HO - Policy Section II

Personal Liability Ins. protects
- insured
- members of insured's family

for Legal liability arising out of their personal acts.

Insurer Provides
1. Legal Defense
2. Pay Sums insured is legally obligated to pay up to policy limits

Persons Insured

1. Named Insured / Spouse
2. family members residing in the Household
3. Children temporarily away from home attending College
4. Other relatives living in the Household
5. Other persons under 21 in the Care of the insured (e.g. foreign exchange Student)
6. With respect to any vehicle to which the policy applies – employees of the insured are covered (e.g. lawn tractor)

Insuring Agreements – 2 parts

Cov. E: Personal Liability
$100,000 per occurrence

Cov. F: Medical Payments to others,
$1,000/person

Cov. E: Protects insured when a claim for damage is brought because of bodily injury or property damage caused by the insured's negligence.

Occurrence - an accident, including Continuous or repeated exposure to Substantially the Same harmful Conditions which results in bodily injury or property damage during the policy period.

Coverage is Broad - includes activities of the insured anywhere in the World

* Coverage based on legal liability
  => you must be legally liable for the policy to pay damages

Cov. F: Medical Payments to Others

Mini-accident Policy: Pay $1,000/person for the reasonable medical expenses of another person who is accidentally injured on an insured location, or by activities of an insured, resident employee or animal owned or in the care of the insured.

The payment may be made for medical expenses within 3 years of the accident (long-tail claim)

* Medical Payments Coverage does not apply to you or to regular residents of your household, other than a resident employee

exception is resident employee such as the babysitter

Payments for Cov. F are <u>not</u> based on negligence (legal liability)

Cov. F. Applies to These Situations

① Person on the insured location with permission of the insured

② Person off the insured location if bodily injury –

- Arises out of condition on the insured location
- is caused by activities of an insured
- is caused by a residence employee employed by the insured
- is caused by an animal owned or in the care of the insured.

Section II

Exclusions

Those that apply to Both Cov. E & Cov. F.

Intentional Injury

Business Activities

Professional Services

Uninsured locations

Motor Vehicles - liability arising from autos, trucks, motorcycles, mopeds, & motorbikes is not covered.

Watercraft - those operated with motorized propeller

Aircraft, War, Communicable Disease
Sexual Molestation, Corporal Punishment,
Abuse, Illegal Drugs

Just Cov. E: Personal Liability Exclusions

Excludes the following Contractual Liability Exposures

① Liability for any loss assessment Charged to insured as member of a group

② Liability under any Contract or agreement

Excludes Property Owned by the Insured
i.e. you are not liable to yourself.

Excludes Property in the Care of the Insured
e.g. rent motel room damage the furniture
⇒ not covered

Excludes Cases when injured party is Covered Under Workers Compensation

Personal Liability Exclusions (Continued)

Nuclear Energy

Bodily Injury to an Insured

Just Cov. F: Medical Payments Exclusions

- Injury to Resident Employee off an Insured location

e.g. Babysitter injured on her way home from the insured household.

- Workers Compensation

- Nuclear Energy

- Persons Regularly Residing on the Insured location

e.g. tenant injured at household not eligible.

Section II: Additional Coverage

Claim Expense:

Insurer pays Court costs, attorneys fees & other legal expenses incurred with defense

* Claim Exp. paid in addition to policy limits for liability

Reasonable Expenses for the insured in assisting with the defense

First-Aid Expenses

Pays expenses by the insured for first aid to those injured under the policy.

Damage to Property of Others:

Pay up to \$500/occurrence for property damage caused by the insured.

Damage is valued on basis of replacement cost.

e.g. Son's baseball game in backyard results in broken window to neighbor's house

Note: The law of negligence <u>does</u> <u>not</u> apply to this type of coverage

Loss Assessment:

$1,000 for certain Loss assessments

e.g. belong to homeowners assoc. that rents a hall for meetings - Someone is injured, wins a $110,000 assessment against the association

=> this Cov. would provide up to $1,000 for your portion of the loss assessment.

