle
"Property Damage"	Physical damage, destruction, or loss of use of tangible (touchable) property—one of two main Liability Coverages (Bodily Injury and Property Damage)
"Trailer"	A vehicle designed to be pulled by a private passenger auto, pickup, or van
"Your covered auto"	A vehicle in the Declarations, acquired during the policy period, or any "trailer" owned by a "you"—also, a vehicle used temporarily while any of the previously mentioned vehicles are out of service for specified reasons
"Newly acquired auto"	A vehicle acquired during the policy period—this definition defines time-sensitive automatic coverage provided for newly acquired autos
"Transportation Network Platform"	A web-based app or platform used to match transportation drivers with passengers for a fee (Uber or Lyft)
"Delivery Network Platform"	An online enabled application or digital network for driver or local vendors using drivers to provide delivery services for a fee (Uber Eats, Door Dash)  This definition is added by mandatory endorsement PP 43 33 Public or Livery Conveyance Exclusion (Including Delivery Network Platform) Endorsement



*Continued*

Term	Summary
"Minimum Limits"	<p>Minimum Liability Coverage limits as required by state law or regulation</p> <p>This definition is provided by each state Amendment of Policy Provision endorsement.</p> <p>Visit <a href="https://RiskEducation.org/PLresources">RiskEducation.org/PLresources</a> for Financial Responsibility Requirements by State.</p>

## Part A – Liability Coverage

Liability coverage is the most important coverage provided by the Personal Auto Policy. While individuals hope not to have to use this coverage, accidents do happen. And when they do, the size of a potential liability claim against them can be extreme. When involved in an at-fault accident, a client can be sued. If their liability limits are insufficient to cover the suit, their current and future assets could be at risk. Of course, this all depends on how many people are injured, who those people are, and the damage caused to property.



660,000 drivers are using their cell phones while operating a vehicle at any time in the day (NHTSA:

<https://crashstats.nhtsa.dot.gov/Api/Public/ViewPublication/811719>).

A person is 20 times more likely to crash while texting and driving than when not using a cell phone (VA Tech: <https://vtx.vt.edu/articles/2009/07/2009-571.html>).

Texting drivers are 23 times more likely to be involved in a car crash ([https://www.michiganautolaw.com/blog/2024/04/05/distracted-driving-vs-drunk-driving/#:~:text=The%20science%20shows%20that%20texting,to%2023%20times%20more%20likely](https://www.michiganautolaw.com/blog/2024/04/05/distracted-driving-vs-drunk-driving/#:~:text=The%20science%20shows%20that%20texting,to%2023%20times%20more%20likely).)).

Inadequate liability coverage can result in catastrophic financial consequences to a client's current and future financial security. This places responsibility on insurance advisors to make sure the recommended protection meets the needs of each client's unique exposures and asset profile.

Before continuing, take time to understand the following policy definitions:

- "Bodily injury" is defined in the ISO Personal Auto Policy as bodily harm, sickness, or disease, including resulting death.

### DEFINITIONS

**D. "Bodily injury" means bodily harm, sickness or disease, including death that results.**

Bodily injury liability may be the most significant liability exposure individuals face. Consider the following damages that can also be included in "bodily injury":

- Compensatory damages: current and future medical expense, pain and suffering, mental anguish, disfigurement, current and future loss of income, loss of a relationship, and loss of services
- Wrongful death damages: funeral expenses, emotional distress, loss of support or financial contribution, and loss of companionship may be owed to the surviving family.
- "Property damage" is defined in the ISO Personal Auto Policy as physical damage to the property, destruction of property, or loss of use of tangible property.



While parking her car, Carrie accidentally hits Jeff's car. The cost to repair the damage to Jeff's car and the cost of a rental car while his car is being repaired is "property damage."

### DEFINITIONS

**H. "Property damage" means physical injury to, destruction of or loss of use of tangible property.**

## Insuring Agreement

Part A – Liability begins with the Insuring Agreement. It lays the foundation for understanding the liability coverage provided by the policy as it explains:

1. who the policy protects (i.e., who is an "insured");
2. for what type of damages;
3. under what circumstances; and
4. the defense coverage provided.



The first part of the Liability Insuring Agreement explains that the insurance company will pay damages resulting from "bodily injury" and "property damage" for which any "insured" is legally responsible because of an auto accident (*"insured" is defined later in the Insuring Agreement*). Damages paid will include pre-judgment interest. This means that pre-judgment interest will reduce the limit of liability available to pay actual damages.

When a claim is made, the insurance company (at its discretion) determines whether to settle or defend. Many factors go into such a decision, but they all generally point back to cost considerations. For instance, when liability is apparent, or the limit of liability is sure to be paid out, the insurance company may desire to simply write a check and walk away. However, an insurance company may choose to offer a settlement when the outcome is uncertain or to avoid creating an unwanted legal precedence.



## Section 2: Personal Automobile Coverages

The Insuring Agreement also states that the insurance company will provide defense costs in addition to the limit of liability. However, the insurance company has no duty to defend or settle any claim that is not covered under the policy, and their responsibility to defend an "insured" ends when the limit of liability has been exhausted by payment of judgments or settlements.

Ultimately, coverage for Part A – Liability Coverage equals the limit of liability plus defense costs.



### INSURING AGREEMENT

A. We will pay damages for "bodily injury" or "property damage" for which any "insured" becomes legally responsible because of an auto accident. Damages include prejudgment interest awarded against the "insured". We will settle or defend, as we consider appropriate, any claim or suit asking for these damages. In addition to our limit of liability, we will pay all defense costs we incur. Our duty to settle or defend ends when our limit of liability for this coverage has been exhausted by payment of judgments or settlements. We have no duty to defend any suit or settle any claim for "bodily injury" or "property damage" not covered under this Policy.

### Who Is an "Insured"?

The second part of the Liability Coverage Insuring Agreement explains who may be considered an "insured" for Part A – Liability Coverage. Only those falling within the definition of "insured" (for this coverage part) will receive liability coverage. Consequently, a claim made against someone who does not fall within the definition will not have coverage. There are four categories for who is an "insured":

- 1 You or a "family member" for ANY auto
- 2 Anyone using "your covered auto"
- 3 "Your covered auto" for vicarious liability
- 4 Non-owned auto for vicarious liability



### 1 You or a “family member” for ANY auto

The first “insured” category is comprised of “you” or any “family member” for the ownership, maintenance, or use of any auto or “trailer.” The term auto is not defined in the ISO Personal Auto Policy; therefore, examples of an auto may include “your covered auto,” a borrowed motor vehicle or trailer, a rented vehicle, a motor home, or a moving truck—to name a few. Coverage for this first category of “insureds” is very broad. The policyholder and “family members” will receive the best liability coverage the policy can provide; after all, the policy was most likely purchased to specifically protect “you,” “your,” and “family members.”



No matter how many persons or organizations may be an “insured” under a Personal Auto Policy, there is still only one limit. All insureds will SHARE the limit!

### 2 Any person using “your covered auto”

The second category of “insured” includes anyone using a “your covered auto.” This would be anyone, such as a neighbor, friend, non-resident relative, or coworker, using a vehicle shown in the Declarations. This also includes an owned “trailer,” “newly acquired auto,” or vehicle that is a temporary substitute for an auto shown in the Declarations.



#### Reflection Question



Remember this: When a client loans their car to someone else, they loan their liability coverage as well.

So, how high are those liability limits? A client may be certain of their own driving abilities, but how certain are they of the driving abilities of someone who borrows their vehicle? How distracted will someone be trying to find the blinker, AC, or volume controls in a vehicle they have never or rarely driven?

### 3 “Your covered auto” for vicarious liability

The third category of “insured” under Part A – Liability provides “insured” status for any person or organization legally responsible for any acts or omissions of a “you,” “family member,” or any other person for the use of a “your covered auto.” This is referred to as vicarious liability.



## Section 2: Personal Automobile Coverages

To help prompt your thinking, the following are examples of organizations that may be vicariously responsible for an action an “insured” can be held liable for:



4

### Non-owned auto for vicarious liability

The fourth and final category of “insured” for Part A – Liability affords “insured” status to any person or organization responsible for the acts or omissions of ONLY you or a “family member” (category 1 “insureds”) for the use of any auto or “trailer” (other than a “your covered auto”) as long as that person or organization does not own or did not hire the auto or “trailer” that is being operated. Review the following example:



John is a teacher in the Orange County School District. He drives a district-owned car to a conference in San Diego. On the way there, he has an at-fault accident. The school district would not be an “insured” under John’s Personal Auto Policy since the district owns the vehicle.

#### INSURING AGREEMENT

##### B. “Insured” as used in this Part means:

1. You or any “family member” for the ownership, maintenance or use of any auto or “trailer”.
2. Any person using “your covered auto”.
3. For “your covered auto”, any person or organization but only with respect to legal responsibility for acts or omissions of a person for whom coverage is afforded under this Part.
4. For any auto or “trailer”, other than “your covered auto”, any other person or organization but only with respect to legal responsibility for acts or omissions of you or any “family member” for whom coverage is afforded under this Part. This provision (B.4.) applies only if the person or organization does not own or hire the auto or “trailer”.

With regard to liability coverage for non-owned autos, the Coverage A – Other Insurance provision states that the policy will be excess over any liability insurance on a non-owned auto (including a temporary substitute). In other words, the client’s Personal Auto Policy will provide excess liability coverage when the client is operating a non-owned auto.



Reconsider the definition of “family member.” A non-resident child does not meet the definition of “family member” (even if listed as a driver); they lose Liability Coverage when they are not driving a “your covered auto.”



Tom’s unendorsed Personal Auto Policy insures his two autos. When his policy was first issued, Tom’s daughter was 17 years old and a resident of his household. She is now 22 years old and lives elsewhere but still drives one of Tom’s autos. Tom’s daughter has Liability Coverage under Tom’s Policy but only while driving Tom’s insured auto. When she drives a rental vehicle on vacation, she is no longer afforded Liability Coverage from Tom’s Policy since she is not a “you” or a “family member.”

## Section 2: Personal Automobile Coverages


This is a danger of continuing to insure adult non-resident children under a parent's Personal Auto Policy.

### Supplementary Payments


There are certain coverage benefits that the Personal Auto Policy will pay in addition to the Limits of Liability for Part A – Liability Coverage; these are known as Supplementary Payments or, sometimes, Additional Payments. When we say that the benefits are paid in addition to the limits of liability, this means that payment of these benefits will not reduce the limits shown in the Declarations. Table 2.6 details the Supplementary Payment benefits that may be paid on behalf of an “insured” (as defined in Part A – Liability Coverage of the ISO Personal Auto Policy):



**Table: 2.6**

Coverage	Summary
<b>Bail bonds</b>	<p>Up to a stated amount (ISO: \$250) may be paid for the cost of bail bonds required because of a covered accident. For this benefit to be paid, the accident must have resulted in “bodily injury” or “property damage” covered by the policy.</p> <p><b>Bail</b> is a cost imposed by the court to guarantee that if the person is released from jail, the person promises to appear for their court date. If a client cannot afford bail, they may seek a bail bond and pay a percentage (usually 10%) of the bail.</p> <div><p>Ariel crashed her vehicle into another car on the interstate, causing death to a person in the other vehicle. She was arrested for “vehicular homicide,” and her bail was set at \$5,000. A bail bond for a \$5,000 bail will cost \$500. Her insurance company will pay up to \$250.</p></div>
<b>Premium on appeal bonds or release attachments</b>	<p>This may provide coverage for the cost of a bond needed to file an appeal to a suit or to release an attachment in a suit.</p> <p>During an ongoing lawsuit, an injured party may seek to attach a potential settlement to property or assets owned by the other party. A release attachment bond lifts the attachment to the property and serves as a financial guarantee that if the injured party wins the case, they will be compensated.</p>

## Section 2: Personal Automobile Coverages

Coverage	Summary
<b>Post-judgment interest</b>	<p>Post-judgment interest may accrue on a judgment AFTER the judgment has been entered and BEFORE the insurance company offers to pay.</p> <p>The company will only pay post-judgment interest on the part of the judgment that does not exceed the limit of liability.</p> <div>  <p>For example, if the policy limit of liability is \$25,000, but the judgment is \$50,000, the insurance company will only pay post-judgment interest related to the \$25,000.</p> </div>
<b>Loss of earnings/income</b>	The insurance company will pay up to a stated amount (ISO: \$250) for loss of earnings or lost income while an “insured” attends a trial or hearing at the insurance company’s request.
<b>Reasonable expenses</b>	The insurance company will reimburse other reasonable expenses as a result of requests made by the insurance company.

### INSURING AGREEMENT

#### SUPPLEMENTARY PAYMENTS

We will pay on behalf of an “insured”:

1. Up to \$250 for the cost of bail bonds required because of an accident, including related traffic law violations. The accident must result in “bodily injury” or “property damage” covered under this Policy.
2. Premiums on appeal bonds and bonds to release attachments in any suit we defend.
3. Interest accruing after a judgment is entered in any suit we defend. Our duty to pay interest ends when we offer to pay that part of the judgment which does not exceed our limit of liability for this coverage.
4. Up to \$250 a day for loss of earnings, but not other income, because of attendance at hearings or trials at our request.
5. Other reasonable expenses incurred at our request.

These payments will not reduce the limit of liability.



With the Miscellaneous Type Vehicle Endorsement (PP 03 23) and Snowmobile Endorsement (PP 03 20), Passenger Hazard Liability Coverage can be excluded.

When this exclusion is selected on the endorsement, Liability Coverage is excluded for “bodily injury” for passengers “occupying” (in, upon, or getting in/on/off) the described vehicle should they be injured, although coverage remains for “bodily injury” to others who are not “occupying” the described vehicle.

## Knowledge Check



**Directions:** Read the statement below and state who is an “insured” under Keely’s Personal Auto Policy for Liability Coverage. Explain your answer.

Keely, the office manager at ABC Insurance Agency, asked Janice to pick up copier paper at Office Depot. While driving Keely’s car, Janice has an at-fault accident on the way to Office Depot, resulting in serious injuries to another driver. The injured person files claims against Keely (car owner), Janice (driver), and ABC Insurance Agency (employer, since Janice was running an errand).

1. 

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2. 

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3. 

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## Liability Exclusions

### Learning Objective:

- 2.3 Recognize potential coverage gaps within Part A – Liability Exclusions and identify the appropriate endorsement(s) to provide coverage.

The Personal Auto Policy is not built to cover every possible loss that might occur. Exclusions limit or restrict coverage either for obvious reasons (like war) or because the policy simply cannot bear the cost of the loss without additional premium (i.e., endorsements), or by moving the risk to a policy meant for that exposure (like a commercial auto policy). In the ISO Personal Auto Policy, there are two groups of exclusions for Part A – Liability Coverage:

### EXCLUSIONS

- Group A has ten exclusions (A.1. through A.10.) that take away “bodily injury” and/or “property damage” based on a person—even if that person was previously defined as an “insured.”
- Group B has five exclusions (B.1. through B.5.) that take away liability coverage based on the vehicle.

#### Group A. Liability Coverage Exclusions

The first group of Liability Coverage exclusions (Group A) focuses on the various ways “insureds” may use a vehicle. Certain uses may be better covered by another type of policy (such as Nuclear Energy or Business Auto Policy), or the exposure is too great for the base rates of a Personal Auto Policy, and endorsements are needed to assign a premium to risk (such as ride-sharing). Several of these exclusions also address property owned by, rented to, or used by an “insured.” The purpose of Liability Coverage is to compensate other persons (not the insured) for injuries and damages the insured causes; it is not intended to cover injury or damage to the insured.

There is no Liability Coverage for any “insured” under the following circumstances:

#### 1. Who intentionally causes “bodily injury” or “property damage”

Intentional damage is a severe exposure that simply cannot be adequately assigned a rate; therefore, it is not covered. Understand, though, that the damage must be intended (or expected) by the “insured.”



Charlie threw his ice cream cone out of his vehicle, hoping it would hit the tailgating car behind him. Unfortunately, it startled the driver, causing them to lose control of the car and crash. If Charlie is determined to be liable for damages, his policy will likely pay since Charlie did not intend for the damage to occur.



#### EXCLUSIONS

A. We do not provide Liability Coverage for any “insured”:

1. Who intentionally causes “bodily injury” or “property damage”.

**2. For “property damage” to owned property or property being transported by that “insured”**

This exclusion removes Liability Coverage if a client damages their owned home.



Charlie drove into the garage door of the home he owns. His PAP liability coverage will not pay for this damage.



This exclusion also removes liability coverage for property of others which is damaged while being transported by that insured. Insurance advisors may need to ask their clients how often they transport the property of others. Consider when clients help friends move, tow a boat or horse trailer, etc.



Charlie was helping his friend move. Items belonging to the friend fell off the back of Charlie’s truck and were damaged. Charlie’s PAP will not pay for this damage.

**EXCLUSIONS**

**A.** We do not provide Liability Coverage for any “insured”:

2. For “property damage” to property owned or being transported by that “insured”.

**3. For “property damage” to property rented to, used by, or in the care of that “insured”**

This exclusion ensures that Part A – Liability Coverage will not pay for damage to a non-owned vehicle the insured is using (such as a rental vehicle). Such coverage must come from Part D – Coverage For Damage To Your Auto. However, an exception gives back coverage for “property damage” to a non-owned residence or private garage.

This exclusion most often applies to rental vehicles, though, in some states (such as North Dakota, Minnesota, Rhode Island, and New York), physical damage to rental vehicles is covered under Part A – Liability Coverage.



**EXCLUSIONS**

**A.** We do not provide Liability Coverage for any “insured”:

3. For “property damage” to property:

- a. Rented to;
  - b. Used by; or
  - c. In the care of;
- that “insured”.

This exclusion (**A.3.**) does not apply to “property damage” to a residence or private garage.



### 4. For “bodily injury” to an employee of that “insured”

Liability Coverage is excluded for injury to an employee of that “insured” which occurs during the course of employment since it is expected that the injury would be covered by workers compensation. However, an exception gives back coverage for domestic employees unless workers compensation coverage is available or required.



#### EXCLUSIONS

A. We do not provide Liability Coverage for any “insured”:

4. For “bodily injury” to an employee of that “insured” during the course of employment. This exclusion (A.4.) does not apply to “bodily injury” to a domestic employee unless workers’ compensation benefits are required or available for that domestic employee.

### 5. Ownership or operation of a vehicle being used as a public or livery conveyance, including when the “insured” is logged into a “transportation network platform” as a driver

This exclusion takes away Liability Coverage when an “insured” is operating their vehicle for transporting people or goods (i.e., public or livery conveyance). Some states will stipulate “for hire” or “for a fee.” An exception gives back coverage for a vehicle while it is being used in a share-the-expense carpool or while it is being used for volunteer or charitable purposes.



In 2018, an ISO Personal Auto Policy revision expanded this exclusion to ensure that the exclusion applies even when a passenger is not “occupying” the vehicle if the driver is logged into a “transportation network platform” (such as Uber or Lyft). In 2023, ISO expanded this to include similar delivery networks (such as Uber Eats, DoorDash, or InstaCart).

The ISO Personal Auto Policy defines a “transportation network platform” as an online application for prearranged ride sharing such as Uber, Lyft, etc.

The mandatory ISO endorsement Public or Livery Conveyance Exclusion (Including Delivery Network Platform) endorsement (PP 43 33) defines a “delivery network platform” as an online enabled application or digital network used to connect customers and drivers (or local vendors) for the purpose of providing delivery services for a fee.



Policy language from mandatory endorsement PP 43 33 01 23:

### Public Or Livery Conveyance Exclusion (Including Delivery Network Platform)

#### II. Part A – Liability Coverage

Exclusion **A.5.** is replaced by the following:

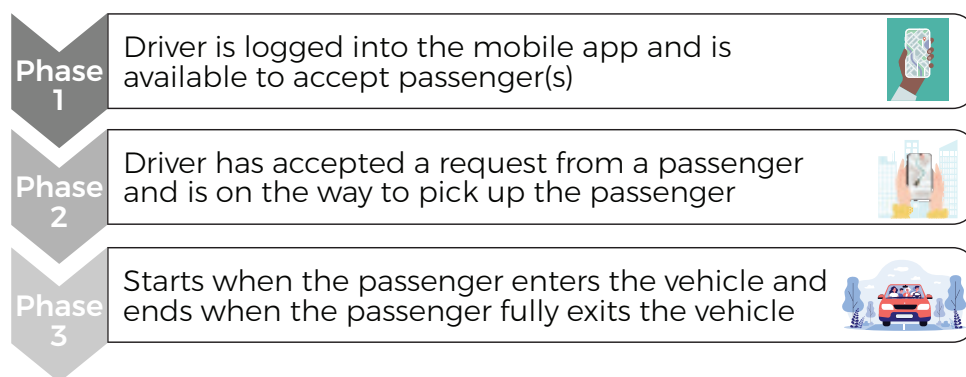
We do not provide Liability Coverage for any "insured":

5. For that "insured's" liability arising out of the ownership or operation of a vehicle while it is being used as a public or livery conveyance. This includes but is not limited to any period of time a vehicle is being used by any "insured" who is logged into a:
  - a. "Transportation network platform" as a driver, whether or not a passenger is "occupying" the vehicle.
  - b. "Transportation network platform" or "delivery network platform" as a driver to provide delivery services, including courier services, whether or not the food, goods, items or products to be delivered are in the vehicle.

This exclusion (**A.5.**) does not apply to:

- (1) A share-the-expense car pool; or
- (2) The ownership or operation of a vehicle while it is being used for volunteer or charitable purposes.

ISO offers three endorsements to buy back some limited coverage. These endorsements give back coverage for Part A – Liability, Part B – Medical Payments, Part C – UM/UIM, and Part D – Coverage For Damage To Your Auto and require the Transportation Network/Delivery Network vehicle(s) be described in the Schedule. To understand when these three endorsements provide coverage, it is important to understand the following three phases:



Now, take a look at the endorsements that may provide limited coverage to clients in need:



The **Transportation Network Driver Coverage (No Passenger) (PP 23 41)** endorsement provides coverage when an "insured" is logged into the "transportation network platform" described in the schedule AND a passenger is not "occupying" the vehicle. Coverage is provided only during Phases 1 and 2.

The **Limited Transportation Network Driver Coverage (No Passenger) (PP 23 45)** endorsement provides coverage when an "insured" is logged into the "transportation network platform," AND a passenger is not "occupying" the vehicle, AND the driver has not accepted a request through the "transportation network platform" to transport a passenger. Coverage is provided only during Phase 1.

## Section 2: Personal Automobile Coverages



The **Delivery Network Driver Coverage (PP 43 34)** endorsement provides policy coverages for the vehicle described in the schedule and a when a premium is shown in the schedule for that coverage. Coverage applies at any point in the delivery network process.

Policy language from mandatory endorsement PP 43 33 01 23:

### **Public Or Livery Conveyance Exclusion (Including Delivery Network Platform)**

#### **II. Part A – Liability Coverage**

Exclusion **A.5.** is replaced by the following:

We do not provide Liability Coverage for any "insured":

5. For that "insured's" liability arising out of the ownership or operation of a vehicle while it is being used as a public or livery conveyance. This includes but is not limited to any period of time a vehicle is being used by any "insured" who is logged into a:
  - a. "Transportation network platform" as a driver, whether or not a passenger is "occupying" the vehicle.
  - b. "Transportation network platform" or "delivery network platform" as a driver to provide delivery services, including courier services, whether or not the food, goods, items or products to be delivered are in the vehicle.

This exclusion (**A.5.**) does not apply to:

- (1) A share-the-expense car pool; or
- (2) The ownership or operation of a vehicle while it is being used for volunteer or charitable purposes.

Before outlining the next liability exclusion, first understand that the ISO Personal Auto Policy defines "business" as including:

- Trade (e.g., plumber, electrician, or carpenter)
- Profession (e.g., lawyer, physician, or teacher)
- Or occupation (e.g., driver, child-care worker, or barista)

#### **DEFINITIONS**

**E. "Business" includes trade, profession or occupation.**

## Section 2: Personal Automobile Coverages

Continuing the Liability Coverage exclusions (Group A), there is no liability coverage for any “insured”:

### 6. While employed or otherwise engaged in the auto “business”

This exclusion removes Liability Coverage for a garage mechanic, a person valet-parking a vehicle, or an auto dealer, etc. However, while the person in the auto “business” is excluded, this exclusion does not take away coverage for other “insureds.”



Gary's vehicle is being repaired at Sally's Auto Shop. The mechanic has an at-fault accident while taking Gary's car for a test drive. The other driver is injured and makes a claim against the mechanic (as the at-fault driver); Sally's Auto Shop, on whose behalf the mechanic was driving; and Gary, the vehicle's owner. This exclusion takes away coverage for the mechanic and Sally's Auto Shop since they are both in the auto “business.” There is still coverage for Gary as he is a “you.”

An exception gives back coverage for a “you” or any “family member” (including any partner/agent/employee of “you” or a “family member”) for the ownership, maintenance, or use of a “your covered auto” while in the auto “business.”



**Covered:** Robert owns an auto repair shop. He uses his personal vehicle to take an auto part to a customer's home and accidentally scrapes the customer's vehicle while pulling into the driveway. Robert will have Liability Coverage from his Personal Auto Policy while driving his personal vehicle (a “your covered auto”) in the auto “business.”



**Not Covered:** Robert owns an auto repair shop and has an accident while driving a customer's car. Because of this exclusion, there is no Liability Coverage for this loss under Robert's Personal Auto Policy.

#### EXCLUSIONS

A. We do not provide Liability Coverage for any “insured”:

6. While employed or otherwise engaged in the “business” of:

- a. Selling;
- b. Repairing;
- c. Servicing;
- d. Storing; or
- e. Parking;

vehicles designed for use mainly on public highways. This includes road testing and delivery. This exclusion (A.6.) does not apply to the ownership, maintenance or use of “your covered auto” by:

- (1) You;
- (2) Any “family member”; or
- (3) Any partner, agent or employee of you or any “family member”.

### 7. Engaged in any “business” other than the auto business

The policy also excludes Liability Coverage for vehicles used in any other “business” (other than farming or ranching). However, coverage is given back for maintenance or use of a private passenger auto, pickup, or van for “business” use (whether owned or non-owned), including “trailers” used with these auto types.



**Covered:** Leon rents a sedan while on a business trip. He has an at-fault accident. Coverage for the damage he caused to the other vehicle is not excluded since he was driving a private passenger auto.



**Not Covered:** Leon rents a box truck to take large office printers to a client. He is in an at-fault accident. The damage he caused to the other vehicle is excluded since the vehicle was not a private passenger auto, pickup truck, or van, and Leon was engaged in “business” activities.



Looking ahead, Liability Coverage exclusion B.1. will provide coverage for the use of a non-owned golf cart; this exclusion, however, ensures that “business” use of a non-owned golf cart remains excluded.

#### EXCLUSIONS

**A.** We do not provide Liability Coverage for any “insured”:

7. Maintaining or using any vehicle while that “insured” is employed or otherwise engaged in any “business” (other than farming or ranching) not described in Exclusion **A.6.**

This exclusion (**A.7.**) does not apply to the maintenance or use of a:

- a. Private passenger auto;
- b. Pickup or van; or
- c. “Trailer” used with a vehicle described in **a.** or **b.** above.

### 8. Use of a vehicle without reasonable belief of entitlement to do so

The Personal Auto Policy is not intended to provide coverage to someone wrongly using a vehicle without permission. The intent is to take away Liability Coverage for the car thief. Therefore, a reasonable belief of entitlement must exist for Liability Coverage to apply. However, the exclusion does not apply to a “family member” using a “your covered auto,” which is owned by “you.” This exception will not give coverage back to a “family member” using a temporary substitute (or other non-owned auto) because the exception stipulates that the auto must be owned by “you.”



Despite being grounded, Diane’s 17-year-old son, Levi, takes her car without permission. Levi has an at-fault accident while driving the car. This exclusion would not apply since Levi is a “family member” and was driving an owned car insured by Diane’s policy.



### EXCLUSIONS

**A.** We do not provide Liability Coverage for any "insured":

8. Using a vehicle without a reasonable belief that that "insured" is entitled to do so. This exclusion (A.8.) does not apply to a "family member" using "your covered auto" which is owned by you.

### 9. "Insured" also covered under a nuclear energy liability policy

The ISO Personal Auto Policy will not provide liability coverage for an "insured" who is also an insured under a nuclear energy liability policy. A nuclear energy policy provides coverage for damage or injury to the public caused by commercial nuclear or nuclear plant events. The insurance is mandated and provided under the Price-Anderson Act of 1957. Visit [www.nrc.gov](http://www.nrc.gov) for more information.



### EXCLUSIONS

**A.** We do not provide Liability Coverage for any "insured":

9. For "bodily injury" or "property damage" for which that "insured":
  - a. Is an insured under a nuclear energy liability policy; or
  - b. Would be an insured under a nuclear energy liability policy but for its termination upon exhaustion of its limit of liability.

A nuclear energy liability policy is a policy issued by any of the following or their successors:

- (1) Nuclear Energy Liability Insurance Association;
- (2) Mutual Atomic Energy Liability Underwriters; or
- (3) Nuclear Insurance Association of Canada.

### 10. Personal vehicle sharing program

The final Group A. exclusion (A.10.) is for an "insured" using a "your covered auto" enrolled in a personal vehicle sharing program while it is being used by someone other than a "you" or any "family member."



**Covered:** Talia has her vehicle listed on Turo. However, even when the vehicle is active on the site, Talia drives her vehicle when a Turo renter is not using it. Talia's Personal Auto Policy will continue to provide Liability Coverage while she is driving her vehicle.



**Not Covered:** While Talia is out of town, a Turo renter is using her vehicle. The renter was involved in an at-fault accident. Talia's Personal Auto Policy will not provide liability coverage for the driver or Talia.

A personal vehicle sharing program (defined in some states or by insurance companies) is similar to renting a vehicle through a rental agency, but these programs generally allow peer-to-peer arrangements where individuals earn money by allowing other individuals to use their vehicles. Zipcar and Turo are examples of such vehicle sharing programs.



### EXCLUSIONS

**A.** We do not provide Liability Coverage for any "insured":

- 10.** For the ownership, maintenance or use of "your covered auto" while:
  - a.** Enrolled in a personal vehicle sharing program under the terms of a written agreement; and

### Group B. Liability Coverage Exclusions

Following Group A. Liability Exclusions are the Group B. Exclusions. These take away Liability Coverage based on the vehicle type, use, or availability to the client.

#### 1. Any vehicle with less than four wheels or designed for use off public roads

The Personal Auto Policy will not provide Liability Coverage for the ownership, maintenance, or use of a vehicle with fewer than four wheels, such as motorcycles, dirt bikes, scooters/mopeds, and three-wheeled vehicles. Vehicles designed for use off public roads, like ATVs, go-carts, mobility scooters, children's riding toys, and snowmobiles, are also excluded. These types of vehicles are often referred to as recreational vehicles.

Three exceptions are provided:

- An "insured's" use of such vehicles in a medical emergency
- Any "trailer"
- Any non-owned golf cart ("business" use remains excluded under exclusion A.7.)



### EXCLUSIONS

**B.** We do not provide Liability Coverage for the ownership, maintenance or use of:

- 1.** Any vehicle which:
  - a.** Has fewer than four wheels; or
  - b.** Is designed mainly for use off public roads.

This exclusion **(B.1.)** does not apply:

- (1)** While such vehicle is being used by an "insured" in a medical emergency;
- (2)** To any "trailer"; or
- (3)** To any non-owned golf cart.

There are two endorsements offered by the ISO Personal Auto Policy program that allow clients to buy back Liability, Medical Payments, UM/UIM, Collision, and Other Than Collision coverages for these types of vehicles.



## Section 2: Personal Automobile Coverages



The **Miscellaneous Type Vehicle Endorsement (PP 03 23)** may be used to provide liability, Med Pay, UM/UIM, and OTC and Collision coverages. In addition, the endorsement would provide newly acquired coverage for the same type of “miscellaneous vehicle” insured by the endorsement. This endorsement may be used to provide coverage for vehicles such as motor homes, motorbikes, motorcycles, ATVs, etc.

The **Snowmobile Endorsement (PP 03 20)** may be used to provide liability, Med Pay, UM/UIM, and OTC and Collision coverages. In addition, the endorsement would provide newly acquired coverage for snowmobiles.



With the **Miscellaneous Type Vehicle Endorsement (PP 03 23)** and **Snowmobile Endorsement (PP 03 20)**, Passenger Hazard Liability Coverage can be excluded.

When this exclusion is selected on the endorsement, Liability Coverage is excluded for “bodily injury” for passengers “occupying” (in, upon, or getting in/on/off) the described vehicle should they be injured, although coverage remains for “bodily injury” to others who are not “occupying” the described vehicle.

### 2. Any vehicle other than “your covered auto” that is either owned by you or furnished or available for your regular use

Individuals may own, have regular access to, or be furnished vehicles other than those shown in the Declarations.

Consider the following types of vehicles:

- A vehicle a client owns but decided not to insure
- A vehicle the client owns and insures on a specialty policy (such as a collector car policy)
- A new vehicle that was not reported to the insurance company within the required time period
- A vehicle provided to a client by their employer
- A vehicle the client regularly drives that is owned by a roommate
- A vehicle the client regularly drives that is owned by a non-resident relative



Lionel’s roommate allows him to use her vehicle whenever he needs to (especially when it is parked last in the driveway). Since the vehicle is regularly available for Lionel’s use, his Personal Auto Policy will exclude Liability Coverage while he is driving his roommate’s vehicle. He will only have Liability Coverage from her Personal Auto Policy.

### EXCLUSIONS

**B.** We do not provide Liability Coverage for the ownership, maintenance or use of:

2. Any vehicle, other than "your covered auto", which is:
  - a. Owned by you; or
  - b. Furnished or available for your regular use.



A vehicle furnished or available for regular use is an often-overlooked exposure that, if known about, may be eligible for coverage provided by an endorsement. When gathering information about a client, an insurance advisor should be aware not only of owned vehicles, but also other vehicles that may be considered furnished or available for regular use.

### Extended Non-Owned Coverage – Vehicles Furnished Or Available For Regular Use (PP 03 06)



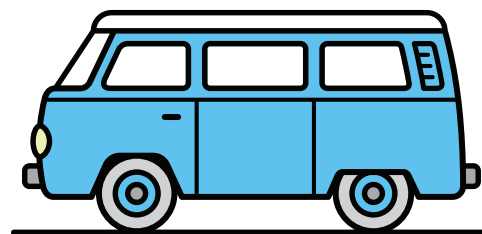
Clients with vehicles furnished or available for their use may be offered the **Extended Non-Owned Coverage – Vehicles Furnished Or Available For Regular Use (PP 03 06)** endorsement. This endorsement may provide Liability and Med Pay Coverages for a vehicle furnished or available for the regular use of the "you" named in the Schedule and "family members" when indicated or selected in the endorsement.

The endorsement effectively "deletes" Liability exclusion B.2.b and Medical Payments exclusion 5.b. by stating:

Liability Coverage	<i>"We will provide Liability Coverage for any vehicle, other than "your covered auto," which is furnished or available for the regular use of the named individual."</i>
Med Pay Coverage	<i>"We will provide Medical Payments Coverage for "bodily injury" sustained while "occupying," or when struck by, any vehicle (other than "your covered auto") which is furnished or available for the regular use of the named individual."</i>

### 3. Any vehicle other than "your covered auto" which is owned by any "family member" or furnished or available for the regular use of any "family member"

When relatives are residing ("family members") in the household, there is a possibility that those "family members" may also solely own vehicles and/or have vehicles furnished to them or available for their regular use. To minimize accidentally taking on unknown risks, the ISO Personal Auto Policy excludes Liability Coverage for a vehicle owned by or furnished to a "family member" and not insured on the policy.





## Section 2: Personal Automobile Coverages



April's elderly father lives with her. He owns and insures his own vehicle. April's Personal Auto Policy will not provide Liability Coverage for an accident her father is involved in while driving his own vehicle.

Coverage is given back to a "you" while maintaining or "occupying" such a vehicle. However, this exception does not apply to other "family members."



**Covered:** April's elderly father lives with her. He owns and insures his own vehicle. April's Personal Auto Policy will provide Liability Coverage for her use of her father's vehicle when she drives it to the gas station. *(April's coverage will be excess over her father's.)*



**Not Covered:** When April's 16-year-old son drives his resident grandfather's vehicle, April's Personal Auto Policy will NOT provide Liability Coverage since the child is not a "you," and the exclusion exception only applies to a "you," not a "family member." The teen will only have Liability Coverage from his grandfather's Personal Auto Policy.

### EXCLUSIONS

**B.** We do not provide Liability Coverage for the ownership, maintenance or use of:

**3.** Any vehicle, other than "your covered auto", which is:

- a.** Owned by any "family member"; or
- b.** Furnished or available for the regular use of any "family member".

However, this exclusion **(B.3.)** does not apply to you while you are maintaining or "occupying" any vehicle which is:

- (1)** Owned by a "family member"; or
- (2)** Furnished or available for the regular use of a "family member".

### Family Member Extended Non-owned Coverage - Vehicles Furnished Or Available For Regular Use (PP 43 31)



This endorsement (introduced by ISO in 2023) deletes the PAP Liability exclusion B.3.b. and states that Liability Coverage is provided for vehicles furnished or available for the regular use of "family member(s)" named in the endorsement's schedule. This coverage will not apply to a vehicle OWNED by a "family member" only furnished or available for their use.

### 4. Vehicle in a racing facility participating, competing, or preparing for any prearranged or organized racing, speed contest, driver skill training, or driver skill event

Race car or stock car driving experiences are popular events that allow average drivers to get behind the wheel of high-performance vehicles like Lamborghinis and Ferraris. When inexperienced drivers are placed behind the wheel of a high-performance vehicle or vehicle designed for high-speed acceleration, a lot can happen.



The ISO Personal Auto Policy excludes Liability Coverage for ANY vehicle inside a facility designed for racing when the purpose of it being there is to prepare, practice, participate, or compete in prearranged or organized racing/speed contests or driver skill events. This exclusion does not apply if racing is outside a facility designed for racing.



**Covered:** Driving home from work, Jim is challenged to race by the vehicle next to him. He gets caught up in the moment and has an accident mid-race. The racing exclusion does not apply.



**Not Covered:** On Friday nights, Jim takes his Camaro to a local drag-racing track and competes against other drivers. The racing exclusion applies.

#### EXCLUSIONS

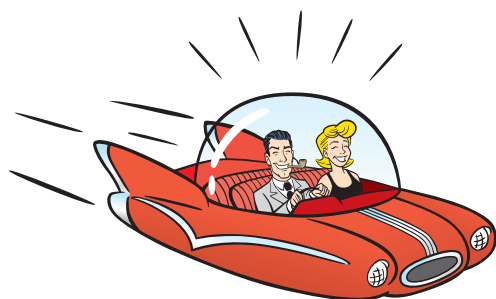
**B.** We do not provide Liability Coverage for the ownership, maintenance or use of:

4. Any vehicle, located inside a facility designed for racing, for the purpose of:
  - a. Participating or competing in; or
  - b. Practicing or preparing for;  
any prearranged or organized:
    - (1) Racing or speed contest; or
    - (2) Driver skill training or driver skill event.



Considering the racing exclusion, some insurance companies may exclude prearranged or organized racing as well as spontaneous racing. An insurance advisor needs to take care in understanding coverage exclusion differences between each insurance company.

## 5. Flying Vehicles



This final Liability Coverage exclusion is pretty straightforward. There will be no Liability Coverage for a vehicle that is capable of flight. These may also be referred to as roadable aircraft. Simply put, if it can fly, it will not receive coverage under the Personal Auto Policy.

### EXCLUSIONS

**B.** We do not provide Liability Coverage for the ownership, maintenance or use of:

5. Any vehicle which is designed or can be used for flight.




The first flying vehicle was Waldo Waterman's flying car, called the Aerobile, in 1934, but to go from auto to airplane, the vehicle had to visit the hanger to have its wings attached.<sup>18</sup> The Great Depression scrapped plans for the production of this vehicle, with only five ever being made.


In 2021, the AirCar, created by Professor Stefan Klein, completed its first test flight in Slovakia, landing on a runway and driving straight into town.<sup>19</sup> The company, Klein Vision, states that it already has 40,000 orders pending in the United States.

