



COVERAGE ESSENTIALS: Homeowners Coverage, Part I

A Risk Management Primer

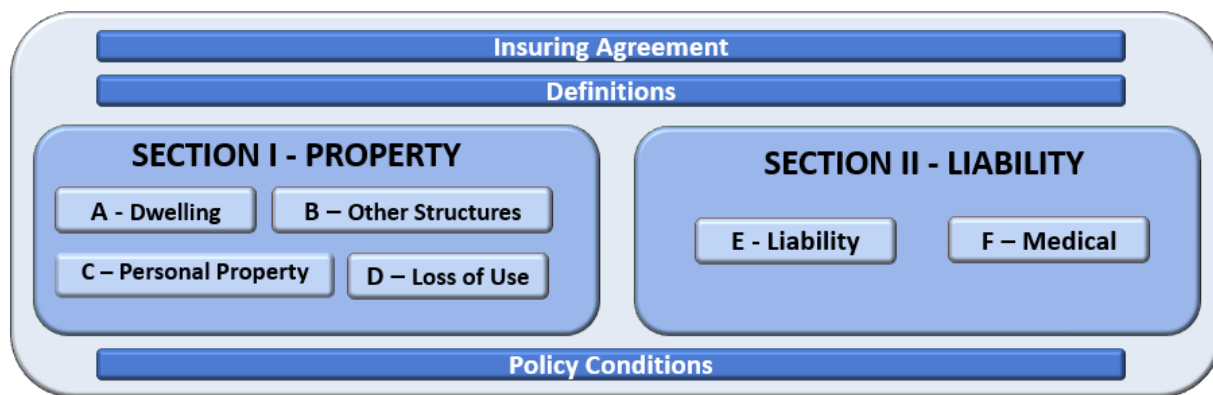
STUDENT GUIDE

STUDENT GUIDE, HOMEOWNERS, PART I

INTRODUCTION

Welcome to **Introduction to Homeowners – Part I**. This class is one of a two-class series that explores coverage provided under the Homeowners Policy. In this session, we focus specifically on the policy definitions, liability coverage and policy conditions provided under the policy.

The parts of a Homeowners Policy can be graphically shown like this:



Section I – Property is covered in **“Introduction to the Homeowners Policy – Part II.”** All the other areas in the policy are covered in this class, including the ***Insuring Agreement, Definitions, Section II Liability,*** and ***Policy Conditions.*** We will also review eligibility for a Homeowners policy and the coverage forms available.

This material explores the coverage provided under ISO’s (Insurance Services Office, Inc.) **Homeowners 3 – Special Form HO 00 03**, also commonly referred to as the HO-3. This form is ideal for use in studying the Homeowners policy since it is the country’s most widely sold Homeowners coverage form.

We will be using the March 2022 edition of the HO 00 03 but may refer to older editions throughout the material. Although not all carriers use the ISO forms, some may adopt ISO language or use similar language. The ISO forms give us a common education platform, and there are more similarities than differences when compared to carrier proprietary forms.

As we review the policy language in the **HO 00 03**, you will also be presented with ***Discussion Points, E&O Tips,*** and optional endorsements. We hope this material will help strengthen your understanding of the Homeowners policy and serve as a reference guide in the future.

I. CHAPTER 1 – HOMEOWNERS ELIGIBILITY AND COVERAGE FORMS

Learning Objectives

1. Understand the difference between the Homeowners coverage forms.
2. Be able to explain the basic eligibility rules which apply to each Homeowners form.
3. Explain the importance of accuracy when writing new Homeowners policies.
4. Learn to recognize situations that require additional interests to be named in the policy.

One of the greatest responsibilities an agent or broker faces is writing a new policy. No two customers are exactly the same, nor do they face exactly the same exposures. Although some may think that a Homeowners policy is pretty simple, it is actually a complex contract, filled with conditions and exceptions. Understanding your customer's risk helps to ensure that you have done all you can to protect them in the event of a loss. A great tool is a good exposure checklist. This can help you identify any areas for which you should offer endorsements or other policy options to your customer.

Asking enough questions also helps you confirm which coverage form is most appropriate for your customer’s situation.

ISO offers the following Homeowners coverage forms:

HO 00 02	Broad Form	Broad Form named perils on Dwelling, Other Structures, and Personal Property.
HO 00 03	Special Form	Open Perils on Dwelling, Other Structures.
HO 00 04	Contents Broad Form	Tenants/renters coverage. Broad Form Named Perils
HO 00 05	Comprehensive Form	Open Peril coverage for all property.
HO 00 06	Unit-Owners Form	Condominium coverage. Broad Form Named Perils.
HO 00 08	Modified Coverage Form	Repair Cost policy with Named Perils coverage.
HO 00 14	Contents Comprehensive Form	Tenants/renters coverage. Open Peril Coverage.

Eligibility

ELIGIBILITY FOR THE FOLLOWING FORMS:

HO 00 02 Broad Form	HO 00 03 Special Form	HO 00 05 Comprehensive Form	HO 00 08 Modified Coverage Form
------------------------	--------------------------	--------------------------------	------------------------------------

1. Owner-occupant of a one-, two-, three-, or four-family dwelling used exclusively for private residential purposes.
 - No more than two roomers or boarders per family unit.
2. Purchaser-occupant who has entered into a long-term installment contract for the purchase of the dwelling.
 - The seller’s interest may be covered with **HO 04 14 Additional Insured – Residence Premises Endorsement.**
3. Occupant of a dwelling under a life estate arrangement.
4. Dwellings in the course of construction

HO 00 04 - Contents Broad Form	HO 00 14 - Contents Comprehensive Form
--------------------------------	--

1. The tenant(s) of a dwelling or an apartment situated in any building.
2. The owner-occupant(s) of a dwelling or cooperative unit or of a building containing an apartment not otherwise eligible for a Homeowners policy.

Must be used exclusively for residential purposes. No more than two roomers or boarders. Must not be the owner of the building.

HO 00 06 - Unit-Owners Form

Owner(s) of a condominium or cooperative unit which is used exclusively for residential purposes. No more than two roomers or boarders.

For ALL coverage Forms

- Incidental business occupancies are permitted provided the premises is occupied principally for private residential purposes.
- A Homeowners policy may be issued to cover a seasonal dwelling.
- A Homeowners policy may not be issued to cover a mobile home.

Brief Form Comparison

HO 00 02 Broad Form	HO 00 03 Special Form	HO 00 05 Comprehensive Form	HO 00 08 Modified Coverage Form
------------------------	--------------------------	--------------------------------	------------------------------------

For most homes, coverage can be written under the **HO 00 02**, **HO 00 03**, or **HO 00 05**. The main difference between the coverage forms is under the property section of each policy, and the causes of loss. The difference between Broad Form Named Perils and Open Perils (all risk of physical loss, except as excluded) will be covered in greater detail in **Introduction to the Homeowners Policy – Part II**. What follows is a brief comparison.

HO 00 02 – Broad Form provides only Broad Form Named Perils for coverage on the Dwelling, Other Structures, and Personal Property.

HO 00 03 – Special Form provides Open Peril coverage on the Dwelling and Other Structures and Broad Form Named Perils on Personal Property. This is the coverage form that will be studied in this class.

HO 00 05 – Comprehensive Form provides Open Peril coverage on the Dwelling, Other Structures, and Personal Property. This is the broadest coverage form available.

