

CHAPTER 5:
HOMEOWNERS POLICY

OVERVIEW OF HOMEOWNERS POLICY

With the Homeowners Policy, individuals receive insurance coverage for owner-occupied private residential exposures. Eligible risks include one to four family structures, condominium units and apartment units. These family structures may not have more than two boarders or roomers per family. The condominium or apartment units may not have more than one additional family or two roomers or boarders. Permitted are certain incidental occupancies for studio and office, however they are subject to limitations and exclusions.

DEFINITIONS USED TO SET FORTH THE MEANING OF POLICY TERMS

Business: trade, professions, or occupation. The following business activities are covered:

- \$2,000 in compensation
- Volunteer activities in which only expensive reimbursement is received
- Home day care activity in which no compensation is received other than mutual exchange of services
- Home day care of a relative without compensation restriction

Insured: anyone who is given coverage under this policy including:

- The named insured
- Relatives living with insured
- Individuals under 21 who are placed in the care of the insured
- Students enrolled full time in school under the age of 24
- Individuals and organizations who are authorized by the insured to use or supervise their vehicles, watercraft or pets

Insured Location:

- Premises rented to the insured
- Cemetery plots or burial vaults
- Vacant land owned by the insured, including land where the insured is constructing a new home
- The residence premises as shown in the declarations

Occurrence: An accident, including continuous or repeated exposure to substantially the same general harmful conditions that result, during the policy period, in bodily injury or property damage.

Property Damage: Physical injury, destruction or loss of property

Residence Employee: An employee whose duties are related to the maintenance of the residence or someone who performs the same duties

Residence Premises: One to four family dwelling, other structures and grounds as indicated in the declarations.

OVERVIEW OF HOMEOWNERS POLICY STRUCTURE

There are two main parts of the Homeowners Policy:

- Section 1: Provides property coverage for the dwelling, other structures, personal property and loss of use.
- Section 2: Provides liability insurance and medical payments to third parties

BREAKDOWN OF EACH SECTION

SECTION 1:

- A. Dwelling (Determined by Insurance Company)
- B. Other Structures/Nonattached Structures (10% of A-Dwelling)
- C. Personal Property (70% of A-Dwelling)
- D. Additional Living Expenses (30% of A-Dwelling)

SECTION 2:

- E. Personal Liability (minimum \$100,000)
- F. Medical Payment to Others (minimum \$1,000)

WHAT DOES DWELLING AMOUNT (COVERAGE A) PROVIDE?

- Provides coverage for the dwelling, including structures attached to the dwelling at the described premises as shown in the declarations
- Materials and supplies located on or next to the residence premises and used to construct, repair, or alter the dwelling or other structure are covered with the following exception:
 - Theft coverage would not apply to the building materials until the insured has completed the construction and occupied the dwelling
 - This requirement does not apply if the insured is making renovations to the residence already occupied

WHAT DOES OTHER STRUCTURES (COVERAGE B) PROVIDE?

- Provides coverage for other structures on the residence premises that are set apart by a clear space from the dwelling. Examples include:
 - Detached garages, storage sheds, flag poles, swimming pools and fences
- The coverage amount applicable to Coverage B is 10% of Coverage A. This is a blanket amount. Other structures used for business are excluded, unless the other structure is used as a private garage or to store business property owned by the tenant or insured.

WHAT DOES PERSONAL PROPERTY (COVERAGE C) PROVIDE?

- Provides coverage for personal property owned by or used by the insured anywhere in the world
- At the request of the insured, coverage is provided to personal property of others, while on the residence premises occupied by the insured.
- Coverage is also provided to personal property at a newly-acquired principal residence for 30 days.
- The coverage amount applicable to Coverage C is usually 70%. The following special limits of liability apply to each specific category of personal property:
 - \$200 on money, bank notes, silver, gold, platinum, script, stored or smart cards
 - \$1,500 on adaptable electronic devices away from the residence premises and used solely for business purposes, and not in or upon a motor vehicle
 - \$1,500 on adaptable electronic devices that is in or on a motor vehicle
 - \$500 on business property located away from the premises
 - \$2,500 on business property located at the residence premises
 - \$2,500 on loss by theft of silverware, goldware and pewter ware
 - \$2,500 on loss by theft of firearms and related equipment
 - \$1,500 on loss by theft of jewelry, watches, furs and precious stones
 - \$1,500 on trailers not used with watercraft
 - \$1,500 on watercraft including trailers, equipment and motors
 - \$1,500 on securities, accounts, deeds, manuscripts, passport, tickets and stamps
- Personal property usually located at a secondary residence, is limited to 10% of Coverage A or \$1,000, depending on which amount is greater