<sup>18</sup> National Air and Space Museum, Smithsonian. "Waterman Aerobile." Accessed 2023, [https://airandspace.si.edu/collection-objects/waterman-aerobile/nasm\\_A19610156000](https://airandspace.si.edu/collection-objects/waterman-aerobile/nasm_A19610156000)

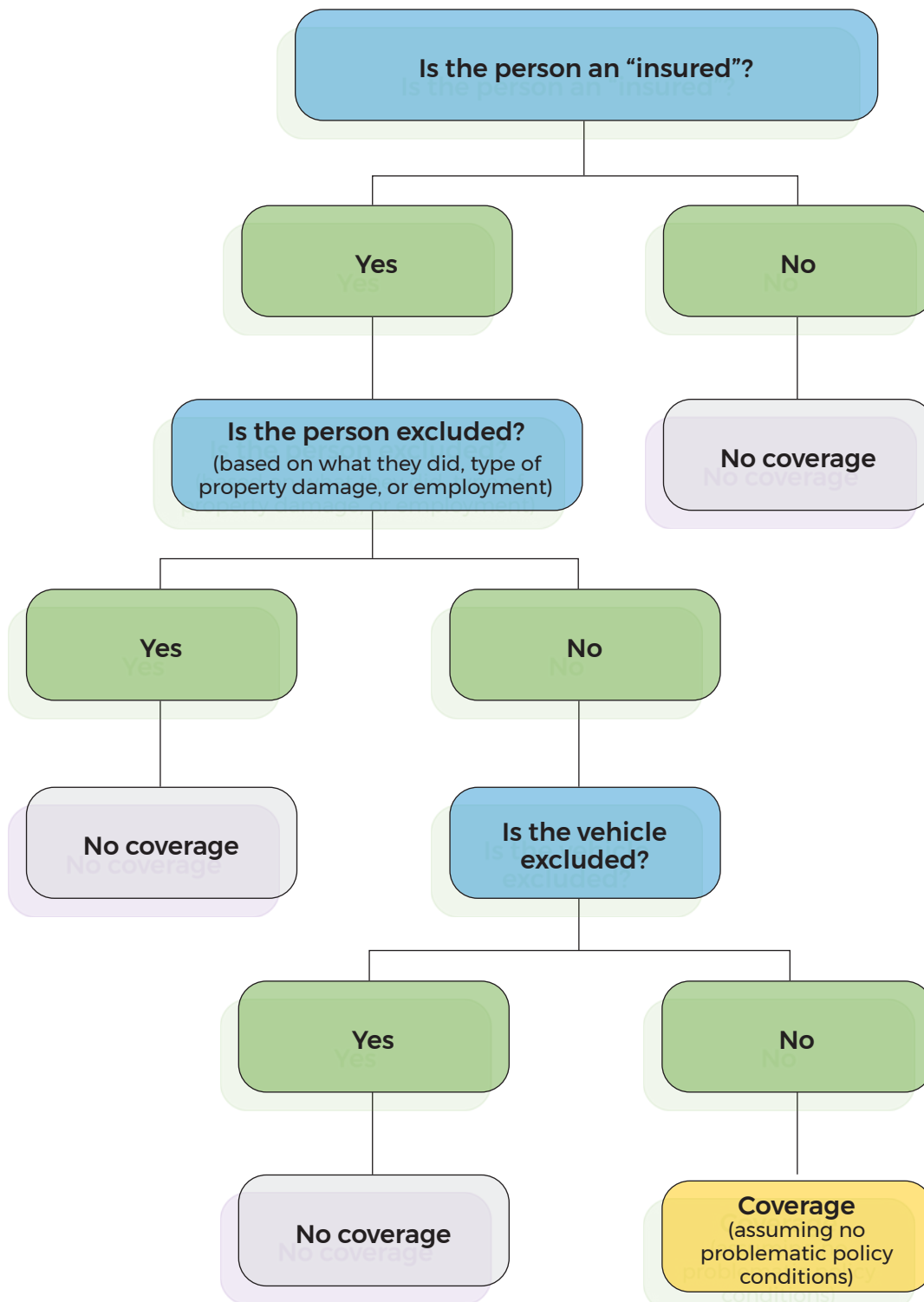
<sup>19</sup> Jack Guy, "Flying Car Completes 35-minute Test Flight Between Cities," *CNN Business*, June 30, 2021, <https://www.cnn.com/2021/06/30/business/flying-car-flight-slovakia-scli-intl/index.html>

**Table: 2.7: Summary of Part A – Liability Coverage Exclusions:**

 <b>EXCLUSIONS APPLYING TO PERSONS</b>
<b>A.1.</b> Intentional “bodily injury” or “property damage”
<b>A.2.</b> “Property damage” to property owned or transported by that “insured”
<b>A.3.</b> “Property damage” to property rented, used by, or in care of that “insured” with an exception for “property damage” to a residence or private garage
<b>A.4.</b> “Bodily injury” to an employee, with an exception for domestic employees, unless workers compensation benefits are required or available for that employee
<b>A.5.</b> Liability arising out of ownership or operation of a vehicle used for public or livery conveyance (Including logged into TNP and DNP platforms) with an exception for share-the-expense carpools or being used for volunteer or charitable purposes
<b>A.6.</b> Persons employed in auto “business,” with an exception for the ownership, maintenance, or use of a “your covered auto” by you, a “family member,” or partner/agent/employee of you or any “family member”
<b>A.7.</b> “Business” use (other than auto “business”) of a vehicle other than a private passenger auto, pickup, or van
<b>A.8.</b> No reasonable belief of entitlement to use a vehicle, with an exception for a “family member”
<b>A.9.</b> Persons insured on a nuclear policy
<b>A.10.</b> Vehicle enrolled in a personal vehicle sharing program under the terms of a written agreement being used by anyone other than you or any “family member”

 <b>EXCLUSIONS APPLYING TO VEHICLES</b>
<b>B.1.</b> Vehicles with fewer than four wheels and vehicles designed for use off public roads—exceptions are provided for use during a medical emergency or non-owned golf cart
<b>B.2.</b> Vehicle other than a “your covered auto” owned by “you” or furnished or available for “your” regular use
<b>B.3.</b> Vehicle owned by or furnished or available for the regular use of a “family member” with an exception for “you”
<b>B.4.</b> Vehicle in a race facility participating, competing, practicing, or preparing for an organized or prearranged speed contest or driver skill training or driver skill event
<b>B.5.</b> Any vehicle that is designed or can be used for flight

## Section 2: Personal Automobile Coverages



## Check-In



**Directions:** Read the scenarios below and select the letter choice of the corresponding exclusion.

Aaron has 250/500/100 Liability Coverage on his 2019 Dodge Durango. For each of the following situations, indicate which Part A – Liability Coverage exclusion, if any, will apply.

Exclusion	Scenario
<b>A.</b> Use without a reasonable belief of entitlement, with exception of a “family member”	_____ Aaron argues with his neighbor and repeatedly rams his Durango into his neighbor’s parked car.
<b>B.</b> Vehicles other than a “your covered auto” that “you” own or are furnished/available for your use	_____ Aaron’s 16-year-old son takes his car without permission and has an at-fault accident.
<b>C.</b> “Business” use of a vehicle other than a private passenger auto, pickup, or van	_____ Aaron backs his rental car into a concrete post and damages the rental car.
<b>D.</b> Intentional damage or injury	_____ Aaron has an at-fault accident while driving his furnished company car.
<b>E.</b> “Property damage” to property rented to, used by, or in the care of that “insured”	_____ Aaron caused damage to a low clearance bridge with a tour bus he rented to take clients to dinner.

Following the ISO Personal Auto Policy Part A – Liability Coverage Exclusions are a few general provisions that pertain to Liability Coverage. They are:

- Limit Of Liability,
- Out Of State Coverage,
- Financial Responsibility, and
- Other Insurance.

These provisions serve to further define the scope of coverage, set limits on what the insurance company will pay, ensure compliance with state laws, and establish rules for coordination with other insurance policies if applicable. The exact terminology and organization can vary slightly between insurance companies and policy documents, so it’s essential to carefully review each policy document to locate and understand these specific provisions, conditions, or sections.

### Limit Of Liability

Within Part A – Liability Coverage, there are provisions in which the policy explains:

- How the limits of liability will apply
- What happens when the vehicle travels outside of the state it in which it is principally garaged
- Financial responsibility and compliance with state law
- How the policy coordinates with other applicable coverage

The Limit Of Liability provision of Part A – Liability Coverage states that the limits shown in the Declarations are the maximum amount that will be paid in any one accident. Remember that liability limits may be shown as split limits or a combined single limit (CSL).



Felix ran a red light and hit another vehicle. Two occupants in the other vehicle were injured. One occupant has medical expenses totaling \$10,000, while the other's medical expenses total \$50,000. It will cost \$35,000 to repair the other vehicle.

If Felix has liability limits of 25/50/25, his policy will pay:

- **\$10,000 Bodily injury to one occupant in the other vehicle**
- **\$25,000 Bodily injury to the second occupant in the other vehicle**
- **\$25,000 Property damage for the other vehicle**



Felix's policy will only cover \$60,000 of this \$95,000 claim. Felix did not carry high enough limits for per-person "bodily injury" or per-accident "property damage."

The ISO Personal Auto Policy does not allow for the stacking of limits.

In addition, the policy will not pay duplicate payments for the same element of a loss covered under Medical Payments, Uninsured Motorists, or Underinsured Motorists Coverage. Passengers in the client's vehicle are eligible for Part B – Medical Payments Coverage, but if the limit is not enough, passengers (not a "you" or "family member") may also receive payment under Part A – Liability Coverage for the medical expense that exceeds Part B – Medical Payments.



The Liability Coverage limits selected are of great importance. It is in the best interest of the client to assist them with selecting the highest limits of coverage they can comfortably afford, since low limits can be quickly exhausted by mild to severe losses.



### LIMIT OF LIABILITY

**A.** The Limit Of Liability shown in the Declarations for each person for Bodily Injury Liability is our maximum limit of liability for all damages, including damages for care, loss of services or death, arising out of "bodily injury" sustained by any one person in any one auto accident. Subject to this limit for each person, the Limit Of Liability shown in the Declarations for each accident for Bodily Injury Liability is our maximum limit of liability for all damages for "bodily injury" resulting from any one auto accident.

The Limit Of Liability shown in the Declarations for each accident for Property Damage Liability is our maximum limit of liability for all "property damage" resulting from any one auto accident.

This is the most we will pay regardless of the number of:

1. "Insureds";
2. Claims made;
3. Vehicles or premiums shown in the Declarations; or
4. Vehicles involved in the auto accident.

**B.** No one will be entitled to receive duplicate payments for the same elements of loss under this coverage and:

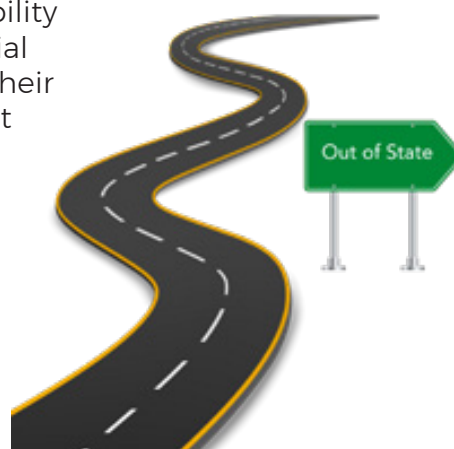
1. Part B or Part C of this Policy; or
2. Any Underinsured Motorists Coverage provided by this Policy.

### Out Of State Coverage

Each state has its own laws regarding minimum limits of liability coverage required for motor vehicles on the road (i.e., Financial Responsibility Laws). Individuals frequently travel outside of their resident state, so the policy ensures that if a covered accident occurs outside the state where a "your covered auto" is principally garaged, the policy will provide a higher limit of liability if required by the state or jurisdiction where the accident happens.



Dakota lives in Oklahoma. He has minimum automobile liability limits of 25/50/25. If Dakota has an accident while in Texas, his Personal Auto Policy will provide the 30/60/25 required by the state of Texas.



If a state or jurisdiction requires a certain type of coverage, such as mandatory Personal Injury Protection (PIP) that the state where the "your covered auto" is principally garaged does not—the policy will provide the required coverage.

### OUT OF STATE COVERAGE

If an auto accident to which this Policy applies occurs in any state or province other than the one in which "your covered auto" is principally garaged, we will interpret your policy for that accident as follows:

**A.** If the state or province has:

1. A financial responsibility or similar law specifying limits of liability for "bodily injury" or "property damage" higher than the limit shown in the Declarations, your policy will provide the higher specified limit.
2. A compulsory insurance or similar law requiring a nonresident to maintain insurance whenever the nonresident uses a vehicle in that state or province, your policy will provide at least the required minimum amounts and types of coverage.

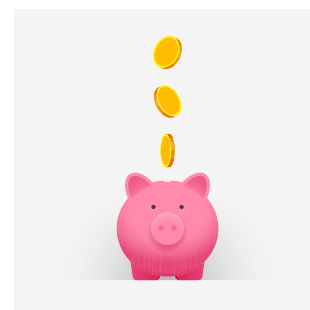
**B.** No one will be entitled to duplicate payments for the same elements of loss.

### Financial Responsibility

Insurance policies are used by insureds (clients) to demonstrate compliance with their state's mandatory financial responsibility laws. As such, the Financial Responsibility Provision explains that when the policy is used for that purpose, the policy will comply with the law.

#### FINANCIAL RESPONSIBILITY

When this Policy is certified as future proof of financial responsibility, this Policy shall comply with the law to the extent required.



### Other Insurance

The Personal Auto Policy provides primary Liability Coverage for an owned auto. Essentially, insurance advisors should tell their clients, "Loan your car, loan your insurance." Furthermore, the policy will be excess over any liability insurance on a non-owned auto (including a temporary substitute). However, it is important to note that any Liability Coverage that is written to specifically be excess coverage to the Personal Auto Policy (i.e., Excess Liability or Personal Umbrella Policy) will remain as excess to the Personal Auto Policy.



Zane is driving his friend Zoe's car when he has an accident. Zoe's Personal Auto Policy is primary; Zane's policy is excess.

The client's liability coverage may not be the only applicable automobile policy providing liability coverage to the vehicle involved in an accident. When multiple policies are intended to provide primary coverage, the Other Insurance provision confirms that the policy will pay a proportionate amount to the total limit of liability of all applicable limits. This is also known as a pro-rata share.

#### OTHER INSURANCE

If there is other applicable liability insurance, we will pay only our share of the loss. Our share is the proportion that our limit of liability bears to the total of all applicable limits. However, any insurance we provide for a vehicle you do not own, including any vehicle while used as a temporary substitute for "your covered auto", shall be excess over any other collectible insurance except insurance written specifically to cover as excess over the limits of liability that apply in this Policy.

## Knowledge Check



**Directions:** Read the following scenario and respond to each question part.

Alice and Brad are unmarried and living together in Alice's house. They have separate Personal Auto Policies (PAP) but share the keys to each other's cars. Alice borrows Brad's car for an errand and is responsible for a serious accident on the way home that results in bodily injury and property damage.

1. Does Alice have Liability Coverage under Brad's Personal Auto Policy for this accident? Explain your answer.

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2. Does Alice have Liability Coverage under her Personal Auto Policy for this accident? Explain your answer.

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3. Is there anything Alice's insurance agent could have done to improve coverage under Alice's Personal Auto Policy? Explain your answer.

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## Part B – Medical Payments Coverage/Personal Injury Protection

### Learning Objective:

- 2.4 Explain who is an “insured” and the coverage provided under Part B – Medical Payments Coverage, and then describe the coverage differences between Medical Payments and Personal Injury Protection.

In the event of automobile accidents, injuries to clients and their passengers are likely. Liability Coverage provides compensation when the insured is at fault for injuries to others, such as pedestrians, occupants of other vehicles, and even passengers (not a “you” or “family member”) in the client’s own vehicle. However, Part A – Liability Coverage is not available to pay for injuries to the policyholder (a “you”) or their “family members.” Furthermore, if the client has a high-deductible health insurance plan, they may face substantial upfront costs before health insurance kicks in.



To address this, clients can consider Part B – Medical Payments and/or Personal Injury Protection (PIP) coverage. These options, which may be required in certain states, provide coverage for “bodily injury” and associated expenses for individuals in the insured’s vehicle, including the insured (a “you”) and “family members.”

While Medical Payments and PIP serve a similar purpose, they have differing coverage details that insurance advisors should understand in order to assist clients in making informed decisions based on their unique needs and to comply with state requirements.

### Part B – Medical Payments Coverage

Part B – Medical Payments Coverage, also known as Med Pay, is provided in the unendorsed ISO Personal Auto Policy but is often amended by each state’s Amendment of Policy Provisions. Like Part A – Liability Coverage, this coverage part begins with an Insuring Agreement.

## Section 2: Personal Automobile Coverages

Before continuing, take time to understand the following policy definition:

- “Occupying” is defined in the ISO Personal Auto Policy and means more than merely sitting inside a vehicle. “Occupying” means in, upon, getting in, getting on, getting out of, or getting off a vehicle.

<b>In</b>	Mark is a passenger in Courtney’s car.
<b>Upon</b>	Mark is riding on the hood of a car (known as car surfing).
<b>Getting in</b>	Courtney is getting into her SUV.
<b>Getting on</b>	Mark is jumping into the bed of a pickup truck.
<b>Getting out</b>	Courtney is exiting her vehicle.

### Insuring Agreement

When “bodily injury” sustained by an “insured” is caused by an accident, the policy will pay for the resulting reasonable and necessary medical and/or funeral services (*Medical Payments Coverage has its own definition of “insured”*). While “reasonable medical expense” is not defined in the Personal Auto Policy, it can be established by state regulation. Generally, reasonable expenses include medical, surgical, X-rays, prosthetics, ambulance, hospital expenses, and, in some states, funeral expenses.



This coverage pays regardless of who was at fault for the accident. Since fault determination is not a requirement, Med Pay coverage can provide quicker payments to injured parties. For the individual who is a “you” or a “family member,” this may be the only coverage available to cover medical expenses resulting from an at-fault accident.

The agreement explains that the policy will pay expenses incurred for services provided within three years from the date of the accident. This is generally not an issue since Medical Payment Coverage limits are relatively low and are typically exceeded long before three years have passed.

#### INSURING AGREEMENT

**A.** We will pay compensatory damages which an “insured” is legally entitled to recover from the owner or operator of an “uninsured motor vehicle” because of “bodily injury”:

1. Sustained by an “insured”; and
2. Caused by an accident.

The owner’s or operator’s liability for these damages must arise out of the ownership, maintenance or use of the “uninsured motor vehicle”.



**Caution:** When a “family member” no longer meets the policy definition of “family member” (such as a child who has moved away from home), they will lose broad protection under Med Pay. They will become an “any other person” and will only receive coverage from the policy while “occupying” a “your covered auto.”

### Who Is an “Insured”?

Part B – Medical Payments Coverage has its own definition for “insured,” which differs from that of Part A – Liability Coverage. Individuals who fall within the definition of “insured” in this Part are entitled to coverage. There are two groups of individuals: **1)** you and “family members” and **2)** others who are “occupying” a client’s “your covered auto.”

#### 1. “You” or any “family member”

“You” or any “family member” are provided the broadest coverage since coverage is provided both when “occupying” a motor vehicle (or any “trailer”) designed for use on public roads or when acting as a pedestrian and struck by a motor vehicle (or any “trailer”) designed for use on public roads.



This could be the policyholder or a “family member” “occupying” (in, upon, getting in, on, out, or off) an owned vehicle, a rental car, or a friend’s vehicle or while a passenger in a cab or bus, etc. Understand that there would not be coverage while riding a recreational vehicle.



**Covered:** Jane closed her hand in her car door while getting out of her car.



**Covered:** Jane is taking a shuttle bus from the airport to her hotel; an accident occurs, and Jane is injured.



**Covered:** Jane was struck by a vehicle while walking across the street to a cafe.

#### 2. Any other person while “occupying” a “your covered auto”

Any other person will be considered an “insured” by the policy **ONLY** when “occupying” (*in, upon, getting in, on, out, or off*) a “your covered auto” (*i.e., a vehicle listed in the Declarations, any owned “trailer,” a “newly acquired auto,” or a temporary substitute for an insured vehicle that is out of service*).



**Covered:** Joe is a passenger in Jane’s car. Joe was injured when his head hit the window as Jane suddenly swerved to miss a deer in the road.



**Covered:** Joe is “car surfing” on the hood of Jane’s Mustang. Joe fell from the hood when Jane hit a pothole in the road.

### INSURING AGREEMENT

**B. "Insured" as used in this Part means:**

- 1. You or any "family member":**
  - a. While "occupying"; or**
  - b. As a pedestrian when struck by;**  
a motor vehicle designed for use mainly on public roads or a trailer of any type.
- 2. Any other person while "occupying" "your covered auto".**

### Reflection Question



Medical Payments Coverage will pay for injuries to occupants of a "your covered auto" even if the client isn't responsible for the accident.

But what if the client is responsible? Medical Payments Coverage will still provide coverage for the occupants. In addition, for occupants who are not a "you" or a "family member," Part A – Liability Coverage may provide coverage if the at-fault loss either exceeds the Medical Payment Coverage per-person limit or doesn't cover the type or amount of damages asked for.

### Exclusions

It is best to review the state Amendment of Policy Provisions endorsement—or similar insurance company-specific endorsement—since Part B – Medical Payments (and PIP) exclusions often vary by state.

In the ISO Personal Auto Policy, many of the Part B – Medical Payments exclusions are identical to the exclusions found in Part A – Liability. No Medical Payments Coverage will be provided for an "insured" for "bodily injury" sustained:

#### 1. **While "occupying" a vehicle with fewer than four wheels**

This excludes coverage for motorcycles, mopeds, tricycles, and autos with fewer than four wheels.



**INSURANCE POLICY**

**REFER TO THE ISO PERSONAL AUTO POLICY**

Pages 5-6 of the ISO Personal Auto Policy for exact language of Part B – Medical Payments Coverage



2. While “occupying” a “your covered auto” being used as a public or livery conveyance



This exclusion includes when an “insured” is using a “your covered auto” while logged into a Transportation Network or Delivery Network Platform as a driver. However, two exceptions to this exclusion give back coverage for a share-the-expense carpool and while being used for volunteer or charitable purposes. Endorsements previously identified for use under Part A – Liability Coverage also apply for use under Part B – Medical Payments To Others.

3. While “occupying” a vehicle for use as a residence or premises

The auto policy simply cannot act as a Homeowners Policy and assume premises liability exposures.



Josh and a friend are staying in Josh’s travel trailer while on a two-week camping trip at a state park. The friend is injured when he slips on a rug in the trailer. Since the trailer was being used as a residence, this exclusion would apply.



4. During the course of employment, if workers compensation benefits are required or available for the “bodily injury”

5. While “occupying” a vehicle owned by “you” or furnished or available for “your” regular use, unless it is a “your covered auto”



The **Extended Non-Owned Coverage – Vehicles Furnished Or Available For Regular Use (PP 03 06)** endorsement may be used to provide coverage for this exposure.

6. While “occupying” a vehicle owned by a “family member” or furnished or available for the regular use of a “family member” unless it is a “your covered auto”

There is an exception to this exclusion that gives back coverage for a “you” while maintaining or “occupying” any vehicle owned by a “family member” or furnished or available for the regular use of a “family member.” The exception ONLY applies to a “you,” not a “family member.”



**Covered:** April’s elderly father lives with her. He owns and insures his own vehicle. April’s Personal Auto Policy will provide Med Pay coverage to April for injuries she sustained in an accident while driving her father’s vehicle. *(April’s coverage will be excess over her father’s.)*



**Not Covered:** When April’s resident 16-year-old son is injured in an accident while driving his grandfather’s vehicle, April’s Personal Auto Policy will NOT provide Med Pay coverage since the child is not a “you” and the exclusion exception only applies to a “you,” not a “family member.” The teen will only receive Med Pay coverage from his grandfather’s Personal Auto Policy.



The **Family Member Extended Non-owned Coverage – Vehicles Furnished Or Available For Regular Use (PP 43 31)** endorsement deletes the PAP Medical Payments exclusion 6.b. Medical Payments Coverage will apply to vehicles furnished or available for the use of “family member(s)” named in the endorsement schedule and will not apply to a vehicles OWNED by a “family member.”

### 7. While “occupying” a vehicle without a reasonable belief of entitlement

This exclusion does not apply to a “family member” using a “your covered auto,” which is owned by a “you.”

### 8. While “occupying” a vehicle being used in the “business” of an “insured”

There is an exception that gives back coverage for the “business” use of private passenger autos, pickups, vans, and trailers used with them.



### 9. Caused by nuclear weapon discharge, or war, civil war, insurrection, rebellion, or revolution

### 10. Caused by nuclear reaction, radiation, or radioactive contamination

### 11. While “occupying” a vehicle inside a facility designed for racing while participating, competing, practicing, or preparing for a prearranged or organized race or speed contest or a driver skill training or driver skill event



### 12. While “occupying” or when struck by “your covered auto” while it is enrolled in a personal vehicle sharing program under a written agreement

An exception gives coverage when being used by “you” or a “family member.”



### 13. While “occupying” or when struck by any vehicles that are also capable of flight

#### Reflection Question



There are fifteen exclusions provided in Part A – Liability Coverage, but only thirteen in Part B – Medical Payments Coverage. Take time to consider which Part B – Medical Payments Coverage exclusions differ from those in Part A – Liability Coverage.<sup>20</sup>

<sup>20</sup> **Answer to Reflection Question:** Part B – Med Pay exclusions will not include those related to “property damage” (A1–A3). Med Pay includes an exclusion for use of a vehicle as a residence that was not stated in Part A – Liability Coverage.

## Section 2: Personal Automobile Coverages

### Limit Of Liability

The Limit Of Liability provision under Medical Payments Coverage is fairly simple. It states that the limit shown in the Declarations is the maximum that will be paid on a per person basis, and that limits cannot be stacked, regardless of the number of vehicles insured under the policy.

INSURED VEHICLES AND SCHEDULE OF COVERAGES		
VEHICLE COVERAGES	LIMITS OF INSURANCE	PREMIUM
1 2008 Toyota Corolla Coverage A – Liability:	ID#: JT2AL21E8B3306553	
Bodily Injury Liability	\$ 100,000 Each Person \$ 300,000 Each Accident	\$ 110.00
Property Damage Liability	\$ 50,000 Each Accident	\$ 40.00
<b>Coverage B – Medical Payments</b>	<b>\$ 5,000 Each Person</b>	<b>\$ 36.00</b>
Coverage C – Uninsured Motorist:		
Bodily Injury	\$ 100,000 Each Person \$ 300,000 Each Accident	\$ 40.00
		<b>TOTAL \$ 226.00</b>



Deepak has a Personal Auto Policy that includes \$5,000 Part B – Medical Payments Coverage. He has an at-fault accident, and all four occupants in his car are injured. Deepak's policy will provide Deepak and his passengers up to \$5,000 Medical Payments Coverage each, for a total of \$20,000.

In addition, this coverage part (Part B – Medical Payments) will not pay duplicate payments for the same element of a loss covered under Liability, Uninsured Motorists, or Underinsured Motorists Coverage. In other words, a person will not be paid more than their actual loss when more than one Part of the policy applies to the loss.

LIMIT OF LIABILITY
<b>A.</b> The Limit Of Liability shown in the Declarations for this coverage is our maximum limit of liability for each person injured in any one accident. This is the most we will pay regardless of the number of: 1. "Insureds"; 2. Claims made; 3. Vehicles or premiums shown in the Declarations; or 4. Vehicles involved in the accident.
<b>B.</b> No one will be entitled to receive duplicate payments for the same elements of loss under this coverage and: 1. Part A or Part C of this Policy; or 2. Any Underinsured Motorists Coverage provided by this Policy.

### Other Insurance

The Other Insurance provision of Medical Payments Coverage states that for an owned auto, the policy provides primary coverage. However, for a non-owned auto (including a temporary substitute), the policy provides excess coverage over any auto insurance on the non-owned auto.



Jack's policy includes \$5,000 Part B – Medical Payments Coverage. When his car doesn't start, he borrows his neighbor's vehicle to take his son to school. Jack has an accident on the way to school, injuring both Jack and his son. Medical Payments Coverage provided by the neighbor's PAP is primary and will pay first. If needed, Jack's policy will pay amounts that exceed the neighbor's PAP limits, up to Jack's \$5,000 per-person limit.

#### OTHER INSURANCE

If there is other applicable auto medical payments insurance, we will pay only our share of the loss. Our share is the proportion that our limit of liability bears to the total of all applicable limits. However, any insurance we provide with respect to a vehicle you do not own, including any vehicle while used as a temporary substitute for "your covered auto", shall be excess over any other collectible auto insurance providing payments for medical or funeral expenses.

### Personal Injury Protection (PIP)

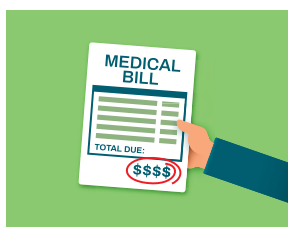
Personal Injury Protection (PIP) coverage may either work alongside or replace Part B – Medical Payments Coverage. In states where PIP coverage is required (i.e., "no-fault" states), coverage is added by attaching a state-specific endorsement. In addition, in many states, PIP follows the person(s) insured by the Personal Auto Policy (rather than the vehicle).



As with Medical Payments Coverage, Personal Injury Protection is coverage the client can purchase or which may be mandatory in some states, and it is available for injuries and related expenses to persons in the client's vehicle. This includes the client and "family members," but may also be available for pedestrians struck by a client's vehicle. Personal Injury Protection is often referred to as no-fault coverage since it is available regardless of who caused the accident. The intent behind PIP coverage is to provide quicker payments to injured parties since fault determination is not required.

Medical Payments Coverage provides coverage for medical expenses (including funeral expenses) resulting from "bodily injury" caused by an automobile accident. Personal Injury Protection, however, is a little different, varies by state, and may provide more comprehensive benefits, such as:

- **Medical Expenses**



These include reasonable expenses such as medical, surgical, X-rays, prosthetics, ambulance, hospital expenses, and, in some states, funeral expenses. Under PIP, limits may either be a dollar amount or may be stated to pay a percentage of reasonable and necessary expenses with a maximum limit.

## Section 2: Personal Automobile Coverages

- **Funeral Expenses**

Generally, funeral or burial expenses related to “bodily injury” when death occurs within a stated period of time following the accident (i.e., death within 24 months) are covered. Depending on the state, basic limits for funeral expenses range between \$1,000 to \$5,000 and may be subject to a PIP coverage maximum.

- **Accidental Death**

A death benefit may be paid if “bodily injury” from a covered accident results in death within a specified time period from the date of the accident.

- **Work Loss (or Lost Wages)**

Coverage includes reimbursement of lost wages and generally provides a certain percentage of the person’s income (i.e., 60%, 70%, or 80% of the person’s income) they would have earned had they not been injured. Average monthly income is used to generate the estimated income the injured person would have earned. Reimbursement is reduced by any workers compensation or any disability benefits the injured person is receiving.

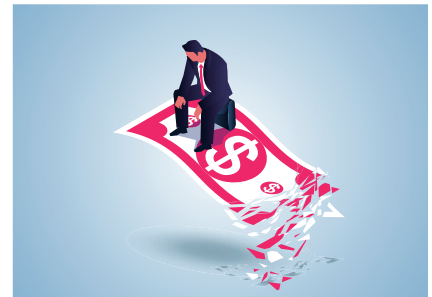
- **Replacement Services Loss**



These are often temporary service needs related to tasks the injured party would have normally performed (without pay) had they not been injured.

- **Survivor’s Economic Loss and/or Survivor’s Replacement Services**

Spouses and children are automatically considered dependents of a person deceased due to an automobile accident. Economic loss is related to the monetary and tangible things dependents would have received had it not been for the death of the injured person. For example, consider the cost of vehicle maintenance the deceased may have performed themselves or the childcare they provided. Survivor’s Economic Loss or Survivor’s Replacement Services is generally capped at a dollar amount per day.



While PIP coverages are generally set with basic limits, higher limits are often optionally available. Some states offer the option of applying a deductible to help offset some of the costs when coverage is mandatory. Overall, PIP coverage is more comprehensive and often provides a wider range of limits than Part B – Medical Payments Coverage.

## Section 2: Personal Automobile Coverages

Because PIP coverage may be mandatory and is state-specific, these coverage endorsements come with their own sets of definitions. Terms such as “insured,” “family member,” “motor vehicle,” “Named Insured,” “pedestrian,” “survivor,” and “your covered auto” are either added or redefined to ensure that PIP coverage is correctly applied to the intended parties while meeting state-specific regulations as pertaining to the minimum coverages required.

For example, an intention of PIP coverage is to avoid duplicate payments and may exclude “insureds” who are “Named Insureds” under another policy.

### Who Is an “Insured”?

Who is considered an “insured” for Personal Injury Protection (PIP) is fairly similar to Medical Payments Coverage (Med Pay) and is often amended to comply with state-specific laws or requirements. As with Med Pay coverage, “you” or any “family member” are provided with the broadest coverage. Personal Injury Protection will be provided to both when:

1. “occupying” a motor vehicle (or any “trailer”) designed for use on public roads; or
2. as a pedestrian and struck by any motor vehicle (or any “trailer”) designed for use on public roads.

This could be the policyholder or “family member” “occupying” (in, upon, getting in, on, out, or off) their own vehicle, a rental car, or a friend’s vehicle or while a passenger in a cab or bus, etc. Recall that there would not be coverage while riding a recreational vehicle.

In addition, any other person may also be an “insured” while “occupying” the client’s “your covered auto.” What may be different between Med Pay and PIP, however, is that an “insured” may also be any other person who is a pedestrian when struck by a “your covered auto.”



Jesse lost control of his vehicle and ran into a sidewalk café, causing injuries to two people. These individuals and Jesse are “insureds” for PIP coverage under Jesse’s Personal Auto Policy and may receive up to the limits of liability for covered medical expenses and benefits.

## Knowledge Check



**Directions:** Read and respond to the following scenario.

Stuart lives in a state where both Med Pay and PIP coverages are offered but not mandatory. Which option will provide Stuart with the most comprehensive coverage? Explain your answer.

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## Part C – Uninsured/Underinsured Motorists Coverage

### Learning Objective:

- 2.5 Describe Part C – Uninsured and Underinsured Motorists Coverage, including coverage provided, who is an “insured,” state variations of the “underinsured motor vehicle” definition (trigger), and how much an “insured” may receive (offset).

Uninsured/Underinsured Motorists (UM/UIM) is coverage that differs more among states than any other coverage in the Personal Auto Policy. For instance, some states/jurisdictions require UM/UIM Coverage to be provided, while others allow UM/UIM Coverage to be rejected or written for limits lower than the Part A – Liability limits. What doesn’t differ, however, is its purpose. Uninsured Motorists Coverage provides coverage for “bodily injury.”



### The Purpose of UM/UIM Coverage

Though automobile insurance is required in most states, drivers sometimes do not follow those laws or may be unaware that their insurance has lapsed. Uninsured drivers are not the only problem for clients; drivers who are not carrying enough Liability Coverage are also a concern.



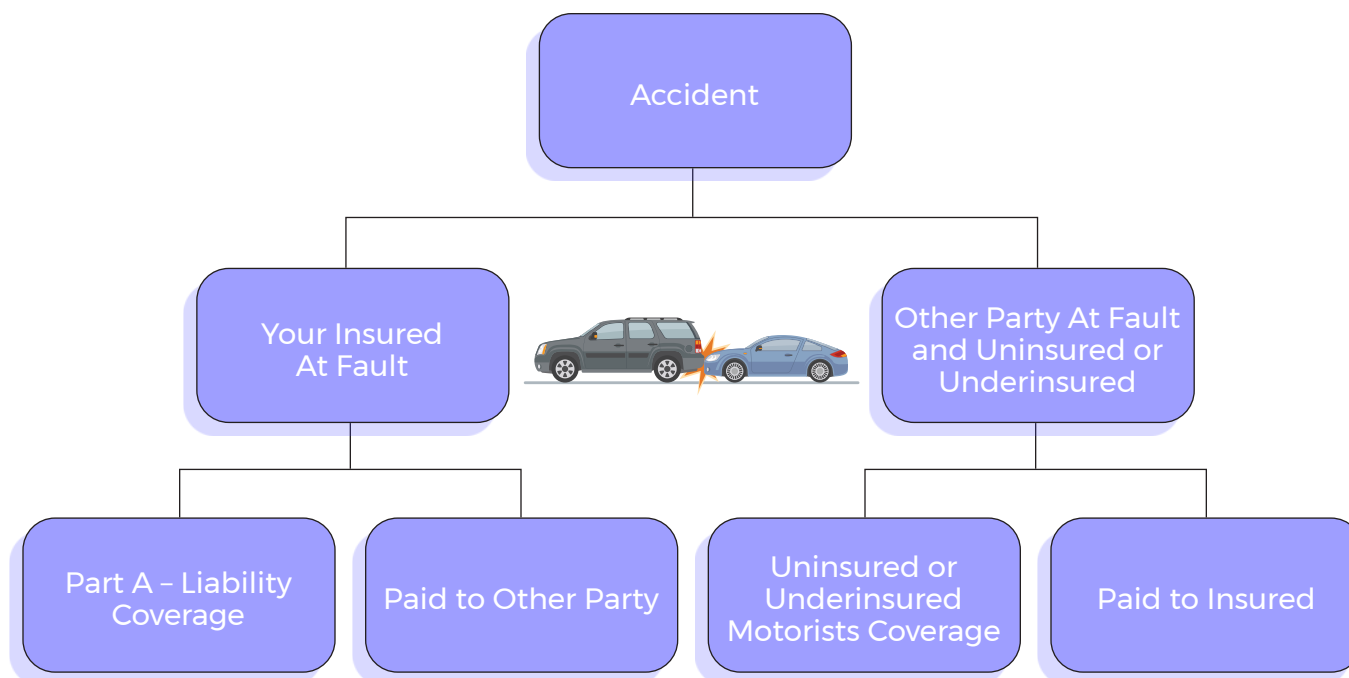
According to a 2021 study highlighted in a news release by the Insurance Research Council (IRC), “one in eight drivers on the road in 2019 was driving without insurance.”

Consider that New Hampshire state law does not require Automobile Insurance; however, citizens must be able to provide proof they can meet the minimum requirements of Financial Responsibility by New Hampshire law (25/50/25). Though the percentage of uninsured drivers has declined from 15.6% in 1992 to 12.6% in 2019, uninsured drivers remain a problem in nearly every state.<sup>21</sup>

The purpose of this Uninsured/Underinsured Motorists Coverage is to allow clients the ability to purchase bodily injury protection for themselves against the same potential for loss they protect others for with their Liability Coverage. In other words, clients are protecting their assets in case a UM/UIM driver injures them, the same way Liability Coverage protects their assets when they injure someone else.

<sup>21</sup> The Institutes. Insurance Research Council. “One in Eight Drivers Uninsured.” News Release, March 22, 2021. URL: <https://www.insurance-research.org/sites/default/files/downloads/UM%20NR%20032221.pdf>

## Section 2: Personal Automobile Coverages



It is important for insurance advisors to understand UM/UIM so they can properly counsel their clients on the need for this coverage and the coverage benefits. This counsel will often convince clients of the importance of protecting their financial interests in the event other vehicle owners or drivers are not financially responsible.

One way this coverage part may differ between states or insurance companies is in how coverage is provided. This can be challenging for the insurance professional since the form's name may not accurately describe the coverage provided. UM/UIM coverage may be provided using one of the following methods:

- Part C - Uninsured Motorists (UM) Coverage section of the Personal Auto Policy with Underinsured Motorists (UIM) Coverage provided by an endorsement
- Part C - Uninsured Motorists section of the Personal Auto Policy is replaced (through Amendment of Policy Provisions endorsement) with one encompassing both UM and UIM coverage
- Part C - Uninsured Motorists section of the Personal Auto Policy is replaced with two separate endorsements—one for UM and one for UIM

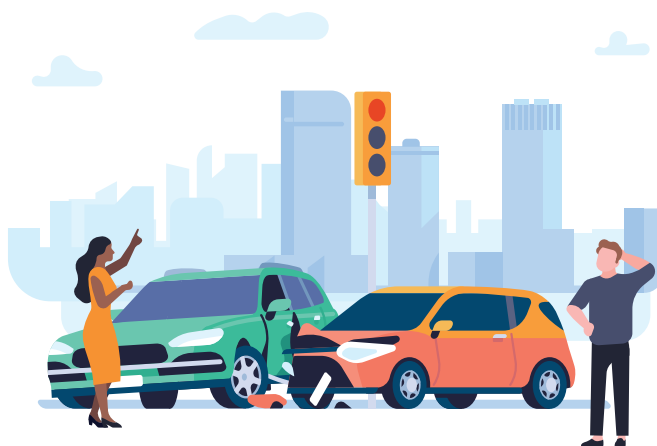


For the ISO Personal Auto Policy, the endorsement that provides Underinsured Motorists Coverage is the **Underinsured Motorists Coverage (PP 03 11)** endorsement.

### Uninsured Motorists Property Damage (UMPD)

Uninsured Motorists Property Damage (UMPD) coverage is available in some states/jurisdictions by endorsement. UMPD allows clients to purchase protection for themselves against the same potential for damage to their vehicle (caused by others) as they protect others with their own Liability Coverage. As UMPD differs from state to state, the endorsement needs to be analyzed to determine the coverage. The amount of UMPD coverage available may be limited to as little as \$3,500 (depending on the state/insurance company) or up to the limit shown in the endorsement Schedule. In some states, UMPD coverage does not apply if the damaged vehicle has Collision Coverage. Furthermore, while all UMPD endorsements cover direct damage to the vehicle, they do not all include:

- Loss of use of the damaged vehicle
- Damage to other owned property
- Damage to personal property in the vehicle



### Uninsured Motorists (UM) Coverage Insuring Agreement

Just as with Part A – Liability and Part B – Medical Payments Coverage, Part C – Uninsured Motorists Coverage begins with its own Insuring Agreement. This agreement explains what coverage is provided, to whom, and when. The Part C – Uninsured Motorists Coverage agreement states the policy will pay an “insured” **compensatory damages** for their “bodily injury,” but only if they would be legally entitled to recover such damages from the owner or operator of an “uninsured motor vehicle.” In other words, the accident must be the other driver’s fault, not the fault of the client.



Scan the QR code below for more details on compensatory damages.

[https://RiskEducation.org/pub/media/pdf/CompensatoryDamages\\_PCInsEss.pdf](https://RiskEducation.org/pub/media/pdf/CompensatoryDamages_PCInsEss.pdf)



### INSURING AGREEMENT

**A.** We will pay compensatory damages which an "insured" is legally entitled to recover from the owner or operator of an "uninsured motor vehicle" because of "bodily injury":

1. Sustained by an "insured"; and
2. Caused by an accident.

The owner's or operator's liability for these damages must arise out of the ownership, maintenance or use of the "uninsured motor vehicle".

Any judgment for damages arising out of a suit brought without our written consent is not binding on us.

The primary objective of compensatory damages, as the name implies, is to compensate the injured party(ies) for damages incurred. There are two categories of compensatory damages: **(1)** special damages or actual measurable costs and **(2)** general damages such as intangible costs like pain and suffering.

To understand the extent of the coverage provided by the Insuring Agreement, the definitions of both "insured" and "uninsured motor vehicle" need to be analyzed.

### Who is an "insured"

The definition of "insured" contains three groupings of individuals:

#### 1. "You" or any "family member"

The best coverage is provided to "you" or any "family member." They can be in a vehicle insured on the policy, in a friend's vehicle, on a public bus, or even in a taxi. They are also an "insured" while a pedestrian or while having lunch at an outside café.



#### 2. Any other person "occupying" or using "your covered auto"

This includes individuals who are driving the vehicle ("your covered auto") or are passengers in the vehicle.

#### 3. Any person entitled to damages because of "bodily injury" to you, a "family member," or anyone "occupying" "your covered auto"

When a person who is an "insured" in 1. or 2. above is injured, other individuals may also be an "insured," even if they weren't physically present at the time of the accident! This is most common when the injured person has a family.



Mark was seriously injured when he was hit by an uninsured car while he was out for a run. It took him several months to recover. During that time, Mark was unable to perform the usual activities of a spouse and dad. As a result, both he and his wife, Marni, as well as their 8-year-old daughter, Poppy, are each an "insured" and entitled to be compensated for the loss of their relationship with Mark in his role as a spouse and parent.

### INSURING AGREEMENT

#### B. "Insured" as used in this Part means:

1. You or any "family member";
2. Any other person "occupying" "your covered auto"; or
3. Any person for damages that person is entitled to recover because of "bodily injury" to which this coverage applies sustained by a person described in 1. or 2. above.



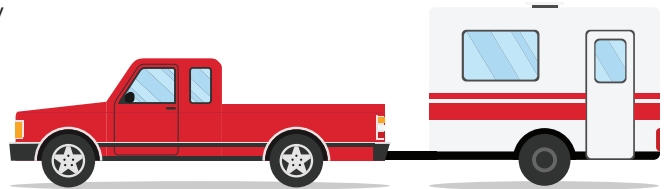
**Caution:** When a "family member" no longer meets the policy definition of "family member" (such as a child that has moved away from home), they will lose broad protection under UM/UIM Coverage. They will become an "any other person" and will only receive coverage from the policy while "occupying" a "your covered auto."

### What is an "uninsured motor vehicle"

The definition of "uninsured motor vehicle" is part of the Insuring Agreement. For this coverage to apply, the at-fault vehicle must be an "uninsured motor vehicle." As a defined term, the following vehicles are considered to be uninsured:

#### A land motor vehicle or trailer:

1. That does not have a liability bond or policy that applies at the time of the accident
2. That does have a bodily injury liability bond or policy at the time of the accident but has a limit less than the minimum required financial responsibility law in the state where "your covered auto" is principally garaged
3. That is a hit-and-run-vehicle whose owner cannot be identified that hits any of the following:
  - You or a "family member"
  - A vehicle occupied by you or a "family member"
  - "Your covered auto"



In some states, hit-and-run includes a vehicle that causes an accident without physical contact. This is often referred to as a phantom vehicle. (There is usually a requirement that a disinterested third party supports an insured's account of what took place.)

