

Homeowners Coverage Description

The homeowners policy provides protection against the financial consequences of personal losses. A homeowners policy is a combination of property and liability coverages. The homeowners policy is tailored to meet the needs of a homeowner. The following is a basic outline of the homeowners (HO-3) policy and the endorsements most widely used on the HO-3 policy.

The HO-3 policy provides coverages for one or two family dwellings that are owner occupied. The HO-3 policy provides coverage against risks of direct physical loss to real property, except for those causes of loss that are specifically excluded. Personal property is covered against direct physical loss caused by a specified peril. In addition to the coverages stated under Section I, several additional coverages are included. Some of the coverages included are; debris removal, fire department charges, reasonable repairs charges, property removal charges, and coverage for trees, shrubs and plants. Coverage is also included for loss involving credit cards, forgery, and counterfeit money. These additional coverages are included to provide protection for the insured following a covered property loss. Each additional coverage has limitations and is subject to certain conditions.

Dwelling

This amount of insurance applies to the dwelling and attached structures. The limit of insurance for the dwelling is based on the value of the home and what it would cost to replace the home.

Other Structures

This coverage limit applies to detached structures such as a garage or storage shed. The limit of coverage is set at 10% of the dwelling. The insured can purchase a higher limit.

Personal Property

Coverage C provides worldwide coverage for personal property of the insured. Special limits apply to some types of property, and some property is excluded from coverage. The overall limit for coverage C is 50% of the dwelling limit. Coverage C can be modified in several ways with endorsements.

Loss of Use

This coverage applies in the event of a loss under Coverage A. If the insured was to temporarily lose use of the dwelling this coverage would apply. Payment would be made for expenses incurred to live elsewhere following a loss that makes the home unsuitable for living. Another method used to determine payment for loss of use is fair rental value, which is the amount of rent that could reasonably be charged for the premises, less any expenses that do not continue while the premises are unsuitable for living.

Personal Liability

Section II of the homeowners policy provides liability coverage for personal loss exposures. The insuring agreement under Coverage E provides liability coverage if a claim is made or suit is brought against an insured because of bodily injury or property damage. Coverage is provided for the residence premise as well as any other premises used by the insured, as a residence, permanently or temporarily. Liability coverage is provided for the named insured and members of the named insured's household who are relatives. Personal liability has a basic limit of \$100,000 per occurrence, which the insured may increase for an additional premium. In addition to the

basic limit, Coverage E also provides additional coverages for expenses such as defense cost, expenses incurred providing first aid to others, damage to property of others and loss assessment charges. The additional coverages provided under Section E are subject to limitations and certain conditions.

Medical Payments

This coverage will pay the necessary medical expenses for bodily injury of others. Coverage applies to accidents that occur on the insured premises or any location when caused by action of the insured. The coverage has a basic limit of \$1,000 per person. The insured may select higher limits.

Endorsements

Inflation Guard Endorsement

When this endorsement is added to the policy, it increases the limit of coverage for A, B, C, and D. The insured selects the percentage of increase for the year and the limits are automatically increased at certain dates throughout the year.

Earthquake Coverage Endorsement

Earthquake coverage is excluded under Section I of a homeowners policy. Adding this endorsement removes the exclusion and adds earthquake coverage which is subject to a deductible for each coverage under Section I.

Increase Other Structures Limit

This endorsement increases the limit under coverage B, Other Structures. The limit for unattached structures on the residence premise would be increased, and the increase would be in addition to the limit already provided.

Increase Special Limits

Certain types of personal property under Coverage C have special limits of liability. Adding this endorsement increases the limit for those particular types of property.

Scheduled Personal Property

The scheduled personal property endorsement is used to provide coverage for risk of direct loss for such items as jewelry, furs, cameras, musical instruments, silverware, golfer's equipment, fine arts, postage stamps and rare coins. Scheduled property can be insured for any amount the insured requires.

Personal Property Replacement Cost

Property loss settlements under the homeowners policy are made on an actual cash value basis. When the replacement cost endorsement is added, the loss settlement payment would be sufficient to replace the item for the cost at the time of loss without deductions for depreciation.

Dwelling Coverage Description

The dwelling policy provides property coverage for the dwelling and its contents. Many of the coverages found in the dwelling policy are found in the homeowners policy, but there are some differences. The dwelling policy tends to provide narrower coverage than the homeowners policy. The insured under the dwelling policy is the named insured and the spouse, if a resident of the same household. The DP-03 dwelling policy form is the broadest and provides coverage for the dwelling, other structures, personal property, fair rental value and additional living expenses. In addition to these coverages, the policy provides additional coverages for reasonable repairs, property removed, fire department service charges, debris removal and coverage for trees, shrubs, and other plants. The dwelling forms do not provide coverage for liability, theft, or medical payments. However, such coverages are available through a personal liability supplement endorsement and a theft endorsement.

Dwelling

This amount of insurance applies to the dwelling described in the policy and any attached structures. Building equipment and outdoor equipment used for servicing of the building and located on the described premises is also covered.

Other Structures

This coverage applies to detached structures such as a garage or storage shed. The limit of insurance coverage is set at 10% of the dwelling limit for loss to other structures.

Personal Property

This coverage applies to personal property that is usual to the occupancy of a dwelling. The coverage applies to personal property owned or used by the insured or resident family members, while the property is on the described location. The limit of insurance for this coverage is chosen by the insured.

Fair Rental Value

Under the broad and special dwellings forms, coverage is provided for fair rental coverage for that part of the residence premises that is rented or held for rental to others. If a loss occurs under coverage A that makes that part of the premises unsuitable for living, this coverage would pay the lost rental value. The limit of insurance is 10% of the dwelling limit. Fair rental value is the amount of rent that could reasonably be charged for the premise.

Additional Living Expense

Under the broad and special dwellings forms, coverage is provided for additional living expenses in the event of a loss under Coverage A. If the insured was to temporarily lose use of the dwelling, this coverage would apply and payment could be made for expenses incurred to live elsewhere following a loss that makes the dwelling unsuitable for living.

Deductible

The dwelling policy has a standard deductible of \$250.

Endorsements

Personal Liability Supplement

Liability coverage is not automatically included in dwelling policies, however, coverage is available by adding a personal liability supplement to the policy. Liability coverage can be added for a residence premise as long as the insured resides in at least one of the family units; the residence premise can be a three or four family dwelling. The limit of liability is \$100,000 per occurrence. Coverage is provided for bodily injury and property damage. Medical payments coverage is also included in the liability supplement. The limit for medical payments is \$1,000 per person, the coverage will pay the necessary medical expenses for bodily injury of others when caused by action of the insured.

Residential Theft Coverage Endorsement

Theft coverage is not automatically included in dwelling policies, however, coverage may be added with a broad theft coverage endorsement or a limited coverage endorsement. The limited theft coverage endorsement is available for dwellings that are not owner-occupied. The broad theft endorsement is only available to owner-occupied dwellings, and can apply to on and off premise theft. Both endorsements provide coverage for theft, attempted theft, and vandalism or malicious mischief as a result of theft. Special limits apply to certain personal property, and certain property is excluded on both endorsements.