The following classes of personal property are not covered under the Homeowners Policy:

- Water or steam that is lost (ex. Water lost caused by broken pipe)
- Drawings, books, discs and tapes used for business (retail items)
- Property rented or held for rental off the premises
- Property in an apartment regularly held for rent
- Property of roomers and tenants not related to the insured
- Aircraft and parts excluding model aircraft
- Motor vehicles requiring motor vehicle registration and equipment, accessories, discs, tapes, and other media operated by the vehicle's electrical system
- Animals including birds and fish
- Articles separately insured.
 - Example: Personal Property scheduled on the HO 04 61 endorsement is not covered under Coverage C (Personal Property)

WHAT DOES LOSS OF USE (COVERAGE D) PROVIDE?

- Provides coverage in two areas:
 - First: For any necessary increases in living expenses incurred
 - Second: For the fair rental value of the home
- The coverage amount applicable for Coverage D (Loss of Use) is 30% of the Coverage A amount on Homeowners policies HO 00 02, HO 00 03, HO 00 05; 10% of the Coverage A amount on HO 00 08; 30% of the Coverage A amount on HO 00 04; and 50% of the Coverage A amount on HO 00 06.

SECTION 1: ADDITIONAL COVERAGES

- Debris Removal up to an additional 5% of the limit of insurance is exhausted. Also, debris removal of trees is covered up to \$1,000 if the:
 - Trees block the driveway or ramp for the handicapped even though there is no damage to a covered structure
 - Governor declares the area to be a disaster area
 - Trees were knocked down by strong windstorm or hail or a Coverage C peril and the trees damaged a covered structure
- Loss Assessment up to \$1,000 for any assessment charged to the insured as the owner of the residence premises (this protects owners of condominium units in the event that the condominium's property insurance is inadequate)
- Credit Card, forgery, fund transfer card, and counterfeit money, up to \$500
- Property Removal up to 30 days, protecting the property from further damage
 - Example: If a fire causes damage to a home or unit, the insured moves the property to protect it from further damage (covered up to 30 days)
- Fire Department Service Charge up to \$500 for liability assumed by agreement for fire department charges to protect property (This is additional insurance – no deductible applies)
- Trees, shrubs and other plants up to 5% of Coverage A subject to \$500 limit per tree, shrub or plant on the residence premises for loss by fire or explosion, lightning, riot, civil commotion, non-owned vehicles, aircraft, vandalism and theft
- Reasonable Repairs are incurred to protect property
 - Example: If high winds cause roof shingles to blow off of a dwelling, the insured may have a roofer place a tarp over the damaged area and do necessary, reasonable repairs
- Grave markers up to \$5,000
- Ordinance and Law provides up to 10% of the Coverage A limit for any increase in a loss that is the result of a building ordinance or law
- Glass or Safety Glazing Material when not vacant beyond 60 days

- Landlord's Furnishings up to \$2,500 for loss by insured perils, excluding theft, to appliances, carpeting and other household furnishings in a residence premises apartments regularly rented or held for rent
- Collapse is the direct physical loss to covered property involving collapse of the building caused by the following:
 - Perils insured against in Coverage C
 - Hidden decay
 - Hidden insect damage
 - Vermin damage
 - Weight of contents (equipment, animals or people)
 - Weight of rain that collects on a roof
 - Use of defective building materials or methods of construction, remodeling or renovation if the collapse occurs during the construction, remodeling or renovation of the building

Collapse does not include settling, cracking, shrinking, bulging or expansion. It also does not apply to decks, awnings, pavements, fences, septic tanks, swimming pools, retaining walls and piers (unless the loss is a direct result of a collapse of the building)

The Homeowners Policy, except for a HO-3 and HO-5, provides coverage for direct physical loss to the property described in Coverages A, B, and C. HO-3 and HO-5 have expanded coverages. What are the perils insured against?