HO 00 08 – Modified Coverage Form is not for the average home. This form is used when there is a great discrepancy between the market value of the home and the replacement cost. The company is willing to write coverage for the lower limit, which would never replace the dwelling if there were a total loss. However partial losses would be covered without depreciation. The form provides Named Peril coverage for the Dwelling, Other Structures, and Personal Property.

HO 00 04 - Contents Broad Form	HO 00 14 - Contents Comprehensive Form
--------------------------------	--

HO 00 04 – Contents Broad Form provides Broad Form Named Perils for the Personal Property covered on the policy. Personal Property is covered on an actual cash value (ACV) basis unless endorsed to include replacement cost.

HO 00 14 – Contents Comprehensive Form provides Open Peril coverage for the Personal Property which is automatically covered at replacement cost.

There are many other differences between the **HO 00 04** and **HO 00 14**. In some areas, the HO 00 04 is broader. If you have both forms available to sell, familiarize yourself with these differences so that you can match the correct form to your customer’s needs.

HO 00 06 - Unit-Owners Form

HO 00 06 – Unit-Owners Form provides Broad Form Named Peril coverage on Personal Property or any building coverage (Additions and Alterations). This policy should be endorsed to provide adequate protection for the unit owner with replacement cost and Open Peril coverage.

Structure of a Homeowners Policy

All Homeowners policies are considered a “package” of sorts since coverage is included for both liability and property in one coverage form.

Section I – Property has four coverage parts:

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

The limits in an HO3 for Coverages B, C, and D are based on a percentage of **Coverage A – Dwelling**. Note the differences in other coverage forms.

	COVERAGE A Dwelling	COVERAGE B Other Structures	COVERAGE C Personal Property	COVERAGE D Loss of Use
HO 00 02	Shown in the declarations	10% of Coverage A	50% of Coverage A	30% of Coverage A
HO 00 03	Shown in the declarations	10% of Coverage A	50% of Coverage A	30% of Coverage A
HO 00 04	Does not apply	Does not apply	Insured Selects	30% of Coverage C
HO 00 05	Shown in the declarations	10% of Coverage A	50% of Coverage A	30% of Coverage A
HO 00 06	As selected by the insured	Does not apply	Insured Selects	50% of Coverage C
HO 00 08	Shown in the declarations	10% of Coverage A	50% of Coverage A	10% of Coverage A

These automatic limits can usually be increased for an additional premium. The options to increase property coverage are discussed in greater detail in **Introduction to the Homeowners Policy – Part II**.

Section II – Liability has two coverage parts:

E - Personal Liability – Minimum limit is \$100,000

F - Medical Payments to Others – Minimum limit is \$1,000

These limits are only a minimum and customers should be offered higher limits.

Insurable Interests

Determining the appropriate coverage form is one of the first steps in writing a Homeowners policy. Another important task is ensuring that the parties who have an interest in the property are properly covered.

MARRIED COUPLES

If the customer is a married couple, (or legal union) then both names should be included on the Declarations Page. The parties named on the Declarations page become “you” and have more rights and coverage under the policy. Unlike commercial policies, there is no “first named insured” under a Homeowners policy. It matters not if the husband’s name is listed first or the wife’s.

It also does not matter who holds the deed to the home, or whose name the mortgage is in. As long as both are named on the Declarations page, they will each be better protected, without any detriment to a mortgagee.

UNMARRIED COUPLES

Many couples today choose not to marry but are part of a long-term committed relationship. In such cases, the name of the owner of the home should be listed on the Declarations. To properly cover the partner, ISO has developed this endorsement.

HO 04 58 Additional Insured – Household Resident

Extends coverage for personal property, loss of use, and personal liability to other members of the household who are named in the endorsement, as long as they are not a guest, tenant, roomer, boarder, or “resident employee.” This does not provide additional limits but rather allows a sharing of the limits on the policy.

LAND CONTRACT HOLDERS AND LIFE ESTATE OWNERS

If a home is being sold on a land contract, the purchaser is eligible for a Homeowners policy, but the deed is not transferred until the contract is fulfilled. The owner of the premises (deed holder) can be added as an additional insured which will cover their interest in the property and provide premises liability.

A resident of a home in a life estate arrangement is also eligible for a Homeowners policy. Although the deed to the home is held by someone else, they have the right to live in the house until death. The owner of the house also can be named as an additional insured.

Each of these interests may be covered by adding the **HO 04 41 Additional Insured – Residence Premises** endorsement to the policy.

HO 04 41 Additional Insured – Residence Premises

Adds another party as an “insured” when they have an insurable interest in the residence premises.

MORTGAGEES OR LOSS PAYEES

Probably the most common additional interest is a mortgagee, since almost everyone has a mortgage on their home. The mortgagee is listed on the Declarations page, rather than in an endorsement.

If the insured had purchased a piece of equipment or other valuable property, a loss payee may need their interest in that property covered. They may be listed on the declarations page as a Loss Payee.

SUMMARY

The information you gather as an agent/broker is the information that creates the Declarations page. The Declarations page is what makes the policy tailored to the insured. Not only are the limits and deductibles shown, but every endorsement that can alter coverage is listed. Great care must be taken to ensure that the information is complete and accurate and that every endorsement needed has been included.

The Declarations page is then attached to the coverage form. As mentioned earlier, this class will focus on the **HO 00 03 Homeowners 3 – Special Form**. Be aware that the companies that your agency represents may have proprietary forms that may differ slightly from the ISO HO-3.



When you become aware of an additional party with interest in the property, add that party to the policy, using the proper endorsement when appropriate. This ensures that they will receive a copy of the policy and be notified if the policy lapses or is canceled.

Chapter 1 Review Questions

1. Which of the following are included in **Section II – Liability**?
 - a. D – Loss of Use
 - b. F – Medical Payments to Others
 - c. G – Miscellaneous Endorsements
 - d. None of the above

2. Which of the following is a correct statement related to covered causes of loss under the **HO 00 03**?
 - a. Open peril coverage (all risks covered except as excluded) for the Dwelling and Personal Property.
 - b. Named peril coverage for the Dwelling and Other Structures.
 - c. Open peril coverage for the Dwelling and Other Structures. Named Peril Coverage for Personal Property.
 - d. Named peril coverage for all property under the policy.

3. Which of the following is false about ISO eligibility for an **HO 00 03**?
 - a. You must be the owner of the dwelling.
 - b. It must be used for residential purposes.
 - c. You must occupy the dwelling.
 - d. The dwelling must not have more than two family units.

4. For a home insured for \$200,000 under an **HO 00 03**, how much would the Loss of Use limit be?
 - a. \$20,000
 - b. \$40,000
 - c. \$60,000
 - d. \$100,000

5. Who should be listed as the first named insured under a Homeowners policy?
 - a. The deed holder
 - b. The mortgage holder
 - c. Either the husband or the wife
 - d. There is no first named insured under the Homeowners policy.

II. CHAPTER 2 – DEFINITIONS

Learning Objectives

1. *Be able to identify words in a policy which are defined.*
2. *Understand the importance of definitions when it comes to reading policy language.*
3. *Be able to explain the definition of “business.”*
4. *Understand the difference between the “insured location” and “residence premises” in the policy.*

In this chapter, we will review the defined words in the policy. Understanding the definition of these key terms is critical when reading and interpreting coverage under the policy. When words are not defined, the courts will use the common definition of a word as found in a dictionary. Without understanding the definition of certain words, we may misinterpret the meaning of policy terms and exclusions.

