

HO - Eligibility Requirement

⇒ owner-occupied dwelling does not contain more than 2 families

Separate HO policies exist for renters (HO-4)  
and condo owners (HO-6)

HO-1 Basic Policy limited coverage, seldom used

HO-2 Broad Form - Named perils policy,  
insures dwelling, apartment structures  
personal property

Covered perils - fire, lightning, windstorm, hail  
explosion, additional living expense

HO-3 (Special Form) Widely Used

Covers - Dwelling, apartment Structures on  
an all-risk basis

Losses paid on full replacement cost

Personal Property covered for same broad form  
perils as HO-2

HO-4 Designed for tenants who rent.

Covers personal property

Provides liability coverage

Covers partially any improvements up to

10% of personal property coverage.

## HO-6 Condo Units Owners / Cooperative Apt. Policy

Covers Personal Property for same named perils as HO-2

Min. \$1,000 cover on certain property such as built in appliances, wallpaper etc.

## HO-8 Modified Form

Cover loss to dwelling, apartment structure based on amt. required to repair or replace using common construction methods

# HO Insurance Section I

Section I - Covers property of the insured  
e.g. home, condo, other structures  
personal property

Section II - personal liability insurance  
for named insured / family members

Also includes medical exp. coverage  
for medical costs incurred by others  
injured by insured or animal owned  
by the insured.

Forms drafted by AISO in 1994

Package Policy - Combines 2 or more separate  
coverages into 1 policy

## Section I Coverage

- Cov. A Dwelling
- Cov. B Apartment Structures
- Cov. C Personal Property
- Cov. D Loss of Use

## Additional Coverage

Coverage A  $\Rightarrow$  Dwelling: any other structure attached to dwelling

\* Coverage excludes land

Materials onsite for construction are covered

## Cov. B Other Structures

Detached garage, pole barn, horse stable

Amt of Coverage on B depends on the Coverage with A.

10% Cov. A = Cov. B.

### 3 major exclusions

- ① Does not apply to land
- ② Does not include coverage if structure used for business
- ③ No coverage if the structure is rented out.

## Cov. C Personal Property

Personal Property owned or used by the insured  
⇒ Worldwide

Can be extended to personal property of a  
guest / resident employee

50% Cov. A = Cov. C

Coverage Anywhere has one exception  
→ property located off premises

Coverage is limited to

10% Cov. A or \$1,000

whichever is greater

## Cov. D Loss of Use (Indirect Loss)

$$20\% \text{ Cov A} = \text{Cov D}$$

- ① Additional Living Expense  $\Rightarrow$  increase in living expense actually incurred by the insured to maintain normal standard of living for the insured.
- ② Fair Rental Value — rental value of that part of the premises rented to others
- ③ Prohibited Use: if civil authority prohibits insured from using the property because of direct damage to neighborhood due to some insured peril.



## Special limits of liability

Due to moral hazard; loss adjustment problems

e.g. \$200 limit on money, coins

\$1,000 limit on Securities, Valuable papers

Theft of jewelry, furs - \$1,000 limit

If you have valuable items - They need to be Scheduled

## Property Not Covered

- ① Articles Separately described & insured
- ② Animals, birds, fish
- ③ Motor vehicles, motorized land conveyances
- ④ Aircraft & parts
- ⑤ Property of Boarders
- ⑥ Property in a regularly rented apt.
- ⑦ Rented property
- ⑧ Business Records

## Additional Coverages:

Debris Removal - All reasonable expenses associated with removing debris from the covered property

Ex. Volcanic Ash, Tree removal

Reasonable Repairs - To protect the property from further damage, <sup>cost of boarding</sup> broken windows

Trees, Shrubs, & Other Plants

Covers these items for a limited number of perils: fire, lightning, explosion, riot, civil commotion, vandalism, theft  
It does not include windstorm damage.

Fire Dept. Service Charge - pay up to \$500  
for fire dept charge insured is liable for.

Property Removal - Property removed from  
the insured property following loss is covered  
for a maximum of 30 days.

Credit Card, ATM Card, Forgery

Stolen Credit Card, Debit Cards are covered up to \$500  
if insured unknowingly accepts counterfeit  
money - coverage is provided up to \$500.

Loss Assessment - Coverage up to \$1,000

for any loss assessment charged the insured  
as a member of collective, owned piece of  
property. However, coverage is dependent  
on an insured peril —

Collapse - Covered only if loss is caused by

- ① Perils insured under Cov. C
- ② Hidden Decay
- ③ Hidden insects / vermin
- ④ Weight contents, equip, animals or people
- ⑤ Weight of rain on roof
- ⑥ Use of defective materials - if collapse occurs during construction

### glass or Safety glazing Materials

Breakage of glass / Safety glazing part of Covered building, Storm door / window  
Also covers damage to property from direct loss breakage of window

e.g. Baseball threw window, glass chards  
damage lamp - lamp is covered.

## Landlord's furnishings

up to \$2,500 for loss of named insured's furnishings in rented residential premises  
All perils under C with the exception of theft.

## Ordinance Law

Oct 1994 ISO endorsement covers increased cost (up to 10% cost) of reconstruction due to changes in Code

## Deductible

\$250 deductible applies to each covered loss - However, by increasing premium you can reduce the deductible (to \$100).