- Sudden and accidental tearing apart, burning, bulging or cracking of a steam or hot water heating system, appliance or air conditioning system
- Accidental discharge of water or steam
- Weight of snow, ice and sleet (excluding awnings, fences, etc.)
- Falling objects (only if there is exterior damage does interior damage apply)
- Theft from a known place or location
 - This peril does not apply to trailers or watercraft off premises
 - It also does not apply to a student's property at a residence, if that student has been absent for longer than 60 consecutive days
- Vandalism and malicious mischief
- Glass Breakage
- Smoke
- Aircraft
- Vehicles
- Riot and civil commotion
- Explosion
- Windstorm or hail
- Fire and lightning

- Volcanic eruption including lava flow, ash, airborne shock waves. Excluding earthquakes, tremors, land shock waves
- Sudden and accidental discharge from artificially-generated electrical current
 - Excludes tubes, transistors, electronic components or circuitry

OVERVIEW OF HOMEOWNERS POLICY PROGRAM

- The Homeowners Forms (HO 00 02, HO 00 03, HO 00 05 and HO 00 08) are used to insure one to four family owner occupied structures and provide Coverage A, B, C, D, E and F.
- The HO 00 04 contents form is used to insure apartment units and the HO 00 06 unit owners form is used to insure condominium units.
- Both HO 00 04 and HO 00 06 are similar with minor variations in coverages.
- Under the HO 00 04, up to 10% of the Coverage C amount may be applied to alterations, improvements and additions to the unit.
- Under the HO 00 06, a \$5,000 limit applies to Coverage A for building coverage.
- A separate commercial policy is used to insure the apartment and condominium building itself.

HOMEOWNERS FORM HO 00 02 FORM

- Provides broad form named peril coverages to coverage A (dwelling), coverage B (other structures) and coverage C (personal property) for occupants of one to four family dwellings.
- This form is written on a replacement cost basis, requiring the insured to carry insurance equal to 80% of the replacement value of the dwelling at the time of loss to avoid an underinsurance penalty.

HOMEOWNERS FORM HO 00 03 (SPECIAL FORM, OPEN PERIL or ALL RISK POLICY)

- Provides special form coverages for owner occupants of one to four family dwellings
- The policy form is written on a replacement cost basis requiring the insured to carry insurance equaling 80% of the replacement value of the dwelling at the time of loss to avoid an underinsurance penalty
- The only difference between Homeowners Form HO 00 02 and HO 00 03 is that the HO-3 special form insures for direct physical loss to Coverages A and B on an open peril basis

HOMEOWNERS FORM HO 00 04 or TENANTS POLICY

- Provides broad form named peril coverage for tenant occupants of apartments.
- Coverage is similar to the HO 00 02 form

- HO 00 04 form is written to insure the tenant's personal property and has no insurance to value requirement

HOMEOWNERS FORM HO 00 05 (COMPREHENSIVE POLICY)

- Provides special form coverage for owner occupants of one to four family dwellings
- Applies to Coverages A, B, and C
- Is written on a replacement cost basis requiring the insured to carry insurance equaling 80% of the replacement value of the dwelling at the time of loss
- The only difference between the Homeowners Form HO 00 03 and HO 00 04 is that HO 00 05 provides special form coverage on Coverage C in addition to Coverages A and B

HOMEOWNERS FORM HO 00 06 (Condo Policy)

- Provides unit owners broad form named peril coverage to owner occupants or condominiums
- Coverage is similar to HO 00 04 form with minor variations
- This policy is written to insure the owner's personal property and has no insurance to value requirement

HOMEOWNERS FORM HO 00 08

- Used primarily to insure older homes which have wide disparities between replacement value and market value. This policy is different than 01, 02, 03 and 05 as it:
 - Does not require coverage equal to 80% of the replacement value of the dwelling at the time of loss
 - This form permits the insured the option of selecting an amount of coverage desired with no insurance to value requirement
- The peril insured against are significantly fewer with the HO 00 08 than the HO 00 02, HO 00 03, and HO 00 05 forms.
 - Example: Coverage is excluded for falling objects, weight of ice and snow, accidental discharge, rupture of heating and air conditioning systems, freezing and artificially-generated currents
 - The peril of theft is limited to \$1,000 and several other additional coverages are limited or excluded.