You, your

- Named insured and resident spouse.
- The named insured is the person(s) named on the declarations page.
- There is no “first named insured” in the Homeowner’s party. If named on the declarations page, they become “you” and each “you” has equal rights and responsibilities under the policy.
- “You” has more rights and coverage than anyone else covered by the policy.

We, us, our – This refers to the insurance company providing this insurance.

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.



E&O Tip

When insuring married couples, always name both spouses as named insureds. This ensures that each of them is equally protected under the policy, even if they should later reside in separate households. First, we cannot depend on traditional living arrangements today, and second, agents are not always notified when a couple has separated.

Aircraft Liability, Hovercraft Liability Motor Vehicle Liability, and Watercraft Liability

The policy will later address liability exclusions for each of these types of vehicles/crafts. This definition sets the stage for the exclusions. This means that liability for bodily injury or property damage includes liability arising out of:

1. Ownership,
2. Maintenance, occupancy, operation, use, loading or unloading of:
 - An aircraft, hovercraft, or watercraft by any person or
 - A motor vehicle by an insured,
3. Entrustment of such vehicle or craft to any person,
4. Failure to supervise or negligent supervision involving such vehicle or craft, or
5. Vicarious liability for the actions of a child or minor involving such vehicle or craft,

Aircraft. Designed for flight except hobby or model aircraft not used/designed to carry people or cargo.

Hovercraft. Self-propelled motorized ground effect vehicle.

Watercraft. Designed to be propelled on or in water by wind, engine power or electric motor, except hobby watercraft not used/designed to carry people or cargo.

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.

Bodily Injury. Bodily harm, sickness, or disease, including required care, loss of services, and death that results. The unendorsed Homeowners policy does not cover personal injury coverage, but it can be added by endorsement. Note that some personal umbrella policies may also include Personal Injury coverage.

HO 24 82 Personal Injury Coverage

Broadens the definition of “bodily injury” to include coverage for libel, slander, false arrest, wrongful eviction and invasion of privacy.

2. "Bodily injury" means bodily harm, sickness or disease, including required care, loss of services and death that results.



Jimmy Peters attended a “town hall” meeting which was organized to inform county residents of upcoming changes to the districts within the county. The county commissioner spent quite a bit of time at the podium, boasting about the positive changes he had brought about in the last two years. Jimmy could take no more of his lies and befuddling statements. Jimmy stood up and shouted “*We don’t want to hear any more of your lies! You made promises two years ago when we voted for you and you never kept any of them. Everyone knows that you can’t be trusted. Why, even your wife had enough and left you!*”

Everyone at the meeting stood up and applauded. Jimmy felt like a hero. Until ten days later when he was served with a lawsuit. It accused him of **slander**, causing **mental anguish**, and **defamation** of the commissioner’s reputation.

1. Would Jimmy’s HO 00 03 provide coverage for this lawsuit?
2. Would the HO 00 03 provide defense coverage?
3. What coverage would you recommend to cover a claim of this nature?

Business. This is an important definition for understanding the business exclusions in both the liability and property sections of the policy.

Business includes:

1. A trade, profession, or occupation, whether full-time, part-time, or occasional basis
2. The leasing of mineral rights on an insured location
3. Home-sharing host activities
4. Any other activity engaged in for money or other compensation except:
 - One or more activities (except the following three bullet points) resulting in \$5,000 total compensation for the 12 months preceding the policy period.
 - Volunteer activities – as long as no money is received. Expenses are an exception.
 - Home day care services for no compensation. A mutual exchange of services is also allowed
 - Home day care services for a relative

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".

Cannabis. Any good or product that contains any amount of Tetrahydrocannabinol (THC) or any other cannabinoid, including but not limited to:

1. Any plant of the genus Cannabis L, or seeds, stems, flowers, stalks or roots
2. Any compound, by-product, extract, derivative, or mixture such as
 - Resin, oil or wax
 - Hash or hemp
 - Infused liquid or edible cannabis
3. Includes, but not limited to, marijuana.

Employee. Any employee of the insured, or employee leased to an insured whose duties are other than those performed by a "residence employee."

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".

Home-sharing host activities. Due to the popularity of home-sharing activities, the policy now defines home-sharing and related terms. "Home-sharing host activities" means the rental or mutual exchange of services of the "residence premises" by an insured through the use of a "home-sharing network platform." It also includes any other related property or services made available during the rental or exchange of services.

Home-sharing network platform. An online-enabled application, website, or digital network used to facilitate the rental of a dwelling or other structure (in whole or in part) for money, mutual exchange, or other compensation. It allows for the agreement and compensation to be transacted through the online-enabled application, website, or digital network.

Home-sharing occupant. A person who entered into an agreement with an insured through a "home-sharing network platform" and anyone else accompanying or staying with that person.

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".

Insured. Understanding the definition of “insured” will help distinguish who is covered under the policy. The “insured” is:

- You (remember – you is the named insured and resident spouse)
- Your relatives who are residents of your household
- Someone under 21 in your care or the care of your resident relative
- A full-time student who was a resident relative before going away to school, provided they are under 24 and your relative, or under 21 and in your care or the care of your resident relative.
- Anyone who has a legal responsibility for your animals or watercraft (if it is not their business - such as the dog groomer, or a marina employee)
- When coverage applies to a “motor vehicle,” then the following are an “insured:”
 - 1) People who are employed by you,
 - 2) Anyone using that vehicle on an “insured location” with your consent, or
 - 3) Your resident relatives or those in your care or that of your resident relative.

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".

ENDORSEMENTS THAT CAN MODIFY WHO IS AN “INSURED”

HO 04 41 Additional Insured – Residence Premises

Adds another party as an “insured” when they have an insurable interest in the residence premises.

HO 05 27 Additional Insured – Student Living Away from the Residence Premises

With this endorsement, college students could continue to qualify as an insured when over the age of 24 or if only attending classes part-time. The school and student’s at-school address must be listed in the endorsement.

HO 06 15 Trust Coverage

Allows the Trust and Trustees to be added as an “insured” as it relates to the dwelling, other structures, and liability related to an “insured location.” The grantor should still be listed as named insured if residents.

HO 04 58 Additional Insured – Household Resident

Extends coverage for personal property, loss of use, and personal liability to other members of the household who are named in the endorsement, as long as they are not a guest, tenant, roomer, boarder, or “resident employee.” This does not provide additional limits but rather allows a sharing of the limits on the policy.

HO 04 59 Assisted Living Care Coverage

Specifies the name of a relative, location, and amount of personal property coverage to be extended to that location. Includes liability coverage and additional living expense. Some property is not covered and some additional Special Limits are added for items such as hearing aids, eyeglasses, walking aids, wheelchairs, etc.

Insured location. When used in the policy "insured location" means:

1. The "residence premises" – this definition is on the next page of this material.
2. The part of any other premises, structures, or grounds, used as your residence and shown in the declarations or acquired during the policy period to use as your residence.
3. Any premises used by you in connection with 1. and 2. above.
4. Any part of a premises not owned by an "insured" where they are temporarily residing.
5. Vacant land, other than farmland, owned by or rented to an "insured."
6. Land on which the "insured" is building their future residence (2-4 family dwelling)
7. Individual or family cemetery plots or burial vaults
8. Any part of a premises occasionally rented to an "insured", if not for business purposes.

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.

Motor vehicle. A land or amphibious vehicle that is self-propelled or capable of being self-propelled. Includes any trailer or semitrailer being carried on, towed by or hitched to that vehicle.

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.

Occurrence. An accident, including continuous or repeated exposure to substantially the same general harmful conditions which results in “bodily injury” or “property damage” during the policy period.