## Section 2: Personal Automobile Coverages

4. With a bodily injury liability bond or policy at the time of the accident, but the insurance company denies coverage or is/becomes insolvent

This part of the “uninsured motor vehicle” may be triggered when the presumed at-fault party has liability coverage, but the insurance company denies the claim either due to an exclusion or assigning fault to the client rather than their insured.

The ISO “uninsured motor vehicle” definition continues by identifying vehicles or equipment that are NOT an “uninsured motor vehicle.” An individual injured by one of the following vehicles or equipment would not have Uninsured Motorists Coverage since the vehicle or equipment is not an “uninsured motor vehicle” as it is.

### Vehicles or equipment which are NOT considered an “uninsured motor vehicle” are:

- Owned by or furnished for the regular use of you or any “family member”
- Owned or operated by self-insurer unless insolvent
- Owned by any government unit or agency as these are often self-insured
- Operated on rails or crawler treads such as a snowmobile, train, mobile equipment, etc.
- Designed for use off public roads while off public roads, such as an ATV on forest roads; the same ATV on a public road could be considered an “uninsured motor vehicle”
- Located for use as a residence or premises such as a trailer or camper



#### C. “Uninsured motor vehicle” means a land motor vehicle or trailer of any type:

1. To which no bodily injury liability bond or policy applies at the time of the accident.
2. To which a bodily injury liability bond or policy applies at the time of the accident. In this case its limit for bodily injury liability must be less than the minimum limit for bodily injury liability specified by the financial responsibility law of the state in which “your covered auto” is principally garaged.
3. Which is a hit-and-run vehicle whose operator or owner cannot be identified and which hits:
  - a. You or any “family member”;
  - b. A vehicle which you or any “family member” are “occupying”; or
  - c. “Your covered auto”.
4. To which a bodily injury liability bond or policy applies at the time of the accident but the bonding or insuring company:
  - a. Denies coverage; or
  - b. Is or becomes insolvent.

However, “uninsured motor vehicle” does not include any vehicle or equipment:

- (1) Owned by or furnished or available for the regular use of you or any “family member”.
- (2) Owned or operated by a self-insurer under any applicable motor vehicle law, except a self-insurer which is or becomes insolvent.
- (3) Owned by any governmental unit or agency.
- (4) Operated on rails or crawler treads.
- (5) Designed mainly for use off public roads while not on public roads.
- (6) While located for use as a residence or premises.

## Check-In



**Directions:** Indicate whether or not the following individuals are an “insured” as defined in Part C – Uninsured Motorists Coverage.

Sam and Laura have a Personal Auto Policy with Uninsured Motorists Coverage.

	Yes	No
Laura is injured when the taxi taking her to the airport is hit by an uninsured vehicle.		
Sam’s son, Chris, who lives across town, is hit by an uninsured vehicle while crossing the street as a pedestrian.		
Sam lets his neighbor, Angie, borrow his car to run errands. While driving Sam’s car, Angie is hit by an uninsured vehicle.		
Laura is in the crosswalk when she is hit by an uninsured driver who runs a red light. Due to her injuries, she will require a wheelchair for several months.		

## Exclusions



The ISO Personal Auto Policy applies nine exclusions (through four parts) to Part C – Uninsured Motorist Coverage. Many of the exclusions are identical to those found in Part A – Liability.

**No Uninsured Motorists Coverage will be provided for “bodily injury” sustained by:**

- An “insured” is either “occupying” or hit by a vehicle owned by that “insured” that is not insured for UM on this policy. This includes trailers used with that vehicle.
- A “family member” either “occupying” or hit by a vehicle owned by you that is insured for this coverage by another policy on a primary basis.





### No Uninsured Motorists Coverage will be provided for “bodily injury” sustained by any “insured”:

- If that “insured” or legal representative settles the claim, and it prejudices the insurance company’s right to subrogate against the responsible person or persons.
- “Occupying” a “your covered auto” being used as a public or livery conveyance, including when an “insured” is using a “your covered auto” while logged into a Transportation Network or Delivery Network Platform as a driver. The two exceptions to this exclusion give back coverage for a share-the-expense carpool and while being used for volunteer or charitable purposes. Endorsements previously identified for use under Part A – Liability Coverage also apply for use under Part C – Uninsured Motorists Coverage.
- Using a vehicle without a reasonable belief of entitlement. This exclusion does not apply to a “family member” using “your covered auto,” which is owned by you.
- “Occupying” or when struck by “your covered auto” while it is enrolled in a Personal Vehicle Sharing Program under a written agreement while it is being used by someone other than you or a “family member.”
- “Occupying” or when struck by any vehicle that is also capable of flight.

Additionally, the ISO Personal Auto Policy states that Uninsured Motorists Coverage will not directly or indirectly benefit any insurer or self-insurer under any workers compensation or disability laws. In other words, if a person is injured in a car accident while working and is covered by workers compensation or disability benefits, the benefits provided by Uninsured Motorists Coverage will not replace workers compensation or disability benefits.

Finally, punitive or exemplary damages are excluded. **Punitive or exemplary damages** are damages awarded by the courts to either punish the wrongdoer or set an example so others will not engage in the same conduct.

### Limit Of Liability

For Part C – Uninsured Motorists Coverage, the Limit Of Liability shown in the Declarations is the maximum amount that will be paid in any one accident and will be subject to the per person limit. Consider the following limits UM: 100/300:

\$100,000	\$300,000
Maximum bodily injury per person	Maximum bodily injury per accident

The ISO Personal Auto Policy does not allow stacking limits; however, some states and jurisdictions DO allow the stacking of limits with respect to Uninsured Motorists Coverage. Simply stated, limits **stacking** allows the insured’s total available UM limit to be the sum of all the UM limits that apply to each vehicle in the Declarations (this is referred to as *intrapolicy stacking*). Only limits for bodily injury may be stacked; limits for UMPD cannot be stacked.



Megan’s Personal Auto Policy insures three vehicles each, with 100/300 UM. Her policy allows stacking, which means her policy would provide up to 300/900 UM coverage. (This is an example of intrapolicy stacking.)

## Section 2: Personal Automobile Coverages

When UMPD is included in coverage, the limit shown in the Declarations is the most that will be paid on a per accident basis. Consider the following UMPD limit:

**\$100,000**

Maximum  
property damage  
per accident

The coverage provided by a Personal Auto Policy does not intend for the policyholder to make a profit from a loss but to restore the client as closely as possible to their pre-accident state. As such, the policy will not pay for the same element of a loss covered under Uninsured Motorists coverage and Liability, Medical Payments, or Underinsured Motorists coverages provided by this policy.



Jerry initially collects \$10,000 under Med Pay for his medical bills caused by an uninsured motorist. Jerry can not collect for those same expenses under UIM.

Additionally, the policy will not pay for any part of the UM loss that has already been made by (or on behalf of) the legally responsible person or organization or if that person is entitled to receive payment under any workers compensation, disability benefits, or similar law.

### LIMIT OF LIABILITY

**A.** The Limit Of Liability shown in the Declarations for each person for Uninsured Motorists Coverage is our maximum limit of liability for all damages, including damages for care, loss of services or death, arising out of "bodily injury" sustained by any one person in any one accident. Subject to this limit for each person, the Limit Of Liability shown in the Declarations for each accident for Uninsured Motorists Coverage is our maximum limit of liability for all damages for "bodily injury" resulting from any one accident.

This is the most we will pay regardless of the number of:

1. "Insureds";
2. Claims made;
3. Vehicles or premiums shown in the Declarations; or
4. Vehicles involved in the accident.

**B.** No one will be entitled to receive duplicate payments for the same elements of loss under this coverage and:

1. Part **A** or Part **B** of this Policy; or
2. Any Underinsured Motorists Coverage provided by this Policy.

**C.** We will not make a duplicate payment under this coverage for any element of loss for which payment has been made by or on behalf of persons or organizations who may be legally responsible.

**D.** We will not pay for any element of loss if a person is entitled to receive payment for the same element of loss under any of the following or similar law:

1. Workers' compensation law; or
2. Disability benefits law.

## Other Insurance

The Other Insurance provision of UM Coverage states that when more than one policy applies to a loss, the most that will be paid to any "insured" is the highest limit for UM on any applicable policy.

In addition, this provision states that the policy provides primary UM coverage for an owned auto and excess coverage for a non-owned auto (including a temporary substitute).

## Underinsured Motorists Coverage (UIM)

Underinsured Motorists Coverage (UIM) is similar to Uninsured Motorists coverage; however, it is the coverage needed for an insured when the party at fault for an accident has insurance—just not enough insurance. UIM coverage differs from state to state. A best practice is for this UM/ UIM coverage to be written for the same limits as the client's Part A – Liability Coverage, but some states allow this coverage to be provided for limits that are lower.



The entire endorsement providing UIM coverage will not be analyzed in this section.



For the ISO Personal Auto Policy, the endorsement that provides Underinsured motorists coverage is provided by the **Underinsured Motorists Coverage (PP 03 11)** endorsement.

The endorsements for each state will incorporate that state's requirements for two coverage areas:



For the insurance advisor who writes personal auto insurance in more than one state, it is important to understand the differences in the ways an “underinsured motor vehicle” is defined and the differences that explain how much an insured may receive.



### How is an “underinsured motor vehicle” defined?

How an “underinsured motor vehicle” is defined is commonly referred to as the UIM trigger. A trigger is what is required for coverage to apply.

This is very important since there is no coverage if the vehicle does not meet the definition of an “underinsured motor vehicle.” There are two ways an “underinsured motor vehicle” can be defined. Let's look at these two triggers of coverage:



## Section 2: Personal Automobile Coverages

### 1. Limits Trigger

This type of definition is based on the liability limits of the at-fault driver and defines an “underinsured motor vehicle” as one with liability limits less than the insured’s UIM limits.



Ivan has Underinsured Motorists Coverage limits of 100/300. He is hit by a vehicle with liability limits of 50/100. The at-fault vehicle is an “underinsured motor vehicle.”

If the insurance for the other vehicle and its driver provides the same or higher liability limits than the insured’s UIM limits, the vehicle is NOT an “underinsured motor vehicle.”



Luca has Underinsured Motorists Coverage limits of 25/50. He is hit by a vehicle with liability limits of 25/50. The at-fault vehicle is NOT an “underinsured motor vehicle.”

The ISO Underinsured Motorists Coverage (PP 03 11) endorsement defines an “underinsured motorist vehicle” with a limits trigger:

**C. “Underinsured motor vehicle” means a land motor vehicle or trailer of any type to which a bodily injury liability bond or policy applies at the time of the accident but its limit for bodily injury liability is less than the limit of liability for this coverage.**

*Sample language from ISO UIM PP 03 11 09 18*

### 2. Damages Trigger

This type of definition is based on the amount of the insured’s damages and defines an “underinsured motor vehicle” as one with liability limits that are not enough to pay the insured’s damages. If the insurance for the other vehicle/driver provides \$500,000 Liability Coverage, and it is not enough to pay the insured’s damages, the vehicle would be considered an “underinsured motor vehicle.” Over half of the states use this definition.



Sofia is hit by a vehicle with liability limits of 250/500, but Sofia’s medical treatments resulting from her injuries total \$300,000. Even though the at-fault vehicle carries high limits of liability, they are not enough to pay for Sofia’s injuries. The at-fault vehicle is an “underinsured motor vehicle.”

The ISO Underinsured Motorists Coverage endorsement for Pennsylvania (PP 04 17) defines an “underinsured motorist vehicle” with a damages trigger:

**C. “Underinsured motor vehicle” means a land motor vehicle or trailer of any type to which a bodily injury liability bond or policy applies at the time of the accident but the amount paid for “bodily injury” under that bond or policy to an “insured” is not enough to pay the full amount the “insured” is legally entitled to recover as damages.**

*Sample Language from ISO UIM – Pennsylvania (Non-stacked) PP 04 17 09 22*

## 2

### How much can an “insured” receive?

The amount an insured can collect from their own UIM coverage depends on the language typically found in the Limit Of Liability section of the endorsement. It explains that the amount an “insured” can receive is offset by the “underinsured motor vehicle’s” insurance and is either a limits offset or a damages offset.



#### 1. Limits Offset

For a limits offset, the UIM payment will be reduced by the amount paid by the at-fault driver’s insurance. This means the insured will never collect more in total payment (from at-fault driver’s insurance and UIM combined) than their UIM limit.

The ISO Underinsured Motorists Coverage (PP 03 11) endorsement has limits offset language:

##### LIMIT OF LIABILITY

**A.** The Limit Of Liability shown in the Schedule or in the Declarations for each person for Underinsured Motorists Coverage is our maximum limit of liability for all damages, including damages for care, loss of services or death, arising out of “bodily injury” sustained by any one person in any one accident. Subject to this limit for each person, the Limit Of Liability shown in the Schedule or in the Declarations for each accident for Underinsured Motorists Coverage is our maximum limit of liability for all damages for “bodily injury” resulting from any one accident.

... (incomplete part) ...

**B.** The limit of liability shall be reduced by all sums paid because of the “bodily injury” by or on behalf of persons or organizations who may be legally responsible. This includes all sums paid under Part A of this Policy.

*Sample Language from ISO UIM PP 03 11 09 18*

#### 2. Damages Offset

If the policy contains damages offset language, damages will be reduced by the amount paid by the at-fault driver’s insurance, and the insured can collect their entire UIM limit for damages that are in excess of the amount received from the at-fault driver’s insurance.

**D.** With respect to coverage under Paragraph 2. of the definition of “underinsured motor vehicle”, we will reduce the “insured’s” total damages by any amount available to that “insured”, under any bodily injury liability bonds or policies applicable to the “underinsured motor vehicle”, that such “insured” did not recover as a result of a settlement between that “insured” and the insurer of an “underinsured motor vehicle”. However, any reduction of the “insured’s” total damages will not reduce the limit of liability for this coverage.



Ingrid has 250/500 UIM coverage on her Personal Auto Policy. She was seriously injured by an underinsured vehicle. The at-fault driver has 100/300 bodily injury liability limits.

Less the \$100,000 at-fault driver’s liability limits, Ingrid is left with \$250,000 of her damages not covered by the at-fault driver.

**Limits Offset:** Ingrid would only be entitled to receive \$150,000 of her UIM coverage. This is the difference between her UIM limits and the driver’s liability limits. One hundred thousand (\$100,000) of Ingrid’s damages will not be covered.

## Section 2: Personal Automobile Coverages

**Damages Offset:** Ingrid would be entitled to receive her entire \$250,000 UIM limit when the other driver's liability limits are not enough to pay her damages. All of Ingrid's damages will be covered.



Insurance advisors need to be able to explain UIM coverage as it applies in the state for which coverage is being provided. This is especially important for those who have clients in more than one state.

With the number of uninsured and underinsured drivers on the road today, the importance of this coverage for clients cannot be understated. For clients who either reject this valuable coverage (in states that allow it) or select limits lower than their Part A – Liability Coverage limits, it is important for their decision to be an informed one. An informed decision means that clients have been provided technically correct information (who is covered, what is covered, and what the coverage does and doesn't do), and they will be able to make appropriate decisions accordingly.

### ▶▶ Knowledge Check



**Directions:** Read and respond to the scenario below.

Tejal has a Personal Auto Policy (PAP) covering her car for Liability and Uninsured/Underinsured Motorists coverages. While stopped at a red light, Tejal is struck from behind by another vehicle that immediately speeds away from the scene. Tejal has no idea who owns or was operating the other car. She is injured and has medical bills. Indicate whether or not Tejal's PAP provides any coverage and explain your answer.

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## Part D – Coverage For Damage To Your Auto

### Learning Objective:

- 2.6 Explain the differences between “Collision” and Other Than “Collision” coverages provided within the Part D – Coverage For Damage To Your Auto Insuring Agreement.

When thinking about automobile insurance, clients typically focus on coverage for their own vehicles. Part D – Coverage For Damage To Your Auto, is the part of the policy that provides coverage for damage to vehicles insured by the policy (in the Declarations) and a non-owned vehicle when damage results from various perils (or incidents).

This coverage, often referred to as *physical damage coverage*, provides Collision and Other Than Collision Coverage (or Comprehensive Coverage). Part D coverage is not required by law but is crucial when obtaining a financial loan to buy a vehicle. Lenders require clients to add them as **lienholders** or loss payees on the policy to protect their interest in the vehicle. If a client neglects this coverage, the lender may purchase it and charge the client as part of their loan repayment—this is a situation known as **force-placed** (or lender-placed) coverage. Force-placed coverage is generally more expensive and solely safeguards the lender’s interest, offering no protection to the client.



### Insuring Agreement



Part D – Coverage For Damage To Your Auto, is no different than coverage Parts A, B, and C since it, too, has its own Insuring Agreement. The agreement starts with a requirement that for damage to an auto to be covered under this part, the damage must be direct and accidental. An exclusion for intentional damage caused by the insured will not be found in this coverage part because intentional damage is obviously NOT accidental.

This part of the policy covers direct and accidental loss to a “your covered auto” or any “non-owned auto,” including their equipment.

- Coverage provided for a “your covered auto” will be for the coverages (Collision or Other Than Collision) that are shown in the Declarations for THAT auto. This means that coverages indicated for Auto A on the policy will not apply to Auto B.
- Coverage provided for a “non-owned auto” (such as a borrowed or rented vehicle) will be the broadest coverage on any vehicle shown in the Declarations. This means that if physical damage is not indicated for any vehicle shown in the Declarations, there will be no physical damage coverage for a “non-owned vehicle.”



## Section 2: Personal Automobile Coverages

For any loss, a deductible, which can be found in the Declarations, may apply. If there is a loss to more than one “your covered auto” or “non-owned auto” resulting from the same collision, only the highest deductible will apply.



A **deductible** is the portion of the loss the policyholder is responsible for paying. Deductibles may help lower the premium cost associated with “Collision” and Other Than “Collision” losses since the policyholder is agreeing to share/or pay a higher portion of the loss.



Spouses Aiden and Fatima have “Collision” coverage on both cars insured by their Personal Auto Policy. One car has a \$250 Collision deductible, and the other has a \$500 Collision deductible. Fatima backs her car out of the garage and into Aiden’s vehicle, damaging both cars. Only one deductible, the \$500 deductible, would apply to repair both vehicles.

### INSURING AGREEMENT

**A.** We will pay for direct and accidental loss to “your covered auto” or any “non-owned auto”, including its equipment, minus any applicable deductible shown in the Declarations. If loss to more than one “your covered auto” or “non-owned auto” results from the same “collision”, only the highest applicable deductible will apply. We will pay for loss to “your covered auto” caused by:

1. Other than “collision” only if the Declarations indicates that Other Than Collision Coverage is provided for that auto.
2. “Collision” only if the Declarations indicates that Collision Coverage is provided for that auto.

If there is a loss to a “non-owned auto”, we will provide the broadest coverage applicable to any “your covered auto” shown in the Declarations.

Both “Collision” and Other Than “Collision” (Other policies may use the term Comprehensive rather than Other Than “Collision”) are defined in the Insuring Agreement.

### Collision Coverage

“Collision” is defined as the upset of a vehicle or its impact with another vehicle or object. Other vehicles or objects include another car, a train, tree, guardrail, building, pedestrian, utility pole, median, train tracks, and so on.



### Other Than Collision Coverage



The definition for Other Than “Collision” provides examples of covered losses. Table 2.8 provides losses listed in the Personal Auto Policy as being Other Than “Collision,” though these are not the only losses covered! Any direct and accidental loss, other than a “Collision” loss that is not otherwise excluded, is covered.

Direct collision with a bird or animal will be considered Other Than “Collision” (even though it seems like a collision). Some states or insurance companies may also include a collision with a pedestrian as an OTC loss.

Table: 2.8

Table of Other Than “Collision” Losses: (The examples below are not the only losses covered.)		
 <p>Missiles or Falling Objects</p>	 <p>Fire</p>	 <p>Theft or Larceny</p>
 <p>Explosion or Earthquake</p>	 <p>Windstorm</p>	 <p>Hail, Water, or Flood</p>
 <p>Malicious Mischief or Vandalism</p>	 <p>Riot or Civil Commotion</p>	 <p>Contact with Bird or Animal</p>
 <p>Breakage of Glass</p>		

## Section 2: Personal Automobile Coverages



If the glass breakage is caused by a “collision,” the policyholder (a “you”) can choose to have it covered by “Collision.” This option is offered so there two deductibles won’t be applied to the same loss.

### INSURING AGREEMENT

**B.** “Collision” means the upset of “your covered auto” or a “non-owned auto” or its impact with another vehicle or object.

Loss caused by the following is considered other than “collision”:

1. Missiles or falling objects;
2. Fire;
3. Theft or larceny;
4. Explosion or earthquake;
5. Windstorm;
6. Hail, water or flood;
7. Malicious mischief or vandalism;
8. Riot or civil commotion;
9. Contact with bird or animal; or
10. Breakage of glass.

If breakage of glass is caused by a “collision”, you may elect to have it considered a loss caused by “collision”.

## ▶▶ Knowledge Check



**Directions:** Read and respond to the scenario below.

Horace owns a van. He only carries “Collision” coverage with a \$500 deductible under Part D of his Personal Auto Policy. Horace purchases a second vehicle—a two-year-old sedan. One day later, a deer runs onto the road and into the side of the sedan, which causes damage to the exterior as well as interior damage from the deer bleeding. Indicate what, if any, coverage Horace has, and explain your answers.

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## Coverage For Damage To a Non-Owned and Rented Auto

### Learning Objective:

2.7 Explain coverage provided by Part D – Coverage For Damage To Your Auto for a “non-owned auto.”



Part D – Coverage For Damage To Your Auto not only provides physical damage coverage for an owned auto—it may provide coverage for damage to a “non-owned auto” that is in the custody of or being operated by the insured (a “you”) or any “family member.” To begin to establish this coverage, the Insuring Agreement for Part D defines a “non-owned auto.” The types of autos considered a “non-owned auto” will depend on the reason they are being used.

### Other Than A Temporary Substitute

This type of vehicle is a private passenger auto, pickup, van, or “trailer” in the custody of or being operated by a “you” or any “family member” and cannot be a vehicle that is furnished or available for their regular use. Consider vehicles rented while on vacation, a borrowed pickup to move furniture, a religious institution’s van used by an “insured” to help take kids to camp, or a sports car borrowed for a senior prom. Whatever the use, the “insured’s” vehicle is in perfect working order, they just needed to rent or borrow a different vehicle to meet a specific need or desire.



Leila rents a motorhome for a family vacation to travel cross-country for a month. This vehicle will not be provided Part D coverage by Leila’s Personal Auto Policy since it is not a private passenger auto, pickup, van, or “trailer.”

### Temporary Substitute

This type of auto is any auto or “trailer” a “you” does not own and is using as a temporary substitute for their vehicle (due to breakdown, repair, service, loss, or destruction). A temporary substitute is not limited to being a private passenger auto, pickup, van, or “trailer”; it means ANY auto or “trailer” not owned by a “you.”



Leila borrows her neighbor’s motorhome to get to work when her sedan will not start in the morning. This vehicle will be provided Part D coverage by Leila’s Personal Auto Policy since it is being used as a temporary substitute (a private passenger auto, pickup, van, or “trailer” restriction does not apply).



## Section 2: Personal Automobile Coverages



**Warning:** While a “trailer” can be a “non-owned auto,” any coverage is limited to \$1,500 in the Part D – Limit Of Liability provision.

**C. “Non-owned auto” means:**

1. Any private passenger auto, pickup, van or “trailer” not owned by or furnished or available for the regular use of you or any “family member” while in the custody of or being operated by you or any “family member”; or
2. Any auto or “trailer” you do not own while used as a temporary substitute for “your covered auto” which is out of normal use because of its:
  - a. Breakdown;
  - b. Repair;
  - c. Servicing;
  - d. Loss; or
  - e. Destruction.

When applying the definition of “non-owned auto” to the first part of the Part D – Insuring Agreement, it should be understood that the Personal Auto Policy will provide coverage (the broadest of any vehicle in the Declarations) for direct and accident loss to the auto. This coverage will be subject to the deductible, exclusions, and other policy provisions.



**Covered:** Morgan has a Personal Auto Policy with two vehicles. Each has “Collision” coverage: one with a \$1,000 deductible and the other with a \$500 deductible. Morgan rents a luxury vehicle for a special evening with his spouse. He loses control of the vehicle and hits a road barrier. Morgan’s policy will pay for damage to the vehicle subject to a \$500 deductible (the lowest shown in the Declarations).



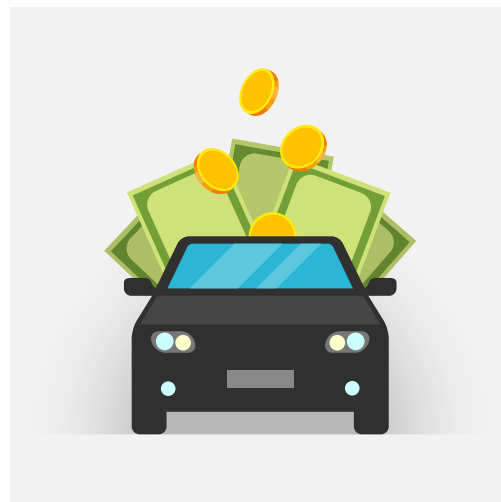
**Not Covered:** Casey has a Personal Auto Policy insuring his autos only for Liability and Med Pay Coverage. Casey rents a luxury vehicle for a special evening with his spouse. The vehicle was damaged when he hit a deer on the road. Casey’s policy will not provide coverage for damage to the auto since the necessary OTC coverage was not purchased.

### Transportation Expenses

Transportation Expenses can be more than just helping with the expense of a rental vehicle after a covered loss; they may also include bus fare, cab fare, metro fare, ride-share, or reimbursing a friend for assisting with transportation, etc.

The ISO Personal Auto Policy automatically includes coverage for Transportation Expenses related to a covered “Collision” or Other Than “Collision” loss to a “your covered auto.”

To state this differently, for transportation expenses to be paid after a covered “collision” loss, “Collision” coverage must be indicated in the Declarations for THAT auto (likewise for Other Than “Collision” coverage).



For a “non-owned auto,” Transportation Expenses will provide coverage for expenses a “you” is legally liable for (includes loss of use). A “non-owned auto” may receive Transportation Expenses coverage following a covered claim when any “your covered auto” has the relevant “Collision” or Other Than “Collision” coverage indicated.

Coverage limits for Transportation Expenses may vary by state and insurance company and often even between coverage tiers offered by the same insurance company. For the ISO Personal Auto Policy, the limit will not exceed \$900 per claim, with a sublimit of \$30 per day.



Ariel has a Personal Auto Policy covering her two vehicles, but only one has “Collision” coverage. Ariel borrowed her neighbor’s truck to pick up lumber for her deck and accidentally backed into a pillar at the store. While the truck was in the shop for repairs, Ariel’s neighbor needed a rental vehicle. Ariel’s policy will cover the rental expenses for her neighbor.

In addition, there is a waiting period before Transportation Expenses coverage begins, and the waiting period depends on the type of loss.

- For a total theft of a vehicle, coverage begins 48 hours after the theft and ends when the vehicle is returned or the insurance company has paid for the loss.
- For all other losses, coverage begins 24 hours after a vehicle is withdrawn from use.

Payment for Transportation Expenses coverage is limited to the period of time reasonably required to repair or replace “your covered auto” or the “non-owned auto.”

As with all other coverages in the Personal Auto Policy, an insurance advisor should take the time to explain Transportation Expenses coverage to their client, including the limits of the coverage. Consider the cost of a rental vehicle today and how the cost fluctuates, such as around holidays or peak vacation season. The same is true for certain transportation fares where seasonal rates may apply. Will \$30 per day be enough?

## Section 2: Personal Automobile Coverages

There are several endorsements that may either increase the daily/maximum coverage or provide other types of coverage:



The **Optional Limits Transportation Expenses Coverage (PP 03 02)** endorsement increases the \$30/\$900 limit provided by the policy to an amount selected by the insured (\$40/\$1,200, \$50/\$1,500, or \$75/\$2,250). Some insurance companies may offer this coverage based on a rental vehicle class (i.e., compact, midsize, full size, SUV, pickup, etc.).

The **Towing And Labor Costs Coverage (PP 03 03)** endorsement provides selected limits of \$25, \$50, \$75, or \$100, with higher limits available for motor homes.

The **Trip Interruption Coverage (PP 13 02)** endorsement provides up to \$600 for transportation expenses and expenses for lodging and meals in the event of a mechanical or electrical breakdown of the scheduled auto that occurs more than 100 miles from home and is withdrawn from use for at least 24 hours.



## Knowledge Check



**Directions:** Read each scenario below and indicate whether or not Part D – Coverage For Damage To Your Auto will apply to the “non-owned auto.” Explain your answers.

Ernie’s Personal Auto Policy provides Part D coverage for his two vehicles as follows:

2023 Nissan Leaf	2018 Toyota Camry
\$250 OTC	\$1000 OTC
\$500 Collision	\$1000 Collision

- Ernie rented a vehicle while on a business trip. He left the windows down overnight, and the interior of the vehicle was flooded by an hours-long wind and rainstorm. The vehicle is a total loss. In addition to the vehicle damage, the rental company is charging \$300 in administrative fees for claim handling.

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- Ernie rents an enclosed U-Haul trailer to help his daughter move to college. Something in the trailer catches fire, and the trailer is damaged. The trailer is a total loss of \$2,000.

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## Exclusions

### Learning Objective:

- 2.8 Recognize potential gaps in coverage using the Part D – Coverage For Damage To Your Auto exclusions and the Limit Of Liability provision and identify the appropriate endorsement(s) to provide coverage.

The Personal Auto Policy is not designed to cover every possible loss that might occur. Exclusions limit or restrict coverage for obvious reasons (like war) because the policy simply cannot bear the cost of the loss without additional premium (i.e., endorsements) or by moving the risk to a policy meant for that exposure (like a commercial auto policy).

### EXCLUSIONS

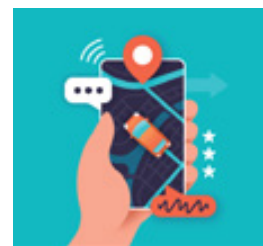


Be sure to have the 2018 Personal Auto Policy Form (PP 00 01) available for exact policy language as we go through Exclusions. This Learning Guide will present the Exclusions in the order in which they appear in the Personal Auto Policy.

Part D – Coverage For Damage To Your Auto will not provide coverage for the following losses:

#### 1. Use as a public or livery conveyance

Coverage is excluded for a “your covered auto” or any “non-owned auto” being used as a public or livery conveyance, including being used by any person logged into a “transportation network platform” (such as Uber or Lyft) or a “delivery network platform” (such as Uber Eats or InstaCart) as a driver. This applies even when a passenger or goods are not “occupying” the vehicle. An exception gives back coverage for a vehicle while being used in a share-the-expense carpool or while being used for volunteer or charitable purposes.



Megan drives for Lyft on her daily commute. While using the Lyft app to find passengers on her way to work, Megan hits a curb and damages two tires and wheels. The exclusion still applies, even though she didn't have a passenger in her vehicle at that time.

Policy language from mandatory endorsement PP 43 33 01 23

**Public Or Livery Conveyance Exclusion (Including Delivery Network Platform) Endorsement**

**IV. Part D – Coverage For Damage To Your Auto**

Exclusion 1. is replaced by the following:

We will not pay for:

1. Loss to "your covered auto" or any "non-owned auto" which occurs while it is being used as a public or livery conveyance. This includes but is not limited to any period of time "your covered auto" or any "non-owned auto" is being used by any person who is logged into a:
  - a. "Transportation network platform" as a driver, whether or not a passenger is "occupying" the vehicle.
  - b. "Transportation network platform" or "delivery network platform" as a driver to provide delivery services, including courier services, whether or not the food, goods, items or products to be delivered are in the vehicle.

This exclusion (1.) does not apply:

- (1) To a share-the-expense car pool; or
- (2) While "your covered auto" or any "non-owned auto" is being used for volunteer or charitable purposes.



The **Limited Transportation Network Coverage (No Passenger) (PP 23 45)** endorsement can be used to buy back coverage for Phase 1 (looking for a passenger request) only.

The **Transportation Network Coverage (No Passenger) (PP 23 41)** endorsement can be used to buy back coverage for Phase 1 (looking for a passenger request) and Phase 2 (accepting a passenger request).

The **Delivery Network Driver Coverage (PP 43 34)** endorsement provides policy coverages for the vehicle described in the schedule and a when a premium is shown in the schedule for that coverage. Coverage applies at any point in the delivery network process.

TNCs may offer contingent coverage (coverage provided only if purchased on the Personal Auto Policy) for damage to the auto when the driver is transporting a passenger (Phase 3) but this is often offered with a deductible of \$2,500 or higher. The **Transportation Network Driver Physical Damage Deductible Coverage (PP 43 32)** endorsement allows clients to buy coverage to fill the "gap" between the Personal Auto Policy physical damage deductible and the coverage provided by the transportation network company (TNC).

**2. Damage due and confined to wear and tear, freezing, mechanical breakdown or failure, or road damage to tires**



No coverage will be provided to replace balding or worn tires caused by 50,000 road miles.



No coverage will be provided to replace dead cells in an electric vehicle caused by defects, normal use, or extreme temperature exposure.



## Section 2: Personal Automobile Coverages



Replacing the battery of an electric vehicle may cost between \$4,000 and \$20,000, depending on the brand and model of the vehicle.<sup>22</sup>

An exception to this exclusion gives back coverage if wear and tear, freezing, mechanical breakdown or failure, or road damage to tires results from the total theft of the vehicle.



Julie's Mustang was stolen. The vehicle was located and returned to Julie with damaged tires (likely caused by repeated tire squealing, rapid acceleration, and hard braking) and damage to the ignition and electrical components from being hot-wired.



This exclusion (for wear and tear, freezing, mechanical breakdown or failure, or road damage to tires) applies to damage due and confined to the cited losses; resulting damage from those cited losses may be covered.

### EXCLUSIONS

We will not pay for:

2. Damage due and confined to:
  - a. Wear and tear;
  - b. Freezing;
  - c. Mechanical or electrical breakdown or failure; or
  - d. Road damage to tires.

This exclusion (2.) does not apply if the damage results from the total theft of "your covered auto" or any "non-owned auto".

### 3. Due to radioactive contamination, nuclear, war, civil war, insurrection, or rebellion or revolution



### EXCLUSIONS

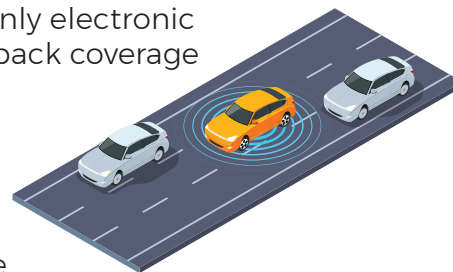
We will not pay for:

3. Loss due to or as a consequence of:
  - a. Radioactive contamination;
  - b. Discharge of any nuclear weapon (even if accidental);
  - c. War (declared or undeclared);
  - d. Civil war;
  - e. Insurrection; or
  - f. Rebellion or revolution.

<sup>22</sup> J.D. Power. "How Much Do EV Batteries Cost?" By Dustin Hawley. May 10, 2023. Accessed URL: <https://www.jdpower.com/cars/shopping-guides/how-much-do-ev-batteries-cost>

#### 4. Any electronic equipment that reproduces, receives, or transmits audio, visual, or data signals

The electronic equipment listed in the policy is not the only electronic equipment subject to this exclusion. An exception gives back coverage for electronic equipment that is permanently installed. HOWEVER, if the electronic equipment is permanently installed in a place not typically used by the auto manufacturer to install such equipment, coverage is limited to \$1,000 in the Part D Limit Of Liability provision. As such, sound system/speakers installed in the trunk would be subject to the limitation.



Terrell removes the audio system in his vehicle and replaces it with a custom system using the same installation design as the manufacturer. The new system will not be excluded from Part D coverage since it is permanently installed, nor will a covered loss be limited to \$1,000 since it was installed where the manufacturer intended.



Zane hardwires and installs a \$2,500 video system, manually cutting out areas of the seatbacks and headliner for the system to fit. The system will not be excluded from Part D coverage since it is permanently installed, but coverage will be limited to \$1,000 since it was installed in areas not intended by the manufacturer.



The **Excess Electronic Equipment Coverage (PP 03 13)** endorsement increases the maximum the policy will pay from \$1,000 to the limit shown in the Schedule for the described vehicle. Two hundred dollars (\$200) for tapes, records, disks, and other media is also provided.

#### EXCLUSIONS

We will not pay for:

4. Loss to any electronic equipment that reproduces, receives or transmits audio, visual or data signals. This includes but is not limited to:
  - a. Radios and stereos;
  - b. Tape decks;
  - c. Compact disc systems;
  - d. Navigation systems;
  - e. Internet access systems;
  - f. Personal computers;
  - g. Video entertainment systems;
  - h. Telephones;
  - i. Televisions;
  - j. Two-way mobile radios;
  - k. Scanners; or
  - l. Citizens band radios.

This exclusion (4.) does not apply to electronic equipment that is permanently installed in "your covered auto" or any "non-owned auto".

**LIMIT OF LIABILITY**

**A.** Our limit of liability for loss will be the lesser of the:

**2.** Amount necessary to repair or replace the property with other property of like kind and quality.

However, the most we will pay for loss to:

**b.** Electronic equipment that reproduces, receives or transmits audio, visual or data signals, which is permanently installed in the auto in locations not used by the auto manufacturer for installation of such equipment, is \$1,000.

**5. Tapes, records, discs, or other media used with equipment listed in Exclusion 4**

**EXCLUSIONS**

We will not pay for:

**5.** Loss to tapes, records, discs or other media used with equipment described in Exclusion 4.



**6. Total loss due to destruction or confiscation by governmental or civil authorities (does not apply to the interests of any loss payee)**



Justin's vehicle was seized by government authorities as part of an asset forfeiture associated with a money laundering scheme. This exclusion will apply, and Justin's policy will not pay for this loss.



**EXCLUSIONS**

We will not pay for:

**6.** A total loss to "your covered auto" or any "non-owned auto" due to destruction or confiscation by governmental or civil authorities.

This exclusion (6.) does not apply to the interests of Loss Payees in "your covered auto".

**7. A "trailer," camper body, or motor home (including its facilities or equipment) not shown in the Declarations**

An exception gives back coverage for a non-owned "trailer" (subject to a \$1,500 limit) and a newly acquired "trailer" or camper body if it is acquired during the policy period by a "you," and the insurance company is asked by a "you" to insure it within 14 days.

This means that while the Personal Auto Policy will automatically provide Liability Coverage for "trailers" you own that aren't listed in the



## Section 2: Personal Automobile Coverages

Declarations (they are a “your covered auto”), this is not true of “Collision” and Other Than “Collision” coverage.



The **Trailer/Camper Body Coverage (Maximum Limit of Liability) (PP 03 07)** provides coverage on a stated amount basis, paying the *LESSER* of cost to repair or replace—ACV or stated amount. The insured must keep values current.

### EXCLUSIONS

We will not pay for:

#### 7. Loss to:

- a. A “trailer”, camper body or motor home, which is not shown in the Declarations; or
- b. Facilities or equipment used with such “trailer”, camper body or motor home. Facilities or equipment include but are not limited to:
  - (1) Cooking, dining, plumbing or refrigeration facilities;
  - (2) Awnings or cabanas; or
  - (3) Any other facilities or equipment used with a “trailer”, camper body or motor home.

This exclusion (7.) does not apply to a:

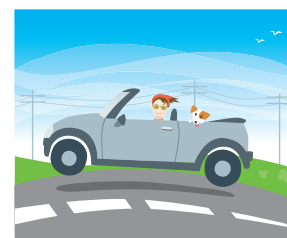
- a. “Trailer”, and its facilities or equipment, which you do not own; or
- b. “Trailer”, camper body, or the facilities or equipment in or attached to the “trailer” or camper body, which you:
  - (1) Acquire during the policy period; and
  - (2) Ask us to insure within 14 days after you become the owner.

### 8. Any “non-owned” auto used without reasonable belief the operator is entitled to be using it

Unlike Part A – Liability Coverage, no exception is given for a “family member’s” unauthorized use. Part D – Coverage will remain excluded.



Nora is keeping her boss’s vehicle in her driveway while her boss is out of the country for two months. Bradley, Nora’s 15-year-old resident son, stole the vehicle and crashed it into the community entrance gate. This exclusion will apply.



### EXCLUSIONS

We will not pay for:

- 8. Loss to any “non-owned auto” when used by you or any “family member” without a reasonable belief that you or that “family member” are entitled to do so.

### 9. Equipment designed to detect radar and/or lasers

Radar and/or laser detection equipment is often purchased by drivers to help spot police trying to catch speeding drivers. The legality of





## Section 2: Personal Automobile Coverages

the use of these devices varies from state to state, but no matter the circumstance, the Personal Auto Policy will not pay for any damage to these devices.

### EXCLUSIONS

We will not pay for:

9. Loss to equipment designed or used for the detection or location of radar or laser.

### 10. "Custom equipment" or furnishings in or upon any "your covered auto" or "non-owned auto"

An exception gives back coverage for the first \$1,500 of "custom equipment" in or upon "your covered auto" or "non-owned auto."



### EXCLUSIONS

We will not pay for:

10. Loss to any "custom equipment" in or upon "your covered auto" or any "non-owned auto".  
This exclusion (10.) does not apply to the first \$1,500 of "custom equipment" in or upon "your covered auto" or any "non-owned auto".

To know what is and is not excluded subject to this exclusion, the "custom equipment" definition (from the Part D Insuring Agreement) must be understood. "Custom equipment" does not include original manufacturer equipment, furnishings, or parts or any replacement of them with like kind and quality. The list of "custom equipment" (included in the definition) is not all-inclusive. Equipment for mobility or wheelchair access and other types of equipment could also be included in this definition.

### INSURING AGREEMENT

D. "Custom equipment" means equipment, furnishings and parts in or upon any auto, other than:

1. Original manufacturer equipment, furnishings or parts; or
2. Any replacement of original manufacturer equipment, furnishings or parts with other equipment, furnishings or parts of like kind and quality.

"Custom equipment" includes but is not limited to:

- a. Special carpeting or insulation;
- b. Furniture or bars;
- c. Height-extending roofs;
- d. Body, engine, exhaust or suspension enhancers;
- e. Winches, or anti-roll or anti-sway bars;
- f. Custom grilles, louvers, side pipes, hood scoops or spoilers;
- g. Custom wheels, tires or spinners;
- h. Custom chrome, murals, paintwork, decals or other graphics; or
- i. Caps, covers or bedliners.

"Custom equipment" does not include electronic equipment that reproduces, receives or transmits audio, visual or data signals.

## Section 2: Personal Automobile Coverages



Natalia spent \$40,000 to have her van converted to be wheelchair accessible. If damaged in a covered accident, her Personal Auto Policy may only pay up to \$1,500 toward conversion parts damaged in the accident.



The **Excess Custom Equipment Coverage (PP 03 18)** endorsement can be used to increase the \$1,500 to the limit shown in the Schedule for the described vehicle. The Excess Custom Equipment Coverage (PP 03 18) endorsement can be used to increase the policy limit of \$1,500 up to a limit shown in the Schedule for the described vehicle. Coverage is also provided for a “non-owned auto” up to the highest limit shown in the Schedule or Declarations for Excess Custom Equipment. This endorsement will not cover property excluded in Part D – Exclusions 4, 5, 7, or 9.