OVERVIEW OF SECTION 1 EXCLUSIONS

- Ordinance or Law: enforcement of any ordinance or law regulating the use, construction, repair, remodeling or demolition of a building or other structures (unless specifically provided under the policy)

- Earth Movement: earthquake including landslide, tremors, mine subsidence or mud flow. Also covered is direct loss caused by explosion or fire resulting from earth movement. Coverage for earthquake can be added by endorsement
- Water Damage
 - Water or water-borne materials below the surface of the ground, including water which exerts pressure on or seeps through a building, driveway, sidewalk, foundation, swimming pool or other structures resulting from animal or human forces or any act of nature. Also covered is direct loss by fire, explosion or theft caused by water damage
 - Water or water-borne material which backs up through sewers or drains or which overflows or is discharged from a sump pump or sump pump related equipment
 - Flood, surface water, waves, tidal waves, overflow of a body of water or spray from any of these (whether or not driven by the wind)
- Intentional Loss: any loss arising out of any act committed:
 - With intent to cause loss
 - By or at the direction of the insured or any person or organization named as an additional insured
- Government Action: eliminates coverage for damage caused by a government authority (except when attempting to stop the spread of fire)
- War: Including undeclared war, civil war, rebellion, insurrection, revolution, warlike acts by a military force or personnel, destruction or seizure or use for a military purpose and including any consequence of any one of these.
- Neglect: the insured's failure to use reasonable means to save and preserve property at and after the time of loss. Power Failure: the failure of power or other utility service if the failure takes place off the described location.
 - If a peril insured against ensues on described location, the policy will pay the ensuing loss.
- Power Failure: Power Failure means the failure of power or other utility service if the failure takes place off the "residence premises". But if the failure results in a loss, from a Peril Insured Against on the "residence premises", we will pay for the loss caused by that peril.
- Nuclear Hazard

The following are HOMEOWNERS FORM HO 00 03 (SPECIAL FORM, OPEN PERIL or ALL RISK POLICY) exclusions applicable to Coverage A and B and HOMEOWNERS FORM HO 00 05 (COMPREHENSIVE POLICY) exclusions applies to Coverages A, B, and C. Any ensuing loss to property not excluded is covered:

- Faulty, inadequate or defective planning design, maintenance and workmanship
 - Example: If a contractor designs a faulty draining system, which causes the earth to move a dwelling off its foundation, no coverage is applied.

- Acts or decisions of a person or member of any government body or organization
 - Example: If an individual is monitoring a dam accidentally release too much water into a river causing a flood, no coverage applies.
- Weather Conditions that are concurrent with any general exclusion
 - Example: If an earthquake causes structural damage to a dwelling at the same time of a windstorm drives rain water into the dwelling, no coverage applies

OVERVIEW OF PROPERTY EXCLUSIONS OF SECTION 1

The following property exclusions apply to all policy forms for damage caused by:

- Animals owned by an insured
- Birds, rodents, vermin or insects
- Shrinking, settling, expansion or bulging including resultant cracking of pavements, foundations, patios, floors, walls, roofs and ceilings
- Discharge, dispersal, migration, seepage, escape of pollutants (unless it is caused by a peril insured against under Coverage C of this policy)
- Smoke caused by industrial operations or agricultural smudging
- Smog, rust or other corrosion and mold (wet or dry)
- Inherent vice, latent defect or mechanical breakdown
- Wear and tear, deterioration or marring
- Vandalism and malicious mischief or breakage of glass (If the property is vacant for 60 Days or longer)
- Theft of building material on a dwelling that is under construction (unless it is finished and occupied)
- Freezing or thawing of fences, patios, pavements, foundation, swimming pools, retaining walls or piers
- Freezing of plumbing, heating and air conditioning systems (if the insured failed to maintain heat in the building)

If any of the items listed above cause water damage (not otherwise excluded) from a plumbing, heating air conditioning or automatic fire protective sprinkler system, the insurer covers the loss caused by the water including the cost of tearing out and replacing any part of a building necessary to repair the appliance or system. The appliance or system is not covered.

- Any ensuring loss caused by the above to property described in Coverages A and B not excluded or accepted in the policy is covered.