Property Damage. Physical injury to, destruction of or loss of use of tangible property. Under the law, tangible property is described as anything that can be touched, which includes both personal property and real property. Examples of intangible items could include goodwill, loss of use, mental anguish or reputation.

Residence employee. An employee or leased employee of the “insured” whose duties are related to maintenance or use of the “residence premises.” This includes household or domestic services. It includes someone performing these duties elsewhere, as long as the duties do not relate to a “business” of the “insured.” Examples of residence employees could include a maid, butler, cook, nanny, or au pair.

A “residence employee” does not include a temporary employee who is being substituted for a permanent “residence employee” on leave or to meet a seasonal or short-term workload.

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.

Residence premises. “Residence premises” means any of the following if they are shown as the “residence premises” in the Declarations.

- The one-family dwelling where you reside.
- The two-, three- or four-family dwelling where you reside in at least one family unit.
- That part of any other building where you reside.

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

Roomer, Boarder, Tenant or Guest. These terms do not refer to a “home-sharing occupant.” This is a clarification, since we will see these terms used throughout the policy, and they will not be treated in the same manner as “home-sharing occupants.”

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".

HO 06 48 Residence Premises Definition

Changes the definition of “residence premises” to include where you reside on the inception date of the policy.

HO 06 49 Broadened Residence Premises Definition

Allows a carrier to schedule the inception and termination dates of residency, to amend the definition of “residence premises.”

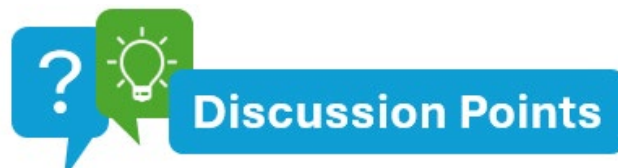


Just a reminder: This part of the policy is only the definitions. Although it is tempting to try to interpret coverage based on some of the detailed definitions provided, the entire policy document must be taken into consideration.



Vince Watson is the only named insured on the Homeowners policy written through your agency. His wife, Kelsey, contacted you to let you know that her mother, Susan Schmidt, is permanently moving in with them. She is going to pay them \$400 a month to help offset expenses. She wants to make sure they are properly covered.

1. Will this be considered “home-sharing” under the policy definitions?
2. Will Susan Schmidt be considered an “insured” under the policy?
3. Does Susan need to be named in the policy in order to be covered?
4. Are there any changes in the policy you would recommend based on this information?



Dustin and Ashley just purchased a lake home. Their house is actually across the street from the lake, but they share lake access with three other neighbors on their side of the street. The lot has a beach which is their responsibility to maintain along with their three neighbors. They are not allowed to put a shed or beach house there.

Under the Homeowner’s policy, does the beach lot come under the definition of “residence premises” or “insured location?”

Chapter 2 Review Questions

1. Who has the most rights and coverage under the Homeowners policy?
 - a. The insured
 - b. The first named insured
 - c. You
 - d. Family members if resident of the household

2. Which of the following individuals would **not** be considered an “insured?”
 - a. A 16-year-old foster child
 - b. The neighbor’s son while using your riding mower to mow your lawn for money.
 - c. Your uncle who has been staying with you since he lost his home.
 - d. A friend whose dog is staying with you for a week while she is on vacation.

3. Which of the following criteria is required to qualify as a “motor vehicle?”
 - a. It must be self-propelled.
 - b. It must have four wheels.
 - c. It must be hitched to a trailer.
 - d. It must be capable of operating only on land.

4. A “residence premises” includes:
 - a. The dwelling where you reside which is listed in the declarations.
 - b. Any part of a residence where you temporarily reside.
 - c. Vacant land, other than farmland.
 - d. All of the above.

5. Which of the following people would be considered a “home-sharing occupant?”
 - a. Your daughter’s boyfriend who has moved into the apartment downstairs.
 - b. The couple who booked your guest room for the weekend through a home-sharing app.
 - c. The college student who is renting the room above your garage for the school year.
 - d. Your 28-year-old son who is paying you rent to live at home.

III. CHAPTER 3 – LIABILITY COVERAGES

Learning Objectives:

1. *Be able to explain the coverage provided under **Coverage E – Personal Liability** and **Coverage F – Medical Payments to Others**.*
2. *Understand how the exclusions help define the coverage provided for Liability and Medical.*
3. *Understand which types of motor vehicles are provided liability coverage under the policy.*
4. *Be able to identify the endorsements that can provide limited coverage for certain business situations.*
5. *Be able to list and explain the Additional Coverages in **Section II – Liability Coverages**.*

This chapter covers **Section II – Liability Coverages**

The information will be presented in this order:

- **Coverage E - Personal Liability**
- **Coverage F - Medical Payments to Others**
- **Section II Exclusions for both Coverage E and F**
- **Exclusions for Coverage E – Personal Liability**
- **Exclusions for Coverage F – Medical Payments to Others**
- **Additional Coverages – Section II**

UNDERSTANDING INSURING AGREEMENTS AND EXCLUSIONS

Policies use insuring agreements to communicate a broad range of coverage, which is then fine-tuned with the exclusions that follow. **Section II – Liability Coverages** contains two insuring agreements: One for **Coverage E – Personal Liability**, and the other for **Coverage F – Medical Payments to Others**. It is because of the wide extent of coverage in the insuring agreement that exclusions are necessary. Including areas of higher exposure, or exposures less common to the majority of homeowners would drive up the cost of a policy, making it unaffordable for the average customer.

Coverage E – Personal Liability

Coverage is provided for any claim or suit against the insured for “bodily injury” or “property damage” caused by an “occurrence.”

- The policy pays up to the limit of liability stated in the Declarations for which an insured is liable.
- Prejudgment interest is also covered as part of the limit.
- The policy provides a defense outside the limit of liability with counsel of the carrier’s choice.
- Suits are defended even if groundless, false, or fraudulent.
- The carrier has the right to investigate and settle any claim.
- The duty to defend ends when the limit of liability has been exhausted by payment of a judgment or settlement.

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.



Your city has just been hit with a huge snowstorm. Your customer, Greg Adams, has contacted you and made this statement: *“I’ve been out shoveling snow three times already today, clearing our driveway and the sidewalk in front of our house. Every time I go out again there is more snow and ice on surfaces. I can’t keep up. If someone slips and falls on the sidewalk and is injured, would I be liable?”*

How do you answer this question?

Coverage F – Medical Payments to Others

Reasonable charges for medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, prosthetic devices, and funeral services.

Incurred (or medically ascertained) within three years from the date of an accident that causes "bodily injury." It does not apply to you or regular residents of your household, except "residence employees." Coverage applies to:

1. A person on the "insured location" with the permission of an "insured" or
2. A person off the "insured location," if the "bodily injury:"
 - Arises out of a condition on the "insured location" or ways immediately adjoining.
 - Is caused by the activities of an "insured."
 - Is caused by a "residence employee in the course of their employment by the "insured."
 - Is caused by an animal owned by or in the care of an "insured."

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".



E&O Tip

Many of your customers may not understand the importance of carrying adequate liability limits. In today's litigious environment, lawsuits are more common, and awards continue to climb. Always quote higher limit options and help educate your customer about adequate limits. Increasing limits may be more affordable than they realize.

Section II - Exclusions

MOTOR VEHICLE LIABILITY. It is no surprise to find a motor vehicle exclusion under the Homeowners policy. After all, that is why we have auto insurance! There are a few exceptions to the motor vehicle liability exclusion. But before the policy lists the exceptions, it makes a statement about all motor vehicles.