# Section I : Perils Insured Against

Dwelling & Other Structures

Risk of Direct loss to Property

All risk  
with  
exceptions/  
exclusion

Excluded losses

- ① Collapse - except those covered specifically under additional coverage
- ② Freezing - not covered while building is vacant unless water supply is shut off & pipes drained
- ③ Fence, pavement, patio - damage not covered if caused by freezing, ice/water pressure
- ④ Dwelling under construction - theft not covered.

⑤ Vandalism / Malicious Mischief  
not covered if the building is  
Vacant for more than 30 days prior  
to loss

⑥ Other exclusions

Wear & tear

Inherent Vice - latent defect on property  
Smog, rust, mold

Smoke from agricultural smudging/  
industrial operations

Release, discharge pollutants unless  
discharge is covered in C.

Settling or Cracking Concrete

Birds, Vermin

Animals owned or kept by the insured.

⑦ losses excluded under Section I  
Related to Perils — Cause of Loss.

Personal Property

Coverage C — named perils basis

Fire or Lightning

Covers direct physical loss to property from  
fire or loss

⇒ fire/lightning must be the proximate  
Cause of loss

Proximate Cause ⇒ there is an unbroken  
chain of events between the occurrence of  
a covered peril and damage or destruction  
of the property.



Nowhere in the policy is the term  
fire defined.

→ Court Decisions

### Characteristics

① There must be combustion or rapid oxidation that cause a flame or at least a glow

② The fire must be hostile or unfriendly

### Windstorm / Hail

This set of perils are covered.

However, damage to the interior of the building due to rain, snow, sleet or dust is not covered unless there is an opening in the roof  
e.g. Window left open - loss not covered.

Explosion - Broad Coverage is provided

⇒ <sup>e.g.</sup> furnace explosion that damage personal property.

Riot / Civil Commotion: Covered, each state defines the meaning of riot

Civil Commotion - large or sustained riot that involves an uprising of citizens.

Aircraft - including damage from self-propelled missiles / Space Craft

Vehicles - <sup>e.g.</sup> personal property damaged in an auto accident

Smoke - Sudden: Accidental damage is  
Covered

e.g. fireplace malfunction - Smoke damage  
to the living room.

Vandalism or Malicious Mischief

⇒ Someone enters home & destroys it.

Theft

Theft losses, attempted theft, Loss of property  
when it is likely the property has been stolen.

① Theft by the insured - excluded

② Theft in or to a dwelling under  
Construction

③ Theft from any part of premises rented to  
someone other than an insured is not  
Covered.

## Exclusions - Away from Premise

① Secondary Residence

45 day Vacancy Rule

② Watercraft

③ Trailers & Campers

Falling Objects - Damage to personal property from falling objects is covered.

Weight of ice, snow or sleet - is covered  
e.g. weight of snow on roof - cause it to collapse

## Accidental Discharge or Overflow of Water/Steam

Loss results from an accidental discharge or overflow of water/steam.

e.g. Dishwasher malfunction

Cost of repairing system or appliance is not Covered.

Sudden / Accidental Tearing Apart - Hot Water System - if any of these perils cause damage to personal property - it is Covered.

Sudden/Accidental Damage from Artificially  
Generated Current

⇒ Electric Power Surge - e.g. <sup>hair</sup> Dryer.

Loss to tubes, transistors, electric components  
is not covered

Volcanic Eruption - Also Covered, However,  
losses caused by earthquakes, land Shock  
Waves, tremors are excluded.

## Section I Exclusions

Ordinance / Law - excludes loss due to

Any Ordinance / Law

Condemnation

Earth Movement, Water Damage  
Flooding

Power Failure (exception if failure caused  
by an insured peril)

Neglect, War, Nuclear Hazard

Intentional Loss, Wet/Few.

Weather Conditions - (proximate cause  
excessive rain not  
an insured peril)

## Section I Conditions

Insurable Int. Limits extent of Coverage

Duties after loss:

Immediate Notice

Protect Property

Prepare Inventory

Exhibit Damaged Property

File Proof of loss within 60 days after  
insurer's request.

Loss Settlement

Personal Property settled on basis of  
Actual Cash Value



Other methods -

Cost to Repair/Replace

Valued Policy Disclosure  
Insurable Interest

Replacement Cost Limitation:

If insurance is less than 80% of replacement cost  
the insured receives the larger of:

① Actual Cash Value

or  
②  $\frac{\text{Amt. Ins. Covered}}{80\% \times \text{Replacement Cost}} \times \text{Loss}$

Appraisal Clause -

Selection of Disinterested Appraiser

Other Insurance - Proportionate Loss Sharing

Insurer's Option - Insurer may decide appropriate means of settling the claim within the scope of the settlement.

Loss Payment - Insurer must pay named insured unless otherwise specified in the policy

One exception: Mortgage Clause

Sets up third party interest in the contract. (mortgage)  
of 5th

## Section I/II Conditions

Period of the Policy

Concealment or fraud - give grounds for voiding policy

Liberalization Clause - broaden coverage

applies if offered w/o Extra premium

within 60 days

Waiver - language provision

Cancellation - pro-rata provision

vs return of premium less expense.