OVERVIEW OF CONDITIONS OF SECTION 1 PROPERTY

Listed below are conditions addressing policy provisions affecting claim settlement:

- Insurable Interest and Limit of Liability

- Provides that coverage is afforded to insured's that have an insurable interest in the property at the time of loss and for no more than the policy limits
- Your Duties After Loss
 - Sets forth the insured's duties to give prompt notice to the insurer
 - notify the police in the event of theft or vandalism
 - notify the credit card company of theft
 - to protect the property from damage
 - make reasonable and necessary repairs
 - prepare an inventory of damaged property
 - show the damaged property and provide the insurer with records as requested
 - submit to the insurer, within 60 days after requested, a sworn statement in proof of loss
- Other Service Agreement
 - Makes the Homeowners Policy excess over service agreements
- Other Insurance
 - Prorate coverage if more than one policy is covering the insured property at a time
- Loss Settlement
 - Addresses how claims will be adjusted
 - Personal property, awnings, carpeting, appliances and antennas are adjusted on an ACV basis
 - Buildings (Coverage A and B) are adjusted at replacement cost without depreciation
 - If the insured has at the time of loss maintained coverage equal to at least 80% of the current replacement cost of the building
 - If the dwelling is underinsured, the insurer will pay the greater amount of the ACV of that part of the building that is damaged or apply the coinsurance penalty
- Appraisal
 - If the insured and the insurer fail to agree on the amount of loss, either one can demand that the amount of the loss be set by appraisal. If either makes a written demand for appraisal, each shall select a competent, independent appraiser. Each shall notify the other of the appraiser's identity within 20 days of receipt of the written demand. The two appraisers shall then select an impartial umpire. If the two appraisers are unable to agree upon an umpire within 15 days, insured or the insurer can ask a judge of a court of record in the state where the residence premises is located to select an umpire. The appraisers shall then set the amount of the loss. If the appraisers fail to agree within a reasonable time, they shall submit their differences to the umpire. Written agreement signed by any two of these three shall set the amount of the loss

- Glass Replacement
 - Requires replacement with safety glazing materials when required by ordinance of law
- Loss to a Pair or Set
 - Permits the insurer the right to restore the part damaged or lost to its value prior to loss, or pay the difference between the ACV of the property before and after the loss
 - Example: If two candle holders are valued at \$1,000 before a loss, and the remaining one valued at \$400 after one is stolen, the insurer will pay the difference (\$600)
- Volcanic Eruption Period
 - Includes all eruptions occurring within a 72 hour time frame as one loss
- Recovered Property
 - Requires the insured to return recovered property for which the insurer has made payment
- Nuclear Hazard Clause
 - Excludes nuclear reactions or hazards
- No Benefit to Bailee
 - Prohibits any assignment of coverage that benefits any organization holding property for a fee.
 - Example: if an insured has clothes serviced at a cleaner, no coverage may be assigned under the Homeowners Policy to benefit the Bailee (the cleaner)
- Mortgage Clause
 - Addresses the rights of the insured and mortgagee
- Abandonment of Property
 - Prohibits the insured from abandoning the property and claiming a total loss
 - Example: an insured may not abandon or discard property after a fire since the insurance company may exercise its option to repair the property or salvage the damaged property
- Loss Payment
 - Requires payment within 60 days of receipt of proof of loss, appraisal or judgment.
- Our Option Condition:
 - permits the insurer to repair or replace damaged property rather than making a claim payment
 - To exercise this option, written notice must be given to the insured within 15 working days of receipt of proof of loss.
- Suit Against Us:

- Requires the compliance with policy conditions, including the initiation of legal actions within one year of loss

OVERVIEW OF GENERAL CONDITIONS (SECTION 1 & 2)

Listed below are the general conditions of the Homeowners Policy:

- Subrogation
 - Permits recovery against negligent third parties
 - Example: If the insured purchased a product and while using the product, it caused the home to catch fire, the insurer will pay the claim and subrogate against the manufacturer of the product
- Assignment
 - Prohibited without the approval of the insurer
 - Example: if the insured sold his or her home, he or she may not assign his Homeowners Policy as part of the transaction
- Changes or Waivers of Policy Provisions
 - Requires waivers/changes to be in written format
- Liberalization Clause
 - Broadens coverage immediately when new policy changes are introduced at no additional premium
 - Example: if an insurer introduces a new policy form with broader coverage and does not charge for the change in coverage, the insured is automatically granted that broader coverage immediately (even before the new policy is renewed)
- Concealment and Fraud Provision
 - Voids coverage if the insured engaged in fraudulent conduct or made material misrepresentations
 - Example: Coverage does not apply if insured submits a false claim
- Policy Period
 - Defines the terms of coverage
 - Example: a loss must occur during the policy period in order for coverage to apply
 - Death of an Insured makes the legal representative the new insured under the policy
 - This provision also requires the insurance company to provide coverage under the policy for:
 - 180 days after the insured's death
 - Until the end of the policy period (whichever one is later)