### 11. “Non-owned” vehicle being maintained or used in the auto business

#### EXCLUSIONS

We will not pay for:

11. Loss to any “non-owned auto” being maintained or used by any person while employed or otherwise engaged in the “business” of:
  - a. Selling;
  - b. Repairing;
  - c. Servicing;
  - d. Storing; or
  - e. Parking;vehicles designed for use on public highways. This includes road testing and delivery.

### 12. Racing or driver skill events

Coverage will not be provided for the use of a “your covered auto” or “non-owned auto” inside a racing facility for the purpose of participating, competing, practicing, or preparing for any prearranged or organized racing or speed contest or driver skill training or driver skill event.

This exclusion will not apply to spontaneous racing outside of a racing facility.



Alec and his friend, Nola, wound up at the same stoplight. With a revving of engines, each grinned and took off in a race down the road. Alec lost control of his vehicle and hit a tree. This exclusion will not apply.



Zoe received a birthday gift to drive sports cars on a test track. She lost control of the vehicle while making a left turn and hit a crash barrier, causing damage to the sports car. This exclusion will apply.

### EXCLUSIONS

We will not pay for:

12. Loss to "your covered auto" or any "non-owned auto", located inside a facility designed for racing, for the purpose of:
  - a. Participating or competing in; or
  - b. Practicing or preparing for;any prearranged or organized:
  - (1) Racing or speed contest; or
  - (2) Driver skill training or driver skill event.

### 13. Loss to or loss of use of a rented auto if the rental company is precluded from recovering such loss or loss of use because of the rental agreement or state law

When a client rents a vehicle, they may purchase the Collision Damage Waiver (CDW) or Loss Damage Waiver (LDW) from the rental agency. This releases the client from being held responsible for the cost of any damage to the rental vehicle. For this reason, the policy excludes coverage for damage to or loss of use of a rental vehicle when a law or the rental agreement prohibits the rental company from recovering damages or limits the amount of recovery.

### EXCLUSIONS

We will not pay for:

13. Loss to, or loss of use of, a "non-owned auto" rented by:
  - a. You; or
  - b. Any "family member";if a rental vehicle company is precluded from recovering such loss or loss of use, from you or that "family member", pursuant to the provisions of any applicable rental agreement or state law.

### 14. Loss to "your covered auto" while enrolled in a personal vehicle sharing program and the auto is being used by anyone other than you or any "family member"

If a client is renting their vehicle out to others (whether regularly or sporadically), the Personal Auto Policy is unable to fluidly adjust rates for unknown drivers of various unknown driving skills. Thus, the Personal Auto Policy will not pay for damage to "your covered auto" being used by someone other than a "you" or any "family member" when it is enrolled in a personal vehicle sharing program (like GetAround, Turo, or ZipCar) and under a written agreement.



### EXCLUSIONS

We will not pay for:

14. Loss to "your covered auto" which occurs while:
  - a. Enrolled in a personal vehicle sharing program under the terms of a written agreement; and
  - b. Being used in connection with such personal vehicle sharing program by anyone other than you or any "family member".

**15. Loss to or loss of use of a “non-owned auto” used by you or any “family member” in connection with a personal vehicle sharing program if either the program or state law does not allow recovery**

This exclusion is similar to the one for rental vehicle agreements (#13); the policy will not pay for damage to a “non-owned auto” used by a “you” or any “family member” in connection with a personal vehicle sharing program if the program or state law does not allow recovery for damage or loss of use.

**EXCLUSIONS**

We will not pay for:

**15. Loss to, or loss of use of, a “non-owned auto” used by:**

**a. You; or**

**b. Any “family member”;**

in connection with a personal vehicle sharing program if the provisions of such a personal vehicle sharing program preclude the recovery of such loss or loss of use, from you or that “family member”, or if otherwise precluded by any state law.

**16. Loss to any vehicle designed or can be used for flight**

All there is to know about a flying vehicles exclusion is that damage to vehicles capable of flight is excluded—period. The cost of systems and parts required to be both a vehicle and an airplane are simply too much for the Personal Auto Policy.



**EXCLUSIONS**






We will not pay for:

**16. Loss to any vehicle which is designed or can be used for flight.**

Table 2.9 summarizes all sixteen exclusions for Part D – Coverage For Damage To Your Auto.

## Section 2: Personal Automobile Coverages

**Table: 2.9: Summary of Part D – Exclusions**

Public livery or conveyance (includes transportation networks and delivery networks) with an exception for share-the-expense carpools and using for volunteer or charitable purposes	
Wear and tear, freezing, mechanical or electrical breakdown or failure, or road damage to tires unless resulting from total theft of a vehicle	
Radioactive contamination, war, civil war, insurrection, rebellion, revolution	
Electronic equipment that reproduces, receives, or transmits audio, visual, or data signals. Exception if permanently installed. If equipment is permanently installed in a place NOT used by the auto manufacturer, coverage is limited to \$1,000.	
Tapes, records, discs, etc., used in conjunction with electronic equipment previously identified	
Total loss due to destruction or confiscation by governmental or civil authorities—the loss payee still has coverage.	
Trailer, camper body, or motor home not shown in the Declarations— Gives back coverage for a non-owned trailer (\$1,500) and a newly acquired trailer for 14 days.	
“Non-owned” auto used by “you” or “family member” without reasonable belief entitled to do so	
Radar or laser equipment	
Custom furnishings or equipment in excess of \$1,500	
Non-owned auto being maintained or used by any person while employed in the auto business	
Vehicle in a race facility for an organized or prearranged speed contest or driver skill training or driver skill event	
Loss to or loss of use of a non-owned auto rented if the rental vehicle company is stopped from recovering the loss because of the rental agreement or state law	
“Your covered auto” enrolled in a personal vehicle sharing program under the terms of a written agreement being used by anyone other than “you” or any “family member”	
“Non-owned auto” being used by <b>you</b> or a “family member” in connection with a personal vehicle sharing program, and either the program or state law prohibit recovery for loss to or loss of use	
Vehicle designed or can be used for flight	



This icon used in Table 2.9 indicates that coverage is available by endorsement.

## Limit Of Liability

The Limit Of Liability section for Part D – Coverage For Damage To Your Auto explains what the policy will pay in the event of a covered loss. This provision applies to a “your covered auto” and “non-owned autos.” For physical damage, the policy will pay the lesser of the actual cash value of the stolen or damaged property OR the amount necessary to repair or replace the property with like kind and quality. No more than \$1,500 for a non-owned “trailer”; \$1,000 for permanently installed electronic equipment in a location not used by the auto manufacturer for the installation of such equipment, or \$1,500 for “custom equipment.”

In addition, depreciation and the vehicle’s physical condition will be taken into consideration when the insurance company determines the actual cash value of a total loss.

The policy desires to restore the client to the time before the accident, not set them up better than they were beforehand. As such, the policy will not pay for betterment. This means the policy will not pay to repair or replace damaged parts of the vehicle (or the vehicle itself) with better quality materials or materials that have a higher value than those of like kind or quality.

### **LIMIT OF LIABILITY**

**A.** Our limit of liability for loss will be the lesser of the:

1. Actual cash value of the stolen or damaged property; or
2. Amount necessary to repair or replace the property with other property of like kind and quality.

However, the most we will pay for loss to:

- a. Any “non-owned auto” which is a trailer is \$1,500.
- b. Electronic equipment that reproduces, receives or transmits audio, visual or data signals, which is permanently installed in the auto in locations not used by the auto manufacturer for installation of such equipment, is \$1,000.
- c. “Custom equipment” in or upon “your covered auto” or any “non-owned auto” is \$1,500.

**B.** An adjustment for depreciation and physical condition will be made in determining actual cash value in the event of a total loss.

**C.** If a repair or replacement results in better than like kind or quality, we will not pay for the amount of the betterment.

## Endorsements that may alter the Limit of Liability for Part D – Coverage For Damage To Your Auto



The policyholder does not have to be stuck with an ACV valuation since there are several endorsements that alter the limit of liability.

### Replacement Cost Coverage (PP 33 10)



This endorsement changes the loss settlement for a total loss from ACV to replacement cost. For coverage to apply, the total loss must occur within 24 months after you become the original owner of that auto, AND the mileage on the vehicle must be less than 24,000 miles. If a similar new vehicle is not available, the policy limits replacement to a similar type vehicle and equipment not to exceed 110% of the manufacturer's suggested retail price of the "your covered auto" being replaced.

### Coverage For Damage To Your Auto (Maximum Limit Of Liability) (PP 03 08)



This endorsement changes the loss settlement to the lesser of the actual cash value—the cost to repair or replace or the limit on this endorsement. This is not agreed value coverage.

### Auto Loan/Lease Coverage (PP 03 35)



This endorsement, commonly referred to as gap insurance, pays the difference between the actual cash value and the balance of the loan/lease, subject to exclusions. It excludes any portion of the loan which may have been carried over from a prior vehicle purchase (like another upside-down loan). Any lease penalties from excessive use of a vehicle are excluded as well. Ensure that your client knows the limitations of this endorsement and whether or not similar coverage can be purchased from the dealership or financial lender that would be better coverage.

### Personal Property Coverage (PP 33 42)



This endorsement may be best used by someone who does not have a Homeowners Policy or has a large Homeowners Policy deductible. It provides worldwide open perils coverage for damage to personal property owned by "you," with ACV valuation and the option to select replacement cost coverage. Aggregate limits of \$5,000 or \$10,000 are available with deductible options of \$100, \$250, or \$500.



### Key Replacement And Related Services Coverage (PP 33 27)



This endorsement will pay reasonable expenses (replacement or programming) incurred by “you” or any “family member” to obtain access to “your covered auto” when a key or key fob is lost or stolen. No deductible applies.

### Child Restraint System Coverage (PP 33 30)



This endorsement will pay to replace a child restraint system (CRS) as a result of direct and accidental loss to a “your covered auto” or any “non-owned auto.” However, there are three requirements: (1) Collision and OTC must be on at least one vehicle on the Declarations, (2) the CRS must be inside a “your covered auto” or “non-owned auto” at the time of loss, and (3) the CRS must be owned by “you” or a “family member.” A limit may be selected for up to \$400 or \$800, and a deductible does not apply.

### Pet Injury Coverage (PP 33 31)



This endorsement provides coverage for veterinary expenses or services (including cremation/disposal) for “bodily injury” of a cat or dog (“your pet”) owned by “you” or a “family member” when at least one “your covered auto” on the Dec page has both Collision and OTC, and the pet was inside “your covered auto” or “non-owned auto” at the time of a Collision or OTC accident. A limit of up to \$500, \$1,000, or \$2,000 may be selected, and a deductible does not apply.

### Full Safety Glass (PP 33 09)



This endorsement offers repair or replacement of safety glass without a deductible for a vehicle with Other Than “Collision” coverage indicated in the Declarations.

### Payment of Loss

The insurance company determines how the client will be compensated for their loss and can choose to either pay for the damage or to repair or replace the damaged item(s). In addition, the insurance company also has the right to return stolen property or keep it if they have already paid for the loss.



#### PAYMENT OF LOSS

We may pay for loss in money or repair or replace the damaged or stolen property. We may, at our expense, return any stolen property to:

1. You; or
2. The address shown in this Policy.

If we return stolen property we will pay for any damage resulting from the theft. We may keep all or part of the property at an agreed or appraised value.

If we pay for loss in money, our payment will include the applicable sales tax for the damaged or stolen property.

### No Benefit to Bailee



A **bailee** is a person or organization that has possession of the property of others, such as a valet service or auto repair shop. The policy will not benefit the bailee, meaning damage the bailee caused will not be paid by the policy and then forgotten—the bailee is still responsible for paying for (or repaying the insurance company) the damage they caused.

#### NO BENEFIT TO BAILEE

This insurance shall not directly or indirectly benefit any carrier or other bailee for hire.

### Other Sources of Recovery

The client's Personal Auto Policy may not be the only automobile policy applicable to the vehicle involved in an accident—particularly in the case of non-owned autos. If there is a loss, and there is more than one source of recovery (such as two policies covering the loss), the insurance company will only pay its proportional share of the claim.

If the loss is to a “non-owned auto,” the policy will pay on an excess basis. The owner's insurance is primary.

#### OTHER SOURCES OF RECOVERY

If other sources of recovery also cover the loss, we will pay only our share of the loss. Our share is the proportion that our limit of liability bears to the total of all applicable limits. However, any insurance we provide with respect to a “non-owned auto” shall be excess over any other collectible source of recovery including, but not limited to:

1. Any coverage provided by the owner of the “non-owned auto”.
2. Any other applicable physical damage insurance.
3. Any other source of recovery applicable to the loss.

## Appraisal

Depreciation and the physical condition of the vehicle will be taken into consideration when the insurance company determines the actual cash value of a total loss. What happens when the insurance company and the client do not agree on the value of the vehicle when it comes to a total loss?

The policy sets forth an appraisal method used to settle disputes when the policyholder (a “you”) and the insurance company do not agree on the amount of the loss. The policyholder (a “you”) or the insurance company can request this.



### APPRAISAL

- A.** If we and you do not agree on the amount of loss, either may demand an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. The appraisers will state separately the actual cash value and the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:
1. Pay its chosen appraiser; and
  2. Bear the expenses of the appraisal and umpire equally.
- B.** We do not waive any of our rights under this Policy by agreeing to an appraisal.

## Knowledge Check



**Directions:** Read the following scenario and respond to each question part.

Mick owns a van. He carries “Collision” with a \$1000 deductible and Other Than “Collision” with a \$500 deductible under Part D of his Personal Auto Policy. For each of the events below, indicate what coverage, if any, Mick has. Explain your answers.

1. While backing the van into a small space in a parking garage, Mick hit a pillar, causing damage to the van, including the custom murals painted on its side.

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2. Vinyl human-rights stickers could not be removed from the rear of the van without damaging the paint.

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3. Mick drives for Uber on the weekend. En route to drop a passenger off at the airport, Mick hit a curb, causing damage to his tire, wheel, and suspension.

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# Policy Provisions

## Learning Objective:

2.9 Explain the geographic areas where an ISO Personal Auto Policy provides coverage.

After offering coverages, exclusions, limits, and more, the ISO Personal Auto Policy next provides additional terms and conditions (or provisions) for the policy. These provisions include information about how the policy can be transferred, what happens in case of a policy lapse, and any special circumstances not covered elsewhere in the policy. General policy provisions connect back to the Agreement at the beginning of the policy contract that states, *"In return for payment of the premium and subject to all the terms of this Policy, we agree with you as follows."* This ensures that the policyholder and the insurance company have clear guidance on how the contract will operate.



## Part E – Duties After An Accident Or Loss

Part E – Duties After An Accident Or Loss explains the duties of the insured or any person seeking coverage under any policy coverage parts. If the individual(s) fail to perform the duties, and the failure is prejudicial to the insurance company, the insurance company has no duty to provide coverage. An insurance advisor should be prepared to explain these duties to an insured or claimant, if necessary.

### A person seeking coverage must:

- Cooperate with their insurance company.
- Forward notices and legal papers.
- Submit to physical exams, examinations under oath, and recorded statements as required.
- Authorize and give access to medical records.
- Submit Proof of Loss.

### A person seeking Uninsured Motorists Coverage must:

- Notify police of a hit-and-run accident.
- Send copies of legal papers if a suit is brought.

### A person seeking Coverage For Damage To Your Auto must:

- Take reasonable steps to protect the vehicle/property from further damage.
- Notify police of theft.
- Allow the insurance company to inspect and appraise damage BEFORE the vehicle is repaired or disposed of.



When a client has a loss, consider providing them with Part E – Duties After An Accident from their Personal Auto Policy. This may help prepare them for what to expect and allow for a smoother claims experience.

### PART E – DUTIES AFTER AN ACCIDENT OR LOSS

We have no duty to provide coverage under this Policy if the failure to comply with the following duties is prejudicial to us:

- A.** We must be notified promptly of how, when and where the accident or loss happened. Notice should also include the names and addresses of any injured persons and of any witnesses.
- B.** A person seeking any coverage must:
  1. Cooperate with us in the investigation, settlement or defense of any claim or suit.
  2. Promptly send us copies of any notices or legal papers received in connection with the accident or loss.
  3. Submit, as often as we reasonably require:
    - a. To physical exams by physicians we select. We will pay for these exams.
    - b. To examination under oath and subscribe the same.
    - c. To recorded statements.
  4. Authorize us to obtain:
    - a. Medical reports; and
    - b. Other pertinent records.
  5. Submit a proof of loss when required by us.
- C.** A person seeking Uninsured Motorists Coverage must also:
  1. Promptly notify the police if a hit-and-run driver is involved.
  2. Promptly send us copies of the legal papers if a suit is brought.
- D.** A person seeking Coverage For Damage To Your Auto must also:
  1. Take reasonable steps after loss to protect "your covered auto" or any "non-owned auto" and its equipment from further loss. We will pay reasonable expenses incurred to do this.
  2. Promptly notify the police if "your covered auto" or any "non-owned auto" is stolen.
  3. Permit us to inspect and appraise the damaged property before its repair or disposal.

## Part F – General Provisions

The 2018 ISO Personal Auto Policy (PP 00 01) has nine General Provisions that apply to the entire policy, ensuring that provisions and coverage of the policy are applied or carried out fairly and according to state regulations and the insurance company's desires. In this course, only a select number of the General Provisions will be presented; however, all provisions are summarized in **Table 2.9** at the end of this review.

### Our Right To Recover Payment

This provision gives the insurance company the right to seek recovery from another for the loss payment it made (commonly referred to as **subrogation**). Subrogation helps safeguard against the client's insurance company paying for losses that are not the policyholder's fault and ensures the insurance company's ability to recover payments the at-fault party (or their insurance company) should be paying due to the at-fault party's negligence.



However, the insurance company will not seek recovery under Part D from any person using a "your covered auto" with a reasonable belief that they were entitled to do so.

#### OUR RIGHT TO RECOVER PAYMENT

**A.** If we make a payment under this Policy and the person to or for whom payment was made has a right to recover damages from another, we shall be subrogated to that right. That person shall do:

1. Whatever is necessary to enable us to exercise our rights; and
2. Nothing after loss to prejudice them.

However, our rights in this paragraph (**A.**) do not apply under Part **D**, against any person using "your covered auto" with a reasonable belief that that person is entitled to do so.

**B.** If we make a payment under this Policy and the person to or for whom payment is made recovers damages from another, that person shall:

1. Hold in trust for us the proceeds of the recovery; and
2. Reimburse us to the extent of our payment.

### Policy Period And Territory

The policy period is the time between when the policy starts (the effective date) and when coverage expires (the expiration date).

The Personal Auto Policy does not provide worldwide coverage. A loss must occur during the policy period and within the coverage territory. The coverage territory is as follows:

- The United States
- Its territories or possessions
- Puerto Rico
- Canada
- "Your covered auto" while being transported between the ports of the above





### POLICY PERIOD AND TERRITORY

A. This Policy applies only to accidents and losses which occur:

1. During the policy period as shown in the Declarations; and
2. Within the policy territory.

B. The policy territory is:

1. The United States of America, its territories or possessions;
2. Puerto Rico; or
3. Canada.

This Policy also applies to loss to, or accidents involving, "your covered auto" while being transported between their ports.



Mexico is not within the coverage territory. The **Limited Mexico Coverage (PP 03 21)** endorsement does not meet the Mexican auto insurance requirements and requires the insured to also purchase liability coverage through a licensed Mexican insurance company for the endorsement's coverage to apply. The word *limited* in the endorsement supports the limitations of coverage as determined by the location of the loss and the length of time the vehicle has been in Mexico.

There are specialty insurance companies that offer automobile insurance to travelers abroad. Coverage is also often available for purchase from rental car companies should the client rent a vehicle while traveling abroad. Another quick tip: an Umbrella Policy (depending on the form) usually provides worldwide coverage and may provide clients with excess coverage for the foreign auto coverage they purchase.

## Section 2: Personal Automobile Coverages

**Table 2.10** Summarizes all nine Part F – General Policy Provisions of the ISO Personal Auto Policy. Refer to pages 12-13 of the ISO Personal Auto Policy (PP 00 01 09 18) for exact policy language.

**Table: 2.10**

Part F – General Policy Provisions (All 9)	
Bankruptcy	Bankruptcy or insolvency of the “insured” shall not relieve us of any obligations under the policy.
Changes	The policy contains all agreements between the insured and the insurance company. Terms of the contract can only be changed or waived by an endorsement issued by the insurance company.
Fraud	There is no coverage for any “insured” who has engaged in fraudulent activity in connection with any accident or loss.
Legal Action Against Us	Legal action may not be made against the insurance company unless all terms of the policy have been complied with.
Our Right To Recover Payment	This provision gives the insurance company the right to seek recovery from another for the loss payment it made (commonly referred to as subrogation).
Policy Period And Territory	The loss must occur within the U.S., its territories or possessions, Puerto Rico, or Canada during the policy period.
Termination	<p>This policy section states the requirements for a policy to be canceled or non-renewed.</p> <p>This section is state-specific and is typically changed by a state’s Amendment Of Policy Provisions endorsement.</p>
Transfer Of Your Interest In This Policy	<p>The insured does not have the right to assign this policy over to another person. Assignment of policy is allowed only with the insurance company’s written consent.</p> <p>If the Named Insured dies, coverage applies to the surviving spouse if a resident of the same household and the legal representative and continues as if each was a Named Insured until the end of the policy period.</p>
Two Or More Policies	If the insurance company has issued two or more auto policies to the insured, it will not be liable for more than the highest limit of liability on any one policy.

## ▶▶ Knowledge Check



**Directions:** Read the following scenario and respond.

Sasha is planning a road trip from Florida to Alaska, including a trip through Canada, and wants to make sure she's covered in case of any accidents or incidents during her journey. Explain to Sasha the geographic areas where her ISO Personal Auto Policy provides coverage and what she should keep in mind regarding coverage limits during her road trip.

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## Case Study

The following exercise is a capstone to the Personal Auto section of the CIC Personal Lines course. This exercise will explore a claim scenario utilizing an understanding of the Personal Auto Policy learned from this course.

Follow the directions in the Mindful Mastery case study below. Be sure to focus only on the ISO Personal Auto Policy when exploring this scenario.



### **Mindful Mastery – Personal Auto**

Inspect the attached Homeowners Declarations. Be sure to write down any assumptions you can make from the information. What can you learn about the “insured,” property insured, and selected coverages?

## Section 2: Personal Automobile Coverages

PERSONAL AUTO POLICY DECLARATIONS						
<b>Company:</b> The Best Insurance Company, Inc.			<b>Producer:</b> Top Notch Insurance Agency			
<b>Named Insured:</b> Emilio Smith			<b>Mailing Address:</b> 1234 Street Dr., Denver, CO 80221			
<b>Residence Address if different from the mailing address:</b> 4321 Loop Cv., Denver, SC 80221						
<b>Policy Period</b>						
<b>Effective Date:</b> January 01, 20x1			<b>Expiration Date:</b> January 01 20x2			
12:01 AM Standard time at the address of the policyholder			12:01 AM Standard time at the address of the policy-holder			
We will provide the insurance described in this policy in return for the premium and compliance with all applicable policy provisions.						
Coverage is provided where a premium or limit of liability is shown for the coverage.						
Insured Vehicles						
Veh	Year	Make:	Model	Body Type	Veh. ID	Com/Coll Sym
1	2022	Nissan	Titan	Pick Up	1N6AA1ED6NN199999	39/48
<b>Coverage Description</b>					Limits	Premium
Liability						
Bodily Injury: \$250,000 Each Person/\$500,000 Each Accident						\$ 350.00
Property Damage: \$100,000 Each Accident						\$ 650.00
Uninsured Motorists						
Bodily Injury: \$250,000 Each Person/\$500,000 Each Accident						\$ 50.00
Property Damage: \$100,000 Each Accident						\$ 65.00
Underinsured Motorists						
(When Not Included In Uninsured Motorists Coverage)					(Included)	
Medical Payments					\$ 5,000	\$ 4.00
Physical Damage (Actual Cash Value – ACV)						
Collision Deductible					\$ 1,000	\$ 450.00
Other Than Collision Deductible					\$ 500	\$ 375.00
Towing and Labor					\$ 100	\$ Incl.
Total Annual Premium						\$ 1944.00
Forms and Endorsements						
PP 00 01 09 18 – Personal Auto Policy						
PP 01 61 09 18 – Amendment of Policy Provisions – CO						
PP 04 25 01 23 – Uninsured Motorists Coverage – CO						
PP 04 25 01 23 – Property Damage Uninsured Motorists Coverage – CO						
PP 03 03 09 18 – Towing and Labor Costs Coverage						
PP 02 61 09 18 – Termination Provisions – CO						
PP 43 33 01 23 – Public or Livery Conveyance Exclusion (Including Delivery Network Platform)						
Endorsement						
Rating Information						
<b>Household Drivers:</b> Emilio Smith 06/07/1990 Male Single						
IF YOU HAVE A DRIVER IN YOUR HOUSEHOLD WHO IS NOT LISTED ABOVE, PLEASE NOTIFY US IMMEDIATELY.						
<b>Interested Parties:</b> None						

**Claim Scenario Details:**

Emilio borrowed his sister's snowmobile. Emilio loaded the snowmobile into the bed of his truck and drove home. Having forgotten about the snowmobile in the bed of his truck, he damaged his truck, the snowmobile, and his attached garage when he pulled into his garage.

**Damages are as follows:**

- Emilio's attached garage: \$25,000 (ACV \$15,000)
- Emilio's truck: \$10,000
- The snowmobile: total loss of \$15,500 (ACV \$10,500)

**Solve:** Draw on your knowledge of the ISO Personal Auto Policy coverage form as well as coverage limits and endorsements identified on the Declarations to answer the questions below.

- What damage is there?
- Who is owed for damages?
- What damages will be paid from Emilio's Personal Auto Policy? Consider which part(s) of the policy apply.
- What is the dollar amount of damages that will be paid by Emilio's Personal Auto Policy? Apply appropriate coverage limits and utilize the applicable policy condition(s).

**Hindsight is 20/20:** Think about this scenario using the five risk management steps.

1. **Risk Identification:** Are there any questions that could have been asked that would have uncovered this risk before the claim?
2. **Risk Analysis:** If the risk could have been uncovered (or now that you know about it), what questions could be asked to discover the frequency of exposure to this risk?
3. **Risk Control:** Is there anything the client could have done to minimize or avoid the risk?
4. **Risk Financing:** What options may be available to better cover the claim?
5. **Risk Administration:** What could you do as an insurance advisor to monitor this risk with the client?

## Section 2: Personal Automobile Coverages

**Use the space below to record your answers:**

What damage is there?

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Who is owed for these damages?

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What damages will be paid from Emilio's Personal Auto Policy? Consider which part(s) of the policy apply.

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What is the dollar amount of damages that will be paid by Emilio's Personal Auto Policy? Apply appropriate coverage limits and utilize the necessary policy condition(s).

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## Section 2: Personal Automobile Coverages

**Risk Identification:** Are there any questions that could have been asked that would have uncovered this risk before the claim?

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**Risk Analysis:** If the risk could have been uncovered (now that you know about it), what questions could be asked to discover the frequency of exposure to this risk?

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**Risk Control:** Is there anything the client could have done to minimize or avoid the risk?

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**Risk Financing:** What options may be available to better cover the claim?

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**Risk Administration:** What could you do as an insurance advisor to monitor this risk with the client?

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# Summary

Automobile insurance is required by law in nearly every state in the United States. Insurance consumers will turn to their insurance advisors to help them understand and choose the right coverages to protect them.

Understanding the Personal Automobile Policy is essential due to the high number of private passenger vehicles on the road. To determine eligibility for coverage, factors such as ownership, vehicle type, and usage must be considered; however, take care to remember that eligibility requirements are distinct from coverage considerations. Furthermore, analyzing the policy involves examining the Declarations for accuracy and understanding the policy forms, coverage parts, and endorsements.

The ISO Personal Auto Policy parts consist of:

- Declarations
- Agreement
- Definitions
- Part A – Liability Coverage
- Part B – Medical Payments Coverage
- Part C – Uninsured Motorists Coverage
- Part D – Coverage For Damage To Your Auto
- Part E – Duties After An Accident Or Loss
- Part F – General Policy Provisions
- Endorsements (optional or mandatory)

Part A – Liability Coverage is discussed as the most crucial coverage provided by the Personal Auto Policy. This coverage part protects the client (or the insured) from financial loss resulting from their liability in an automobile accident. The ISO Personal Auto Policy's exclusion categories (Group A. and Group B.) are explained, with Group A. exclusions affecting coverage for bodily injury and/or property damage based on a person and Group B. exclusions affecting liability coverage based on vehicle type, use, or availability.

Medical Payments and Personal Injury Protection are coverages the client can purchase—or which may be mandatory in some states—and are available to persons in the client's vehicle, including the client and "family members," for expenses related to injuries sustained in an auto accident or out of the use of a covered auto. For the individual who is a "you" or a "family member," this may be the only coverage available to cover medical expenses resulting from an at-fault accident.

While the two types of coverage are "no-fault" coverages, they are not entirely equal when it comes to the benefits offered.

**Some of the relevant policy forms and endorsements have been included at the end of this section.**

## Section 2: Personal Automobile Coverages

<b>Medical Payments (PP 00 01 09 18)</b>	<b>Personal Injury Protection (varies by state; not available in all states)</b>
<ul style="list-style-type: none"><li>• <b>Reasonable Medical Expense</b></li><li>• <b>Funeral Expense</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Reasonable Medical Expense</b></li><li>• <b>Funeral Expense</b></li><li>• <b>Accidental Death</b></li><li>• <b>Loss of Income/Work Loss</b></li><li>• <b>Replacement Services</b></li><li>• <b>Survivor Benefits/Services</b></li></ul>

The purpose of UM/UIM coverage is to allow clients the ability to protect themselves against the same potential for loss they protect others for with their Liability Coverage. Uninsured Motorists Coverage (UM) provides the insured with bodily injury liability coverage in the event they are injured by a driver/vehicle that does not have insurance. Underinsured Motorists Coverage (UIM) (may be purchased by endorsement) provides the insured with bodily injury liability coverage in the event they are injured by a driver/vehicle that does not have ENOUGH insurance. UM/UIM is required in a handful of states, but in most, it is optional. Some states allow coverage to be rejected by the client (a signed rejection form is required).

Lastly, Part D – Coverage For Damage To Your Auto (an optional coverage) provides clients with coverage for damages that may occur to the automobile(s) they drive, whether owned or not. For coverage under this part of the policy to apply to vehicles shown in the Declarations, coverage must be purchased and listed in the Declarations for that particular vehicle. A non-owned vehicle may receive coverage under Part D as long as coverage is purchased for at least one vehicle in the Declarations.

**Some of the relevant policy forms and endorsements have been included at the end of this section.**

## Set Yourself Up for Success!

### Visit the “Resources” Webpage at [RiskEducation.org/PLresources](https://RiskEducation.org/PLresources)



For valuable reinforcement, be sure to visit the “Resources” webpage. This webpage contains a variety of materials that will help you absorb the course material *and* set you up for success on the Final Exam. You’ll find:

#### Study Guide

Download a copy of the Study Guide. It contains all the Check-In questions, Knowledge Checks, and Self-Quizzes contained in this Learning Guide in a format that makes it easy for you to practice and check your answers.

#### Video Clips

View video clips about important concepts related to the learning objectives in this section.

	“Speaking From Experience”—Compulsory Coverage PIP and UM/UIM
	“Speaking From Experience”—The Trouble with Automobile Valuations

#### Articles/Web Links

- Compensatory Damages: [https://RiskEducation.org/pub/media/pdf/CompensatoryDamages\\_PCInsEss.pdf](https://RiskEducation.org/pub/media/pdf/CompensatoryDamages_PCInsEss.pdf)
- Financial Responsibility Requirements by State

## In Addition...

#### Appendix

The Appendix of this Learning Guide contains a Glossary of terms as well as tips for study techniques and sample test questions that will help you prepare for the Final Exam.

## Section 2: Self-Quiz

1. Identify the three categories used to determine eligibility for a Personal Auto Policy.
  - ☐ Type of vehicle, usage, location of vehicle
  - ☐ Number of drivers, location of vehicle, driving history
  - ☐ Ownership, type of vehicle, usage
  - ☐ Driving history, ownership, usage
2. Individuals who are related (other than spouses) and live in the same household fall under what category of ownership?
  - ☐ Individually owned
  - ☐ Jointly owned
  - ☐ Trust owned
  - ☐ Relative owned
3. Policy definitions using “we,” “us,” and “our” refer to what?
  - ☐ Family members included in policy coverage
  - ☐ Coworkers who are also members of your household
  - ☐ Non-immediate family members of your household
  - ☐ The insurance company providing the coverage
4. Identify who would be considered a “family member” under Joseph’s Personal Auto Policy.
  - ☐ Joseph’s cousin, who lives with him two weeks out of the year
  - ☐ Joseph’s 5-year-old daughter, Marla
  - ☐ Joseph’s dog, Winston
  - ☐ Joseph’s brother, who lives across the street

## Section 2: Personal Automobile Coverages

5. Alex is a valet attendant at Luciano's Italian restaurant. What exclusion removes Liability Coverage for Alex if an accident occurs while she is parking a customer's vehicle?
- ☐ Damage to property rented to, used by, or in the care of that "insured"
  - ☐ Damage to owned property or property being transported by that "insured"
  - ☐ Any "insured" who intentionally causes "bodily injury" or "property damage"
  - ☐ Any "insured" while employed or otherwise engaged in the auto "business"
6. Max is babysitting for his neighbor's infant. While the baby is sleeping at home, Max borrows his neighbor's car to run out and get more formula. Unfortunately, on the way home, Max rear-ends another vehicle, causing damage to his neighbor's car. Max will be provided Liability Coverage in this scenario.

**True**

**False**

7. While "reasonable medical expense" is not defined in the Personal Auto Policy, it can be established by state regulation.

**True**

**False**

8. Personal Injury Protection varies by state and may provide more comprehensive benefits than Med Pay, such as funeral expenses and accidental death.

**True**

**False**

9. The purpose of Uninsured/Underinsured Motorists Coverage is to:
- ☐ Provide clients the option to protect others who elected not to purchase car insurance.
  - ☐ Provide coverage for physical damage to your car.
  - ☐ Provide Liability Coverage for physical damage to someone else's car when involved in an accident with them.
  - ☐ Allow clients the ability to purchase protection for themselves against the same potential for the loss they protect others for with their Liability Coverage.

10. Identify what a UMPD endorsement would cover from the list below:

- ☐ Damage to personal property in the vehicle
- ☐ Direct damage to the vehicle
- ☐ Damage to other property
- ☐ Loss of use of the damaged vehicle

## Section 2: Personal Automobile Coverages

11. Which term is defined as the upset of a vehicle or its impact with another vehicle or object?
- ☐ Collision
- ☐ Compensatory Damage
- ☐ Other Than Collision
- ☐ Physical Damage
12. Which form of insurance coverage would provide financial assistance to repair or replace your vehicle when a fire occurs in your garage, causing significant damage to your car?
- ☐ Collision coverage
- ☐ Uninsured Motorists coverage
- ☐ Underinsured Motorists coverage
- ☐ Other Than Collision coverage
13. Match the letter of the appropriate term with its definition.

<b>A.</b> Other Than A Temporary Substitute	_____ Provides selected limits of \$25, \$50, \$75, or \$100, with higher limits available for motor homes
<b>B.</b> Optional Limits Transportation Expenses Coverage (PP 03 02)	_____ Provides up to \$600 for transportation expenses and expenses for lodging and meals in the event of a mechanical or electrical breakdown of the scheduled auto that occurs more than 100 miles from home and is withdrawn from use for at least 24 hours
<b>C.</b> Temporary Substitute	_____ This type of vehicle is a private passenger auto, pickup, van, or "trailer" in the custody of or being operated by a "you" or any "family member" and cannot be a vehicle that is furnished or available for their regular use.
<b>D.</b> Towing And Labor Costs Coverage (PP 03 03) endorsement	_____ This type of auto is any auto or "trailer" a "you" does not own but is using as a substitute for "your" own vehicle, typically due to breakdown, repair, service, loss, or damage.
<b>E.</b> Trip Interruption Coverage (PP 13 02)	_____ Increases the \$30/\$900 limit provided by the policy to an amount selected by the insured (\$40/\$1,200, \$50/\$1,500, or \$75/\$2,250)



## Section 2: Personal Automobile Coverages

14. Identify which one of the following losses would be covered under Part D – Coverage For Damage To Your Auto.
- ☐ Jessie is involved in an at-fault accident while driving Medicaid billed patients to their doctor appointments.
  - ☐ \$1,000 custom rims were stolen from Jessie's car.
  - ☐ Jessie's vehicle was seized because she was using it to transport illegal narcotics across state lines.
  - ☐ Jessie's tires need to be replaced after only 20,000 miles due to wear from poor alignment.
15. The Personal Auto Policy does not provide worldwide coverage. Of the list below, identify the territories that would be covered. (Note: Some covered territories may not be included.)
- ☐ Canada, The United States, Mexico, Puerto Rico
  - ☐ The United States and its territories or possessions, Canada, the Dominican Republic
  - ☐ Territories or possession of the United States, Canada, Guam, Puerto Rico
  - ☐ Canada, Puerto Rico, The United States
16. Mexico is within the Personal Auto Policy coverage territory.

**True**

**False**

## Section 2: Personal Auto Reference Forms

- PP 00 01 09 18 – Personal Auto Policy
- PP 43 33 01 23 – Public or Livery Conveyance Exclusion (Including Delivery Network Platform) Endorsement (Mandatory)
- PP 03 11 09 18 – Underinsured Motorists Coverage
- PP 03 22 09 18 – Named Non-Owner Coverage

## PP 00 01 09 18 – Personal Auto Policy

PERSONAL AUTO  
PP 00 01 09 18

## PERSONAL AUTO POLICY

**AGREEMENT**

In return for payment of the premium and subject to all the terms of this Policy, we agree with you as follows:

**DEFINITIONS**

**A.** Throughout this Policy, "you" and "your" refer to:

1. The named insured shown in the Declarations; and
2. The spouse if a resident of the same household.

If the spouse ceases to be a resident of the same household during the policy period or prior to the inception of this Policy, the spouse will be considered "you" and "your" under this Policy but only until the earlier of:

- a. The end of 90 days following the spouse's change of residency;
- b. The effective date of another policy listing the spouse as a named insured; or
- c. The end of the policy period.

**B.** "We", "us" and "our" refer to the company providing this insurance.

**C.** For purposes of this Policy, a private passenger type auto, pickup or van shall be deemed to be owned by a person if leased:

1. Under a written agreement to that person; and
2. For a continuous period of at least six months.

Other words and phrases are defined. They are in quotation marks when used.

**D.** "Bodily injury" means bodily harm, sickness or disease, including death that results.

**E.** "Business" includes trade, profession or occupation.

**F.** "Family member" means a person related to you by blood, marriage or adoption who is a resident of your household. This includes a ward or foster child.

**G.** "Occupying" means:

1. In;
2. Upon; or
3. Getting in, on, out or off.

**H.** "Property damage" means physical injury to, destruction of or loss of use of tangible property.

**I.** "Trailer" means a vehicle designed to be pulled by a:

1. Private passenger auto; or
2. Pickup or van.

It also means a farm wagon or farm implement while towed by a vehicle listed in 1. or 2. above.

**J.** "Your covered auto" means:

1. Any vehicle shown in the Declarations;
2. A "newly acquired auto";
3. Any "trailer" you own; or
4. Any auto or "trailer" you do not own while used as a temporary substitute for any other vehicle described in this definition which is out of normal use because of its:

- a. Breakdown;
- b. Repair;
- c. Servicing;
- d. Loss; or
- e. Destruction.

This provision (**J.4.**) does not apply to Coverage For Damage To Your Auto.

**K.** "Newly acquired auto":

1. "Newly acquired auto" means any of the following types of vehicles you become the owner of during the policy period:

- a. A private passenger auto; or
- b. A pickup or van, for which no other insurance policy provides coverage, that:
  - (1) Has a Gross Vehicle Weight Rating of 10,000 lbs. or less; and
  - (2) Is not used for the delivery or transportation of goods and materials unless such use is:
    - (a) Incidental to your "business" of installing, maintaining or repairing furnishings or equipment; or
    - (b) For farming or ranching.

2. Coverage for a "newly acquired auto" is provided as follows:

a. For any coverage provided in this Policy other than Coverage For Damage To Your Auto, a "newly acquired auto" will have the broadest coverage we now provide for any vehicle shown in the Declarations. However, for this coverage to apply, you must ask us to insure it within 14 days after you become the owner.

b. Collision Coverage for a "newly acquired auto" begins on the date you become the owner. However, for this coverage to apply, you must ask us to insure it within:

(1) 14 days after you become the owner, if the Declarations indicates that Collision Coverage applies to at least one auto. In this case, the "newly acquired auto" will have the broadest coverage we now provide for any auto shown in the Declarations.

(2) Four days after you become the owner, if the Declarations does not indicate that Collision Coverage applies to at least one auto. If you comply with the four-day requirement and a loss occurred before you asked us to insure the "newly acquired auto", a Collision deductible of \$500 will apply.

c. Other Than Collision Coverage for a "newly acquired auto" begins on the date you become the owner. However, for this coverage to apply, you must ask us to insure it within:

(1) 14 days after you become the owner, if the Declarations indicates that Other Than Collision Coverage applies to at least one auto. In this case, the "newly acquired auto" will have the broadest coverage we now provide for any auto shown in the Declarations.

(2) Four days after you become the owner, if the Declarations does not indicate that Other Than Collision Coverage applies to at least one auto. If you comply with the four-day requirement and a loss occurred before you asked us to insure the "newly acquired auto", an Other Than Collision deductible of \$500 will apply.

d. For all coverages addressed in Paragraphs **K.2.a.**, **b.** and **c.**, if you first ask us to insure the "newly acquired auto" after the applicable time period has elapsed, coverage will begin on the day you first ask us to insure the "newly acquired auto".

L. "Transportation network platform" means an online-enabled application or digital network used to connect passengers with drivers using vehicles for the purpose of providing prearranged transportation services for compensation.

**PART A – LIABILITY COVERAGE**  
**INSURING AGREEMENT**

A. We will pay damages for "bodily injury" or "property damage" for which any "insured" becomes legally responsible because of an auto accident. Damages include prejudgment interest awarded against the "insured". We will settle or defend, as we consider appropriate, any claim or suit asking for these damages. In addition to our limit of liability, we will pay all defense costs we incur. Our duty to settle or defend ends when our limit of liability for this coverage has been exhausted by payment of judgments or settlements. We have no duty to defend any suit or settle any claim for "bodily injury" or "property damage" not covered under this Policy.

B. "Insured" as used in this Part means:

1. You or any "family member" for the ownership, maintenance or use of any auto or "trailer".
2. Any person using "your covered auto".
3. For "your covered auto", any person or organization but only with respect to legal responsibility for acts or omissions of a person for whom coverage is afforded under this Part.
4. For any auto or "trailer", other than "your covered auto", any other person or organization but only with respect to legal responsibility for acts or omissions of you or any "family member" for whom coverage is afforded under this Part. This provision (**B.4.**) applies only if the person or organization does not own or hire the auto or "trailer".