There is no coverage for any “motor vehicle” if at the time of an “occurrence” it:

- Is registered for use on public roads or property.
- Is not registered but should have been.
- Is being operated in or practicing for any prearranged or organized race, or other competition.
- Is being rented to others.
- Is being used to carry persons or cargo for a charge.
- Is being used for any “business” purpose (except for a motorized golf cart on a golfing facility.)

There is coverage for the following vehicles:

- In dead storage on an “insured location”
- Used ***solely*** to service a residence. This is an area that is addressed differently in earlier versions of the ISO Homeowners policy and may be very different in your carrier’s proprietary Homeowners forms.
- A riding lawn mower that is being used to mow a lawn at the time of the “occurrence.”
- Designed to assist the handicapped and at the time of an “occurrence” is being used to assist a handicapped person or parked at an “insured location.” This refers to the motorized wheelchair or similar device. It would not include an ATV or golf cart which may be ***used*** to assist a handicapped person but was not ***designed*** for that purpose.
- An ***unowned*** recreation vehicle. Note that this could be an ATV, snowmobile, side-by-side, or golf cart, to name a few. This would include driving a friend’s recreational vehicle, or even renting a recreational vehicle.
- An ***owned*** recreational vehicle on an “insured location.”
- A toy vehicle for use by children under seven, powered by battery and not built or modified to exceed five miles per hour on level ground.
- A golf cart in a golfing facility when parked or stored, when playing golf, traveling to or from a parking area, or crossing a road at designated points of play.
- A golf cart being used in a private residential community where the “insured” resides, where the property owners association legally permits travel on roads.

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.

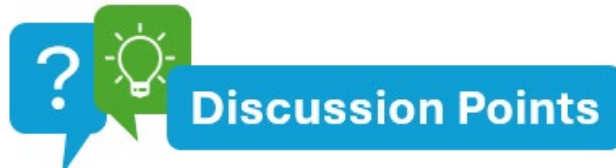
A recent area of concern related to the motor vehicle exclusion is coverage for e-bikes. There is some debate as to whether an e-bike that is only “pedal assist” fits the definition of “motor vehicle,” which would then exclude coverage. The best course of action is to make sure all e-bikes are properly covered. Your companies are beginning to offer solutions under both auto and Homeowners policies and ISO has broadened the following endorsement to include coverage on e-bikes and scooters.

HO 24 13 Incidental Low Power Recreational Motor Vehicle Liability Coverage

Provides liability coverage for owned and non-owned e-bikes and motorized scooters. Mopeds and motorized golf carts are not eligible for this endorsement.

HO 24 64 Owned Snowmobile Liability Coverage

This schedule owned snowmobiles and provides liability coverage for their use.



Scott Steinberger is one of your long-time customers. He has inquired about his ATV and wonders if he needs a separate policy to provide liability coverage. You asked him how he uses it and he said, “Mostly we just use it around our home on our property, to help with yard maintenance, haul firewood, and drive down the long driveway to the mailbox.”

1. Is there any liability coverage provided on this ATV under the Homeowners policy?
2. What advice could you offer regarding coverage?



Although the Homeowners policy may offer some endorsements for recreational vehicles or watercraft, sometimes it is best to recommend another policy specifically designed for those exposures. Familiarize yourself with solutions in your agency for recreational vehicles and watercraft. Some of those policies may offer broader coverage than what the Homeowners policy provides.




WATERCRAFT LIABILITY. There are some exceptions to the watercraft liability exclusion. But before the policy lists the exceptions, it makes a statement about all watercraft.

There is no coverage for any “watercraft” if at the time of an “occurrence” it:

- Is being operated in or practicing for any prearranged or organized race, or other competition. This exclusion does not apply to a sailing vessel or a predicted log cruise.
- Is being rented to others.
- Is being used to carry persons or cargo for a charge.
- Is being used for any “business” purpose.

There is coverage for the following watercraft:

- In storage
- An **owned sailing vessel**, with or without auxiliary power less than 26’ in length
- A **non-owned sailing vessel**, with or without auxiliary power of any length
- An owned motorized vessel, including water jet pump, which is an Inboard or Inboard/Outdrive (I/O) up to 25 hp.
- An **owned motorized vessel** with an Outboard engine up to 25 hp.
- Any **non-owned motorized vessel**, including water jet pump, which is an Inboard, Inboard/Outdrive (I/O), or Outboard of any size engine. This includes borrowed or rented.

Watercraft Liability Limitations			
	 Outboard	 Inboard or I/O	 Sailing Vessel
Owned	Covered if 25 Horsepower or Less	Covered if 25 Horsepower or Less	Covered if 26 feet or less
Non-owned	COVERED No Horsepower limitation	COVERED No Horsepower limitation	COVERED No size limitation
Caution: These limitations can vary dramatically by policy or edition date.			



E&O Tip

Your carrier's proprietary Homeowners policies and earlier ISO editions handle watercraft liability in different ways, with a variety of limitations. One common limitation removes coverage from rented personal watercraft. Customers frequently rent these when on vacation and may not realize they are without coverage. Familiarize yourself with those differences and educate your customers about possible coverage gaps.

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.

The following endorsement that can be added to the policy to provide liability coverage for those watercraft that are not otherwise covered. Sometimes, however, a watercraft policy may be a better solution since it can provide both liability and physical damage coverage for the vessel.

HO 24 75 Supplemental Watercraft Liability Coverage

Provides liability coverage for scheduled watercraft that are not otherwise covered under the exceptions to the watercraft exclusion. This endorsement does not provide physical damage coverage.

AIRCRAFT LIABILITY. The policy does not cover "aircraft liability." Note that the definition of "aircraft" does not include hobby or model aircraft if not used/designed to carry people or cargo.

HOVERCRAFT LIABILITY. The policy does not cover "hovercraft liability."

C. Aircraft Liability

This Policy does not cover "aircraft liability".

D. Hovercraft Liability

This Policy does not cover "hovercraft liability".

EXPECTED OR INTENDED INJURY. The policy does not cover "bodily injury" or "property damage" which was expected or intended by an "insured," even if the resulting outcome is different than initially expected or intended or sustained by a different person or property than initially expected or intended.

This exclusion does not apply if resulting from the use of reasonable force by an "insured" 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;

BUSINESS. This policy is not intended to provide coverage for business endeavors. If the insured is a business owner, they should be purchasing commercial coverage for that exposure. Remember that there is a detailed explanation of what is considered a “business” under the **Definitions** section of the policy.

There is no coverage:

- Whether the business is the “insured’s” own business, or if the “insured” is working for someone else.
- In connection with a business conducted from an “insured location.”
- In connection with any business engaged in by an “insured.”
- For “home-sharing host activities.”

There is coverage for the following business situations:

- The rental or holding for rental of an “insured location,”
 1. On an occasional basis if used only as a residence,
 2. In part for use only as a residence, for up to two roomers or boarders per single-family unit, or
 3. In part, as an office, school, studio or private garage.
- An “insured” under the age of 21 years involved in a part-time or occasional, self-employed “business” with no employees.

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;

ENDORSEMENTS THAT CAN MODIFY THE BUSINESS EXCLUSION**HO 24 71 Designated Business Pursuits Liability Coverage**

Extends liability to a business named in the schedule. Can include corporal punishment for an additional premium.

HO 04 42 Permitted Incidental Occupancies – Residence Premises

Schedules the insured's business and indicates if conducted from the dwelling or other described structure. Extends coverage for both liability and property.