OVERVIEW OF SPECIAL HOMEOWNERS CANCELLATION REQUIREMENTS

Cancellation by the insurance company is permitted for:

- Substantial increase in hazard caused by the insured's willful or negligent acts
- Substantial change or increase in hazard from the date the policy was issued
- Material misrepresentation or fraudulent statements
- Nonpayment of premium

The insured must be given 30 days advance written notice in all instances. Cancellation by the insured is permitted by returning the policy to the insurance company or by giving written notice of the date of cancellation.

WHAT ARE SELECTED COMMON ENDORSEMENTS?

- Inflation Guard Endorsement
 - Increases Coverage A, B, C, and D to reflect the increase in costs due to inflation
 - For an additional premium, the coverages are increased on a prorated basis during the policy term
 - Inflation guard coverage may be written to increase at 4%, 6% or 8% of Coverage A
- Limited Fungi, Wet or Dry Rot, or Bacteria limits
- Scheduled Personal Property Endorsement
 - Provides coverage for personal property that have values in excess of the policy limits (furs, jewelry, silverware and other valuable articles)
 - This endorsement provides special form open peril coverage to scheduled property with no deductible.
- Permitted Incidental Occupancies (Residence Premises)
 - This endorsement deletes the standard business exclusions that are found in the Homeowners Policy.
 - Liability coverage is provided for business activities such as an office or studio on the residence premises.
 - When this endorsement is used, property insurance limits are available for Coverage B (Other Structures)
 - The premises' business furnishings and equipment is increased in the Coverage C limit
- Actual Cash Value
 - This is applied when the term ACV (Actual Cash Value) is used
 - ACV applies to valuation of covered property regardless of whether the property has sustained partial or total loss or damage
 - The ACV of the lost or damaged property may be significantly less than its replacement cost value

- Personal Property Replacement Cost
 - This coverage provides full replacement cost on personal property in place of ACV coverage
 - In the event of loss to personal property, the loss will be adjusted on a RCV basis at today's cost without depreciation for age and use
 - Limitations apply to artifacts, memorabilia and antiques
- Earthquake Endorsement
 - Provides coverage in the event an earthquake causes loss to a dwelling
- Special Personal Property Endorsement
 - Endorsement converts Coverage C (Personal Property) from a named peril coverage to coverage on an open peril basis (only when attached to Form HO 00 03)
 - Exclusions that apply to the dwelling and other structures also apply to personal property under this endorsement
- Ordinance or Law Coverage
 - Provides additional coverage if (at the time of loss) stricter building ordinances require construction different than originally designed.
 - Also provides coverage for demolition (if building is beyond reconstruction due to a covered peril)
- Home Day Care Endorsement
 - Provides property and liability coverage for a Home Day Care business
 - If the business is conducted in another structure, a limit of liabilities for the structure is scheduled on the endorsement
 - This endorsement protects personal property of the business under Coverage C

Exclusions that apply to coverage include:

- a. Corporal Punishment
- b. Sexual Abuse
- c. Maintenance, use, loading, unloading or entrustment by the insured to others of draft or saddle animals or vehicles used with them.
 - i. Aircraft or watercraft owner, operated, or hired by or for the insured or employees or used by the insured for instruction in their use
 - ii. Injury to any employee of an insured other than a residence employee, arising out of the day care operation are also excluded

This endorsement also includes an aggregate limit of liability.