**SUPPLEMENTARY PAYMENTS**

We will pay on behalf of an "insured":

1. Up to \$250 for the cost of bail bonds required because of an accident, including related traffic law violations. The accident must result in "bodily injury" or "property damage" covered under this Policy.

2. Premiums on appeal bonds and bonds to release attachments in any suit we defend.
3. Interest accruing after a judgment is entered in any suit we defend. Our duty to pay interest ends when we offer to pay that part of the judgment which does not exceed our limit of liability for this coverage.
4. Up to \$250 a day for loss of earnings, but not other income, because of attendance at hearings or trials at our request.
5. Other reasonable expenses incurred at our request.

These payments will not reduce the limit of liability.

### EXCLUSIONS

**A.** We do not provide Liability Coverage for any "insured":

1. Who intentionally causes "bodily injury" or "property damage".
2. For "property damage" to property owned or being transported by that "insured".
3. For "property damage" to property:
  - a. Rented to;
  - b. Used by; or
  - c. In the care of;
 that "insured".

This exclusion **(A.3.)** does not apply to "property damage" to a residence or private garage.

4. For "bodily injury" to an employee of that "insured" during the course of employment. This exclusion **(A.4.)** does not apply to "bodily injury" to a domestic employee unless workers' compensation benefits are required or available for that domestic employee.
5. For that "insured's" liability arising out of the ownership or operation of a vehicle while it is being used as a public or livery conveyance. This includes but is not limited to any period of time a vehicle is being used by any "insured" who is logged into a "transportation network platform" as a driver, whether or not a passenger is "occupying" the vehicle.

This exclusion **(A.5.)** does not apply to:

- a. A share-the-expense car pool; or
- b. The ownership or operation of a vehicle while it is being used for volunteer or charitable purposes.
6. While employed or otherwise engaged in the "business" of:
  - a. Selling;

- b. Repairing;
- c. Servicing;
- d. Storing; or
- e. Parking;

vehicles designed for use mainly on public highways. This includes road testing and delivery. This exclusion **(A.6.)** does not apply to the ownership, maintenance or use of "your covered auto" by:

- (1) You;
- (2) Any "family member"; or
- (3) Any partner, agent or employee of you or any "family member".

7. Maintaining or using any vehicle while that "insured" is employed or otherwise engaged in any "business" (other than farming or ranching) not described in Exclusion **A.6.**

This exclusion **(A.7.)** does not apply to the maintenance or use of a:

- a. Private passenger auto;
- b. Pickup or van; or
- c. "Trailer" used with a vehicle described in **a.** or **b.** above.

8. Using a vehicle without a reasonable belief that that "insured" is entitled to do so. This exclusion **(A.8.)** does not apply to a "family member" using "your covered auto" which is owned by you.

9. For "bodily injury" or "property damage" for which that "insured":

- a. Is an insured under a nuclear energy liability policy; or
- b. Would be an insured under a nuclear energy liability policy but for its termination upon exhaustion of its limit of liability.

A nuclear energy liability policy is a policy issued by any of the following or their successors:

- (1) Nuclear Energy Liability Insurance Association;
- (2) Mutual Atomic Energy Liability Underwriters; or
- (3) Nuclear Insurance Association of Canada.

10. For the ownership, maintenance or use of "your covered auto" while:

- a. Enrolled in a personal vehicle sharing program under the terms of a written agreement; and

- b. Being used in connection with such personal vehicle sharing program by anyone other than you or any "family member".
- B. We do not provide Liability Coverage for the ownership, maintenance or use of:
  - 1. Any vehicle which:
    - a. Has fewer than four wheels; or
    - b. Is designed mainly for use off public roads.
 This exclusion (B.1.) does not apply:
    - (1) While such vehicle is being used by an "insured" in a medical emergency;
    - (2) To any "trailer"; or
    - (3) To any non-owned golf cart.
  - 2. Any vehicle, other than "your covered auto", which is:
    - a. Owned by you; or
    - b. Furnished or available for your regular use.
  - 3. Any vehicle, other than "your covered auto", which is:
    - a. Owned by any "family member"; or
    - b. Furnished or available for the regular use of any "family member".
 However, this exclusion (B.3.) does not apply to you while you are maintaining or "occupying" any vehicle which is:
    - (1) Owned by a "family member"; or
    - (2) Furnished or available for the regular use of a "family member".
  - 4. Any vehicle, located inside a facility designed for racing, for the purpose of:
    - a. Participating or competing in; or
    - b. Practicing or preparing for;
 any prearranged or organized:
    - (1) Racing or speed contest; or
    - (2) Driver skill training or driver skill event.
  - 5. Any vehicle which is designed or can be used for flight.

### LIMIT OF LIABILITY

- A. The Limit Of Liability shown in the Declarations for each person for Bodily Injury Liability is our maximum limit of liability for all damages, including damages for care, loss of services or death, arising out of "bodily injury" sustained by any one person in any one auto accident. Subject to this limit for each person, the Limit Of Liability shown in the Declarations for each accident for Bodily Injury Liability is our maximum limit of liability for all damages for "bodily injury" resulting from any one auto accident.

The Limit Of Liability shown in the Declarations for each accident for Property Damage Liability is our maximum limit of liability for all "property damage" resulting from any one auto accident.

This is the most we will pay regardless of the number of:

- 1. "Insureds";
- 2. Claims made;
- 3. Vehicles or premiums shown in the Declarations; or
- 4. Vehicles involved in the auto accident.
- B. No one will be entitled to receive duplicate payments for the same elements of loss under this coverage and:
  - 1. Part B or Part C of this Policy; or
  - 2. Any Underinsured Motorists Coverage provided by this Policy.

### OUT OF STATE COVERAGE

If an auto accident to which this Policy applies occurs in any state or province other than the one in which "your covered auto" is principally garaged, we will interpret your policy for that accident as follows:

- A. If the state or province has:
  - 1. A financial responsibility or similar law specifying limits of liability for "bodily injury" or "property damage" higher than the limit shown in the Declarations, your policy will provide the higher specified limit.
  - 2. A compulsory insurance or similar law requiring a nonresident to maintain insurance whenever the nonresident uses a vehicle in that state or province, your policy will provide at least the required minimum amounts and types of coverage.
- B. No one will be entitled to duplicate payments for the same elements of loss.

### FINANCIAL RESPONSIBILITY

When this Policy is certified as future proof of financial responsibility, this Policy shall comply with the law to the extent required.

### OTHER INSURANCE

If there is other applicable liability insurance, we will pay only our share of the loss. Our share is the proportion that our limit of liability bears to the total of all applicable limits. However, any insurance we provide for a vehicle you do not own, including any vehicle while used as a temporary substitute for "your covered auto", shall be excess over any other collectible insurance except insurance written specifically to cover as excess over the limits of liability that apply in this Policy.

**PART B – MEDICAL PAYMENTS COVERAGE**

**INSURING AGREEMENT**

**A.** We will pay reasonable expenses incurred for necessary medical and funeral services because of "bodily injury":

1. Caused by an accident; and
2. Sustained by an "insured".

We will pay only those expenses incurred for services rendered within three years from the date of the accident.

**B.** "Insured" as used in this Part means:

1. You or any "family member":
  - a. While "occupying"; or
  - b. As a pedestrian when struck by:  
a motor vehicle designed for use mainly on public roads or a trailer of any type.
2. Any other person while "occupying" "your covered auto".

**EXCLUSIONS**

We do not provide Medical Payments Coverage for any "insured" for "bodily injury":

1. Sustained while "occupying" any motorized vehicle having fewer than four wheels.
2. Sustained while "occupying" "your covered auto" when it is being used as a public or livery conveyance. This includes but is not limited to any period of time "your covered auto" is being used by any "insured" who is logged into a "transportation network platform" as a driver, whether or not a passenger is "occupying" the vehicle.

This exclusion (2.) does not apply:

- a. To a share-the-expense car pool; or
- b. While "your covered auto" is being used for volunteer or charitable purposes.
3. Sustained while "occupying" any vehicle located for use as a residence or premises.
4. Occurring during the course of employment if workers' compensation benefits are required or available for the "bodily injury".
5. Sustained while "occupying", or when struck by, any vehicle (other than "your covered auto") which is:
  - a. Owned by you; or
  - b. Furnished or available for your regular use.
6. Sustained while "occupying", or when struck by, any vehicle (other than "your covered auto") which is:
  - a. Owned by any "family member"; or

- b. Furnished or available for the regular use of any "family member".

However, this exclusion (6.) does not apply to you.

7. Sustained while "occupying" a vehicle without a reasonable belief that that "insured" is entitled to do so. This exclusion (7.) does not apply to a "family member" using "your covered auto" which is owned by you.
8. Sustained while "occupying" a vehicle when it is being used in the "business" of an "insured". This exclusion (8.) does not apply to "bodily injury" sustained while "occupying" a:
  - a. Private passenger auto;
  - b. Pickup or van; or
  - c. "Trailer" used with a vehicle described in a. or b. above.
9. Caused by or as a consequence of:
  - a. Discharge of a nuclear weapon (even if accidental);
  - b. War (declared or undeclared);
  - c. Civil war;
  - d. Insurrection; or
  - e. Rebellion or revolution.
10. From or as a consequence of the following, whether controlled or uncontrolled or however caused:
  - a. Nuclear reaction;
  - b. Radiation; or
  - c. Radioactive contamination.
11. Sustained while "occupying" any vehicle located inside a facility designed for racing, for the purpose of:
  - a. Participating or competing in; or
  - b. Practicing or preparing for;
 any prearranged or organized:
  - (1) Racing or speed contest; or
  - (2) Driver skill training or driver skill event.
12. Sustained while "occupying", or when struck by, "your covered auto" while:
  - a. Enrolled in a personal vehicle sharing program under the terms of a written agreement; and
  - b. Being used in connection with such personal vehicle sharing program by anyone other than you or any "family member".
13. Sustained while "occupying", or when struck by, any vehicle which is designed or can be used for flight.



### LIMIT OF LIABILITY

- A.** The Limit Of Liability shown in the Declarations for this coverage is our maximum limit of liability for each person injured in any one accident. This is the most we will pay regardless of the number of:
1. "Insureds";
  2. Claims made;
  3. Vehicles or premiums shown in the Declarations; or
  4. Vehicles involved in the accident.
- B.** No one will be entitled to receive duplicate payments for the same elements of loss under this coverage and:
1. Part **A** or Part **C** of this Policy; or
  2. Any Underinsured Motorists Coverage provided by this Policy.

### OTHER INSURANCE

If there is other applicable auto medical payments insurance, we will pay only our share of the loss. Our share is the proportion that our limit of liability bears to the total of all applicable limits. However, any insurance we provide with respect to a vehicle you do not own, including any vehicle while used as a temporary substitute for "your covered auto", shall be excess over any other collectible auto insurance providing payments for medical or funeral expenses.

### PART C – UNINSURED MOTORISTS COVERAGE INSURING AGREEMENT

- A.** We will pay compensatory damages which an "insured" is legally entitled to recover from the owner or operator of an "uninsured motor vehicle" because of "bodily injury":
1. Sustained by an "insured"; and
  2. Caused by an accident.
- The owner's or operator's liability for these damages must arise out of the ownership, maintenance or use of the "uninsured motor vehicle".
- Any judgment for damages arising out of a suit brought without our written consent is not binding on us.
- B.** "Insured" as used in this Part means:
1. You or any "family member";
  2. Any other person "occupying" "your covered auto"; or
  3. Any person for damages that person is entitled to recover because of "bodily injury" to which this coverage applies sustained by a person described in 1. or 2. above.

**C.** "Uninsured motor vehicle" means a land motor vehicle or trailer of any type:

1. To which no bodily injury liability bond or policy applies at the time of the accident.
2. To which a bodily injury liability bond or policy applies at the time of the accident. In this case its limit for bodily injury liability must be less than the minimum limit for bodily injury liability specified by the financial responsibility law of the state in which "your covered auto" is principally garaged.
3. Which is a hit-and-run vehicle whose operator or owner cannot be identified and which hits:
  - a. You or any "family member";
  - b. A vehicle which you or any "family member" are "occupying"; or
  - c. "Your covered auto".
4. To which a bodily injury liability bond or policy applies at the time of the accident but the bonding or insuring company:
  - a. Denies coverage; or
  - b. Is or becomes insolvent.

However, "uninsured motor vehicle" does not include any vehicle or equipment:

- (1) Owned by or furnished or available for the regular use of you or any "family member".
- (2) Owned or operated by a self-insurer under any applicable motor vehicle law, except a self-insurer which is or becomes insolvent.
- (3) Owned by any governmental unit or agency.
- (4) Operated on rails or crawler treads.
- (5) Designed mainly for use off public roads while not on public roads.
- (6) While located for use as a residence or premises.

### EXCLUSIONS

- A.** We do not provide Uninsured Motorists Coverage for "bodily injury" sustained:
1. By an "insured" while "occupying", or when struck by, any motor vehicle owned by that "insured" which is not insured for this coverage under this Policy. This includes a trailer of any type used with that vehicle.
  2. By any "family member" while "occupying", or when struck by, any motor vehicle you own which is insured for this coverage on a primary basis under any other policy.

**B.** We do not provide Uninsured Motorists Coverage for "bodily injury" sustained by any "insured":

1. If that "insured" or the legal representative settles the "bodily injury" claim and such settlement prejudices our right to recover payment.
2. While "occupying" "your covered auto" when it is being used as a public or livery conveyance. This includes but is not limited to any period of time "your covered auto" is being used by any "insured" who is logged into a "transportation network platform" as a driver, whether or not a passenger is "occupying" the vehicle.

This exclusion (**B.2.**) does not apply:

- a. To a share-the-expense car pool; or
- b. While "your covered auto" is being used for volunteer or charitable purposes.
3. Using a vehicle without a reasonable belief that that "insured" is entitled to do so. This exclusion (**B.3.**) does not apply to a "family member" using "your covered auto" which is owned by you.
4. While "occupying", or when struck by, "your covered auto" while:
  - a. Enrolled in a personal vehicle sharing program under the terms of a written agreement; and
  - b. Being used in connection with such personal vehicle sharing program by anyone other than you or any "family member".
5. While "occupying", or when struck by, any vehicle which is designed or can be used for flight.

**C.** This coverage shall not apply directly or indirectly to benefit any insurer or self-insurer under any of the following or similar law:

1. Workers' compensation law; or
2. Disability benefits law.

**D.** We do not provide Uninsured Motorists Coverage for punitive or exemplary damages.

### **LIMIT OF LIABILITY**

**A.** The Limit Of Liability shown in the Declarations for each person for Uninsured Motorists Coverage is our maximum limit of liability for all damages, including damages for care, loss of services or death, arising out of "bodily injury" sustained by any one person in any one accident. Subject to this limit for each person, the Limit Of Liability shown in the Declarations for each accident for Uninsured Motorists Coverage is our maximum limit of liability for all damages for "bodily injury" resulting from any one accident.

This is the most we will pay regardless of the number of:

1. "Insureds";
2. Claims made;
3. Vehicles or premiums shown in the Declarations; or
4. Vehicles involved in the accident.

**B.** No one will be entitled to receive duplicate payments for the same elements of loss under this coverage and:

1. Part **A** or Part **B** of this Policy; or
2. Any Underinsured Motorists Coverage provided by this Policy.

**C.** We will not make a duplicate payment under this coverage for any element of loss for which payment has been made by or on behalf of persons or organizations who may be legally responsible.

**D.** We will not pay for any element of loss if a person is entitled to receive payment for the same element of loss under any of the following or similar law:

1. Workers' compensation law; or
2. Disability benefits law.

### **OTHER INSURANCE**

If there is other applicable insurance available under one or more policies or provisions of coverage that is similar to the insurance provided under this Part of the Policy:

1. Any recovery for damages under all such policies or provisions of coverage may equal but not exceed the highest applicable limit for any one vehicle under any insurance providing coverage on either a primary or excess basis.
2. Any insurance we provide with respect to a vehicle you do not own, including any vehicle while used as a temporary substitute for "your covered auto", shall be excess over any collectible insurance providing such coverage on a primary basis.
3. If the coverage under this Policy is provided:
  - a. On a primary basis, we will pay only our share of the loss that must be paid under insurance providing coverage on a primary basis. Our share is the proportion that our limit of liability bears to the total of all applicable limits of liability for coverage provided on a primary basis.

- b. On an excess basis, we will pay only our share of the loss that must be paid under insurance providing coverage on an excess basis. Our share is the proportion that our limit of liability bears to the total of all applicable limits of liability for coverage provided on an excess basis.

#### ARBITRATION

**A.** If we and an "insured" do not agree:

1. Whether that "insured" is legally entitled to recover damages; or
2. As to the amount of damages which are recoverable by that "insured";

from the owner or operator of an "uninsured motor vehicle", then the matter may be arbitrated. However, disputes concerning coverage under this Part may not be arbitrated.

Both parties must agree to arbitration. If so agreed, each party will select an arbitrator. The two arbitrators will select a third. If they cannot agree within 30 days, either may request that selection be made by a judge of a court having jurisdiction.

**B.** Each party will:

1. Pay the expenses it incurs; and
2. Bear the expenses of the third arbitrator equally.

**C.** Unless both parties agree otherwise, arbitration will take place in the county in which the "insured" lives. Local rules of law as to procedure and evidence will apply. A decision agreed to by at least two of the arbitrators will be binding as to:

1. Whether the "insured" is legally entitled to recover damages; and
2. The amount of damages. This applies only if the amount does not exceed the minimum limit for bodily injury liability specified by the financial responsibility law of the state in which "your covered auto" is principally garaged. If the amount exceeds that limit, either party may demand the right to a trial. This demand must be made within 60 days of the arbitrators' decision. If this demand is not made, the amount of damages agreed to by the arbitrators will be binding.

#### PART D – COVERAGE FOR DAMAGE TO YOUR AUTO

##### INSURING AGREEMENT

**A.** We will pay for direct and accidental loss to "your covered auto" or any "non-owned auto", including its equipment, minus any applicable deductible shown in the Declarations. If loss to more than one "your covered auto" or "non-owned auto" results from the same "collision", only the highest applicable deductible will apply. We will pay for loss to "your covered auto" caused by:

1. Other than "collision" only if the Declarations indicates that Other Than Collision Coverage is provided for that auto.
2. "Collision" only if the Declarations indicates that Collision Coverage is provided for that auto.

If there is a loss to a "non-owned auto", we will provide the broadest coverage applicable to any "your covered auto" shown in the Declarations.

**B.** "Collision" means the upset of "your covered auto" or a "non-owned auto" or its impact with another vehicle or object.

Loss caused by the following is considered other than "collision":

1. Missiles or falling objects;
2. Fire;
3. Theft or larceny;
4. Explosion or earthquake;
5. Windstorm;
6. Hail, water or flood;
7. Malicious mischief or vandalism;
8. Riot or civil commotion;
9. Contact with bird or animal; or
10. Breakage of glass.

If breakage of glass is caused by a "collision", you may elect to have it considered a loss caused by "collision".

**C.** "Non-owned auto" means:

1. Any private passenger auto, pickup, van or "trailer" not owned by or furnished or available for the regular use of you or any "family member" while in the custody of or being operated by you or any "family member"; or

2. Any auto or "trailer" you do not own while used as a temporary substitute for "your covered auto" which is out of normal use because of its:
  - a. Breakdown;
  - b. Repair;
  - c. Servicing;
  - d. Loss; or
  - e. Destruction.

D. "Custom equipment" means equipment, furnishings and parts in or upon any auto, other than:

1. Original manufacturer equipment, furnishings or parts; or
2. Any replacement of original manufacturer equipment, furnishings or parts with other equipment, furnishings or parts of like kind and quality.

"Custom equipment" includes but is not limited to:

- a. Special carpeting or insulation;
- b. Furniture or bars;
- c. Height-extending roofs;
- d. Body, engine, exhaust or suspension enhancers;
- e. Winches, or anti-roll or anti-sway bars;
- f. Custom grilles, louvers, side pipes, hood scoops or spoilers;
- g. Custom wheels, tires or spinners;
- h. Custom chrome, murals, paintwork, decals or other graphics; or
- i. Caps, covers or bedliners.

"Custom equipment" does not include electronic equipment that reproduces, receives or transmits audio, visual or data signals.

#### TRANSPORTATION EXPENSES

A. In addition, we will pay, without application of a deductible, up to a maximum of \$900 for:

1. Temporary transportation expenses not exceeding \$30 per day incurred by you in the event of a loss to "your covered auto". We will pay for such expenses if the loss is caused by:
  - a. Other than "collision" only if the Declarations indicates that Other Than Collision Coverage is provided for that auto.
  - b. "Collision" only if the Declarations indicates that Collision Coverage is provided for that auto.

2. Expenses for which you become legally responsible in the event of loss to a "non-owned auto". We will pay for such expenses if the loss is caused by:

- a. Other than "collision" only if the Declarations indicates that Other Than Collision Coverage is provided for any "your covered auto".
- b. "Collision" only if the Declarations indicates that Collision Coverage is provided for any "your covered auto".

However, the most we will pay for any expenses for loss of use is \$30 per day.

B. Subject to the provisions of Paragraph A., if the loss is caused by:

1. A total theft of "your covered auto" or a "non-owned auto", we will pay only expenses incurred during the period:
  - a. Beginning 48 hours after the theft; and
  - b. Ending when "your covered auto" or the "non-owned auto" is returned to use or we pay for its loss.
2. Other than theft of a "your covered auto" or a "non-owned auto", we will pay only expenses beginning when the auto is withdrawn from use for more than 24 hours.

Our payment will be limited to that period of time reasonably required to repair or replace the "your covered auto" or the "non-owned auto".

#### EXCLUSIONS

We will not pay for:

1. Loss to "your covered auto" or any "non-owned auto" which occurs while it is being used as a public or livery conveyance. This includes but is not limited to any period of time "your covered auto" or any "non-owned auto" is being used by any person who is logged into a "transportation network platform" as a driver, whether or not a passenger is "occupying" the vehicle.

This exclusion (1.) does not apply:

- a. To a share-the-expense car pool; or
- b. While "your covered auto" or any "non-owned auto" is being used for volunteer or charitable purposes.
2. Damage due and confined to:
  - a. Wear and tear;
  - b. Freezing;

## Section 2: Personal Automobile Coverages

c. Mechanical or electrical breakdown or failure; or

d. Road damage to tires.

This exclusion (2.) does not apply if the damage results from the total theft of "your covered auto" or any "non-owned auto".

3. Loss due to or as a consequence of:

a. Radioactive contamination;

b. Discharge of any nuclear weapon (even if accidental);

c. War (declared or undeclared);

d. Civil war;

e. Insurrection; or

f. Rebellion or revolution.

4. Loss to any electronic equipment that reproduces, receives or transmits audio, visual or data signals. This includes but is not limited to:

a. Radios and stereos;

b. Tape decks;

c. Compact disc systems;

d. Navigation systems;

e. Internet access systems;

f. Personal computers;

g. Video entertainment systems;

h. Telephones;

i. Televisions;

j. Two-way mobile radios;

k. Scanners; or

l. Citizens band radios.

This exclusion (4.) does not apply to electronic equipment that is permanently installed in "your covered auto" or any "non-owned auto".

5. Loss to tapes, records, discs or other media used with equipment described in Exclusion 4.

6. A total loss to "your covered auto" or any "non-owned auto" due to destruction or confiscation by governmental or civil authorities.

This exclusion (6.) does not apply to the interests of Loss Payees in "your covered auto".

7. Loss to:

a. A "trailer", camper body or motor home, which is not shown in the Declarations; or

b. Facilities or equipment used with such "trailer", camper body or motor home. Facilities or equipment include but are not limited to:

(1) Cooking, dining, plumbing or refrigeration facilities;

(2) Awnings or cabanas; or

(3) Any other facilities or equipment used with a "trailer", camper body or motor home.

This exclusion (7.) does not apply to a:

a. "Trailer", and its facilities or equipment, which you do not own; or

b. "Trailer", camper body, or the facilities or equipment in or attached to the "trailer" or camper body, which you:

(1) Acquire during the policy period; and

(2) Ask us to insure within 14 days after you become the owner.

8. Loss to any "non-owned auto" when used by you or any "family member" without a reasonable belief that you or that "family member" are entitled to do so.

9. Loss to equipment designed or used for the detection or location of radar or laser.

10. Loss to any "custom equipment" in or upon "your covered auto" or any "non-owned auto".

This exclusion (10.) does not apply to the first \$1,500 of "custom equipment" in or upon "your covered auto" or any "non-owned auto".

11. Loss to any "non-owned auto" being maintained or used by any person while employed or otherwise engaged in the "business" of:

a. Selling;

b. Repairing;

c. Servicing;

d. Storing; or

e. Parking;

vehicles designed for use on public highways. This includes road testing and delivery.

12. Loss to "your covered auto" or any "non-owned auto", located inside a facility designed for racing, for the purpose of:

a. Participating or competing in; or



b. Practicing or preparing for;  
any prearranged or organized:

- (1) Racing or speed contest; or
- (2) Driver skill training or driver skill event.

13. Loss to, or loss of use of, a "non-owned auto" rented by:

- a. You; or
- b. Any "family member";

if a rental vehicle company is precluded from recovering such loss or loss of use, from you or that "family member", pursuant to the provisions of any applicable rental agreement or state law.

14. Loss to "your covered auto" which occurs while:

- a. Enrolled in a personal vehicle sharing program under the terms of a written agreement; and
- b. Being used in connection with such personal vehicle sharing program by anyone other than you or any "family member".

15. Loss to, or loss of use of, a "non-owned auto" used by:

- a. You; or
- b. Any "family member";

in connection with a personal vehicle sharing program if the provisions of such a personal vehicle sharing program preclude the recovery of such loss or loss of use, from you or that "family member", or if otherwise precluded by any state law.

16. Loss to any vehicle which is designed or can be used for flight.

### LIMIT OF LIABILITY

A. Our limit of liability for loss will be the lesser of the:

1. Actual cash value of the stolen or damaged property; or
2. Amount necessary to repair or replace the property with other property of like kind and quality.

However, the most we will pay for loss to:

- a. Any "non-owned auto" which is a trailer is \$1,500.
- b. Electronic equipment that reproduces, receives or transmits audio, visual or data signals, which is permanently installed in the auto in locations not used by the auto manufacturer for installation of such equipment, is \$1,000.

c. "Custom equipment" in or upon "your covered auto" or any "non-owned auto" is \$1,500.

B. An adjustment for depreciation and physical condition will be made in determining actual cash value in the event of a total loss.

C. If a repair or replacement results in better than like kind or quality, we will not pay for the amount of the betterment.

### PAYMENT OF LOSS

We may pay for loss in money or repair or replace the damaged or stolen property. We may, at our expense, return any stolen property to:

1. You; or
2. The address shown in this Policy.

If we return stolen property we will pay for any damage resulting from the theft. We may keep all or part of the property at an agreed or appraised value.

If we pay for loss in money, our payment will include the applicable sales tax for the damaged or stolen property.

### NO BENEFIT TO BAILEE

This insurance shall not directly or indirectly benefit any carrier or other bailee for hire.

### OTHER SOURCES OF RECOVERY

If other sources of recovery also cover the loss, we will pay only our share of the loss. Our share is the proportion that our limit of liability bears to the total of all applicable limits. However, any insurance we provide with respect to a "non-owned auto" shall be excess over any other collectible source of recovery including, but not limited to:

1. Any coverage provided by the owner of the "non-owned auto".
2. Any other applicable physical damage insurance.
3. Any other source of recovery applicable to the loss.

### APPRAISAL

A. If we and you do not agree on the amount of loss, either may demand an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. The appraisers will state separately the actual cash value and the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

1. Pay its chosen appraiser; and
2. Bear the expenses of the appraisal and umpire equally.

- B.** We do not waive any of our rights under this Policy by agreeing to an appraisal.

**PART E – DUTIES AFTER AN ACCIDENT OR LOSS**

We have no duty to provide coverage under this Policy if the failure to comply with the following duties is prejudicial to us:

- A.** We must be notified promptly of how, when and where the accident or loss happened. Notice should also include the names and addresses of any injured persons and of any witnesses.
- B.** A person seeking any coverage must:
1. Cooperate with us in the investigation, settlement or defense of any claim or suit.
  2. Promptly send us copies of any notices or legal papers received in connection with the accident or loss.
  3. Submit, as often as we reasonably require:
    - a. To physical exams by physicians we select. We will pay for these exams.
    - b. To examination under oath and subscribe the same.
    - c. To recorded statements.
  4. Authorize us to obtain:
    - a. Medical reports; and
    - b. Other pertinent records.
  5. Submit a proof of loss when required by us.
- C.** A person seeking Uninsured Motorists Coverage must also:
1. Promptly notify the police if a hit-and-run driver is involved.
  2. Promptly send us copies of the legal papers if a suit is brought.
- D.** A person seeking Coverage For Damage To Your Auto must also:
1. Take reasonable steps after loss to protect "your covered auto" or any "non-owned auto" and its equipment from further loss. We will pay reasonable expenses incurred to do this.
  2. Promptly notify the police if "your covered auto" or any "non-owned auto" is stolen.
  3. Permit us to inspect and appraise the damaged property before its repair or disposal.

**PART F – GENERAL PROVISIONS**

**BANKRUPTCY**

Bankruptcy or insolvency of the "insured" shall not relieve us of any obligations under this Policy.

**CHANGES**

- A.** This Policy contains all the agreements between you and us. Its terms may not be changed or waived except by endorsement issued by us.
- B.** If there is a change to the information used to develop the policy premium, we may adjust your premium. Changes during the policy term that may result in a premium increase or decrease include, but are not limited to, changes in:
1. The number, type or use classification of insured vehicles;
  2. Operators using insured vehicles;
  3. The place of principal garaging of insured vehicles; or
  4. Coverage, deductible or limits.

If a change resulting from **A.** or **B.** requires a premium adjustment, we will make the premium adjustment in accordance with our manual rules.

- C.** If we make a change which broadens coverage under this edition of your policy without additional premium charge, that change will automatically apply to your policy as of the date we implement the change in your state. This paragraph (**C.**) does not apply to changes implemented with a general program revision that includes both broadenings and restrictions in coverage, whether that general program revision is implemented through introduction of:

1. A subsequent edition of your policy; or
2. An Amendatory Endorsement.

**FRAUD**

We do not provide coverage for any "insured" who has made fraudulent statements or engaged in fraudulent conduct in connection with any accident or loss for which coverage is sought under this Policy.

**LEGAL ACTION AGAINST US**

- A.** No legal action may be brought against us until there has been full compliance with all the terms of this Policy. In addition, under Part **A**, no legal action may be brought against us until:
1. We agree in writing that the "insured" has an obligation to pay; or
  2. The amount of that obligation has been finally determined by judgment after trial.
- B.** No person or organization has any right under this Policy to bring us into any action to determine the liability of an "insured".



### OUR RIGHT TO RECOVER PAYMENT

**A.** If we make a payment under this Policy and the person to or for whom payment was made has a right to recover damages from another, we shall be subrogated to that right. That person shall do:

1. Whatever is necessary to enable us to exercise our rights; and
2. Nothing after loss to prejudice them.

However, our rights in this paragraph **(A.)** do not apply under Part **D**, against any person using "your covered auto" with a reasonable belief that that person is entitled to do so.

**B.** If we make a payment under this Policy and the person to or for whom payment is made recovers damages from another, that person shall:

1. Hold in trust for us the proceeds of the recovery; and
2. Reimburse us to the extent of our payment.

### POLICY PERIOD AND TERRITORY

**A.** This Policy applies only to accidents and losses which occur:

1. During the policy period as shown in the Declarations; and
2. Within the policy territory.

**B.** The policy territory is:

1. The United States of America, its territories or possessions;
2. Puerto Rico; or
3. Canada.

This Policy also applies to loss to, or accidents involving, "your covered auto" while being transported between their ports.

### TERMINATION

#### A. Cancellation

This Policy may be cancelled during the policy period as follows:

1. The named insured shown in the Declarations may cancel by:
  - a. Returning this Policy to us; or
  - b. Giving us advance written notice of the date cancellation is to take effect.
2. We may cancel by mailing to the named insured shown in the Declarations at the address shown in this Policy:
  - a. At least 10 days' notice:
    - (1) If cancellation is for nonpayment of premium; or

- (2) If notice is mailed during the first 60 days this Policy is in effect and this is not a renewal or continuation policy; or

b. At least 20 days' notice in all other cases.

**3.** After this Policy is in effect for 60 days, or if this is a renewal or continuation policy, we will cancel only:

a. For nonpayment of premium; or

b. If your driver's license or that of:

(1) Any driver who lives with you; or

(2) Any driver who customarily uses "your covered auto";

has been suspended or revoked. This must have occurred:

(a) During the policy period; or

(b) Since the last anniversary of the original effective date if the policy period is other than one year; or

c. If the Policy was obtained through material misrepresentation.

#### B. Nonrenewal

If we decide not to renew or continue this Policy, we will mail notice to the named insured shown in the Declarations at the address shown in this Policy. Notice will be mailed at least 20 days before the end of the policy period. Subject to this notice requirement, if the policy period is:

1. Less than six months, we will have the right not to renew or continue this Policy every six months, beginning six months after its original effective date.
2. Six months or longer, but less than one year, we will have the right not to renew or continue this Policy at the end of the policy period.
3. One year or longer, we will have the right not to renew or continue this Policy at each anniversary of its original effective date.

#### C. Automatic Termination

If we offer to renew or continue and you or your representative does not accept, this Policy will automatically terminate at the end of the current policy period. Failure to pay the required renewal or continuation premium when due shall mean that you have not accepted our offer.

If you obtain other insurance on "your covered auto", any similar insurance provided by this Policy will terminate as to that auto on the effective date of the other insurance.

**D. Other Termination Provisions**

1. We may deliver any notice instead of mailing it. Proof of mailing of any notice shall be sufficient proof of notice.
2. If this Policy is cancelled, you may be entitled to a premium refund. If so, we will send you the refund. The premium refund, if any, will be computed according to our manuals. However, making or offering to make the refund is not a condition of cancellation.
3. The effective date of cancellation stated in the notice shall become the end of the policy period.

**TRANSFER OF YOUR INTEREST IN THIS POLICY**

- A.** Your rights and duties under this Policy may not be assigned without our written consent. However, if a named insured shown in the Declarations dies, coverage will be provided for:
1. The surviving spouse if resident in the same household at the time of death. Coverage applies to the spouse as if a named insured shown in the Declarations; and

2. The legal representative of the deceased person as if a named insured shown in the Declarations. This applies only with respect to the representative's legal responsibility to maintain or use "your covered auto".

- B.** Coverage will only be provided until the end of the policy period.

**TWO OR MORE AUTO POLICIES**

If this Policy and any other auto insurance policy issued to you by us apply to the same accident, the maximum limit of our liability under all the policies shall not exceed the highest applicable limit of liability under any one policy.

## PP 43 33 01 23 – Public or Livery Conveyance Exclusion (Including Delivery Network Platform) Endorsement (Mandatory)

PERSONAL AUTO  
PP 43 33 01 23

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

### **PUBLIC OR LIVERY CONVEYANCE EXCLUSION (INCLUDING DELIVERY NETWORK PLATFORM) ENDORSEMENT**

The provisions of the Policy apply unless modified by the endorsement.

#### **I. Definitions**

The following definition is added:

"Delivery network platform" means an online-enabled application or digital network used to connect customers with:

1. Drivers; or
2. Local vendors using drivers;

for the purpose of providing prearranged delivery services, including courier services, for compensation. A "delivery network platform" does not include a "transportation network platform".

#### **II. Part A – Liability Coverage**

Exclusion **A.5.** is replaced by the following:

We do not provide Liability Coverage for any "insured":

5. For that "insured's" liability arising out of the ownership or operation of a vehicle while it is being used as a public or livery conveyance. This includes but is not limited to any period of time a vehicle is being used by any "insured" who is logged into a:
  - a. "Transportation network platform" as a driver, whether or not a passenger is "occupying" the vehicle.
  - b. "Transportation network platform" or "delivery network platform" as a driver to provide delivery services, including courier services, whether or not the food, goods, items or products to be delivered are in the vehicle.

This exclusion (**A.5.**) does not apply to:

- (1) A share-the-expense car pool; or
- (2) The ownership or operation of a vehicle while it is being used for volunteer or charitable purposes.

#### **III. Part B – Medical Payments Coverage**

Exclusion **2.** is replaced by the following:

We do not provide Medical Payments Coverage for any "insured" for "bodily injury":

2. Sustained while "occupying" "your covered auto" when it is being used as a public or livery conveyance. This includes but is not limited to any period of time "your covered auto" is being used by any "insured" who is logged into a:
  - a. "Transportation network platform" as a driver, whether or not a passenger is "occupying" the vehicle.
  - b. "Transportation network platform" or "delivery network platform" as a driver to provide delivery services, including courier services, whether or not the food, goods, items or products to be delivered are in the vehicle.

This exclusion (**2.**) does not apply to:

- (1) A share-the-expense car pool; or
- (2) The ownership or operation of a vehicle while it is being used for volunteer or charitable purposes.

#### **IV. Part D – Coverage For Damage To Your Auto**

Exclusion **1.** is replaced by the following:

We will not pay for:

1. Loss to "your covered auto" or any "non-owned auto" which occurs while it is being used as a public or livery conveyance. This includes but is not limited to any period of time "your covered auto" or any "non-owned auto" is being used by any person who is logged into a:
  - a. "Transportation network platform" as a driver, whether or not a passenger is "occupying" the vehicle.

## Section 2: Personal Automobile Coverages

- b. "Transportation network platform" or "delivery network platform" as a driver to provide delivery services, including courier services, whether or not the food, goods, items or products to be delivered are in the vehicle.

This exclusion (1.) does not apply:

- (1) To a share-the-expense car pool; or
- (2) While "your covered auto" or any "non-owned auto" is being used for volunteer or charitable purposes.

## PP 03 11 09 18 – Underinsured Motorists Coverage

POLICY NUMBER:

PERSONAL AUTO  
PP 03 11 09 18

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**UNDERINSURED MOTORISTS COVERAGE****SCHEDULE**

1. Description Of Your Covered Auto:			
2. Description Of Your Covered Auto:			
3. Description Of Your Covered Auto:			
Auto	Limit Of Liability		Premium
1.	\$	Each Person	\$
	\$	Each Accident	
2.	\$	Each Person	\$
	\$	Each Accident	
3.	\$	Each Person	\$
	\$	Each Accident	
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.			

With respect to the coverage provided by this endorsement, the provisions of the Policy apply unless modified by the endorsement.

**INSURING AGREEMENT**

**A.** We will pay compensatory damages which an "insured" is legally entitled to recover from the owner or operator of an "underinsured motor vehicle" because of "bodily injury":

1. Sustained by an "insured"; and
2. Caused by an accident.

The owner's or operator's liability for these damages must arise out of the ownership, maintenance or use of the "underinsured motor vehicle".

We will pay under this coverage only if 1. or 2. below applies:

1. The limits of liability under any bodily injury liability bonds or policies applicable to the "underinsured motor vehicle" have been exhausted by payment of judgments or settlements; or
2. A tentative settlement has been made between an "insured" and the insurer of the "underinsured motor vehicle" and we:
  - a. Have been given prompt written notice of such tentative settlement; and

- b. Advance payment to the "insured" in an amount equal to the tentative settlement within 30 days after receipt of notification.

**B.** "Insured" as used in this endorsement means:

1. You or any "family member";
2. Any other person "occupying" "your covered auto"; or
3. Any person for damages that person is entitled to recover because of "bodily injury" to which this coverage applies sustained by a person described in 1. or 2. above.

**C.** "Underinsured motor vehicle" means a land motor vehicle or trailer of any type to which a bodily injury liability bond or policy applies at the time of the accident but its limit for bodily injury liability is less than the limit of liability for this coverage.

However, "underinsured motor vehicle" does not include any vehicle or equipment:

1. To which a bodily injury liability bond or policy applies at the time of the accident but its limit for bodily injury liability is less than the minimum limit for bodily injury liability specified by the financial responsibility law of the state in which "your covered auto" is principally garaged.

2. Owned by or furnished or available for the regular use of you or any "family member".
3. Owned by any governmental unit or agency.
4. Operated on rails or crawler treads.
5. Designed mainly for use off public roads while not upon public roads.
6. While located for use as a residence or premises.
7. Owned or operated by a person qualifying as a self-insurer under any applicable motor vehicle law.
8. To which a bodily injury liability bond or policy applies at the time of the accident but the bonding or insuring company:
  - a. Denies coverage; or
  - b. Is or becomes insolvent.

### EXCLUSIONS

- A. We do not provide Underinsured Motorists Coverage for "bodily injury" sustained:
  1. By an "insured" while "occupying", or when struck by, any motor vehicle owned by that "insured" which is not insured for this coverage under this Policy. This includes a trailer of any type used with that vehicle.
  2. By any "family member" while "occupying", or when struck by, any motor vehicle you own which is insured for this coverage on a primary basis under any other policy.
- B. We do not provide Underinsured Motorists Coverage for "bodily injury" sustained by any "insured":
  1. While "occupying" "your covered auto" when it is being used as a public or livery conveyance. This includes but is not limited to any period of time "your covered auto" is being used by any "insured" who is logged into a "transportation network platform" as a driver, whether or not a passenger is "occupying" the vehicle.  
This exclusion (B.1.) does not apply:
    - a. To a share-the-expense car pool; or
    - b. While "your covered auto" is being used for volunteer or charitable purposes.
  2. Using a vehicle without a reasonable belief that that "insured" is entitled to do so. This exclusion (B.2.) does not apply to a "family member" using "your covered auto" which is owned by you.
  3. While "occupying", or when struck by, "your covered auto" while:
    - a. Enrolled in a personal vehicle sharing program under the terms of a written agreement; and

- b. Being used in connection with such personal vehicle sharing program by anyone other than you or any "family member".
4. While "occupying", or when struck by, any vehicle which is designed or can be used for flight.
- C. This coverage shall not apply directly or indirectly to benefit any insurer or self-insurer under any of the following or similar law:
  1. Workers' compensation law; or
  2. Disability benefits law.
- D. We do not provide Underinsured Motorists Coverage for punitive or exemplary damages.

### LIMIT OF LIABILITY

- A. The Limit Of Liability shown in the Schedule or in the Declarations for each person for Underinsured Motorists Coverage is our maximum limit of liability for all damages, including damages for care, loss of services or death, arising out of "bodily injury" sustained by any one person in any one accident. Subject to this limit for each person, the Limit Of Liability shown in the Schedule or in the Declarations for each accident for Underinsured Motorists Coverage is our maximum limit of liability for all damages for "bodily injury" resulting from any one accident.