HO 24 70 Additional Residence Rented to Others 1, 2, 3 or 4 Families

Extends liability coverage to locations scheduled. Often used to extend liability to rental dwellings owned by the insured.

HO 04 40 Structures Rented to Others – Residence Premises

Used to provide coverage when an Other Structure on the "residence premises" is held for rental as a private residence. Extends liability to the Other Structure scheduled on the endorsement. Provides property coverage on the structure for the limit scheduled.

HO 24 72 Incidental Farming Personal Liability Coverage

Extends liability coverage to incidental farming operations conducted either on the "residence premises" or described in the schedule away from the "residence premises."

HO 04 97 Limited Home Day Care Coverage

Provides limited liability coverage for Day Care exposure. If operated from an Other Structure, allows scheduled coverage on the building. Does not provide coverage for corporal punishment, sexual molestation, or physical and mental abuse.

HO 06 63 Broadened Home-Sharing Host Activities Coverage Endorsement

Provides liability coverage for home-sharing. Includes coverage for landlord's furnishings, loss of rents, theft (with limitations), guest's property up to \$5,000.



Krysten and Todd Clark live in Denver. They have just learned that the son of friends in South Carolina, Dustin, will be attending college in Denver. Their friends have asked if Dustin could rent out their guest room for the year. Krysten and Todd are concerned about insurance.

Will the Clarks have coverage under their Homeowners policy for this rental?

Is an endorsement needed to provide coverage?

PROFESSIONAL SERVICES. The policy does not cover liability resulting from professional services, such as services provided by doctors, attorneys, and insurance agents.

3. Professional Services

"Bodily injury" or "property damage" arising out of the rendering of or failure to render professional services;

INSURED'S PREMISES NOT AN INSURED LOCATION. There is no liability coverage for another premises the insured owns or rents, or rents to others which does not fit within the definition of "insured location."

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";

HO 24 02 Other Insured Location(s)

Allows liability coverage to be extended to another location owned or rented by the insured, described in the schedule. This could be used in situations where the insured owns property with a structure on it, other than a dwelling.

War. There is no coverage for “bodily injury” or “property damage” caused directly or indirectly by war, whether declared or not, nor insurrection, rebellion or revolution. There is no coverage for warlike acts by military forces or destruction or seizure for a military purpose. The discharge of a nuclear weapon will be deemed a warlike act even if accidental.

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;

Communicable Disease. There is no liability coverage arising out of the transmission of a communicable disease by an “insured.”

Sexual Molestation, Corporal Punishment or Physical or Mental Abuse. There is no liability coverage resulting from these actions.

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

Controlled Substance. Liability coverage is excluded if arising out of the use, sale, manufacture, delivery, transfer or possession by any person of:

- A Controlled Substance as defined by the Federal Food and Drug Law
- Any “cannabis,” regardless of if it is considered a Controlled Substance or not

Controlled Substances include by are not limited to cocaine, LSD and all narcotic drugs.

The exclusion does not apply to the legitimate use of prescription drugs by a person following the lawful orders of a licensed health care professional.

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.

HO 24 01 Cannabis Liability Coverage

Bodily injury and property damage are provided for legal liability arising out of the use or possession of cannabis, as long as the use or possession is lawful.



Familiarize yourself with the laws that address the use and possession of cannabis in your state, or any other state where you do business. Although ISO offers an endorsement to provide bodily injury and property damage coverage for liability resulting from the use and possession of cannabis, it only provides coverage if the use and possession are allowed by law.

Coverage E – Personal Liability Exclusions

LOSS ASSESSMENT. There is no coverage provided for any loss assessment charged against you as a member of an association, corporation or community of property owners except as provided under **Section II – Additional Coverages – Loss Assessment.**

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;

PROPERTY OWNED BY THE INSURED. The liability section of this policy does not provide coverage for damage to the insured's own property.

DAMAGE TO PROPERTY IN THE INSURED'S CARE. The policy does not cover damage to property rented or occupied by the "insured," or in the care of the "insured." The exception is damage caused by fire, smoke, or explosion. We refer to this coverage as Fire Legal Liability.

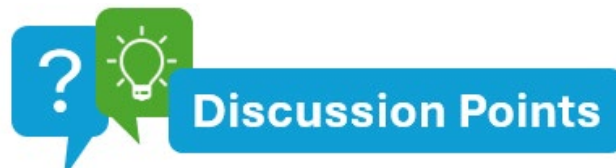
WORK-RELATED INJURIES. There is no coverage for any person eligible to receive benefits under a voluntarily provided Workers' compensation policy, or if the "insured" was required by law to provide Workers' compensation coverage but failed to do so.

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;

NUCLEAR. If the "insured" is also considered an "insured" under a nuclear energy liability policy, this policy will not provide liability coverage.

BODILY INJURY TO AN INSURED. No coverage for injury to you or any other "insured."

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;
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".



Casey and Danielle Lewis are foster parents. They have one foster child, Kelsey, who has been with them since she was two. Kelsey is now six years old. She was playing in the yard on the monkey bars, when she fell and hit her head on the cement foundation. A serious head injury resulted.

Do Casey and Danielle have liability coverage for Kelsey's injury?

Would it make a difference if Kelsey had only been with them for two weeks?

Coverage F – Medical Payments to Others Exclusions

RESIDENCE EMPLOYEES. Residence employees are actually covered under Medical Payments. However, this exclusion makes it clear that no coverage is provided if they are off-premises at the time of the injury when not working for the insured.

WORKERS COMPENSATION. Similar to the exclusion under Liability, there is no coverage for any person eligible to receive benefits under a voluntarily provided Workers' compensation policy, or if the "insured" was required by law to provide Workers' compensation coverage but failed to do so. This also includes non-occupational disability laws and Occupational disease laws.

NUCLEAR. Coverage does not apply to any "bodily injury" resulting from nuclear reaction, nuclear radiation or radioactive contamination, regardless of the cause.

HOME SHARING-OCCUPANT. Coverage does not apply to a "home-sharing occupant", or any other person who regularly resides in any part of the "insured location." An exception is made for "residence employees."

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".

Additional Coverages

There are **four** Additional Coverages provided under the **Section II – Liability** section of the policy. These coverages are provided automatically, without any additional premium charge.

1. **Claim Expenses.** This coverage ensures that defense costs are paid “outside the limit.” This means that the cost of defending a claim does reduce the liability limit available to pay damages. Coverage includes reasonable expenses incurred by the “insured” up to \$250 per day that are related to the defense, and post-judgment interest.
2. **First Aid Expenses.** The policy pays first aid expenses to others incurred at the “insured’s” expense, for “bodily injury” covered under this policy.

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".



Debby and Ernie Olson have a Homeowner’s policy which provides \$500,000 Personal Liability coverage. They have been sued by a neighbor whose child was injured when he fell into a hole in the Olson’s backyard. The homeowner’s policy is providing a defense, and to date, the insurance company has paid \$60,000 in defending the claim.

If a judgment came in today for \$800,000, how much would the policy pay, \$500,000, or \$440,000?

- 3. DAMAGE TO PROPERTY OF OTHERS.** This coverage pays up to **\$5,000** for “property damage” to property of others caused by the “insured.” Under Liability, there is an exclusion for property in the insured’s care. Think of this as a give-back for damage to property in the insured’s care, custody and control.