CHAPTER 5
PRACTICE EXAM

1. Under a Homeowners Policy Coverage C (Personal Property) is generally issued at:
 - a. 100% of Coverage A
 - b. 70% of Coverage A
 - c. 50% of Coverage A
 - d. 10% of Coverage A
2. Under an unendorsed Homeowners Policy, Coverage C (Personal Property)
 - a. Adjusted on an agreed value basis
 - b. Adjusted on a functional replacement cost basis
 - c. Adjusted on an actual cash value basis
 - d. Adjusted on a replacement cost basis
3. Under a Homeowners Policy, theft of building material is:
 - a. Covered if the insured is remodeling the house in which it resides
 - b. Covered if the insured is building a new house
 - c. Never covered
 - d. Always covered
4. Under a Homeowners Policy, a theft of an insured's credit cards requires all of the following except:
 - a. Notification to the insurance company
 - b. Notification to the credit bureau
 - c. Notification to the credit card company
 - d. Notification to the police
5. Under a Broad Form HO 00 02 Homeowners Policy all of the following are covered except:
 - a. Smoke
 - b. Fire
 - c. Tornado
 - d. Ink staining a wall to wall carpet
6. Under a Homeowners Policy, which of the following occurrences would be covered if the property was vacant for 60 or more consecutive days?
 - a. Vandalism damage
 - b. Water damage caused by the failure to maintain heat
 - c. Glass damage
 - d. Fire damage

7. What minimum coverage amount should a Homeowners carry if he purchased a home 4 years ago for \$95,000, which today has a replacement cost of \$100,000
 - a. \$120,000
 - b. \$90,000
 - c. \$80,000
 - d. \$100,000
8. All of the following would be eligible for a Homeowners Policy Except:
 - a. A four unit dwelling
 - b. A farm
 - c. A residence where the Homeowners performs incidental business activities
 - d. An apartment unit
9. All of the following are true of the Inflation Guard Endorsement of the Homeowners Policy except:
 - a. Coverage increases apply to Coverages A, B, C and D
 - b. Coverage increases during the policy term
 - c. Inflation guard coverage is written to increase as a percent of the consumer price index
 - d. Inflation guard coverage is written to increase as a percent of the dwelling amount
10. A Homeowners seeking the broadest coverages available would choose:
 - a. Unit Owners Form HO 00 06
 - b. Comprehensive Form HO 00 05
 - c. Special Form HO 00 03
 - d. Broad Form HO 00 02
11. Which of the following endorsements are used to insure Coverage C (Personal Property) for values beyond the limitation of the Homeowners Policy
 - a. Personal Property ACV endorsement
 - b. Scheduled personal property endorsement
 - c. Personal property replacement cost endorsement
 - d. Special personal property endorsement
12. Which of the following provides coverage for direct physical loss, unless specifically excluded to Coverage C (Personal Property) of the Homeowners Policy?
 - a. Special Form 00 03
 - b. Scheduled personal property endorsement
 - c. Personal property replacement cost endorsement
 - d. Comprehensive Form HO 00 05
13. Which of the following special limit amount applies to theft of jewelry?
 - a. \$1,500
 - b. \$2,500
 - c. \$200
 - d. \$500

14. All of the following are true of the Homeowners Form HO 00 08 Modified Named Peril except:
- a. Theft coverage is provided up to the limit of personal property Coverage C
 - b. Its commonly used to cover older dwellings
 - c. The named perils of the policy are fewer in numbers than other Homeowners forms
 - d. Building loss is adjusted on a functional replacement cost basis
15. All of the following are Section 1 – Exclusions of the Homeowners Policy except:
- a. Accidental discharge of water or steam
 - b. Surface water
 - c. War
 - d. Intentional loss
16. Which of the Homeowners forms provides special form coverage to Coverage A – Dwelling, Coverage B – Other Structures and Coverage C – Personal Property:
- a. Modified Form HO 00 08
 - b. Comprehensive Form HO 00 05
 - c. Special Form HO 00 03
 - d. Broad Form HO 00 02
17. Which of the following Homeowners forms is commonly used to insure homes that are older and have unusually high replacement values in comparison to its market value?
- a. Special Form HO 00 03
 - b. Contents Form HO 00 04
 - c. Unit Owners Form HO 00 04
 - d. Modified Form HO 00 08
18. Which of the following describes the HO 00 03 Special Form coverage that is applicable to the dwelling and other structures?
- a. Coverage is provided if named in the policy unless eliminated
 - b. Coverage is provided for All Risks
 - c. Coverage is provided for direct physical loss unless specifically excluded
 - d. Coverage is provided if named in the policy
19. Which of the following Homeowners form does not require the insured to maintain coverages equal to 80% of the dwelling's replacement cost?
- a. Comprehensive Form HO 00 05
 - b. Contents Form HO 00 04
 - c. Broad Form HO 00 02 and Special Form HO 00 03
 - d. Modified Form HO 00 08