This is the most we will pay regardless of the number of:

1. "Insureds";
2. Claims made;
3. Vehicles or premiums shown in the Schedule or in the Declarations; or
4. Vehicles involved in the accident.
- B. The limit of liability shall be reduced by all sums paid because of the "bodily injury" by or on behalf of persons or organizations who may be legally responsible. This includes all sums paid under Part A of this Policy.
- C. No one will be entitled to receive duplicate payments for the same elements of loss under this coverage and Part A, Part B or Part C of this Policy.
- D. We will not make a duplicate payment under this coverage for any element of loss for which payment has been made by or on behalf of persons or organizations who may be legally responsible.
- E. We will not pay for any element of loss if a person is entitled to receive payment for the same element of loss under any of the following or similar law:
  1. Workers' compensation law; or

2. Disability benefits law.

**OTHER INSURANCE**

If there is other applicable insurance available under one or more policies or provisions of coverage that is similar to the insurance provided by this endorsement:

1. Any recovery for damages under all such policies or provisions of coverage may equal but not exceed the highest applicable limit for any one vehicle under any insurance providing coverage on either a primary or excess basis.
2. Any insurance we provide with respect to a vehicle you do not own, including any vehicle while used as a temporary substitute for "your covered auto", shall be excess over any collectible insurance providing such coverage on a primary basis.
3. If the coverage under this Policy is provided:
  - a. On a primary basis, we will pay only our share of the loss that must be paid under insurance providing coverage on a primary basis. Our share is the proportion that our limit of liability bears to the total of all applicable limits of liability for coverage provided on a primary basis.
  - b. On an excess basis, we will pay only our share of the loss that must be paid under insurance providing coverage on an excess basis. Our share is the proportion that our limit of liability bears to the total of all applicable limits of liability for coverage provided on an excess basis.

**ARBITRATION**

**A.** If we and an "insured" do not agree:

1. Whether that "insured" is legally entitled to recover damages; or
2. As to the amount of damages which are recoverable by that "insured";

from the owner or operator of an "underinsured motor vehicle", then the matter may be arbitrated. However, disputes concerning coverage under this endorsement may not be arbitrated.

Both parties must agree to arbitration. If so agreed, each party will select an arbitrator. The two arbitrators will select a third. If they cannot agree within 30 days, either may request that selection be made by a judge of a court having jurisdiction.

**B.** Each party will:

1. Pay the expenses it incurs; and
2. Bear the expenses of the third arbitrator equally.

**C.** Unless both parties agree otherwise, arbitration will take place in the county in which the "insured" lives. Local rules of law as to procedure and evidence will apply. A decision agreed to by at least two of the arbitrators will be binding as to:

1. Whether the "insured" is legally entitled to recover damages; and
2. The amount of damages. This applies only if the amount does not exceed the minimum limit for bodily injury liability specified by the financial responsibility law of the state in which "your covered auto" is principally garaged. If the amount exceeds that limit, either party may demand the right to a trial. This demand must be made within 60 days of the arbitrators' decision. If this demand is not made, the amount of damages agreed to by the arbitrators will be binding.

**ADDITIONAL DUTIES**

A person seeking coverage under this endorsement must also promptly:

1. Send us copies of the legal papers if a suit is brought; and
2. Notify us in writing of a tentative settlement between the "insured" and the insurer of the "underinsured motor vehicle" and allow us 30 days to advance payment to that "insured" in an amount equal to the tentative settlement to preserve our rights against the insurer, owner or operator of such "underinsured motor vehicle".

**GENERAL PROVISIONS**

The following is added to the **Our Right To Recover Payment** Provision in Part F:

Our rights do not apply under Paragraph **A.** with respect to Underinsured Motorists Coverage if we:

1. Have been given prompt written notice of a tentative settlement between an "insured" and the insurer of an "underinsured motor vehicle"; and
2. Fail to advance payment to the "insured" in an amount equal to the tentative settlement within 30 days after receipt of notification.

If we advance payment to the "insured" in an amount equal to the tentative settlement within 30 days after receipt of notification:

1. That payment will be separate from any amount the "insured" is entitled to recover under the provisions of Underinsured Motorists Coverage; and
2. We also have a right to recover the advanced payment.



## PP 03 22 09 18 – Named Non-Owner Coverage

POLICY NUMBER:

PERSONAL AUTO  
PP 03 22 09 18

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**NAMED NON-OWNER COVERAGE****SCHEDULE**

Unless otherwise indicated below, or in the Declarations, Named Non-Owner Coverage applies only to the individual named in the Schedule or in the Declarations.

Name Of Individual:

If indicated below, or in the Declarations, Named Non-Owner Coverage applies to:

☐ Named Individual and "Family Members" (including Named Individual's Spouse)

Coverage For Vehicles Furnished Or Available For Regular Use

☐ If indicated to the left, or in the Declarations, the exclusions for vehicles furnished or available for regular use under **Part A – Liability Coverage** and **Part B – Medical Payments Coverage**, and the exception of vehicles furnished or available for regular use in the definition of "non-owned auto" under **Part D – Coverage For Damage To Your Auto**, do not apply.

Coverage is provided where a premium and a limit of liability are shown for the coverage.

Coverages	Limit Of Liability		Premium
<b>Liability</b>			
<b>Bodily Injury</b>	\$	Each Person	\$
	\$	Each Accident	
<b>Property Damage</b>	\$	Each Accident	\$
<b>Medical Payments</b>	\$	Each Person	\$
<b>Uninsured Motorists</b>			
<b>Bodily Injury</b>	\$	Each Person	\$
	\$	Each Accident	
<b>Property Damage</b>	\$	Each Accident	\$
<b>Underinsured Motorists</b>			
<b>Bodily Injury</b>	\$	Each Person	\$
	\$	Each Accident	\$
<b>Property Damage</b>	\$	Each Accident	\$
<b>Collision</b>	\$	Less \$ Deductible	\$
<b>Other Than Collision</b>	\$	Less \$ Deductible	\$
	<b>Total Premium</b>		\$

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

**NOTICE**

For the Collision and Other Than Collision Coverages, the amount shown in the Schedule or in the Declarations is not necessarily the amount you will receive at the time of loss or damage. PLEASE refer to the Limit Of Liability Provision below.

With respect to the individuals and coverages listed in the Schedule or in the Declarations, the provisions of the Policy apply unless modified by the endorsement.

### I. Definitions

- A.** The definitions of "you" and "your" are replaced by the following:

Throughout this Policy, "you" and "your" refer to the individual named in the Schedule or Declarations.

- B.** The definition of "family member" is replaced by the following:

"Family member" means a person related to you by blood, marriage or adoption, including a ward or foster child, if:

1. The person is a resident of your household; and
2. The Schedule or Declarations indicates that coverage is provided for the named individual and "family members".

- C.** The definition of "your covered auto" is replaced by the following:

"Your covered auto" means a "newly acquired auto".

- D.** The definition of "newly acquired auto" is replaced by the following:

"Newly acquired auto" means any of the following types of vehicles on the date you become the owner:

- a. A private passenger auto; or
- b. A pickup or van that:
  - (1) Has a Gross Vehicle Weight Rating of 10,000 lbs. or less; and
  - (2) Is not used for the delivery or transportation of goods and materials unless such use is:
    - (a) Incidental to your "business" of maintaining or repairing furnishings or equipment; or
    - (b) For farming or ranching.

This provision applies only:

- a. If you acquire the vehicle during the policy period; and
- b. For 14 days after you become the owner.

This insurance does not apply if other insurance applies with respect to newly acquired vehicles.

### II. Part A – Liability Coverage

- A.** If the Schedule or Declarations indicates that Named Non-owner Coverage applies only to the named individual, the definition of "insured" is amended by deleting reference to "family member".

- B.** The **Exclusions** section is amended as follows:

1. Exclusion **B.2.** is replaced by the following:

We do not provide Liability Coverage for the ownership, maintenance or use of any vehicle, other than "your covered auto", which is owned by you.

2. The following exclusion is added:

We do not provide Liability Coverage for the ownership, maintenance or use of any vehicle, other than "your covered auto", which is furnished or available for your regular use.

However, this exclusion (2.) does not apply if the Schedule or Declarations indicates that the Vehicles Furnished Or Available For Regular Use Exclusion does not apply.

- C.** Paragraph **A.** of the **Limit Of Liability** Provision is replaced by the following:

- A.** The Limit Of Liability shown in the Schedule or in the Declarations for each person for Bodily Injury Liability is our maximum limit of liability for all damages, including damages for care, loss of services or death, arising out of "bodily injury" sustained by any one person in any one auto accident. Subject to this limit for each person, the Limit Of Liability shown in the Schedule or in the Declarations for each accident for Bodily Injury Liability is our maximum limit of liability for all damages for "bodily injury" resulting from any one auto accident.

The Limit Of Liability shown in the Schedule or in the Declarations for each accident for Property Damage Liability is our maximum limit of liability for all "property damage" resulting from any one auto accident.

This is the most we will pay regardless of the number of:

1. "Insureds";
2. Claims made;

3. Vehicles or premiums shown in the Schedule or in the Declarations; or
4. Vehicles involved in the auto accident.

D. The **Out Of State Coverage** Provision is replaced by the following:

**Out Of State Coverage**

If an auto accident to which this Policy applies occurs in any state or province other than where you reside, we will interpret your policy for that accident as follows:

If the state or province has:

1. A financial responsibility or similar law specifying limits of liability for "bodily injury" or "property damage" higher than the limit shown in the Schedule or in the Declarations, your policy will provide the higher specified limit.
2. A compulsory insurance or similar law requiring a nonresident to maintain insurance whenever the nonresident uses a vehicle in that state or province, your policy will provide at least the required minimum amounts and types of coverage.

No one will be entitled to duplicate payments for the same elements of loss.

**III. Part B – Medical Payments Coverage**

A. If the Schedule or Declarations indicates that Named Non-owner Coverage applies only to the named individual, the definition of "insured" is amended by deleting reference to "family member".

B. The **Exclusions** section is amended as follows:

1. Exclusion 5. is replaced by the following:

We do not provide Medical Payments Coverage for any "insured" for "bodily injury" sustained while "occupying", or when struck by, any vehicle (other than "your covered auto") which is owned by you.

2. The following exclusion is added:

We do not provide Medical Payments Coverage for any "insured" for "bodily injury" sustained while "occupying", or when struck by, any vehicle, other than "your covered auto", which is furnished or available for your regular use.

However, this exclusion (2.) does not apply if the Schedule or Declarations indicates that the Vehicles Furnished Or Available For Regular Use Exclusion does not apply.

C. Paragraph A. of the **Limit Of Liability** Provision is replaced by the following:

A. The Limit Of Liability shown in the Schedule or in the Declarations for this coverage is our maximum limit of liability for each person injured in any one accident. This is the most we will pay regardless of the number of:

1. "Insureds";
2. Claims made;
3. Vehicles or premiums shown in the Schedule or in the Declarations; or
4. Vehicles involved in the accident.

**IV. Part C – Uninsured Motorists Coverage**

A. If the Schedule or Declarations indicates that Named Non-owner Coverage applies only to the named individual, the definition of "insured" is amended by deleting reference to "family member".

B. The definition of "uninsured motor vehicle" is amended as follows:

1. Any reference to the state in which "your covered auto" is principally garaged is amended to read the state in which you reside.
2. If the Schedule or Declarations indicates that Named Non-owner Coverage applies to the Named Individual, the hit-and-run vehicle section is amended by deleting reference to "family member".

**C. Limit Of Liability**

**1. Paragraph A. of the Limit Of Liability Provision is replaced by the following:**

**A.** The Limit Of Liability shown in the Schedule or in the Declarations for each person for Uninsured Motorists Coverage is our maximum limit of liability for all damages, including damages for care, loss of services or death, arising out of "bodily injury" sustained by any one person in any one accident. Subject to this limit for each person, the Limit Of Liability shown in the Schedule or in the Declarations for each accident for Uninsured Motorists Coverage is our maximum limit of liability for all damages for "bodily injury" resulting from any one accident.

This is the most we will pay regardless of the number of:

1. "Insureds";
2. Claims made;
3. Vehicles or premiums shown in the Schedule or in the Declarations; or
4. Vehicles involved in the accident.

**2. If the Schedule or Declarations also indicates an each accident limit of liability for Property Damage Uninsured Motorists Coverage, the following is added to Paragraph A.:**

The Limit Of Liability shown in the Schedule or in the Declarations for each accident for Property Damage Uninsured Motorists Coverage is our maximum limit of liability for all damages to all property resulting from any one accident.

This is the most we will pay regardless of the number of:

1. "Insureds";
2. Claims made;
3. Vehicles or premiums shown in the Schedule or in the Declarations; or
4. Vehicles involved in the accident.

**V. Part D – Coverage For Damage To Your Auto**

**A.** If the Schedule or Declarations indicates that Named Non-owner Coverage applies only to the named individual, the definition of "non-owned auto" is amended by deleting reference to "family member".

**B. The Insuring Agreement is replaced by the following:**

**Insuring Agreement**

**A.** We will pay for direct and accidental loss to any "non-owned auto", including its equipment, minus any applicable deductible shown in the Schedule or in the Declarations. We will pay for loss to a "non-owned auto" caused by:

1. Other than "collision" only if the Schedule or Declarations indicates that Other Than Collision Coverage is provided.
2. "Collision" only if the Schedule or Declarations indicates that Collision Coverage is provided.

**B.** "Collision" means the upset of a "non-owned auto" or its impact with another vehicle or object.

Loss caused by the following is considered other than "collision":

1. Missiles or falling objects;
2. Fire;
3. Theft or larceny;
4. Explosion or earthquake;
5. Windstorm;
6. Hail, water or flood;
7. Malicious mischief or vandalism;
8. Riot or civil commotion;
9. Contact with bird or animal; or
10. Breakage of glass.

If breakage of glass is caused by a "collision", you may elect to have it considered a loss caused by "collision".

**C.** "Non-owned auto" means any private passenger auto, pickup, van or "trailer" not owned by or furnished or available for the regular use of you or any "family member" while in the custody of or being operated by you or any "family member".

However, if the Schedule or Declarations indicates that Coverage For Vehicles Furnished Or Available For Regular Use applies, then "non-owned auto" means any private passenger auto, pickup, van or "trailer" not owned by you or any "family member" while in the custody of or being operated by you or any "family member".

- C. The **Transportation Expenses** Provision is replaced by the following:

**Transportation Expenses**

1. In addition, we will pay, without application of a deductible, up to a maximum of \$900 for expenses for which you become legally responsible in the event of loss to a "non-owned auto". However, the most we will pay for any expenses for loss of use is \$30 per day.
2. Subject to the provisions of Paragraph 1., if the loss is caused by:
  - a. A total theft of a "non-owned auto", we will pay only expenses incurred during the period:
    - (1) Beginning 48 hours after the theft; and
    - (2) Ending when the "non-owned auto" is returned to use or we pay for its loss.
  - b. Other than theft of a "non-owned auto", we will pay only expenses beginning when the auto is withdrawn from use for more than 24 hours.

Our payment will be limited to that period of time reasonably required to repair or replace the "non-owned auto".

- D. The **Exclusions** section is amended as follows:

Exclusion 7. does not apply.

- E. Paragraph A. of the **Limit Of Liability** Provision is replaced by the following:

- A. Our limit of liability for loss will be the least of the:
  1. Amount shown in the Schedule or in the Declarations;
  2. Actual cash value of the stolen or damaged property; or
  3. Amount necessary to repair or replace the property with other property of like kind and quality.

However, the most we will pay for loss to:

1. Any "non-owned auto" which is a trailer is \$1,500.
2. Electronic equipment that reproduces, receives or transmits audio, visual or data signals, which is permanently installed in the auto in locations not used by the auto manufacturer for installation of such equipment, is \$1,000.

- F. The **Other Sources Of Recovery** Provision is replaced by the following:

Any insurance we provide with respect to a "non-owned auto" shall be excess over any other collectible source of recovery including, but not limited to.

1. Any coverage provided by the owner of the "non-owned auto".
2. Any other applicable physical damage insurance.
3. Any other source of recovery applicable to the loss.

**VI. Underinsured Motorists Coverage**

If the Schedule or Declarations indicates that Underinsured Motorists Coverage applies, the provisions of the Underinsured Motorists Coverage endorsement made a part of this Policy apply except as follows:

- A. If the Schedule or Declarations indicates that Named Non-owner Coverage applies only to the named individual, the definition of "insured" is amended by deleting reference to "family member".

- B. The definition of "underinsured motor vehicle" is amended as follows:

Any reference to the state in which "your covered auto" is principally garaged is amended to read the state in which you reside.

- C. If the Schedule or Declarations also indicates an each accident limit of liability for Property Damage Underinsured Motorists Coverage, the following is added to Paragraph A.:

The Limit Of Liability shown in the Schedule or in the Declarations for each accident for Property Damage Underinsured Motorists Coverage is our maximum limit of liability for all damages to all property resulting from any one accident.

This is the most we will pay regardless of the number of:

1. "Insureds";
2. Claims made;
3. Vehicles or premiums shown in the Schedule or in the Declarations; or
4. Vehicles involved in the accident.

## Section 2: Personal Automobile Coverages

## Section 3: Personal Umbrella/Excess Liability

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### Section Goal:

In this section, participants will acquire valuable knowledge and skills that will empower them to articulate the significance of a Personal Umbrella/Excess Liability Policy and the extent of coverage it offers to their clients.

### Learning Objectives:

- 3.1 *Explain Personal Umbrella/Excess Liability coverage, inclusive of:*
  - *why coverage is needed and should be recommended,*
  - *the differences between various coverage forms, and*
  - *identifying key areas to compare when selecting a policy that best fits a client's needs.*
- 3.2 *Describe the importance of maintaining the required underlying insurance and the types of losses for which clients are responsible for paying the self-insured retention.*
- 3.3 *Utilize the Insuring Agreement, defined terms, and unique policy exclusions to effectively explain the coverage provided by an ISO Personal Umbrella Liability Policy.*



**Disclaimer:** Actual Policy language and its legal interpretation supersedes any verbal or written interpretation/advisement in this course.



# Introduction

## Learning Objective:

3.1 Explain Personal Umbrella/Excess Liability coverage, inclusive of:

- why coverage is needed and should be recommended,
- the differences between various coverage forms, and
- identifying key areas to compare when selecting a policy that best fits a client's needs.

The importance of Homeowners and Personal Auto Policies is widely acknowledged, and they are typically considered essential, thanks in part to mortgage lenders and state regulations that enforce their necessity. When people contemplate their Home, Auto, and recreational policies, their focus is often on the coverage for damage to their prized possessions. What is often overlooked is the vital protection these policies provide when it comes to liability.

Liability coverage is when an insurance company promises to pay on behalf of an “insured” in situations when they or another “insured” bears legal responsibility for compensating a third party for “bodily injury” or “property damage.” In addition, the coverage provides them (and other “insureds”) with a “defense” when a claim is made against them; this means the insurance company will pay the lawyers during any legal proceeding that is covered.

Understand that the scope of potential legal claims can easily surpass the limits offered by primary policies. Personal Umbrella or Excess Liability Policies work in conjunction with primary (or underlying) personal lines policies to strengthen and/or supplement liability limits, further protecting against large losses.



## Embracing Personal Umbrella Coverage: The Key Reasons It's a Must for Everyone



This section references the following ISO Policy Forms: Homeowners HO 00 03 03 22, Automobile PP 00 01 09 18, and Umbrella DL 98 01 02 15.

Wealthy individuals are not the only people at risk for potentially large liability lawsuits. The Centers for Disease Control and Prevention (CDC) estimates that around 38,000 people are killed in auto accidents each year, costing over \$55 billion annually in medical expenses, work loss, and pain and suffering.<sup>23</sup> This equates to almost \$1.5 million per death. When you look at it this way, each client is one catastrophic accident away from financial devastation.



We live in a litigious society. Not only are clients potentially sued by third parties who allege injury or damages, but those third parties are also seeking large settlements. Certain states have garnered a reputation for regularly favoring plaintiffs in their verdicts, leading to substantial jury awards. Even if the client is found innocent of the allegations, the cost to defend the lawsuit can be costly. The article, "Caseload Highlights: Estimating the Cost of Civil Litigation" by Paula Hannaford-Agor and Nicole L. Waters, cites the median cost of civil litigation for automobile accidents as \$43,000, with premises liability close to \$54,000.<sup>24</sup> Litigation costs (or the cost of defense) include lawyer fees, court costs, expert witness fees, and more.

Consider the following exposures that put clients at an increased risk:

- Leisure activities including recreational vehicles, watercraft, travel, etc.
- High involvement in community or charitable activities
- High-profile persons and/or high net worth
- Contractual responsibility for bodily injury or property damage
- Social media increasing personal injury accusations
- Privacy (use of drones or cell phone videos)
- Frequent social hosting
- Shared economy liability exposures (homes, autos, pools, storage space)
- Animal liability
- Children

<sup>23</sup> "State-Specific Costs of Motor Vehicle Crash Deaths," Centers for Disease Control and Prevention, Last updated November 5, 2020. Accessed from <https://www.cdc.gov/transportationsafety/statecosts/index.html>

<sup>24</sup> National Center for State Courts. "Caseload Highlights: Estimating the Cost of Civil Litigation." Volume 20, Number 1, January 2013. Accessed from [https://www.srln.org/system/files/attachments/CSPH\\_online2.pdf](https://www.srln.org/system/files/attachments/CSPH_online2.pdf)

## Why Recommend Personal Umbrella/Excess Liability Coverage?

The acronym ALL CARE can be used to help remember the primary reasons why Personal Umbrella/Excess Liability coverage should be recommended to every client.

Use ALL to remember reasons clients need an Umbrella/Excess Liability Policy.



**A**

- **Asset Protection**

Assets can be seized to cover judgments awarded. When clients face a lawsuit that exceeds the limits of their primary policies, their personal assets—including savings, home, investments, and future income—may be at risk to cover the expenses. Clients need to protect their current and future income and assets.

**L**

- **Litigious Society**

The United States legal system serves a crucial role in upholding rights and resolving disputes, but “sue first, ask questions later” has become a common mindset. The perception that the United States is a litigious society results from our complex legal system, a high number of lawsuits each year, high legal costs, and often a fear of litigation itself. By “fear of litigation,” what is meant is that individuals may resort to legal action or involve lawyers more quickly out of fear of the potential consequences and liability.

Bodily injury claims may be the largest exposure individuals have. Although, when it comes to determining fault, specific rules and application negligence may be considered. For example, comparative negligence is a legal concept that allows courts to determine percentage of fault for damages or injuries in cases where multiple parties may share fault. In contrast, some states may use contributory negligence; the difference is that with contributory negligence, if the plaintiff is found to be at fault to any degree, they may not be able to recover any damages.



**Excess Coverage:** A child drowned in Tommy’s swimming pool. The child’s parents are seeking \$1,000,000 in damages. Tommy’s Homeowners Policy provides Liability Coverage with a \$300,000 limit. Higher limits over the Homeowners Policy’s personal liability limits are needed.

## **L** • Large Catastrophic Claims

When a court or jury finds in favor of the plaintiff (the person who filed the lawsuit), they may receive a significant amount of financial compensation or “damages” because of the lawsuit. In some liability cases, the damages awarded can be substantial. In bodily injury cases, for example, substantial damages may be needed to cover medical expenses, lost wages, pain and suffering, and other related costs.

Use CARE to remember reasons why recommending an umbrella/excess policy benefits an insurance professional.

**C**lients Need the Protection  
**A**ccount Retention  
**R**evenue from Commission  
**E**rrors and Omissions Exposure

## **C** • Clients Need the Protection (#1 Reason)

For all the reasons previously mentioned, clients have a demonstrable need for excess liability coverage and this is the #1 reason why coverage should be recommended. Unfortunately, personal lines clients often lack awareness of what a Personal Umbrella Policy is and how it works (including broader coverage). In addition, many do not believe they have a high enough risk to need additional coverage. This is often caused by a belief that they are unlikely to be sued, or they may feel they do not have enough assets to “take.” Consequently, they do not consider the protection of future assets, or they believe “high limits” on their primary policies should be enough. It is the insurance professional’s duty to educate their clients.

## **A** • Account Retention

The more policies an agency or insurance company has for a client, the more likely it is to retain the client. Personal Umbrella Policies are relatively low-cost and easily renewed. By consistently providing valuable coverage and attentive service, insurance professionals can foster long-term client loyalty. Additionally, the more lines of business a client has with an insurance company, the less likely it is for the client to be non-renewed without careful consideration since insurance companies are less tolerant of mono-line policies.

## **R** • Revenue from Commission

The sale of a Personal Umbrella Policy can be part of a broader strategy for cross-selling and up-selling other insurance products. Insurance companies may offer higher commissions based on product packaging or bundling. Furthermore, the overall service provided by insurance professionals to clients who have more

policies contributes to satisfied clients who are more likely to refer friends, family, and colleagues.

### E • Errors and Omissions Exposure

A Personal Umbrella Policy provides an extra layer of protection beyond primary insurance policies. In the event of a liability claim that exceeds the limits of primary policies, the Umbrella Policy can be a critical safety net. By conducting thorough risk assessments, addressing coverage gaps, and ensuring the client has (or is offered) appropriate coverage, the agent reduces the risk of errors and omissions in the client's insurance portfolio.

## Comparing Different Policy Types

Personal Umbrella/Excess Liability Policies are not standardized. This means that coverage and terms differ from one company to another. An insurance professional should understand that they must go beyond the Declarations when comparing coverage. Consider the following differences between various Personal Umbrella Policy types:



- **Coverage Limits**



The limit of coverage selected is generally easily changed and is not a primary focus of coverage comparison, although it is important during a risk assessment.

- **Underlying Insurance Requirements**

The minimum limits required for the underlying primary policies may vary by insurance company.



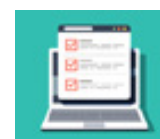
- **Policy Definitions**



Definitions are an important part of the policy to check, not only between various Personal Umbrella/Excess Liability types, but also in conjunction with the underlying policies. Differences in definitions could prove to provide more coverage or limit coverage a client once had.

- **Follow Form language**

Take time to read endorsements, policy definitions, and coverage agreements to identify language that states coverage will follow the underlying policy coverage (i.e., *Follow Form*).



- **Aggregating Coverage**



Some policies apply the limit of liability by claim while others may apply the limit of liability by policy term.

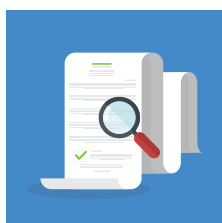
## Section 3: Personal Umbrella/Excess Liability

- **Coverage of Defense Costs**

Most Umbrella/Excess Liability Policies provide defense coverage *in addition* to the limit of liability, but on occasion, an insurance professional may find a policy that provides defense coverage *within* the limits. Defense coverage within the limit of liability is not ideal.



- **Covered Exposures or Perils and Exclusions**



The coverage Agreement and exclusions are where the rubber meets the road when truly seeking to understand the differences among various policies.

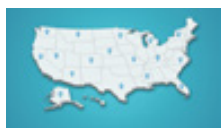
While most Personal Umbrella/Excess Liability Policies provide personal injury coverage, what is included and covered may vary by product/insurer. It is important to understand how coverage is provided (or not provided) for owned and non-owned watercraft and recreational vehicles. Make sure to determine whether coverage extends to the personal use of drones and whether any exceptions apply to the “aircraft liability” exclusion, specifically for unmanned hobby craft not intended for carrying people or cargo. Additionally, grasp the nuances surrounding exceptions to the “business” exclusion, since coverage exceptions may not apply to part-time business activities undertaken by a minor.

- **Additional Coverage/Optional Coverage**

Various policies may offer additional or broader coverage beyond what is offered in the underlying policies. In addition, excess UM/UIM coverage is beneficial for clients, but not all insurance companies offer this optional coverage.



- **Coverage Territory**



Most Personal Umbrella/Excess Liability Policies provide coverage worldwide, which can be beneficial for travelers. However, the extent of coverage outside the United States may vary.

### Umbrella Characteristics

Personal Umbrella/Excess Liability Policies provide an additional layer of Liability Coverage beyond the limits of existing insurance policies, such as auto, home, or watercraft insurance. They are catastrophe policies, designed to be excess for most loss situations. With this in mind, premium is relatively low compared to the amount of coverage purchased since Personal Umbrella/Excess Liability Policies typically have low claims frequency. Given that these policies are intended to provide excess coverage for large liability losses, the minimum limit for which these policies can be written is \$1,000,000. Higher limits in \$1,000,000 increments are typically available up to \$10,000,000 or more.



While designed to provide excess coverage in most loss situations, Personal Umbrella/Excess Liability Policies may also provide broader coverage than the Liability Coverage provided by the underlying Homeowners or Personal Auto Policy.

### Section 3: Personal Umbrella/Excess Liability



**Excess Coverage:** A child drowned in Tommy's swimming pool. The child's parents are seeking \$1,000,000 in damages. Tommy's Homeowners Policy provides liability coverage with a \$300,000 limit. Higher limits over the Homeowners Policy personal liability limits are needed.

**Broader Coverage:** David was sued for saying that someone had embezzled money, which turned out to not be true. David's Homeowners Policy did not cover Personal Injury liability, but his Personal Umbrella Policy did.

Personal Umbrella/Excess Liability Policies require underlying insurance. This ensures that the Umbrella/Excess Policy does not provide first-dollar coverage for exposures commonly covered by primary policies, which, in turn, helps keep the premium lower for excess coverage. Typically, underlying insurance is usually in the form of Homeowners and Personal Auto Policies. However, in cases where clients own watercraft or recreational vehicles that aren't provided Liability Coverage by their Homeowners Policy, the insurance company may mandate a separate Watercraft or Recreational Vehicle Policy to meet at least the minimum underlying requirements.

To be eligible for a Personal Umbrella/Excess Liability Policy, the client may need to raise their limit(s) to meet the minimum required if their existing underlying coverage falls short of these requirements. To this point, when recommending umbrella or excess coverage, an insurance professional should consider the additional premium that results from making any required changes to the underlying policies when presenting the cost of the umbrella or excess coverage.



### Types of Personal Umbrella/Excess Policies

The insurance industry, comprised of insurance professionals and insurance companies alike, uses the terms Personal Umbrella Liability and Excess Liability interchangeably. Unfortunately, this leads to misunderstandings and coverage confusion.

Many insurance companies have removed the word *umbrella* from their policy's name, using *Personal Excess Liability* instead. For this reason, the way a company titles its umbrella/excess liability form or refers to their policy should not be used as a means of identifying what type of coverage the policy offers ("true" umbrella, follow form, or a combination).



## Personal Umbrella Liability Policy

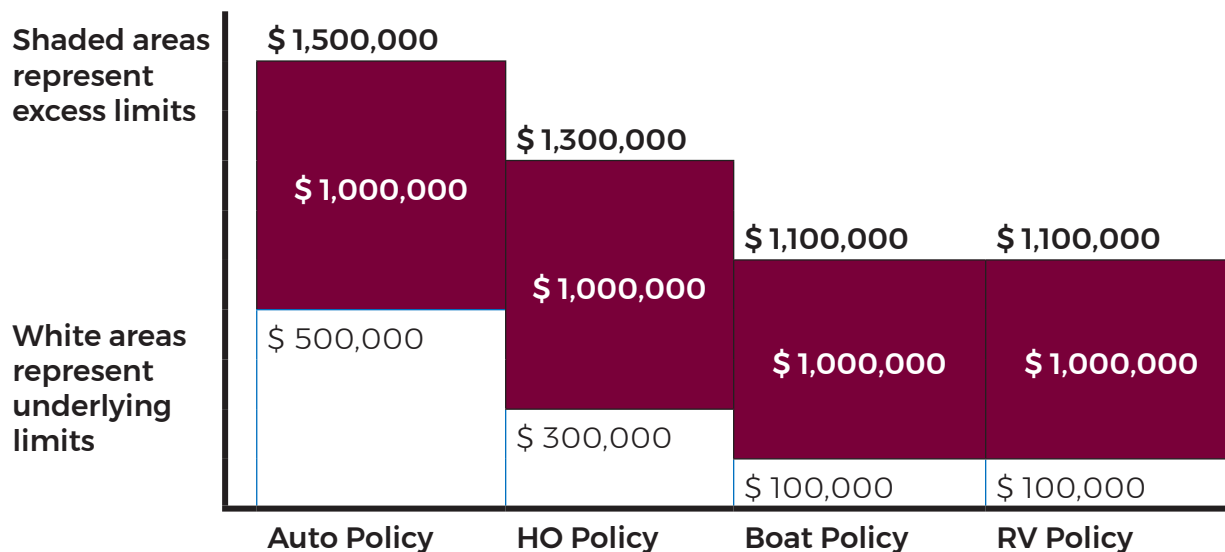
A Personal Umbrella Liability Policy (PULP) may also be referred to as a “true” Umbrella. Use of the terminology “true umbrella” conveys an understanding that the Umbrella Policy language may operate independently of the underlying coverage—meaning terminology may not directly match that of underlying coverage. Usually, these policies are indicated by having their own Insuring Agreement. A Personal Umbrella Liability Policy (PULP) serves two purposes:



## To provide excess coverage

The majority of PULP losses are for excess liability coverage, meaning an additional limit of coverage is provided for those losses that are covered by the client's Homeowners, Landlord, Personal Auto, Watercraft, or Recreational Vehicle Policy.

The following graph illustrates excess coverage:



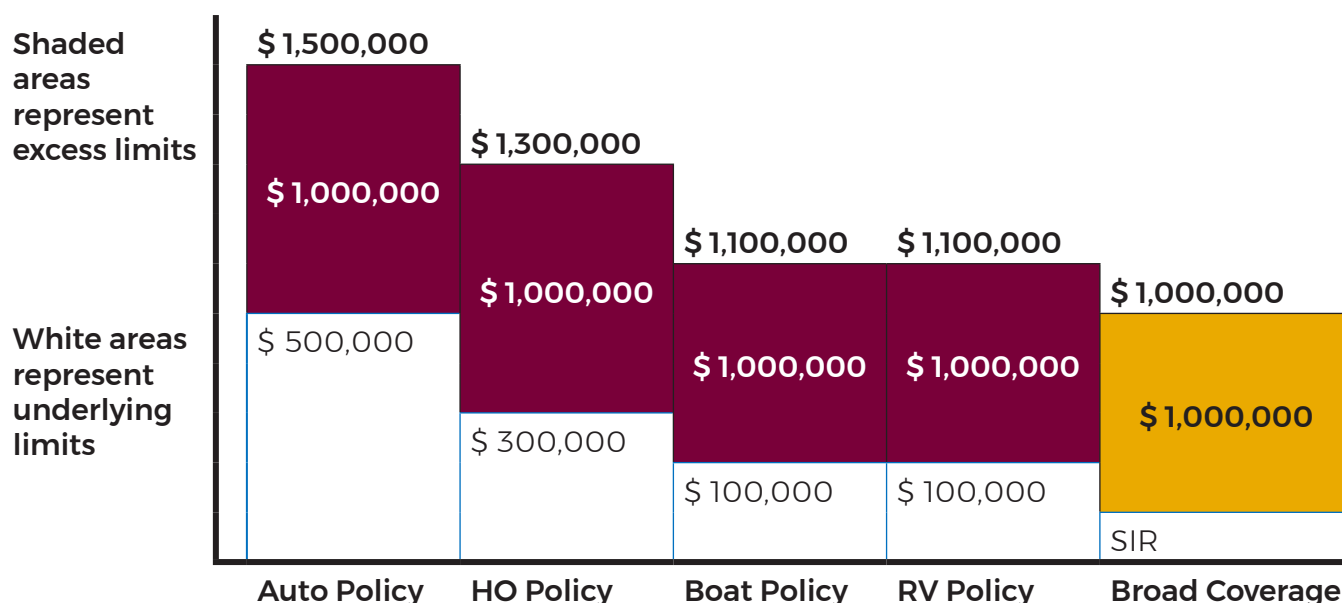
The Recreational Vehicle Policy is responsible for the first \$100,000 of a covered liability loss. If the loss is not excluded by the PULP, it will pay up to an additional \$1,000,000, for a total of \$1,100,000 available for a covered recreational vehicle loss.

## To provide broader coverage

PULP policies may also provide broader coverage for losses that are not covered by the client's Homeowners, Landlord, Personal Auto, Watercraft, or Recreational Vehicle Policy AND which are not excluded by the PULP.

### Section 3: Personal Umbrella/Excess Liability

The following graph illustrates broader coverage by the addition of the last column.



The client has a loss that was not required to be covered by an Auto, Homeowners, Watercraft, or Recreational Vehicle Policy. As long as the loss is not excluded by the PULP, the loss is covered up to the \$1,000,000 limit used in this illustration.

Most Personal Umbrella Liability Policies have a self-insured retention (aka SIR) that applies when broader coverage is provided. The SIR is similar to a deductible and is the amount of the loss the client must pay. In the previous graph illustration, the SIR is represented by a small white section at the bottom of the Broad Coverage column. SIRs will be discussed later in this section.

#### Excess Liability Policy

An Excess Liability Policy, also known as Follow Form, applies coverage to the extent described in the underlying policy; these policies may not have their own insuring agreement. An Excess Liability Policy serves one purpose: to provide excess liability coverage for those losses that are covered by the client's underlying Homeowners, Landlord, Personal Auto, Watercraft, or Recreational Vehicle Policies. Simply put, as long as the loss is covered by the underlying policy and is not excluded by the Excess Liability Policy, the Excess Liability Policy will pay in addition to the underlying policy limits. Conversely, if the loss is not covered by an underlying policy, it is not covered by the Excess Liability Policy.

#### Insurance Company Specific

Understanding that Personal Umbrella/Excess Liability Policies are not standardized means that not all policies are alike when it comes to the coverage they provide. Insurance companies may offer policies that are neither strictly a Personal Umbrella Liability Policy ("true" Umbrella) nor an Excess Liability (Follow Form) but may be some combination of the two.

### Section 3: Personal Umbrella/Excess Liability

Because of differences between policy types and insurance companies, there is no absolute as to the coverage provided or not provided. The definitions, language, and policy conditions of each policy must be analyzed to determine the coverage it provides.

Depending on the insurance company, coverage may be presented as any one of the following:

- It may provide excess liability for those losses that are covered by the client's Homeowners Policy, Personal Auto Policy, Watercraft Policy, or Recreational Vehicle Policy.
- It may also have broader coverage by providing primary coverage for losses that are not covered by the client's Homeowners Policy, Personal Auto Policy, Watercraft Policy, or Recreational Vehicle Policy and are not excluded by the Excess Liability Policy.
- It may provide broader coverage for some exposures and be narrower than the underlying policies for others.



Better/broader coverage may be provided by a PULP for property in the care, custody, or control of an insured but may also provide narrow coverage by excluding pollution.

- It may be narrower in the excess coverage provided than the coverage provided by underlying policies.



The Umbrella/Excess Liability Policy may not provide coverage for the business pursuits of a minor or for a permissive user of a covered auto.

- It may be an Umbrella Policy with a Follow Form endorsement or endorsements. Follow Form endorsements limit the coverage provided by an Umbrella Policy by stating that coverage will follow the coverage provided by the underlying policy. This means a loss not covered by the underlying policy would not be covered by the Umbrella Policy. Typical Follow Form endorsements apply such language to Auto and Watercraft Policies. (A Follow Form endorsement can be found among the forms at the end of this Section.)

### Section 3: Personal Umbrella/Excess Liability

Ultimately, it is important for insurance professionals to know what type of policy their client may currently have versus what type of policy they are offering to their client. If their client does not have an Umbrella/Excess Liability Policy, the insurance professional must know what type of policy would best serve their client and offer coverage appropriately.

One thing insurance professionals should know for sure: do not be misled by the form name!



## ▶▶ Knowledge Check



**Directions:** Read and respond to the following questions. Be sure to explain your answers.

1. Describe at least two ways offering Personal Umbrella/Excess Liability coverage to personal lines clients benefits the insurance professional.

A. \_\_\_\_\_  
\_\_\_\_\_

B. \_\_\_\_\_  
\_\_\_\_\_

C. \_\_\_\_\_  
\_\_\_\_\_

2. Why is it essential not to rely solely on an Umbrella/Excess Liability Policy's name to determine the type of coverage it offers?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

# Personal Umbrella/Excess Liability Concepts

## Learning Objective:

- 3.2 Describe the importance of maintaining the required underlying insurance and the types of losses for which clients are responsible for paying the self-insured retention.

Although Personal Umbrella/Excess Liability Policies may be described as not being standardized, there are some similar concepts that apply. One such similarity is the information identified on the Declarations.

The information on the Declarations should be reviewed to make sure the policy and coverage are issued correctly.



- **Named Insured**

The “Named Insured” has the best coverage as a “you.” Just as with the Personal Auto Policy and the Homeowners Policy, it is important to name both spouses, domestic partners, or civil union partners as Named Insureds.

- **Policy Period**

The policy period refers to the effective and expiration dates during which time coverage is provided.

- **Limits of Liability**

Limit(s) of Liability usually apply per occurrence; however, the policy may also have an **aggregate limit**, which limits the maximum amount the policy will pay during the policy period, subject to a per occurrence limit.

- **Forms**

The policy form number as well as the form numbers (and sometimes names) of any endorsements made a part of the policy are displayed.

- **Self-Insured Retention**

The SIR is the amount of a loss paid by the insured when the Umbrella is providing broader coverage; it may also be referred to as a deductible or retention.

- **Underlying Policies**

The Declarations may list the required minimum underlying limits, or may list the insured’s actual underlying policies that include the name of the insurance company, policy number, policy period, and limit of liability for each underlying policy.

It is common for the Declarations to provide a statement that requires that the insured agree to maintain the minimum limits of coverage as shown in the Declarations. These are known and underlying insurance requirements.



**Sample Policy Language:** “The insured agrees that insurance policies providing the coverages will remain in force throughout this policy period and agrees to insure all motor vehicles owned, leased, or used by the insured.”

### Required Basic Policies

It is agreed by **you** and your Relatives that **you** will carry an **Automobile** liability policy and a personal liability policy covering both **you** and your **Relatives** for at least the minimum limits listed below. If **your Relatives** are not covered under **your** policies for at least the minimum limits listed below, they must be covered under another automobile liability policy and another personal liability policy for at least the minimum limits below. If **you or your Relatives** own **Recreational Vehicles** or **Watercraft**, **you or your Relatives**, as the case may be, agree to carry the appropriate policy (or endorsement) listed below covering both **you** and **your Relatives** for at least the minimum limits listed below.

## Underlying Insurance Requirements

Underlying insurance requirements are another similarity among Personal Umbrella/Excess Liability Policies. Personal Umbrella/Excess Liability Policies are designed to provide additional Liability Coverage above and beyond the limits of underlying insurance policies. These underlying policies, such as Personal Auto or Homeowners insurance, are the first line of defense in case of a liability claim. The Umbrella Policy kicks in when the limits of the underlying policy are exhausted.



An example of underlying insurance requirements is shown. The required underlying insurance and minimum limits may differ among insurance companies.

<b>Automobile Liability</b>	\$250,000/500,000/100,000 or \$300,000 Combined Single Limit (CSL)
<b>Personal Liability</b>	\$300,000
<b>Recreational Vehicle</b>	\$100,000/300,000/50,000 or \$100,000 CSL
<b>Watercraft Liability</b>	\$300,000

Underlying insurance is typically a defined term in the policy. The ISO Personal Umbrella Liability Policy defines it as follows:

### Definitions

**P.** "Underlying insurance" means any policy providing the "insured" with primary liability insurance covering one or more of the types of liability listed in the Declarations and at limits no less than the retained policy limits shown for those types of liability listed in the Declarations.