This **\$5,000 coverage** will pay based on **replacement cost** for damage to any property by any cause, except the list below. This means it is the equivalent of **open peril** coverage. It will not pay for the following:

- For anything already paid for under the property section of this policy
- If the damage was caused intentionally by an “insured” who is 13 years old or older.
- For damage to the “insured’s” own property
- For damage to property of a tenant or resident of the household
- Arising out of any “business” of the “insured” or engaged in by the “insured.”
- Arising out of any act or omission with another premises the “insured” owns, rents, or controls which fails to meet the definition of “insured location.”
- Arising out of the ownership, maintenance, occupancy, operation, use, loading or unloading of aircraft, hovercraft, watercraft, or “motor vehicle.”

When it comes to the last exclusion, there is an exception for **unowned** “motor vehicles” which are designed for recreational use off public roads, which at the time of the occurrence was not required to be registered for use on public roads or property.

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.

- 4. LOSS ASSESSMENT.** Pays up to \$2,000 for losses assessed during the policy period as owner of the residence premises. Must be charged by a corporation or association of property owners and must result from "bodily injury" or "property damage" which would not be excluded under the policy.

HO 04 35 Supplemental Loss Assessment Coverage

Increases the loss assessment limit for both property and liability assessments. The increased limit is specified in the endorsement.

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.



Many of your customers own homes located in an HOA (Homeowners Association). As part of the association, members are subject to assessments. Even though the Association probably carries liability coverage, the limit may not be adequate to cover a serious claim. Any shortfall would be assessed to the members. The \$2,000 limit would be sorely inadequate if your customer were assessed for \$20,000 or more. Offer increased limits to all your customers who are in an HOA.

Chapter 3 Review Questions

1. All of the following motor vehicles are covered for liability under the Homeowners policy, **except**:
 - a. A lawn mower being used to mow a lawn.
 - b. An owned recreational vehicle used off-premises.
 - c. A motorized wheelchair being used by a handicapped person.
 - d. A vehicle in dead storage at the insured's home.

2. All of the following business exposures are covered for liability, **except**
 - a. Rental of a guest room to a regular resident.
 - b. A self-employed teenager cleaning houses.
 - c. Rental of a guest room through a home-sharing network.
 - d. Charging a neighbor to park their car in your garage.

3. All of the following are excluded for liability coverage, **except**
 - a. Communicable disease
 - b. Careless, thoughtless actions by the "insured"
 - c. Controlled substances
 - d. Physical or mental abuse

4. The policy will pay up to \$5,000 for damage to property of others. Which of the following situations would **not** be paid under this coverage?
 - a. Wine stains on the wedding dress borrowed from a friend.
 - b. Repairs to the neighbor's rototiller that broke when you borrowed it.
 - c. Replacement of a neighbor's window broken when your 10-year-old child threw a rock through it.
 - d. Damage to your friend's guitar that your 14-year-old child smashed on the floor when imitating a rock star.

5. The Homeowners policy provides Loss Assessment coverage up to \$2,000 for assessments. Which of the following situations might be covered under this Additional Coverage?
 - a. A lawsuit for a dog bite, as the association failed to enforce its leash rule.
 - b. Water and sewer improvements in the homeowner's association.
 - c. A lawsuit for an accident with the pickup truck owned by the association.
 - d. An assessment for improvements to the paved roads in the HOA.

IV. CHAPTER 4–SECTION II – LIABILITY CONDITIONS

Learning Objectives

1. *Understand the importance of the liability conditions in the policy.*
2. *Be able to explain the insured's duties after a liability loss occurs.*
3. *Explain the importance of honesty in insurance transactions and the consequences of fraud or misrepresentation.*

Since the policy is a legal contract, it is subject to conditions. The conditions in this chapter apply only to **Section II - Liability**. Property policy conditions are covered in the **Introduction to Homeowners - Part II** class.

It is not the intent of this class to cover all policy conditions in detail. The liability conditions will be listed with a brief explanation.

LIMIT OF LIABILITY. Regardless the number of "insureds," claims made or persons injured, the policy will not pay more than the limit of liability for any one "occurrence." All "bodily injury" and "property damage" resulting from any one accident will be considered one "occurrence." That includes continuous or repeated exposure to substantially the same general harmful condition.

SEVERABILITY OF INSURANCE. Although the coverage applies separately to each "insured," the policy will not pay more than the limit of liability for any one "occurrence."

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".

DUTIES AFTER OCCURRENCE. The company has no duty to provide coverage if the insured's failure to perform a duty results in prejudice against the company. Duties include:

1. Written notice as soon as practical, including available information
2. Cooperate with the investigation, settlement, or defense of the claim
3. Promptly forward every notice, demand, or summons
4. At the company's request, help them:
 - make settlement,
 - enforce any right of contribution or indemnity,
 - with the conduct of suits, attend hearings and trials
 - secure and give evidence and obtain the attendance of witnesses.
5. Under **Section II – Additional Coverages - Coverage C. Damage to Property of Others** submit sworn statement of loss and show the damaged property if in the "insured's" control
6. No "insured" shall voluntarily make payment, assume obligation or incur expense (except first aid) unless done so at their own cost.

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".

DUTIES OF AN INJURED PERSON – MEDICAL PAYMENTS TO OTHERS. Injured persons seeking Medical Payments coverage must give a written proof of claim and authorize the company to obtain medical records. They must submit to a physical exam by a doctor chosen by the company as often as reasonably required.

PAYMENT OF A CLAIM – MEDICAL PAYMENTS TO OTHERS. This clarifies that payment under this coverage is not an admission of liability by an “insured” or by the company.

SUIT AGAINST US. No action can be brought against the carrier until there is full compliance with policy terms.

BANKRUPTCY OF AN INSURED. Bankruptcy or insolvency of an “insured” will not relieve the company of its obligation under this policy.

OTHER INSURANCE. This coverage is excess over other valid and collectible insurance, unless this policy is specified as underlying coverage in an excess or liability policy.

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.

POLICY PERIOD. This policy only applies to “bodily injury” or “property damage” that occurs during the policy period.

CONCEALMENT OR FRAUD. There is no coverage for an insured who intentionally concealed or misrepresented any material fact, engaged in fraudulent conduct, or made false statements.

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.



E&O Tip

A customer who conceals important information or misrepresents any material fact on the application may later find that the insurance contract has been rescinded back to its effective date. This means that a loss which occurred would not be paid. As agents, we cannot overemphasize the importance of complete, honest information on the application.

Chapter 4 Review Questions

1. Which of the following is an acceptable reason for the company to pay more than the limit of liability stated in the Declarations for one occurrence?
 - a. When a claim is being made against more than one insured.
 - b. When more than one claimant is making a claim against the insured.
 - c. When more than one person was injured in an occurrence.
 - d. None of the above apply.

2. Which of the following is **not** the insured's duty after a liability loss?
 - a. Cooperate with the investigation of the claim.
 - b. Promptly forward any notice, demand or summons.
 - c. Give written notice to the company within 30 days.
 - d. Give evidence if requested by the company.

3. An insured is allowed to assume an obligation or expense related to a loss
 - a. If at their own expense.
 - b. If it is for first aid to another party.
 - c. If either a. or b. above.
 - d. Under no circumstances.

4. The policy applies only to "bodily injury" or "property damage."
 - a. That the insured becomes aware of during the policy period.
 - b. When a suit is made against the insured during the policy period.
 - c. If the policy is in force at the time the claim is made.
 - d. If the "bodily injury" or "property damage" occurred during the policy period.