Shopping for an Ho- Policy

Determine 1st What type of Policy is Needed

Ho- Premiums are based on:

- Construction
- Location
- Fire Protection Class
- Age of Home
- Construction Costs
- Type of Policy
- Deductible
- Insurer

Homeowners Policies

HO - 02 Broad Form
HO - 3 Special Form
HO - 04 Contents Broad Form
HO - 06 Unit Owners Form
HO - 08 Modified Coverage Form

Type of Insured

HO-04 Tenants
HO-02 & HO-08 Homeowners own home
HO-06 Condo unit owners

All forms Contain 2 Sections

Section I Property Coverage

Section II Liability & Medical Payments Coverage

Homeowners Policy: General Provisions

Evolution of Coverages

Standard Fire Policy

Dwellings & Contents Forms

Homeowners Policies

Homeowners – Require min. coverages on dwelling, personal property theft & personal liability coverages

Advantages: Spread Risks

lower Costs through Standardization

Minimize Adverse Selection

HO-8 Designed for Older Home where replacement Cost exceeds its mkt. Value

Analysis of the HO-3 Form.

Declarations - Persons Insured

1. Named insured or Spouse
2. Family members - relatives residing in the named insured's household.
3. Other persons under age 21 - foster child, foreign exchange Student.

Helpful Suggestions for Buying an HO Policy

- Carry Adequate Coverage
  - => remember to meet co-insurance provision
- Add necessary Endorsements
- Shop around - get at least 3 quotes for comparable Coverage
- Consider a higher deductible
- Take advantage of Discounts
  - Fire/Burglar Alarms
- Don't ignore disaster perils
  - flood, tornado, Earth movement
- Consider buying a personal umbrella

Endorsements to Section II

<u>Business</u> <u>Pursuits</u>

Person Injury

Extends Coverage to:

- False Arrest, Detention/Imprisonment
- Libel, Slander or Defamation
- Invasion of privacy, wrongful eviction or Wrongful entry

Watercraft / Recreational Vehicle

- Watercraft
- Snowmobile

- Investigate whether it may be cheaper to combine all casualty coverage with one carrier

e.g. Auto Policy
+
HO Policy
+
Umbrella

- Also see if casualty insurance may be offered as a group benefit where you work –
Saves on Agent's commission

Defenses Against Negligence

1. Contributory Negligence
2. Comparative Negligence
3. Doctrine of Last Clear Chance
4. Assumption of Risk

Imputed Negligence - under certain circumstances the negligence of one can be imputed to another.

employer - employee relationships

Acts/Decisions

Failure to act by any group - Such as the government

Faulty, Inadequate or Defective Planning & Design

Completed house built on a sink hole.

Table 27-2. Homeowners' policies, summary of coverages

	Policy Section I (property coverage)				*Policy Section II (liability coverage)*
	Coverage A	*Coverage B*	*Coverage C*	*Coverage D*	*Coverages E and F*
	Home	Garage or separate related structures	Contents or personal property	Additional living expenses	Comprehensive family liability and medical payments for others
Amounts	This amount is chosen as the basic contract coverage Minimum $15,000 for forms 1 and 2; $20,000 for form 3; and $30,000 for form 5	10% of home amount of insurance	50% of home (worldwide, but 10% of *contents* amount applies to property usually situated away from home) Minimum for forms 4 and 6, $6,000	20% of the home, or 10% under form 1; and under form 4, 20% of the contents amount; and under form 6, 40% of the contents amount	Basic amounts are: $25,000 (liability) and $500 (medical payments); Coverage E—liability can be increased up to $300,000, and Coverage F—medical payments up to $1,000 or $2,000, for small added premiums
Form: Basic (No. 1)*	Fire and lightning Extended coverage perils (wind, explosion, smoke, and so on) Theft, vandalism				All five forms include the above perils of (1) liability and (2) medical payments. (Additional coverage for "damage to property of others" (for insureds under age 13), up to $250, regardless of legal liability, is also a part of each form.)
Broad (No. 2)	All basic form perils as above, plus miscellaneous perils such as falling objects, collapse, water damage, rupture of heating systems, and freezing (essentially these are the broad form fire endorsement perils)				
Special (No. 3)	"All risks of physical loss" except those specifically excluded (such as flood, earthquake, landslide, war, backing up of sewers); broad form on contents				
Contents broad (No. 4)	Contents only covered—*not buildings* Covers same named perils as broad form 2 Can be used alone for tenants				
Comprehensive (No. 5)	Covers same all-risks perils as special form 3 but includes both *home and contents*				
Condominium unit owners (No. 6)	Covers personal property same as contents broad form 4, but adds: basic limit of $1,000 for additions and alterations to the building, and additional living expense up to 40 percent of the contents amount; endorsements permitted for theft when rented to others, and "loss assessments" by the condominium association				