### Primary Liability Policies

Many insurance companies will not write an Umbrella or Excess Liability Policy unless they also write the primary underlying insurance. Some insurance companies require—at minimum—control of the Personal Auto Policy, while the Homeowners Policy may be written elsewhere.

When discussing Personal Umbrella Liability coverage, the term “primary liability policies” refers to the underlying insurance policies that it supplements. For any given covered liability claim, the underlying insurance policy will respond first. Each primary liability policy will have its own coverage limits, which may not be sufficient to cover all potential liability claims.

- **Personal Liability**



Personal Liability underlying insurance requirements may encompass Homeowners (including Renters and Condos), Secondary Homeowners, Rental Property, and/or Farm Liability.

Personal Liability typically covers liability for bodily injury or property damage that occurs on an insured location (including the residence premises), as well as personal liability claims made against them (occurring on or off the residence premises). Liability Coverage

typically is available with a maximum limit of \$500,000. On occasion, an insurance company may offer liability limits up to \$1,000,000.

- **Personal Auto Insurance**

The Personal Auto Policy provides Liability Coverage for motor vehicle accidents the client may be involved in while driving a covered auto. In addition, Uninsured/Underinsured Motorists coverage may also be required or selected. Liability Coverage typically is available with a maximum limit of \$500,000 combined single limit (CSL) or \$250/\$500/\$100, which represents:

- \$250,000 bodily injury per person
- \$500,000 bodily injury per accident
- \$100,000 property damage per accident



- **Watercraft Insurance**



When a client owns a boat or other watercraft, a Watercraft Policy provides Liability Coverage for accidents or incidents involving their covered vessel. Liability limits offered by Watercraft policies are similar to those of Personal Auto Policies with per person and per accident (or occurrence) limits.



- **Recreational Vehicle**

When a client owns a recreational vehicle (such as an ATV, XTV, motorhome, camper, or dirt bike), a Recreational Vehicle Policy provides Liability Coverage for accidents or incidents involving their covered vehicle. Liability limits offered by Recreational Vehicle Policies are similar to those of Personal Auto Policies with per person and per accident (or occurrence) limits.



### Minimum Limits

Minimum limits for underlying insurance are another similarity between various Personal Umbrella/Excess Liability Policies.

Insurers base their Umbrella/Excess Liability rates partly on how much they expect underlying insurance policies to cover first. While the insurance company may require certain minimum underlying policy limits, clients can buy limits higher than required. Doing so is an inexpensive way to obtain additional coverage, it may reduce the premium on the Umbrella or Excess Policy and allows the client to purchase higher limits of Uninsured/Underinsured Motorists coverage when higher limits of liability are also purchased on the Personal Auto Policy.

Additionally, when a Personal Umbrella Liability Policy insurer is not the same as the insurer(s) for the primary policies, the PULP insurer may require higher limits of liability for underlying insurance than if all policies were with the PULP insurer.



Daisy Insurance Co. requires the following Personal Auto underlying liability limits when the underlying insurer is also Daisy Insurance Co.: Auto \$100,000/\$300,000/\$50,000. However, if the underlying Personal Auto insurer is not Daisy Insurance Co., limits of \$250,000/\$500,000/\$100,000 are required.

### “Retained Limit”

Ultimately the Personal Umbrella Liability Policy, via the insuring agreement, agrees to pay damages in excess of the “retained limit,” which encompasses the application of “underlying insurance” or the deductible (or SIR) if any applies.

#### I. Definitions

**O. “Retained limit” means:**

1. The total limits of any “underlying insurance” and any other insurance that applies to an “occurrence” or offense which:
  - a. Are available to an “insured”; or
  - b. Would have been available except for the bankruptcy or insolvency of an insurer providing “underlying insurance”; or
2. The deductible, if any, as stated in the Declarations, if the “occurrence” or offense:
  - a. Is covered by this Policy; and
  - b. Is not covered by “underlying insurance” or any other insurance.

Given that the definition of “underlying insurance” states, *“and at limits no less than the retained policy limits shown for those types of liability limited in the Declarations,”* “retained limit” essentially sets the minimum limits required once identified on the Declarations.

## Maintenance of Underlying

Underlying policies with at least the minimum required limits must be in force throughout the policy period of the Umbrella/Excess Policy. There are several reasons why underlying insurance may be deficient:

- **No underlying policy is in force.**

This may be caused by voluntary or involuntary termination, nonrenewal, or non-payment.

- **The underlying policy is in force, but the limit is lower than what is required.**

This may be caused when a client voluntarily reduces underlying limits or by an insurance professional’s lack of attention to required underlying limits when switching insurance companies.

- **The underlying policy is written with an insolvent insurance company.**

An insolvent insurer or insolvent insurance company refers to an insurance company that is unable to meet its financial obligations, in particular, the claims it owes to policyholders. Insolvency may be caused by various factors, including poor financial management, catastrophic events, economic downturns, or regulatory issues.

In addition, there are several ways agency service (or lack thereof) may contribute to non-compliance with underlying insurance requirements. These include:

- The agency does not write all the required underlying policies and fails to verify underlying coverage limits.
- The agency writes all the underlying coverage for the client, but the Umbrella or Excess Policy is written with an insurance company that does not write the underlying policies.
- Information in the agency’s agency management system does not clearly indicate there is Umbrella/Excess coverage in force.
- The agency does not review underlying policies and limits at renewal to verify that the required underlying requirements are being met.
- The agency fails to offer or endorse the policy for new exposures (additional autos, home, recreational vehicles, watercraft, etc.)
- The Umbrella/Excess coverage is part of a package, and the home or auto is moved elsewhere, but the Umbrella/Excess coverage is not.



When writing a Personal Umbrella/Excess Liability Policy for a client, it is a best practice to also be the writing agent for the required underlying policies. Doing so avoids errors and omissions (E&Os) which may be caused when the client makes changes to underlying policies the agent does not control.

Any time changes are made to underlying insurance policies, the Personal Umbrella/Excess Liability Policy should always be reviewed for necessary updates or changes.

### Underlying Deficiencies and/or Non-Compliance

If, at the time of a loss, the required underlying insurance is either not in force or the limits are less than the required underlying limits, the PULP may respond in one of two ways:

#### 1. Pay as if the underlying coverage was in force.

The client will be responsible for the gap between the required underlying insurance and the coverage actually carried. This includes when underlying coverage should have been in place but is no longer in force whether by voluntary or involuntary termination, non-payment, nonrenewal, or insurer insolvency.



ISO Personal Umbrella Liability Policy language:

#### **IV. Maintenance Of Underlying Insurance**

You must maintain the "underlying insurance" at the full limits stated in the Declarations and with no change to more restrictive conditions during the term of this Policy. If any "underlying insurance" is canceled or not renewed and not replaced, you must notify us at once.

If you fail to maintain "underlying insurance", we will not be liable under this Policy for more than we would have been liable if that "underlying insurance" was in effect.

(ISO Personal Umbrella Liability Policy DL 98 01 02 15)



Other example policy language for maintenance of underlying insurance:

*You must keep the underlying insurance described in the underlying insurance endorsement in full force and effect during the policy period of this policy. This includes renewals or replacement policies not more restrictive in terms and conditions. The limits of underlying insurance must be maintained without reduction other than by payment of losses covered thereunder."*

*"Your failure to comply with the foregoing shall not invalidate this policy; but, in the event of such failure, we will be liable under this policy only to the extent that we would have been liable had you complied with these obligations."*

### Section 3: Personal Umbrella/Excess Liability

*"If any of the basic policies required to be carried are: (a) not carried, we will pay only as though the basic policies had been carried; or (b) terminated, we will pay only as though the basic policies had never been terminated. If the limits of coverage are less than the minimum required limits listed in the Declarations, we will pay only as though basic policies had been carried with the minimum limit of coverage required in the Declarations."*



At the time of a swimming pool accident at her home, Poppy's Homeowners Policy only had \$100,000 liability instead of \$300,000 as required by her Personal Umbrella Liability Policy. She becomes responsible for the difference between the limits she should have had and the limits she actually had.

Claim	Underlying insurance pays	Amount insured is responsible for (GAP)	Umbrella responds
\$ 800,000	\$ 100,000	<b>\$ 200,000</b>	> \$ 300,000

#### 2. Pay nothing at all.

This limitation may apply to all exposures that have underlying insurance required, or it may only apply to specific exposures such as watercraft or recreational vehicles.



Example policy language:

*We do not provide coverage unless covered by your primary insurance listed in the umbrella schedule and described in the umbrella schedule for losses arising out of recreational vehicles which are owned by, leased to, rented to, or provided for the regular use of a covered person.*

*We do not provide coverage for any "loss" arising out of any "insured's" ownership, maintenance, use, operation, loading, or unloading, entrustment to others or supervision of any watercraft unless Required Underlying Insurance listed on the Declarations provides coverage for the loss at the full limits shown.*

### Section 3: Personal Umbrella/Excess Liability



Mimi was at fault for a boating accident in her owned power boat. The power boat is not eligible for Liability Coverage under her Homeowners Policy, and Poppy does not have a Watercraft Policy. Because Mimi did not have the required underlying limits (\$300,000), she becomes responsible for everything above her Homeowners Liability Coverage.

Claim	Underlying insurance pays	Insured is responsible for (GAP)	Umbrella responds
\$ 500,000	No coverage	<b>\$ 500,000</b>	No coverage

## “Self-Insured Retention”

A Personal Umbrella Liability Policy not only provides Excess coverage for commonly insured exposures, but it may also provide broader coverage than underlying insurance policies. For example, the unendorsed ISO Homeowners Policy does not provide coverage for Personal Injury (libel, slander, false imprisonment, etc.), but the Personal Umbrella Liability Policy does. In this instance, the underlying Homeowners Liability Coverage would not apply to a personal injury claim, but that does not mean that the insured is responsible for the liability limit the Homeowners Policy could have paid if it had been properly endorsed. When the Personal Umbrella Liability Policy provides broader coverage than underlying policies, a self-insured retention (SIR) will apply.



A self-insured retention (SIR) is the amount of a covered loss the client is responsible for paying when the Personal Umbrella Excess Policy drops down to provide primary coverage. It is a specific dollar amount shown in the Declarations and is typically \$250 to \$1,000. The SIR stops the Umbrella Policy from paying the first dollar of any claim.

Some policies refer to the SIR as a deductible. While the term is different, its application may not be. In the ISO Personal Umbrella Liability Policy, the deductible is applied the same way as the SIR. In other words, it only applies when the policy is providing broader coverage. The SIR is NOT applied when:

- a loss is covered by an underlying policy; or



Eric is at fault for an automobile accident and is liable for \$500,000 in bodily injury to the other party. His Personal Auto Policy paid \$250,000. His Personal Umbrella Policy will pay an additional \$250,000 without the application of the PULP SIR/deductible.

- a loss should have been covered by a required underlying policy, but the underlying policy was not in force at the time of the loss.



Brandon is at fault for an automobile accident and is liable for \$300,000 in bodily injury to the other party. Brandon will be financially responsible for the \$250,000 his Personal Auto Policy would have paid had it not been canceled for non-payment a week before the accident. His Personal

### Section 3: Personal Umbrella/Excess Liability

Umbrella Policy will pay an additional \$50,000 (as if the Auto Policy were in force), without the application of the PULP SIR/deductible.

## Knowledge Check



**Directions:** Read the following scenarios and determine how underlying limits and/or the SIR will apply to each. Respond to each question part.

1. Loraine holds a \$1 million Personal Umbrella/Excess Policy with underlying requirements of \$500,000 CSL for auto liability and \$300,000 for homeowner's insurance, with a Self-Insured Retention (SIR) of \$500. She lowers her auto liability limits to \$300,000 CSL and is at fault for an auto accident. The other party is successful in obtaining a \$750,000 judgment. How will this loss be paid?

Auto Insurance	
Loraine	
Personal Umbrella Excess	

2. Corey has a \$1 million ISO Personal Umbrella Liability Policy with a \$1,000 self-insured retention (SIR). His boat policy, which previously met underlying insurance requirements and included \$300,000 Watercraft Liability Coverage for his 150hp ski boat (otherwise not eligible for coverage under his Homeowners Policy), was canceled for non-payment just a few days before he had a serious at-fault boating loss with his ski boat. How will Corey's insurance program respond to this \$450,000 loss? Identify the amounts each party/policy is responsible for paying.

Homeowners Insurance	
Boat Insurance	
Personal Umbrella Excess	
Corey	

3. Saul incurred a \$50,000 loss that was not covered by his Homeowners Policy but is eligible for coverage under his Umbrella/Excess Policy. He maintained the necessary underlying coverage on his Homeowners Policy. His Umbrella Policy has a \$2,000,000 coverage limit and a \$250 self-insured retention (SIR). Identify the amounts each party/policy is responsible for paying.

Homeowners Insurance	
Saul	
Personal Umbrella Excess	

# ISO Personal Umbrella Liability Policy

## Learning Objective:

- 3.3 Utilize the Insuring Agreement, defined terms, and unique policy exclusions to effectively explain the coverage provided by an ISO Personal Umbrella Liability Policy.



The policy used as the basis for this section is the ISO Personal Umbrella Liability Policy (PULP). The most current ISO version is the DL 98 01 02 15.

The following endorsements are mandatory with the DL 98 01.



**DL 99 12 - Personal Umbrella Liability Policy Public Or Livery Conveyance Exclusion Endorsement**

**DL 99 53 - Personal Umbrella Home-sharing Host Activities Amendatory Endorsement**

Actual policy language and its legal interpretation supersedes any verbal or written interpretation/advisement in this course.

## Agreement

The Agreement is the promise from the insurance company that in exchange for the insured's payment of policy premium, coverage will be provided based on the terms and conditions outlined in the policy.



## Definitions



The Definitions section follows the policy Agreement. Many of the Definitions are identical to those in the ISO Homeowners and ISO Personal Auto Policies. However, care should be taken to understand when differences are present and whether the differences broaden or limit coverage.

While the definition of “you” and “your” is the same as in the ISO Homeowners policy, it is worth being reminded of the importance of showing both the individual and spouse (including civil union or domestic partner) as the Named Insureds in the Declarations to ensure adequate protection for both.

The following are notable terms defined in the ISO Personal Umbrella Liability Policy that are either defined differently than, or not part of, the Homeowners or Personal Auto Policy.



### “Auto”

- A private passenger motor vehicle, motorcycle, moped, motor home or a vehicle designed to be pulled by a private passenger motor vehicle or motor home, including a farm wagon or farm implement while towed

### “Business”



- This definition is amended by the mandatory **Personal Umbrella Liability Home-sharing Host Activities Amendatory Endorsement (DL 99 53)**, which adds “home-sharing host activities” (similarly defined in the ISO Homeowners Policy) to the PULP definition of “business.”
- The ISO PULP definition differs from the ISO Homeowners Policy “business” definition in that the leasing of mineral rights is not included in the PULP definition. In addition, the earnings threshold for all other activities to be considered a “business” is greater than \$2,000 under the PULP and greater than \$5,000 under the ISO Homeowners, meaning coverage may be provided under the ISO Homeowners Policy that may not be provided for under the Personal Umbrella Policy.

Visit the [RiskEducation.org/PLresources](https://www.riskeducation.org/PLresources) webpage to review the policy language differences of the “business” definition among the ISO Personal Umbrella Liability Policy (DL 98 01 02 15), ISO Homeowners Policy (HO 00 03 03 22), and ISO Personal Auto Policy (PP 00 01 09 18).

### “Family member”

- Your resident relative, ward, or foster child and anyone under the age of 21 in the Named Insured’s care or other “insured” who is over the age of 21
- A term used in the Personal Auto Policy but defined like a resident relative is in the Homeowners Policy

### “Fuel system”

- A term defined for exclusionary purposes
- One or more containers with a total combined storage capacity of 100 or more gallons of liquid fuel located on a premises covered by “underlying insurance” and storing fuel to be used solely to heat or cool a building, heat water, cook food, or power motor vehicles, other motorized land conveyances, or watercraft owned by an “insured”
- Example: A 200-gallon propane tank used to heat the client’s swimming pool or home is a “fuel system.”

### “Insured”

A five-part definition that is a combination of the Homeowners Policy and the Auto Policy definitions of “insured.” These are the recipients of the coverage provided by the policy:

- “you”
- a “family member”
- any person using an “auto,” “recreational vehicle,” or watercraft owned by “your” and covered by the policy (Not all personal umbrella/excess policies include a permissive user of an auto as an “insured.”)
- any person or organization made liable by you or a “family member” using an “auto” or “recreational vehicle” covered by this policy
- any person or organization legally responsible for animals owned by you or a “family member” unless in the course of “business” or has the animal without the consent of the owner



It is important to understand that only those falling within the definition of “insured” will receive coverage from this policy.


### “Recreational motor vehicle”

- An all-terrain vehicle, dune buggy, golf cart, snowmobile, or any other motorized land vehicle designed for recreational use off public roads

### Section 3: Personal Umbrella/Excess Liability

Table 3.1 provides a summary of all sixteen ISO Personal Umbrella Liability Policy Definitions. Review pages 1-3 of the ISO Personal Umbrella Liability Policy for a full review of policy definitions.

**Table: 3.1**

Term	Summary
“you,” “your”	The Named Insured in the Declarations and their resident spouse
“we,” “us,” “our”	The insuring company
leased auto	Private passenger auto, pickup, or van leased for at least six continuous months is considered an owned auto
“aircraft liability,” “hovercraft liability,” “recreational motor vehicle liability” “watercraft liability,”	Ownership, maintenance, occupancy, operation, use, loading or unloading, entrustment, failure to supervise, or vicarious liability of a minor  Additional clarification on characteristics of each vehicle or craft type
“auto”	Private passenger auto, motorcycle, moped, motorhome, vehicle designed to be pulled by a private passenger auto or motorhome, or a farm wagon or implement while towed by a private passenger auto or motor home
“bodily injury”	Bodily harm, sickness, or disease, including required care, loss of services, and resulting death
“business”  	A trade, profession, or occupation engaged in on a full-time, part-time, or occasional basis, “home-sharing host activities,” or any other activity with exception for activities earning under \$2,000 in the 12 months prior to the policy period, volunteer activities, uncompensated home day care, and home day care for a relative  Revised by mandatory endorsement <b>Personal Umbrella Liability Home-sharing Host Activities Amendatory Endorsement (DL 99 53)</b>
“family member”	A resident relative including ward/foster child or resident under the age of 21 in the care of an “insured”
“fuel system”	Containers or tanks with more than 100 gallons combined capacity of liquid fuel (including its various components)
“insured”	Five-part definition is previously detailed.
“occurrence”	An accident (involving “bodily injury” or “property damage”), including continuous or repeated exposure to substantially the same general harmful conditions during the policy period

Term	Summary
“personal injury”	Five-part definition is previously detailed.
“property damage”	Physical injury to, destruction of, or loss of use of tangible property
“recreational motor vehicle”	All-terrain vehicle, dune buggy, golf cart, snowmobile, or other motorized land vehicle designed for recreational use off public roads
“retained limit”	Definition is previously detailed.
“underlying insurance”	Definition is previously detailed.

## Insuring Agreement

The Insuring Agreement has four parts:

### 1. Coverages: Bodily Injury, Property Damage, and Personal Injury

A promise to pay damages for “personal injury,” “bodily injury,” or “property damage” in excess of the “retained limit” for which an “insured” is legally responsible because of an “occurrence,” as well as “personal injury” for which an insured becomes legally liable. Prejudgment interest is included.

The ISO Personal Umbrella Liability Policy defines “personal injury” as injury due to one or more of the following offenses committed during the policy period:

- False arrest, detention, or imprisonment



During a heated argument with his neighbor over the removal of a beloved Magnolia tree between property lines, Jamison prevented his neighbor from leaving his residence by locking him in a bedroom until tree removers were finished cutting down the tree.

- Malicious prosecution

A legal concept that involves the wrongful and intentional initiation of legal proceedings against an individual with the intent to harm, harass, or cause them legal troubles. Malicious prosecution may occur when someone files a lawsuit or criminal charges against another person without a genuine basis for the case but with malicious intent.

- The wrongful eviction or invasion of a private space

This includes wrongful eviction from, entry into, or invasion of a privately occupied room, dwelling, or premises occupied by a person when committed by the owner/landlord/lessor (or party on their behalf).

- Libel or slander

Libel is committed when one party publicly makes a false statement about another party in writing that causes harm to reputation, character, profession, or personal life.



## Section 3: Personal Umbrella/Excess Liability

This statement could be in the form of a written article, social media post, email, or any other written communication.

Similarly, slander causes the same type of harm but is committed by one party publicly making a false statement about another party through spoken words. The statement may occur while speaking on a phone during a phone conversation, through conversation, public speaking, or conference.

- Invasion of privacy



Thomas received a drone with video recording capability for Christmas. He frequently operates the drone over his neighborhood. He is being sued for invasion of privacy by a neighbor who sunbathes unclothed in their backyard.

### 2. Defense Coverage

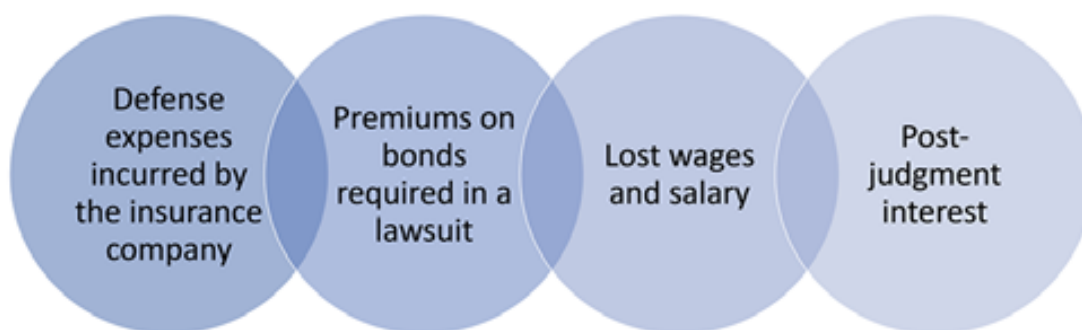
Defense coverage is provided if a claim or suit is brought against an “insured” who is covered by the policy. However, the insurance company is not obligated to provide a defense if:

- the claim is covered by “underlying insurance,” or
- there is no “underlying insurance” in effect and the damages are less than the deductible (SIR).

### 3. Additional Coverages

- Defense expenses incurred by the insurance company
- Premiums on bonds required in a lawsuit that the insurance company defends
- Lost wages and salary up to \$250 per day for an “insured” who misses work because he or she comes to testify at hearings or trials at the company’s request
- Post-judgment interest

## ISO Personal Umbrella Liability Policy Additional Coverages



#### 4. Limit Of Liability

The Limit Of Liability states that regardless of the number of “insureds,” claims made, persons injured, or vehicles involved in an accident, the company will not pay more than the Limit Of Liability shown in the Declarations.

Umbrella limits start at \$1,000,000 and may be offered as high as \$10,000,000 before seeking specialty policies for high-net-worth clients. Ensure that the limits selected with the insured are adequate to address their needs and protect their current and future assets.

## Exclusions

Although Umbrella/Excess Liability Policies are intended to provide coverage for losses beyond the limits of underlying policies and, in some cases, offer broader coverage than those underlying policies, they are not designed to cover all possible scenarios or risks. It is clear why exclusions limit or restrict coverage for obvious reasons such as nuclear energy. This is because the policy simply cannot bear the cost of the loss without additional premium (i.e., endorsements), or by moving the risk to a policy meant for that exposure, like a commercial policy.

### EXCLUSIONS

While many of the exclusions are the same as or similar to those in the Homeowners Policy or in the Personal Auto Policy, the ISO Personal Umbrella Liability Policy does contain some policy-specific exclusions. Table 3.2 outlines many PULP-specific exclusions.

**Table: 3.2**

Exclusions Specific to the ISO Personal Umbrella Liability Policy
“Personal injury” if “insured” knew it would violate the rights of another; libel or slander with the knowledge it was not true or that it took place before the policy period; criminal act or offense related to the employment of this person by an “insured.”
<p>“Watercraft liability” unless the watercraft is covered by “underlying insurance” at the time of the “occurrence.”</p> <p>The limited “watercraft liability” coverage provided by an underlying ISO Homeowners Policy serves as “underlying insurance” as long as the loss is covered. If the loss is excluded by the ISO Homeowners Policy, the loss remains excluded by the ISO PULP policy unless a separate Watercraft/Yacht Policy was purchased (i.e., broader coverage is not provided).</p> <p><i>Note: Some umbrella/excess policies exclude losses arising out of personal watercraft (such as Jet Skis®) entirely—even if insured on an underlying policy.</i></p>

*Continued*

### Exclusions Specific to the ISO Personal Umbrella Liability Policy

“Recreational motor vehicle liability” unless the recreational vehicle is:

- Owned by you or a “family member” and covered by “underlying insurance” at the time of the “occurrence”; or
- Not owned by you or a “family member.”

The limited liability coverage provided by an underlying ISO Homeowners and Personal Auto Policy serves as “underlying insurance” as long as the loss is covered. If the loss is excluded by the ISO Homeowners and/or Personal Auto Policy, the loss remains excluded by the ISO PULP policy unless a separate Recreational Vehicle Policy was purchased (i.e., broader coverage is not provided).

Racing, speed contest, or driver skill event, with exception for motorcycle rider skill training in connection with a course designed by the Motorcycle Safety Foundation, or any similar course presented by a state agency to improve motorcycle rider skills.

A similar exclusion applies to watercraft.

Damage to property rented to, occupied, used by, or in the care, custody, or control of an “insured” to the extent the “insured” is obligated by contract to provide insurance for the property. Does not apply if the “property damage” is caused by fire, smoke, or explosion.

This exclusion is broader than a similar exclusion provided in the ISO Homeowners Policy since the PULP exclusion only applies to the extent coverage is contractually required.



While on her honeymoon at a friend’s beach condo, Amee accidentally left the indoor hot tub water running, causing damage to floors and furniture. Her Homeowners Policy won’t cover this loss because it was not caused by fire, smoke, or explosion. However, her Personal Umbrella Liability Policy will cover the damage since she wasn’t contractually obligated to provide insurance while at her friend’s condo.

Pollution claims arising from the escape of fuel from a “fuel system”



The community garden neighboring Aaron’s residential property was contaminated by fuel leaking from Aaron’s 120 gallon above-ground residential propane tank. The PULP “fuel system” exclusion applies.



### Exclusions Specific to the ISO Personal Umbrella Liability Policy

“Bodily injury” or “property damage” caused by the absorption, or ingestion, or inhalation of lead.

Consider homes still contaminated with lead-based paints, lead plumbing, or certain brick-a-brac.

According to the CDC, signs and symptoms of moderate to high lead exposure include abdominal pain, headache, tremor, vomiting, encephalopathy leading to coma or death, and paralysis.<sup>25</sup>

#### Loss Assessment

The ISO Homeowners Policy provides limited coverage for Loss Assessment (up to \$2,000) under Section II – Liability. Excess coverage is excluded under the ISO Personal Umbrella Liability Policy.

#### Automobile No-fault or Personal Injury Protection

Uninsured/Underinsured Motorists coverage unless the PULP policy has been endorsed to provide this coverage



Not all insurance companies offer UM/UIM coverage on umbrella/excess policies, and some that do may provide it with lower sublimits than the policy's primary coverage. In certain states or jurisdictions, insurers might be required to include this coverage in their umbrella/excess policies.

Insurance professionals should be aware of the variations in UM/UIM coverage across the policies they offer. Clients who seek protection on both their Personal Auto Policy and Umbrella/Excess Policy should consider increasing liability limits on their primary Auto Policy if UM/UIM coverage isn't available on the Umbrella/Excess Policy.

<sup>25</sup> ATSDR. “Environmental Health and Medicine Education: Lead Toxicity, Clinical Assessment – Signs and Symptoms.” 2023. Agency for Toxic Substances and Disease Registry. [https://www.atsdr.cdc.gov/csem/leadtoxicity/signs\\_and\\_symptoms.html](https://www.atsdr.cdc.gov/csem/leadtoxicity/signs_and_symptoms.html)

### Section 3: Personal Umbrella/Excess Liability

Table 3.3 summarizes exclusions which are similar to underlying policies.

**Table: 3.3**

Personal Umbrella Liability Policy Exclusions Similar to Underlying Policies	
<ul style="list-style-type: none"> <li>• Expected or intended BI/PD with exception for the use of reasonable force to protect persons or property</li> <li>• BI/PI/PD arising out of “business” with exceptions for occasional renting of the “residence premises” (not including home-sharing) or part-time “business” pursuits of “insured” if under 18 or under 21 if a full-time student; use of a Named Insured owned vehicle for specified persons while in the “auto” business; and “business” use of an auto</li> <li>• BI/PI/PD arising out of professional services</li> <li>• “Aircraft liability”</li> <li>• “Hovercraft liability”</li> <li>• BI/PD arising out of war, insurrection, civil war, etc.</li> <li>• BI/PI to you or a “family member,” often referred to as an intra-family exclusion</li> <li>• BI/PI arising out of communicable disease, molestation, physical/mental abuse, or loss by controlled substance</li> </ul>	<ul style="list-style-type: none"> <li>• BI/PI/PD arising out of directors and officers with coverage provided by exception if the board is for a non-profit organization and the “insured” is not compensated other than reimbursement of expenses</li> <li>• PD to “insured’s” property</li> <li>• BI/PD arising out of ownership or operation of a vehicle used for public or livery conveyance (including transportation and delivery networks) with exceptions</li> <li>• BI/PD arising out of ownership, maintenance, or use of any “auto” enrolled in a personal vehicle sharing program while being used by someone other than “you” or a “family member”</li> <li>• A person using an “auto,” watercraft, or “recreational motor vehicle” without reasonable belief; does not apply to a “family member” using an “auto,” “recreational motor vehicle,” or watercraft owned by you</li> <li>• BI/PD for an “insured” who is also insured under a nuclear energy liability policy</li> <li>• BI to a person for whom an “insured” is required to provide or voluntarily provided workers compensation coverage</li> </ul>

## General Provisions

Personal Umbrella and Excess Liability Policies contain some unique provisions that may not be found in other policies. Due to the high limits of liability, there are also provisions that may exist within other policies but are especially important for Umbrella/Excess Policies.

### Appeals

This provision is unique to Personal Umbrella/Excess Policies. The insurance company providing the Personal Umbrella Liability Policy has the right to appeal a judgment that exceeds the SIR (or “underlying insurance” limits) if the insurance company providing underlying coverage chooses not to appeal.



### Policy Period and Territory

#### Policy Period



The loss “occurrence” must take place during the policy period shown in the Declarations. This means a claim may be filed outside the policy period as long as the incident or “occurrence” happened during the policy period.

#### Policy Territory

The policy territory for Personal Umbrella and Excess Policies is typically worldwide. However, some companies may stipulate that the lawsuit must take place in the United States for it to be covered.



While visiting family in Europe, Ahmed used his cousin’s sedan. His Personal Auto Policy’s coverage territory does not extend to Europe; it only covers the United States and its territories, Puerto Rico, and Canada. However, Ahmed does have worldwide Liability Coverage through his Personal Umbrella Liability Policy.



Understanding that Personal Umbrella and Excess Liability Policies can vary widely between each insurance company means that jumping from one company to another for better rates could put clients at risk for coverage gaps. One insurance company may offer a “true” Umbrella Policy, while the next may only offer a “Follow Form” Policy. It is imperative that insurance professionals know the details of the coverages they are offering to their clients.

## Summary of Umbrella Policy Provisions

Table 3.4 provides a summarized overview of all thirteen (13) ISO Personal Umbrella Liability Policy General Policy Provisions

**Table: 3.4**

ISO Personal Umbrella Liability Policy General Policy Provisions (Summary)	
<b>Appeals:</b> The insurer's right to appeal judgments exceeding the "retained limit" at the expense of the insurer.	
<b>Bankruptcy of an Insured:</b> Bankruptcy of an "insured" will not terminate the PULP nor will it cause the policy to become primary if the "insured" is unable to pay the "retained limit."	
<b>Bankruptcy of an Underlying Insurer:</b> In the case of bankruptcy of an underlying insurer, the PULP will apply as if the underlying insurance was valid and collectible.	
<b>Fraud:</b> An "insured" will not be provided coverage if they have made fraudulent statements related to coverage sought under the policy.	
<b>Liberalization Clause:</b> This provision ensures that if the insurer effects a non-premium-bearing coverage change in the insured's state that broadens coverage, the change will automatically apply to the policy on the date the change is implemented if within 60 days of the prior to, or during, the policy period effective date.	
<b>Other Insurance:</b> Coverage provided by the Personal Umbrella Liability Policy is excess over other insurance except coverage specifically written to be excess over the policy.	
<b>Our Right To Recover Payment:</b> Subrogation rights are expressed in this provision. Subrogation is the right of an insurance company to recover an amount of money paid to an insured for a loss when the loss is someone else's fault.	
<b>Policy Period and Territory:</b> Worldwide coverage for an "occurrence" between the policy effective and expiration dates (the policy period).	
<b>Severability Of Insurance:</b> The policy may apply separately to each "insured," although the limit of liability shall not increase.	
	When two "insureds" are parties to a lawsuit, each may receive separate defense coverage at the expense of the insurer.
<b>Suit Against Us:</b> The insured may not bring legal action against the insurer unless all terms of policy have been fully complied with.	
<b>Termination:</b> Terms of cancellation and nonrenewal are provided in this provision including timelines for notice to the insured and consideration for how unearned/unused premium will be returned to the insured.	

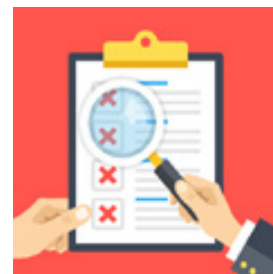
### ISO Personal Umbrella Liability Policy General Policy Provisions (Summary)

**Transfer Of Your Interest In This Policy:** Policy rights and duties apply to the Named Insured and may not be assigned to another party without written consent of the insurer. In addition, the provision outlines how coverage applies in the event of the death of the Named Insured.

**Waiver Of Change Of Policy Provisions:** The policy is complete and cannot be changed (or waived) except by endorsement.

## Errors and Omissions Related to Personal Umbrella/Excess Liability Insurance

It cannot be emphasized enough that Personal Umbrella/Excess Liability Policies are non-standardized and can easily become complicated. Errors and omissions claims can result from any type of coverage provided for clients, and this includes Personal Umbrella/Excess insurance. The following are ways E&O claims can result from Personal Umbrella/Excess insurance; understand that based on the facts of each case, the insurance professional may not be found legally responsible.



- Failure to offer a Personal Umbrella/Excess Liability Policy to clients
- Failure to offer and/or place coverage on the best terms available. This requires insurance professionals to know the coverage differences among the policies they sell.
- Failure to obtain complete information, signed rejection forms when applicable, and/or the insured's signature when completing the application
- Failure to verify that the client has maintained the required underlying policies and/or required minimum limits. This task becomes more complicated and a greater E&O risk when the insurance professional does not write the underlying policies.
- Failure to endorse the policy for additional exposures or requested coverage
- Failure to notify the Umbrella insurance company of a loss

To minimize the risk of E&O claims, professionals must focus on offering appropriate coverage, understanding policy differences, collecting complete information, verifying underlying policies, endorsing for additional coverage, and maintaining full disclosure with the insurer. Staying vigilant in these areas is essential for both protecting clients and safeguarding one's own professional liability.

## Knowledge Check



**Directions:** Read the scenario below and respond to each question part.

Sarah holds an ISO Personal Umbrella Liability Policy, and she meets the necessary requirement of having both Homeowners and Personal Auto underlying insurance. These policies provide the only other insurance she has. Does Sarah's ISO PULP provide coverage for the following losses? Explain your answer(s).

1. Sarah has an at-fault auto accident while driving a rental car.

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2. Sarah's 15-year-old daughter has an accident while driving her motorized golf cart on the street.

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3. Sarah was injured when she was hit by an uninsured motorist.

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4. Sarah has an accident while operating a rented 150hp Jet Ski® in Mexico.

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## Case Study

The following exercise is a capstone to the Personal Umbrella/Excess Liability section of the CIC Personal Lines course. This exercise will explore a claim scenario utilizing an understanding of the Personal Auto Policy learned from this course.

Follow directions in the mastery case study below. Be sure to focus only on the ISO Personal Umbrella Liability Policy when exploring this scenario.



### **Mindful Mastery – Personal Umbrella**

Inspect the attached Personal Umbrella Liability Declarations and write down any assumptions you can make from the information. What can you learn about the “insured,” property insured, and selected coverages?



**PERSONAL UMBRELLA LIABILITY POLICY DECLARATIONS****Company:** The Best Insurance Company, Inc.**Producer:** Top Notch Insurance Agency**Named Insured:** Emilio Smith**Mailing Address:** 1234 Street Dr., Denver, CO 8022 1**Residence Address if different from the mailing address:** 4321 Loop Cv., Denver, CO 80221**Policy Period****Effective Date:** January 01, 20x1**Expiration Date:** January 01, 20x2

12:01 AM Standard time at the address of the policyholder

12:01 AM Standard time at the address of the policyholder

We will provide the insurance described in this policy in return for the premium and compliance with all applicable policy provisions.

Coverage is provided where a premium or limit of liability is shown for the coverage.

Coverage Description	Applicable Limits	Premium
Liability	\$ 1,000,000	\$ 236.00
Underlying Limits Discount		-\$ 35.00
Total Annual Premium		\$ 201.00
Insured's Retained Limit	\$500	

**Rating Information****Residences:**

4321 Loop Cv., Denver, CO 80221

**Vehicles:**

Year	Manuf.	Model	Body Type
2022	Nissan	Titan	Pickup

**Household Drivers:** Emilio Smith 06/07/1990 Male Single

IF YOU HAVE A DRIVER IN YOUR HOUSEHOLD WHO IS NOT LISTED ABOVE, PLEASE NOTIFY US IMMEDIATELY.

**Required Underlying Insurance Limits if Underlying Insurer is Best Insurance****Automobile:** \$100,000/\$300,000 Bodily Injury and \$50,000 Property Damage (or \$300,000 CSL)**Homeowners or Comprehensive Personal:** \$100,000 Limit Per Occurrence For Personal Injury and Property Damage**Watercraft:** \$100,000/\$300,000 Bodily Injury and \$50,000 Property Damage (or \$100,000 CSL)

THIS POLICY DOES NOT PROVIDE UNINSURED OR UNDERINSURED MOTORISTS COVERAGE

**Forms and Endorsements**

DL 98 01 02 15 – Personal Umbrella Liability Policy

DL 98 61 02 15 – Personal Umbrella Liability Policy Amendment of Policy Provisions – CO

DL 99 12 10 15 – Personal Umbrella Liability Policy Public or Livery Conveyance Exclusion Endorsement

DL 99 53 03 18 – Personal Umbrella Home-Sharing Host Activities Amendatory Endorsement

#### Claim Scenario Details:

Emilio borrowed his sister's snowmobile. Emilio loaded the snowmobile into the bed of his truck and drove home. Having forgotten about the snowmobile in the bed of his truck, he damaged his truck, the snowmobile, and his attached garage when he pulled into his garage.

Damages are as follows:

- Emilio's attached garage: \$25,000 (ACV \$15,000)
- Emilio's truck: \$10,000
- The snowmobile: total loss of \$15,500 (ACV \$10,500)

**Solve:** Focus on the ISO Personal Umbrella Liability (including coverage limits and endorsements identified on the Umbrella Declarations) while drawing on your knowledge of the ISO Homeowners Policy and Personal Auto Policy coverage forms to answer the questions below:

- What damage is there?
- Who is owed for damages?
- What damages will be paid from Emilio's ISO Personal Umbrella Liability Policy? Consider which part(s) of the policy apply.
- What is the dollar amount of damages that will be paid by Emilio's ISO Personal Umbrella Liability Policy? Apply appropriate coverage limits and utilize the necessary policy condition(s).

**Hindsight is 20/20:** Think about this scenario using the five risk management steps.

1. **Risk Identification:** Are there any questions that could have been asked that would have uncovered this risk before the claim?
2. **Risk Analysis:** If the risk could have been uncovered (or now that you know about it), what questions could be asked to discover the frequency of exposure to this risk?
3. **Risk Control:** Is there anything the client could have done to minimize or avoid the risk?
4. **Risk Financing:** What options may be available to better cover the claim?
5. **Risk Administration:** What could you do as an insurance advisor to monitor this risk with the client?

### Section 3: Personal Umbrella/Excess Liability

**Use the space below to record your answers:**

What damage is there?

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Who is owed for these damages?

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What damages will be paid from Emilio's Personal Umbrella Liability Policy? Consider which part(s) of the policy.

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What is the dollar amount of damages that will be paid by Emilio's Personal Umbrella Liability Policy? Apply appropriate coverage limits and utilize the necessary policy condition(s).

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### Section 3: Personal Umbrella/Excess Liability

**Risk Identification:** Are there any questions that could have been asked that would have uncovered this risk before the claim?

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**Risk Analysis:** If the risk could have been uncovered (now that you know about it), what questions could be asked to discover the frequency of exposure to this risk?

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**Risk Control:** Is there anything the client could have done to minimize or avoid the risk?

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**Risk Financing:** What options may be available to better cover the claim?

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**Risk Administration:** What could you do as an insurance advisor to monitor this risk with the client?

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## Summary

Primary personal lines insurance policies, such as Home, Landlord/Dwelling Fire, Auto, and Recreational Policies, may not cover all liability exposures. This has the potential to leave clients vulnerable to lawsuits exceeding their policy limits. Personal Umbrella/Excess Liability Policies serve to:

- act as excess liability coverage for most situations,
- offer broader liability coverage than underlying policies,
- offer excess defense coverage, and
- protect the client's current and future assets.

Personal Umbrella/Excess Liability Policies can be categorized as either Personal Umbrella Liability Policies (offering broader coverage than underlying policies) or Excess Liability Policies (following the terms and exclusions of underlying policies). These policies typically offer coverage limits between \$1,000,000 and \$10,000,000 and require underlying insurance, occasionally with a deductible or self-insured retention.

As excess coverage, Personal Umbrella/Excess Liability Policies require underlying insurance to be set by the insurer and maintained at minimum required limits. When underlying liability limits are less than the required "retained limits," the insured may become financially responsible for the gap between the underlying policy limit and the required limit that should have been carried. However, in some instances, Personal Umbrella/Excess Liability Policies may exclude coverage with adequate limits that are not maintained or in effect at the time of an "occurrence."

Insurance professionals should take care to understand the commonalities between various Personal Umbrella/Excess Liability Policies as well as the various areas where differences are likely. A thorough risk assessment and understanding of how various products deviate from each other will ensure the selection and placement of coverage with the best terms available for the client's needs.

**Some of the relevant policy forms and endorsements have been included at the end of this section.**

## Set Yourself Up for Success!

### Visit the “Resources” Webpage at [RiskEducation.org/PLresources](https://RiskEducation.org/PLresources)

For valuable reinforcement, be sure to visit the “Resources” webpage. This webpage contains a variety of materials that will help you absorb the course material *and* set you up for success on the Final Exam. You’ll find:

#### Study Guide

Download a copy of the Study Guide. It contains all the Check-In questions, Knowledge Checks, and Self-Quizzes contained in this Learning Guide in a format that makes it easy for you to practice and check your answers.