5. If an insured conceals or misrepresents a material fact
 - a. There is no coverage for a subsequent loss.
 - b. The premium will be surcharged.
 - c. The payment of a loss will be reduced.
 - d. The carrier will notify authorities.

V. CHAPTER 5–SECTION I AND II – CONDITIONS

Learning Objectives

1. *Be able to explain the reason the insurance company is allowed to cancel this policy.*
2. *Understand the concept of subrogation and be able to give an example of its application.*
3. *Explain who has rights under the policy when the named insured dies, and what conditions apply.*

In the previous chapter, we examined the policy conditions that apply only to **Section II - Liability**. Those conditions that apply only to **Section I - Property** are covered in the **Introduction to Homeowners - Part II** class. In this chapter we review the general conditions that apply to both property and liability situations.

LIBERALIZATION CLAUSE. When the company makes changes to the current edition of the policy without additional premium charge, the change will automatically apply to the insured's policy on the date of implementation within the policy period. This does not apply to program revisions on subsequent edition dates of the coverage form, or amendatory endorsements.

WAIVER OR CHANGE OF POLICY PROVISIONS. Any waiver of a provision in this policy must be in writing by the company to be valid.

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.

CANCELLATION. This provision explains the conditions and terms of cancellation.

1. The policy may be canceled by the named insured at any time.
2. The policy may be canceled by the company only for the reasons below, and notice must be in writing to the mailing address shown in the Declarations.
 - For non-payment of premium (at least 10 days notice required)
 - For any reason when a new policy has been in effect for less than 60 days (at least 10 days notice required)
 - After the policy has been in force for more than 60 days, the company may cancel if there has been a material misrepresentation or if the risk has changed substantially since the policy was issued. (at least 30 days notice required)

Any return premium for cancellation will be pro-rated.

NOTE: Many states have cancellation notice requirements that override the notice requirements listed above.

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.

NONRENEWAL. The company has the right not to renew the policy if written notice is provided at least 30 days prior to the renewal date. As noted above, this is subject to state requirements.

ASSIGNMENT. The policy cannot be assigned to another party without the company's written consent.

SUBROGATION. The "insured" may waive their rights of recovery against another person in writing, if done before a loss occurs. If rights are not waived, at the time of a loss the company may require an assignment of those rights. In that case, the "insured" must cooperate and deliver all related papers and documents. Subrogation does not apply to **Damage to Property of Others** under **Section II – Additional Coverages**.

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**.



Familiarize yourself with the cancellation regulations in your state or any state in which you do business. These statutes can override the cancellation provisions in the policy. Some states require longer notification periods, and other states will not allow nonrenewals for any reason.

DEATH. This applies to death of the named insured or resident spouse as it relates to the premises and property covered under the policy.

- The legal representative of the deceased will be insured with respect to the premises and property insured under the policy at the time of death.
- Anyone who is a resident of the “residence premises” is an “insured” if they were a household member at the time of the death.
- Anyone having proper temporary custody of the property will also be considered an “insured” until the appointment and qualification of a legal representative.

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.



Your agency has insured Edith Stephenson for many years. You received a phone call from Edith’s son, Egbert, who informed you that Edith passed away two months ago. He explained that the estate has not yet been settled, but that his sister, Emily, is handling all of that.

He goes on to explain that he had been living with his mother for the last three years and is still living in the house.

Is he an “insured” under the policy?

Chapter 5 Review Questions

1. Under the cancellation provisions of the policy, which of the following is **not** a reason that a company can cancel the policy?
 - a. For non-payment of premium.
 - b. Discovering that the insured is manufacturing fireworks in the home.
 - c. Discovering that the home is brick, and the application stated frame.
 - d. For any reason in the first 60 days the policy has been in effect.

2. Under what circumstances may the insured waive the rights of recovery against another person?
 - a. If the carrier has agreed in writing.
 - b. If done before a loss occurs.
 - c. If done within 30 days after a loss.
 - d. If the other party is uninsured.

3. Policy provisions may be changed or waived
 - a. Only within the first 60 days of the policy.
 - b. Only if in writing from the company.
 - c. If agreed verbally by the company underwriter.
 - d. Only after a covered loss has occurred.

4. When can a policy be assigned to another party?
 - a. At the time of the insured's death.
 - b. If the home is sold to another party.
 - c. If a family member has taken possession of the home.
 - d. Only if the company gives written consent.

5. When it comes to the premises and property, which of the following persons is **not** covered under the policy of a deceased named insured?
 - a. The legal representative of the deceased.
 - b. A relative who was living in the house with the deceased and is still living there.
 - c. A friend who was living in the house with the deceased and is still living there.
 - d. A person having temporary custody of the deceased's property.

Answers for  **Discussion Points**

Page 11:

1. The allegations in the lawsuit do not trigger coverage under the Homeowners policy. The policy covers only “bodily injury” and “property damage” and the damages sought were neither. Jimmy would need Personal Injury coverage.
2. The policy only offers defense for incidents that would be covered under the policy. Since no coverage would be afforded, there would be no defense.
3. Jimmy needs Personal Injury coverage which could be provided under **HO 24 82 Personal Injury Coverage** by endorsement to the Homeowners policy. Many umbrella policies also include Personal Injury coverage.

Page 20:

1. This is not “home-sharing” since Susan is a resident relative.
2. As a resident relative, Susan is considered an “insured.”
3. No, Susan is automatically covered under the policy without being listed.
4. You might consider increasing the Personal Property limits if Susan has brought property of considerable value, or scheduling items of value.

Page 20:

The beach is considered an “insured location” since it is a premises used by you in connection with the premises shown on the Declarations.

Page 23:

You cannot determine liability for your customers. The courts may determine the insured is liability in some situations, but that is not your job. What you can do is help your customer understand how the policy works. Here is a good answer: *“Only the courts and determine if you are liable in a certain situation, but here is the good news. If you are accused of negligence, your policy will be there to defend you. And if the court determines you are liable, your policy will be there to pay any judgement.”*

Page 27:

1. The problem may lie in his statement about “mostly.” If the ATV is not used “solely” to service a residence, then he may not even have liability coverage when being used on premises.
2. The best solution for Scott may be purchasing a recreational vehicle policy to provide liability coverage.

Page 33:

Yes, the business exclusion does not apply to renting out part of their home as a residence, as long as the rental does not exceed two roomers or boarders.

They do not need any special endorsement to accommodate this rental. They could advise Dustin to purchase an **HO 00 04 Contents Broad Form** to cover his personal property and liability exposure.

Page 37:

Liability coverage does not apply to bodily injury to an “insured.” Since Kelsey is an “insured” under the policy, her injuries would not be covered under the policy. The length of time that Kelsey has been with the family does not matter, as long as she is under the age of 21 and in the care of Casey and Danielle.

Page 39:

The policy would pay \$500,000. The defense coverage is paid outside the limit, and the policy will not pay more than the total policy limit.

Page 51:

Since Egbert has been living with his mother, as a “resident relative” he is considered an “insured.” He will continue to be an “insured” as long as he continues to live there while the estate is being settled.

Answers for Chapter Review Questions

Chapter 1 – Page 8

1. b.
2. c.
3. d.
4. c.
5. d.

Chapter 2 – Page 21

1. c.
2. d.
3. a.
4. a.
5. b.

Chapter 3 – Page 42

1. b.
2. c.
3. b.
4. d.
5. a.

Chapter 4 – Page 47

1. d.
2. c.
3. c.
4. d.
5. a.

Chapter 5 – Page 52

1. c.
2. b.
3. b.
4. d.
5. c.