#### Video Clips

View video clips about important concepts related to the learning objectives in this section.



“Speaking From Experience”—Understanding Underlying Insurance/Retained Limit and application of SIR/Deductible

#### Articles/Web Links

- “Business” definition comparison between ISO Personal Umbrella Liability Policy (DL 98 01 02 15), ISO Homeowners Policy (HO 00 03 03 22), and ISO Personal Auto Policy (PP 00 01 09 18)

## In Addition...

#### Appendix

The Appendix of this Learning Guide contains a Glossary of terms as well as tips for study techniques and sample test questions that will help you prepare for the Final Exam.

## Section 3: Self Quiz

1. Liability Coverage refers to an insurance company's commitment to provide compensation on behalf of an "insured" in cases where either the insured themselves or another insured party is legally responsible for reimbursing a third party for "bodily injury" or "property damage."

**True**

**False**

2. Personal Umbrella/Excess Liability Policies are standardized.

**True**

**False**

3. Most Personal Umbrella/Excess Liability Policies provide coverage worldwide.

**True**

**False**

4. Identify the reasons why Umbrella/Excess Policies should be recommended by an insurance professional. Note: not *all* the reasons may be shown in any of these given lists.

- ☐ It is cheap coverage, account retention, errors and omissions exposure
- ☐ Catastrophic claims, account retention, revenue from commission, clients need protection
- ☐ Clients need protection, account retention, revenue from commission, errors and omissions exposure

5. Which aspect of Personal Umbrella/Excess Liability Policies should an insurance professional closely examine to determine if coverage will follow the underlying policy's coverage?

- ☐ Coverage limits
- ☐ Aggregating coverage
- ☐ Coverage of defense costs
- ☐ Follow Form language

6. Which of the following are the most advantageous areas to compare to understand the differences among various Personal Umbrella/Excess Liability Policies? (Select all that apply.)

- ☐ The policy limit of liability
- ☐ The policy definitions
- ☐ The coverage for defense
- ☐ The policy premium



### Section 3: Personal Umbrella/Excess Liability

7. Which of the following would require the “insured” to pay the self-insured retention (SIR/ deductible) of an ISO Personal Umbrella Liability Policy? (Select all that apply.)
- ☐ Casey had an at-fault boating accident (in an owned watercraft) where no underlying insurance applies.
  - ☐ Casey’s \$750,000 bodily injury claim is covered by his underlying Homeowners Policy up to \$500,000 (limit maximum).
  - ☐ Casey rear-ended another vehicle while vacationing in Australia.
  - ☐ Casey is being sued for making false statements on social media accusing the city manager of stealing money.
8. Which one of the following accurately describes the role of Personal Umbrella/Excess Liability Policies in relation to underlying insurance policies?
- ☐ They provide additional Liability Coverage once the underlying policy limits are exhausted.
  - ☐ They replace the need for underlying insurance policies.
  - ☐ They are the primary insurance policies for all liability claims.
  - ☐ They offer identical coverage as the underlying policies.
9. In the context of the ISO Personal Umbrella Liability Policy’s Insuring Agreement, what is the primary purpose of providing “Defense Coverage”?
- ☐ To pay for damages caused by an insured’s personal injury or property damage
  - ☐ To cover defense expenses incurred by the insured in a lawsuit
  - ☐ To protect an insured in case of a claim or suit brought against them
  - ☐ To provide additional coverage for injuries resulting from an accident
10. Which one of the following is an example of an exclusion that is specific to the ISO Personal Umbrella Liability Policy (PULP)?
- ☐ Damage caused by fire, smoke, or explosion
  - ☐ Libel or slander with the knowledge it was untrue, or that it took place before the policy period
  - ☐ Watercraft covered by “underlying insurance” at the time of the “occurrence”
  - ☐ Motorcycle rider skill training in connection with a course designed by the Motorcycle Safety Foundation

## Section 3: Personal Umbrella Liability Reference Forms

- DL 98 01 02 15 – Personal Umbrella Liability Policy
- DL 99 12 10 15 – Personal Umbrella Liability Policy Public or Livery Conveyance Exclusion Endorsement (Mandatory)
- DL 99 53 03 18 – Personal Umbrella Home-Sharing Host Activities Amendatory Endorsement (Mandatory)
- DL 98 12 02 15 – Personal Umbrella Liability Policy Auto Liability Following Form Endorsement

## DL 98 01 02 15 – Personal Umbrella Liability Policy

**PERSONAL LIABILITY**  
**DL 98 01 02 15**

### PERSONAL UMBRELLA LIABILITY POLICY

#### AGREEMENT

In return for payment of the premium and subject to all the terms of this Policy, we agree with you as follows:

#### I. Definitions

**A.** Throughout this Policy, "you" and "your" refer to:

1. The "named insured" shown in the Declarations; and
2. The spouse if a resident of the same household.

**B.** "We", "us" and "our" refer to the company providing this insurance.

**C.** For purposes of this Policy, a private passenger type auto, pickup or van shall be deemed to be owned by a person if leased:

1. Under a written agreement to that person; and
2. For a continuous period of at least six months.

Other words and phrases are defined. They are in quotation marks when used.

**D.** "Aircraft Liability", "Hovercraft Liability", "Recreational Motor Vehicle Liability" and "Watercraft Liability", subject to the provisions in 2. below, mean the following:

1. Liability for "bodily injury" or "property damage" arising out of:
  - a. The ownership of such vehicle or craft by an "insured";
  - b. The maintenance, occupancy, operation, use, loading or unloading of such vehicle or craft by any person;
  - c. The entrustment of such vehicle or craft by an "insured" to any person;
  - d. The failure to supervise or negligent supervision of any person involving such vehicle or craft by an "insured"; or
  - e. Vicarious liability, whether or not imposed by law, for the actions of a child or minor involving such vehicle or craft.
2. For the purpose of this definition:
  - a. Aircraft means any contrivance used or designed for flight, except model or hobby aircraft not used or designed to carry people or cargo;

b. Hovercraft means a self-propelled motorized ground-effect vehicle and includes, but is not limited to, flarecraft and air cushion vehicles;

c. Watercraft means a craft principally designed to be propelled on or in water by wind, engine power or electric motor; and

d. Recreational Motor Vehicle means a "recreational motor vehicle" as defined in Paragraph N.

**E.** "Auto" means:

1. A private passenger motor vehicle, motorcycle, moped or motor home;
2. A vehicle designed to be pulled by a private passenger motor vehicle or motor home; or
3. A farm wagon or farm implement while towed by a private passenger motor vehicle or motor home.

**F.** "Bodily injury" means bodily harm, sickness or disease, including required care, loss of services and death that results.

**G.** "Business" means:

1. A trade, profession or occupation engaged in on a full-time, part-time or occasional basis; or
2. Any other activity engaged in for money or other compensation, except the following:
  - a. One or more activities, not described in b. through d. below, for which no "insured" receives more than \$2,000 in total compensation for the 12 months before the beginning of the policy period;
  - b. Volunteer activities for which no money is received other than payment for expenses incurred to perform the activity;
  - c. Providing home day care services for which no compensation is received, other than the mutual exchange of such services; or
  - d. The rendering of home day care services to a relative of an "insured".

**H.** "Family member" means a resident of your household who is:

1. Your relative, including a ward or foster child; or

2. Under the age of 21 and in the care of you or an "insured" who is age 21 or over.
- I. "Fuel system" means:
1. One or more containers, tanks or vessels which have a total combined storage capacity of 100 or more U.S. gallons of liquid fuel; and:
    - a. Are, or were, located on any single location covered by "underlying insurance"; and
    - b. Are, or were, used to hold liquid fuel that is intended to be used solely for one or more of the following:
      - (1) To heat or cool a building;
      - (2) To heat water;
      - (3) To cook food; or
      - (4) To power motor vehicles, other motorized land conveyances or watercraft owned by an "insured";
  2. Any pumping apparatus, which includes the motor, gauge, nozzle, hose or pipes that are, or were, connected to one or more containers, tanks or vessels described in Paragraph I.1.;
  3. Filler pipes and flues connected to one or more containers, tanks or vessels described in Paragraph I.1.;
  4. A boiler, furnace or a water heater, the liquid fuel for which is stored in a container, tank or vessel described in Paragraph I.1.;
  5. Fittings and pipes connecting the boiler, furnace or water heater to one or more containers, tanks or vessels described in Paragraph I.1.; or
  6. A structure that is specifically designed and built to hold the liquid fuel that escapes from one or more containers, tanks or vessels described in Paragraph I.1.
- J. "Insured" means:
1. You.
  2. A "family member".
  3. Any person using an "auto", "recreational motor vehicle", or watercraft, which is owned by you and covered under this Policy. Any person using a temporary substitute for such "auto" or "recreational motor vehicle" is also an "insured".
  4. Any other person or organization but only with respect to the legal responsibility for acts or omissions of you or any "family member" while you or any "family member" is using an "auto" or "recreational motor vehicle" covered under this Policy. However, the owner or lessor of an "auto" or "recreational motor vehicle" loaned to or hired for use by an "insured" or on an "insured's" behalf, is not an "insured".
  5. With respect to animals owned by you or any "family member", any person or organization legally responsible for such animals. However, a person or organization using or having custody of such animals in the course of any "business" or without the consent of the owner is not an "insured".
- K. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions, which results, during the policy period, in:
1. "Bodily injury"; or
  2. "Property damage".
- L. "Personal injury" means injury arising out of one or more of the following offenses, but only if the offense was committed during the policy period:
1. False arrest, detention or imprisonment;
  2. Malicious prosecution;
  3. The wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premises that a person occupies, committed by or on behalf of its owner, landlord or lessor;
  4. Oral or written publication, in any manner, of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services; or
  5. Oral or written publication, in any manner, of material that violates a person's right of privacy.
- M. "Property damage" means physical injury to, destruction of, or loss of use of tangible property.
- N. "Recreational motor vehicle" means:
1. All-terrain vehicle;

2. Dune buggy;
3. Golf cart;
4. Snowmobile; or
5. Any other motorized land vehicle which is designed for recreational use off public roads.

**O. "Retained limit" means:**

1. The total limits of any "underlying insurance" and any other insurance that applies to an "occurrence" or offense which:
  - a. Are available to an "insured"; or
  - b. Would have been available except for the bankruptcy or insolvency of an insurer providing "underlying insurance"; or
2. The deductible, if any, as stated in the Declarations, if the "occurrence" or offense:
  - a. Is covered by this Policy; and
  - b. Is not covered by "underlying insurance" or any other insurance.

**P. "Underlying insurance" means any policy providing the "insured" with primary liability insurance covering one or more of the types of liability listed in the Declarations and at limits no less than the retained policy limits shown for those types of liability listed in the Declarations.**

**II. Coverages**

**A. Insuring Agreement**

We will pay damages, in excess of the "retained limit", for:

1. "Bodily injury" or "property damage" for which an "insured" becomes legally liable due to an "occurrence" to which this insurance applies; and
2. "Personal injury" for which an "insured" becomes legally liable due to one or more offenses listed under the definition of "personal injury" to which this insurance applies.

Damages include prejudgment interest awarded against an "insured".

**B. Defense Coverage**

1. If a claim is made or a suit is brought against an "insured" for damages because of "bodily injury" or "property damage" caused by an "occurrence" or "personal injury" caused by an offense to which this Policy applies, we:

a. Will provide a defense at our expense by counsel of our choice, even if the suit is groundless, false or fraudulent. However, we are not obligated to defend any suit or settle any claim if:

- (1) The "occurrence" or offense is covered by other "underlying insurance" available to the "insured"; or
- (2) There is no applicable "underlying insurance" in effect at the time of the "occurrence" or offense and the amount of damages claimed or incurred is less than the applicable deductible amount shown in the Declarations;

b. May join, at our expense, with the "insured" or any insurer providing "underlying insurance" in the investigation, defense or settlement of any claim or suit which we believe may require payment under this Policy.

However, we will not contribute to the costs and expenses incurred by any insurer providing "underlying insurance"; and

c. Will pay any expense incurred for the "insured's" defense, with our written consent, in any country where we are prevented from defending an "insured" because of laws or other reasons.

2. We may investigate and settle any claim or suit that we decide is appropriate. Our duty to settle or defend ends when our limit of liability for the "occurrence" or offense has been exhausted by payment of judgments or settlements.

**C. Additional Coverages**

We will pay:

1. Expenses we incur and costs taxed against an "insured" in any suit we defend;

2. Premiums on bonds required in a suit we defend, but not for bond amounts to the extent they exceed our limit of liability. We need not apply for or furnish any bond;
3. Reasonable expenses incurred by an "insured" at our request, including actual loss of earnings (but not loss of other income) up to \$250 per day, for assisting us in the investigation or defense of a claim or suit; and
4. Interest on our share of the judgment which accrues after entry of the judgment and before we pay or tender, or deposit in court, that part of the judgment which does not exceed the limit of liability that applies.

These payments will not reduce the limit of liability.

#### D. Limit Of Liability

Our total liability under this Policy for all damages resulting from any one "occurrence" or offense will not be more than the Limit Of Liability as shown in the Declarations of this Policy. This limit is the most we will pay regardless of the number of "insureds", claims made, persons injured, or vehicles involved in an accident.

### III. Exclusions

- A. The coverages provided by this Policy do not apply to:

1. "Bodily injury" or "property damage" which is expected or intended by an "insured" even if the resulting "bodily injury" or "property damage":
  - a. Is of a different kind, quality or degree than initially expected or intended; or
  - b. Is sustained by a different person, entity or property than initially expected or intended.

However, this exclusion (A.1.) does not apply to:

- (1) "Bodily injury" or "property damage" resulting from the use of reasonable force by an "insured" to protect persons or property; or
- (2) "Bodily injury" or "property damage" resulting from the use of reasonable force by an "insured" to prevent or eliminate danger in the operation of "autos", "recreational motor vehicles" or watercraft;

#### 2. "Personal injury":

- a. Caused by or at the direction of an "insured" with the knowledge that the act would violate the rights of another and would inflict "personal injury";
- b. Arising out of oral or written publication of material, if done by or at the direction of an "insured" with knowledge of its falsity;
- c. Arising out of oral or written publication of material whose first publication took place before the beginning of the policy period;
- d. Arising out of a criminal act committed by or at the direction of an "insured"; or
- e. Sustained by any person as a result of an offense directly or indirectly related to the employment of this person by an "insured";

#### 3. "Bodily injury", "personal injury" or "property damage" arising out of or in connection with a "business":

- a. Engaged in by an "insured"; or
- b. Conducted from:
  - (1) Any part of a premises owned by or rented to an "insured"; or
  - (2) Vacant land owned by or rented to an "insured".

This exclusion (A.3.) applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the "business".

However, this exclusion (A.3.) does not apply to:

- (1) The rental or holding for rental of:
  - (a) The residence premises shown in the Declarations:
    - (i) On an occasional basis if used only as a residence;
    - (ii) In part, for use only as a residence, unless a single-family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or
    - (iii) In part, as an office, school, studio or private garage;

- (b) Any part of a one- to four-family dwelling, other than the residence premises, to the extent that personal liability coverage is provided by "underlying insurance";
  - (c) A condominium, cooperative, or apartment unit, other than the residence premises, to the extent that personal liability coverage is provided by "underlying insurance";
- (2) Civic or public activities performed by an "insured" without compensation other than reimbursement of expenses;
- (3) An insured minor involved in self-employed "business" pursuits, which are occasional or part-time and customarily undertaken on that basis by minors. A minor means a person who has not attained his or her:
  - (a) 18th birthday; or
  - (b) 21st birthday if a full-time student;
- (4) The use of an "auto" you own, or a temporary substitute for such "auto", by you, a "family member" or a partner, agent or employee of you or a "family member" while employed or otherwise engaged in the "business" of:
  - (a) Selling;
  - (b) Repairing;
  - (c) Servicing;
  - (d) Storing; or
  - (e) Parking;
 vehicles designed for use mainly on public highways;
- (5) The use of an "auto" for "business" purposes, other than an auto business, by an "insured";
- 4. "Bodily injury" or "property damage" arising out of the ownership or operation of an "auto" while it is being used as a public or livery conveyance. This exclusion (A.4.) does not apply to:
  - a. A share-the-expense car pool; or
  - b. The ownership or operation of an "auto" while it is being used for volunteer or charitable purposes;
- 5. "Bodily injury" or "property damage" arising out of the ownership, maintenance or use of an "auto" while:
  - a. Enrolled in a personal vehicle sharing program under the terms of a written agreement; and
  - b. Being used in connection with such personal vehicle sharing program by anyone other than you or any "family member";
- 6. "Bodily injury", "personal injury" or "property damage" arising out of the rendering of or failure to render professional services;
- 7. "Aircraft Liability";
- 8. "Hovercraft Liability";
- 9. "Watercraft Liability".  
However, this exclusion (A.9.) does not apply to the extent that watercraft coverage is provided by "underlying insurance" at the time of the "occurrence";
- 10. "Recreational Motor Vehicle Liability".  
However, this exclusion (A.10.) does not apply with respect to any "recreational motor vehicle":
  - a. Owned by you or a "family member" to the extent that "recreational motor vehicle" coverage is provided by "underlying insurance" at the time of the "occurrence"; or
  - b. That you or a "family member" does not own;
- 11. "Bodily injury" or "property damage" caused directly or indirectly by war, including the following and any consequence of any of the following:
  - a. Undeclared war, civil war, insurrection, rebellion or revolution;
  - b. Warlike act by a military force or military personnel; or
  - c. Destruction, seizure or use for a military purpose.
 Discharge of a nuclear weapon will be deemed a warlike act even if accidental;
- 12. A person using an "auto", "recreational motor vehicle" or watercraft without a reasonable belief that that person is entitled to do so. This exclusion (A.12.) does not apply to a "family member" using an "auto", "recreational motor vehicle" or watercraft you own;



**13. The ownership, maintenance or use of:**

- a. Any "auto" for the purpose of:**
  - (1) Participating or competing in;** or
  - (2) Practicing or preparing for;**
- any prearranged or organized:
  - (a) Racing or speed contest;** or
  - (b) Driver skill training or driver skill event;** and
- b. Any watercraft which, at the time of the "occurrence", is:**
  - (1) Being operated in;** or
  - (2) Practicing or preparing for;**
- any prearranged or organized:
  - (a) Race;**
  - (b) Stunt activity;**
  - (c) Speed contest;** or
  - (d) Other competition.**

However, this exclusion **(A.13.)** does not apply to:

- (1) Motorcycle rider skill training in connection with a course designed by the Motorcycle Safety Foundation, or any similar course administered by any state agency, to improve motorcycle rider skills;**
- (2) A sailing vessel;** or
- (3) Watercraft involved in predicted log cruises;**

**14. "Bodily injury" or "personal injury" to you or a "family member".**

This exclusion also applies to any claim made or suit brought:

- a. To repay;** or
  - b. Share damages with;**
- another person who may be obligated to pay damages because of "bodily injury" or "personal injury" to you or a "family member";

**15. "Bodily injury" or "personal injury" arising out of:**

- a. The transmission of a communicable disease by an "insured";**
- b. Sexual molestation, corporal punishment or physical or mental abuse;** or

- c. The use, sale, manufacture, delivery, transfer or possession by any person of a Controlled Substance(s) as defined by the Federal Food and Drug Law at 21 U.S.C.A. Sections 811 and 812. Controlled Substances include but are not limited to cocaine, LSD, marijuana and all narcotic drugs. However, this exclusion **(A.15.)** does not apply to the legitimate use of prescription drugs by a person following the lawful orders of a licensed health care professional;**

**16. "Bodily injury", "personal injury" or "property damage" arising out of an act or omission of an "insured" as an officer or member of a board of directors of a corporation or organization. However, this exclusion **(A.16.)** does not apply if the corporation or organization is not-for-profit and the "insured" receives no compensation other than reimbursement of expenses;**

**17. "Property damage" to property owned by an "insured". This includes costs or expenses incurred by an "insured" or others to repair, replace, enhance, restore or maintain such property to prevent injury to a person or damage to property of others, whether on or away from the residence premises shown in the Declarations;**

**18. "Property damage" to property rented to, occupied or used by, or in the care, custody or control of, an "insured" to the extent that the "insured" is obligated by contract to provide insurance for such property. However, this exclusion **(A.18.)** does not apply to "property damage" caused by fire, smoke or explosion;**

**19. "Bodily injury" to any person eligible to receive any benefits:**

- a. Voluntarily provided;** or
  - b. Required to be provided;**
- by an "insured" under any:

- (1) Workers' compensation law;**
- (2) Nonoccupational disability law;** or
- (3) Occupational disease law;**

**20. "Bodily injury" or "property damage" for which an "insured" under this Policy:**

- a. Is also an insured under a nuclear energy liability policy issued by the:**
  - (1) Nuclear Energy Liability Insurance Association;**
  - (2) Mutual Atomic Energy Liability Underwriters;** or

- (3) Nuclear Insurance Association of Canada;
- or any of their successors; or
- b. Would be an insured under that policy but for the exhaustion of its limit of liability;
- 21. "Bodily injury", "personal injury" or "property damage" caused by an "occurrence" or offense involving the escape of fuel from a "fuel system";
- 22. "Bodily injury" or "personal injury" caused by an "occurrence" or offense involving the absorption, ingestion or inhalation of lead; or
- 23. "Personal injury" or "property damage" caused by an "occurrence" or offense of lead contamination.
- B. Liability coverage does not apply to any assessment charged against you as a member of an association, corporation or community of property owners.
- C. We do not provide:
  - 1. Automobile no-fault or any similar coverage under this Policy; or
  - 2. Uninsured Motorists Coverage, Underinsured Motorists Coverage, or any similar coverage unless this Policy is endorsed to provide such coverage.

#### IV. Maintenance Of Underlying Insurance

You must maintain the "underlying insurance" at the full limits stated in the Declarations and with no change to more restrictive conditions during the term of this Policy. If any "underlying insurance" is canceled or not renewed and not replaced, you must notify us at once.

If you fail to maintain "underlying insurance", we will not be liable under this Policy for more than we would have been liable if that "underlying insurance" was in effect.

#### V. Duties After Loss

In case of an "occurrence" or offense likely to involve the insurance under this Policy, you or another "insured" will perform the following duties that apply. We have no duty to provide coverage under this Policy if your failure to comply with the following duties is prejudicial to us. You will help us by seeing that these duties are performed:

- A. Give written notice to us or our agent as soon as is practical. Such notice shall set forth:
  - 1. The identity of the Policy and named insured shown in the Declarations;

- 2. Reasonably available information about the time, place and circumstances of the "occurrence" or offense; and
- 3. The names and addresses of any claimants and witnesses.
- B. If a claim is made or a suit is brought against an "insured", the "insured" must:
  - 1. Notify us immediately in writing;
  - 2. Cooperate with us in the investigation, settlement or defense of any claim or suit;
  - 3. Promptly forward to us every notice, demand, summons or other process relating to the "occurrence" or offense;
  - 4. At our request, help us:
    - a. To make settlement;
    - b. To enforce any right of contribution or indemnity against any person or organization who may be liable to an "insured";
    - c. With the conduct of suits and attend hearings and trials; and
    - d. To secure and give evidence and obtain the attendance of witnesses.
- C. The "insured" will not, except at the "insured's" own cost, voluntarily make payment, assume obligation or incur expense to others.

#### VI. General Provisions

##### A. Appeals

If an "insured" or any insurer providing "underlying insurance" elects not to appeal a judgment which exceeds the "retained limit", we may do so at our own expense. We will pay all costs, taxes, expenses and interest related to our appeal. These payments will not reduce the limit of liability.

##### B. Bankruptcy Of An Insured

Bankruptcy or insolvency of an "insured" will neither:

- 1. Relieve us of our obligations under this Policy; nor
- 2. Operate to cause this Policy to become primary in the event the "insured" is unable to satisfy the "retained limit" either because of insufficient "underlying insurance" or insufficient personal assets.

##### C. Bankruptcy Of An Underlying Insurer

In the event of bankruptcy or insolvency of any underlying insurer, the insurance afforded by this Policy shall not replace such "underlying insurance", but shall apply as if the "underlying insurance" was valid and collectible.

**D. Fraud**

We do not provide coverage for any "insured" who has made fraudulent statements or engaged in fraudulent conduct in connection with any "occurrence" or offense for which coverage is sought under this Policy.

**E. Liberalization Clause**

If we make a change which broadens coverage under this edition of our policy without additional premium charge, that change will automatically apply to your insurance as of the date we implement the change in your state, provided that this implementation date falls within 60 days prior to or during the policy period stated in the Declarations.

This Liberalization Clause does not apply to changes implemented with a general program revision that includes both broadenings and restrictions in coverage, whether that general program revision is implemented through introduction of:

1. A subsequent edition of this Policy; or
2. An amendatory endorsement.

**F. Other Insurance**

The coverage afforded by this Policy is excess over any other insurance available to an "insured", except insurance written specifically to be excess over this Policy.

**G. Our Right To Recover Payment**

If we make a payment under this Policy and the person to or for whom payment was made has a right to recover damages from another, we shall be subrogated to that right. That person shall do:

1. Whatever is necessary to enable us to exercise our rights; and
2. Nothing after loss to prejudice them.

**H. Policy Period And Territory**

The policy period is stated in the Declarations. This Policy applies to an "occurrence" or offense which takes place anywhere in the world.

**I. Severability Of Insurance**

This insurance applies separately to each "insured". However, this provision will not increase our limit of liability for any one "occurrence" or offense.

**J. Suit Against Us**

1. No legal action can be brought against us:
  - a. Unless there has been full compliance with all of the terms of this Policy; and

- b. Until the obligation of the "insured" has been determined by final judgment or by agreement signed by us.

2. No person or organization has any right under this Policy to join us as a party to any legal action against an "insured".

**K. Termination**

**1. Cancellation By You**

You may cancel this Policy by:

- a. Returning it to us; or
- b. Giving us advance written notice of the date cancellation is to take effect.

**2. Cancellation By Us**

We may cancel this Policy as stated below by letting you know in writing of the date cancellation takes effect. This cancellation notice may be delivered to you or mailed to you at your mailing address shown in the Declarations.

Proof of mailing will be sufficient proof of notice.

- a. When you have not paid the premium, we may cancel at any time by letting you know at least 10 days before the date cancellation takes effect.
- b. When this Policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason by letting you know at least 10 days before the date cancellation takes effect.
- c. When this Policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel by letting you know at least 30 days before the date cancellation takes effect.

**3. Nonrenewal**

We may elect not to renew this Policy. We may do so by delivering to you, or mailing to you at your mailing address shown in the Declarations, written notice at least 30 days before the expiration date of this Policy. Proof of mailing will be sufficient proof of notice.

**4. Other Termination Provisions**

- a. When this Policy is canceled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata.
- b. If the return premium is not refunded with the notice of cancellation or when this Policy is returned to us, we will refund it within a reasonable time after the date cancellation takes effect.

**L. Transfer Of Your Interest In This Policy**

1. Your rights and duties under this Policy may not be assigned without our written consent. However, if you die, coverage will be provided for:
  - a. The surviving spouse if resident in the same household at the time of death. Coverage applies to the spouse as if a named insured shown in the Declarations;
  - b. Any member of your household who is an "insured" at the time of your death, but only while a resident of the residence premises; or

- c. The legal representative of the deceased person as if a named insured shown in the Declarations. This applies only with respect to the representative's legal responsibility to maintain or use your "autos" or the residence premises shown in the Declarations.

2. Coverage will only be provided until the end of the policy period.

**M. Waiver Or Change Of Policy Provisions**

This Policy contains all the agreements between you and us. Its terms may not be changed or waived except by endorsement issued by us. If a change requires a premium adjustment, we will adjust the premium as of the effective date of the change.

**DL 99 12 10 15 – Personal Umbrella Liability Policy Public or Livery  
Conveyance Exclusion Endorsement (Mandatory)**

**PERSONAL LIABILITY  
DL 99 12 10 15**

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

**PERSONAL UMBRELLA LIABILITY POLICY PUBLIC OR  
LIVERY CONVEYANCE EXCLUSION ENDORSEMENT**

**I. Definitions**

The following definition is added:

"Transportation network platform" means an online-enabled application or digital network used to connect passengers with drivers using vehicles for the purpose of providing prearranged transportation services for compensation.

**II. Section III – Exclusions**

The following is added to Exclusion **A.4.**:

This exclusion (**A.4.**) includes but is not limited to any period of time an "auto" is being used by any "insured" who is logged into a "transportation network platform" as a driver, whether or not a passenger is "occupying" the "auto".

## DL 99 53 03 18 – Personal Umbrella Home-Sharing Host Activities Amendatory Endorsement (Mandatory)

PERSONAL LIABILITY  
DL 99 53 03 18

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

### PERSONAL UMBRELLA HOME-SHARING HOST ACTIVITIES AMENDATORY ENDORSEMENT

#### I. Definitions

**A.** The following definitions are added:

1. "Home-sharing host activities" means:

a. The:

(1) Rental or holding for rental; or

(2) Mutual exchange of services;

of the residence premises, in whole or in part, by an "insured" to a "home-sharing occupant" through the use of a "home-sharing network platform"; and

b. Any other related property or services made available by an "insured" for use during such:

(1) Rental; or

(2) Mutual exchange of services;

except those property or services provided by another party.

2. "Home-sharing network platform" means an online-enabled application, web site or digital network that:

a. Is used for the purpose of facilitating, for money, mutual exchange of services or other compensation, the rental of a dwelling or other structure, in whole or in part; and

b. Allows for the agreement and compensation with respect to such rental to be transacted through such online-enabled application, web site or digital network.

3. "Home-sharing occupant" means a person, other than an "insured", who:

a. Has entered into an agreement or arranged compensation with an "insured" through the use of a "home-sharing network platform" for "home-sharing host activities"; or

b. Is accompanying or staying with a person described in Paragraph 3.a. of this provision under such "home-sharing host activities".

**B.** Definition **I.G.** "Business" is replaced by the following:

**G.** "Business" means:

1. A trade, profession or occupation engaged in on a full-time, part-time or occasional basis;

2. "Home-sharing host activities"; or

3. Any other activity engaged in for money or other compensation, except the following:

(a) One or more activities, not described in (b) through (d) below, for which no "insured" receives more than \$2,000 in total compensation for the 12 months before the beginning of the policy period;

(b) Volunteer activities for which no money is received other than payment for expenses incurred to perform the activity;

(c) Providing home day care services for which no compensation is received, other than the mutual exchange of such services; or

(d) The rendering of home day care services to a relative of an "insured".

**C.** In this Policy, the terms:

1. Roomer; or

2. Boarder;

do not include a "home-sharing occupant".

#### II. Exclusions

Exclusion **A.3.** is replaced by the following:

**A.** The coverages provided by this Policy do not apply to:

3. "Bodily injury", "personal injury" or "property damage" arising out of or in connection with a "business":

a. Engaged in by an "insured"; or

**b. Conducted from:**

- (1)** Any part of a premises owned by or rented to an "insured"; or
- (2)** Vacant land owned by or rented to an "insured".

This exclusion **(A.3.)** applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the "business".

However, with respect to other than "home-sharing host activities", this exclusion **(A.3.)** does not apply to:

- (1)** The rental or holding for rental of:
  - (a)** The residence premises shown in the Declarations:
    - (i)** On an occasional basis if used only as a residence;
    - (ii)** In part, for use only as a residence, unless a single-family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or
    - (iii)** In part, as an office, school, studio or private garage;
  - (b)** Any part of a one- to four-family dwelling, other than the residence premises, to the extent that personal liability coverage is provided by "underlying insurance";
  - (c)** A condominium, cooperative, or apartment unit, other than the residence premises, to the extent that personal liability coverage is provided by "underlying insurance";

- (2)** Civic or public activities performed by an "insured" without compensation other than reimbursement of expenses;
- (3)** An insured minor involved in self-employed "business" pursuits, which are occasional or part-time and customarily undertaken on that basis by minors. A minor means a person who has not attained his or her:
  - (a)** 18th birthday; or
  - (b)** 21st birthday if a full-time student;
- (4)** The use of an "auto" you own, or a temporary substitute for such "auto", by you, a "family member" or a partner, agent or employee of you or a "family member" while employed or otherwise engaged in the "business" of:
  - (a)** Selling;
  - (b)** Repairing;
  - (c)** Servicing;
  - (d)** Storing; or
  - (e)** Parking;
 vehicles designed for use mainly on public highways;
- (5)** The use of an "auto" for "business" purposes, other than an auto business, by an "insured";



## DL 98 12 02 15 – Personal Umbrella Liability Policy Auto Liability Following Form Endorsement

PERSONAL LIABILITY  
DL 98 12 02 15

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

### PERSONAL UMBRELLA LIABILITY POLICY AUTO LIABILITY FOLLOWING FORM ENDORSEMENT

With respect to the coverage provided by this endorsement, the provisions of the Policy apply unless modified by the endorsement.

#### I. Definitions

With respect to "bodily injury" or "property damage" arising out of the ownership, maintenance, occupancy, operation, use, loading or unloading of any "auto", the definition of "retained limit" is replaced by the following:

"Retained limit" means:

1. The retained policy limits for auto liability coverage shown in the Declarations; and
2. The total limits of any other coverage provided by "underlying insurance" and any other insurance that applies to an "occurrence" which:
  - a. Are available to an "insured"; or
  - b. Would have been available except for the bankruptcy or insolvency of an insurer providing "underlying insurance".

- B. The maintenance, occupancy, operation, use, loading or unloading of any "auto" by any person;
- C. The entrustment of any "auto" by an "insured" to any person;
- D. The failure to supervise or negligent supervision of any person involving any "auto" by an "insured"; or
- E. Vicarious liability, whether or not imposed by law, for the actions of a child or minor involving any "auto".

However, this exclusion does not apply to the extent that auto liability coverage is provided by "underlying insurance" at the time of the "occurrence".

#### II. Exclusions

The following exclusion is added:

The coverages provided by this Policy do not apply to "bodily injury" or "property damage" arising out of:

- A. The ownership of any "auto" by an "insured";

# Appendix

## Preparing for the Final Exam

# Preparing for the Final Exam

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Keep in mind, the most important measure of your knowledge will be witnessed in your service to your organization. Think of an exam as a tool. Use it to come to an understanding of what you know, how it affects your work, and what more you would like to know to have even greater success in the workplace.

The testing period is two hours long. You are required to earn a minimum of 140 out of 200 possible points. Questions appear in the order of presentation of the topics.

Remain aware of the time as you take the exam. Pace yourself and be aware that unanswered questions are considered incorrect.

## Study Techniques

Here are some techniques you can use to help you prepare for the Final Exam. Apply these same techniques to each section in this Learning Guide.

1. Review the Section Goal.
2. Re-read the Introduction.
3. Review each Learning Objective.
4. Change each head and subhead into a question. Then answer the question. For example, header: Risk Financing Plans  
Question: What are some examples of risk financing plans?
5. Review each diagram, graph, and table. Interpret what you see. Ask yourself how it relates to a specific learning objective.
6. Check your answers to each Check-In activity. Correct your original answers, if necessary.
7. Check your answers to each Knowledge Check. Consider ways to improve your original answers.
8. Re-read the summary at the end of each section.
9. Check your answers for each section Self-Quiz. Correct your original answers, if necessary.
10. Review any comments, highlights, or notes you made in each section.
11. Rewrite important ideas in your own words. Find ways to relate your work experiences to those ideas.

12. Make flash cards to help you review important vocabulary.

## Sample Examination Questions and Composite Answers

### Sample Question:

1. John has his home insured on a Homeowner 3 - Special Policy that has a \$200,000 Coverage A - Dwelling limit and a \$300,000 Coverage E - Liability coverage.

#### Scenario A:

The tenant occupying the apartment above John's detached garage accidentally starts a fire, resulting in \$25,000 damage to the garage/apartment and \$6,000 damage to the tenant's personal property. Disregarding a policy deductible, determine what coverage (if any) is provided by John's unendorsed Homeowners Policy. Explain your answer.

#### Sample Answer A:

While fire is a covered peril, the Homeowners policy does not cover another structure rented or held for rental to others unless used solely as a private garage. The tenant's property is not covered as the homeowner policy excludes property of tenants.

#### Scenario B:

During John's vacation, his neighbor, who was taking care of his dog as a favor, failed to close the gate, resulting in John's dog escaping and biting a child. The parents of the injured child have filed a \$500,000 lawsuit against both John and his neighbor for the child's bodily injury. Explain whether John's Homeowner Policy will cover both him and his neighbor and for how much (if any).

#### Sample Answer B:

John is an "insured" and is provided coverage for bodily injury caused by his dog. The neighbor is also an "insured" while caring for John's dog as the neighbor is not in the business of caring for animals. The maximum the policy will pay is the \$300,000 per occurrence limit. Defense coverage will also be provided and is in addition to the limit of liability.

# Glossary of Terms

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**Actual Cash Value (ACV):** The value of property based on the damaged property's replacement cost value, less depreciation according to the age of the property, or results in a reduction in value for normal wear and tear of the property just before the loss

**Aggregate Limit:** A coverage limit that applies per occurrence but is also the maximum limit the policy/insurance company is obligated to per policy term

**Automobile Financial Responsibility Law:** Laws or regulations imposed by state governments to ensure that a party can cover the cost of potential financial liabilities resulting from automobile accidents

**Bailee:** A person or organization that has possession of the property of others (such as an auto repair shop)

**Beneficiary (trust):** A party that receives a trust's assets when a trustor dies

**Builders Risk Policy (insurance):** An insurance coverage option that provides property coverage for structures in the course of construction. Buildings in the course of construction may include new construction, renovation or remodeling, as installation. Exact coverage and limitations vary by policy.

**Compensatory Damages:** There are two categories of compensatory damages: (1) special damages or actual measurable costs and (2) general damages such as intangible costs like pain and suffering.

**Compulsory:** Required by law or rule

**Condo Owners Association (COA):** A legal entity formed by the owners of individual units within a condominium complex (or townhome community) that manages the maintenance and use of shared facilities and construction

**Creator (trust):** An individual who establishes a trust; may also be called a trustor, settlor, or grantor

**Duty to Act in Good Faith:** (as it applies to text) a responsibility to provide reasonable and truthful information as it relates to the insurer

**Duty of Care:** (as it applies to text) a responsibility to diligent documentation, service, and to maintain insurance coverage according to direction

**Endorsement:** a change to the policy that alters policy coverage to broaden, restrict, clarify coverage, or to comply with state-specific regulations

**Exception:** Policy language that follows an exclusion which grants limited coverage back by stating what the exclusion does not apply to

## Glossary of Terms

**Exclusion:** Policy language that removes coverage for certain activities, property, or types of losses (perils)

**Fiduciary Duty:** (as it applies to text) a legal and/or ethical responsibility to another party to competently act in their best financial interest and without conflict, when a special relationship of trust exists

**Force-placed Insurance:** Also referred lender-placed insurance; an insurance that a lender, bank, or loan servicer puts in place on a property when the property owner's existing insurance is canceled, has expired, or is considered inadequate, and the borrower fails to obtain a replacement policy

**Functional Replacement Cost Value (FRC or FRCV):** the cost to replace damaged property with less costly common construction materials and methods that are functionally equivalent to property damaged

**Grantor (trust):** An individual who establishes a trust; may also be called a trustor, settlor, or creator

**Gross Vehicle Weight Rating:** The maximum weight a vehicle is designed to safely carry according to the vehicle manufacturer and includes the total weight of the vehicle plus passengers, vehicle fluids, accessories, and cargo

**Insurable Interest:** A party's financial or legal interest in a person or property should injury or damage occur

**Liability Insurance:** insurance that provides financial protection against legal claims of bodily injury or property damage to others

**Lienholder:** A party that has a financial interest in property (generally through a loan or security). The interest (i.e., the loan) gives the party (i.e., the lienholder) certain rights to possession (or repossession) if the debt is not repaid.

**Life Tenant (life estate):** An individual with insurable interest in property owned by a life estate and who retains the right to use and occupy the property for the duration of their life

**Litigation Costs:** Legal costs or fees that accumulate while pursuing or defending a legal claim

**Loss Assessment Fee:** A fee charged by an owners association to cover the costs associated with repairing or replacing damaged property or liability claims of bodily injury or property damage

**Master Policy:** An insurance policy purchased by a condo (or other property) owners association that provides property coverage for damage to common areas, liability coverage for the association, and often times Directors and Offices coverage for the board members

**Named Perils:** a type of insurance coverage that specifies (or lists) the specific perils that property will receive coverage for



## Glossary of Terms

**Open Perils:** A type of insurance coverage that provides property coverage for all perils except what is excluded

**Parametric Insurance:** A type of insurance that provides loss payment based on predefined parameters, offering immediate claims payment for specific risks (such as flood, wind, and earthquake)

**Perils:** An event that causes or has the potential to cause damage or loss

**Predicted Log Cruises:** A type of watercraft event where participants use environmental information and other factors to predict how long it will take them to sail from one point to another, and the person with the least variation wins

**Pre-judgment Interest:** A dollar amount that accrues from the date of injury or damage to the time that judgment is determined

**Property Insurance:** Insurance that provides protection to tangible property

**Proprietary Forms:** Insurance coverage forms that are unique to and owned by the insurance company that designed/wrote them

**Public or Livery Conveyance:** The use of a vehicle for transporting people or goods for a fee (or hire)—consider an Uber, Lyft, Taxi, or delivery service

**Punitive or Exemplary Damages:** Monetary damages awarded by the courts to either punish the wrong doer or to set an example, so others will not engage in the same conduct

**Remaindermen (life estate):** An individual (a party) that is entitled to the assets held under a life estate after all obligations have been fulfilled

**Replacement Cost (RC):** The cost to repair or replace damaged buildings with like kind and quality materials

**Residential Cooperative:** A type of housing arrangement where tenant collective own (as shareholders) and manage the residential building where they reside. Residents own their shares that correspond to their housing unit rather than as traditional home/unit owners.

**Retroactive Coverage:** Insurance coverage that will apply earlier than a specified date

**Settlor (trust):** An individual who establishes a trust; may also be called a trustor, creator, or grantor

**Special Relationship:** The common law relationship that may arise in insurance when a client compensates an insurance professional for coverage, relies on their expertise, or maintains a long-term business association indicating dependency on the professional's expertise

**Subrogation:** The right of an insurance company to recover an amount of money paid to an insured for a loss when the loss is someone else's fault. Equitable subrogation is based on the common law right to recover; contractual subrogation is based on a written document that authorizes a right to recover.

## Glossary of Terms

**Tangible:** 1. (a) capable of being perceived, especially by the sense of touch; (b) substantially real; or 2. capable of being appraised at an actual or approximate value (*Merriam-Webster*)

**Trust:** An obligation that binds a person (trustee) to deal with property in a particular way for the benefit of another person or class of persons (of which he himself may be a member) whose interests are protected by the equitable jurisdiction of the courts. A trust is a disposition of property to a person (trustee) or persons jointly (trustees) in whom the legal title then vests in the confidence that the benefits will be applied to the advantage of one or more other persons (beneficiaries) or some other object permitted by law.

**Trustee (trust):** An individual who manages a trust; often an attorney or accountant

**Trustor (trust):** An individual who establishes a trust; may also be called a settlor, creator, or grantor

**Vicarious Liability:** Indirect liability for the actions of another party