20. Which of the following Homeowners forms provides named peril coverage to the personal property of individuals who own a condominium unit?
- Unit Owners Form HO 00 06
 - Contents Form HO 00 04
 - Special Form HO 00 03
 - Broad Form HO 00 02
21. Which of the following Homeowners forms provides named peril coverage to the personal property to individuals who rent an apartment?
- Unit Owners Form HO 00 06
 - Contents Form HO 00 04
 - Special Form HO 00 03
 - Broad Form HO 00 02
22. Which of the following Homeowners forms provides special form coverage to the dwelling and other structures and named peril coverage to personal property?
- Unit Owners Form HO 00 06
 - Contents Form HO 00 06
 - Special Form HO 00 03
 - Broad Form HO 00 02
23. Which of the following Homeowners forms provides named peril coverage to the dwelling, other structures and personal property?
- Comprehensive Form HO 00 05
 - Contents Broad Form HO 00 04
 - Special Form HO 00 03
 - Broad Form HO 00 02
24. All of the following are Additional Coverages under the Homeowners Policy except:
- Fire department service charge
 - Flood
 - Coverages for trees, shrubs and other plants
 - Debris removal
25. Under the Homeowners Policy, a detached garage is covered under:
- Coverage ID – Loss of use
 - Coverage C – Personal Property
 - Coverage B – Other Structures
 - Coverage A – Dwelling
26. All of the following are not true of Coverage A – Dwelling except:
- It provides coverage to the insured if a tree hit a pool and damaged it
 - It provides coverage to the insured if hail damaged the main house
 - It provides coverage for additional living expenses incurred by the insured
 - It provides coverage to the insured for loss of rent if a second unit in the insured residence is rented

27. Which of the following Homeowners forms provides named peril coverage to the dwelling, other structures and personal property?
- Comprehensive Form HO 00 05
 - Contents Broad Form HO 00 04
 - Special Form HO 00 03
 - Broad Form HO 00 02
28. All of the following are Additional Coverages under the Homeowners Policy except:
- Fire department service charge
 - Auto striking a home
 - Coverage for trees, shrubs and other plants
 - Debris removal
29. Under the Homeowners Policy, clothing is covered under:
- Coverage D – Loss of Use
 - Coverage C – Personal Property
 - Coverage B – Other Structures
 - Coverage A – Dwelling
30. All of the following are true of Coverage D – Loss of Use of the Homeowners Policy except:
- It provides coverage to the insured for loss of rent of a second unit of the insured
 - It provides coverage for additional living expenses incurred by the insured
 - It provides coverage at 100% of Coverage A
 - It refers to the additional expenses incurred by the insured in the event that the property becomes uninhabitable by an insured peril
31. Under the Homeowners Policy, money is limited up to:
- \$1,500
 - \$2,500
 - Unlimited
 - \$200
32. Under the Homeowners Policy, all of the following are classes of property NOT covered except:
- Personal computer equipment on the residence premises
 - Motorized vehicles not used to maintain the residence premises
 - Animals, birds and fish
 - Articles separately described and insured
33. All of the following are true of Coverage B – Other Structures except:
- An example of another structure would be a detached garage
 - Coverage B – Other Structures is a blanket limit of insurance
 - The other structure must be separated by clear space from the primary insured dwelling
 - Coverage B – Other Structures must be added by endorsement

34. All of the following are insured locations under a Homeowners Policy except:
- a. The residence premises as indicated in the declarations
 - b. Premises rented to the insured
 - c. Land used for business purposes
 - d. Detached garage
35. All of the following would be considered an insured under a Homeowners Policy except:
- a. Individuals under the age of 21 and in the care of the insured
 - b. The divorced wife of the insured living in another state
 - c. Residents of the household who are relatives of the insured
 - d. Individuals named in the policy declarations
36. All of the following are characteristics of the Homeowners Policy eligibility except:
- a. Business equipment is covered up to a certain amount
 - b. A part of the dwelling may not be rented
 - c. A dwelling may contain up to four units
 - d. It covers owner occupied private residential exposures

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CHAPTER 5 ANSWER KEY

1. b

2. c

3. a

4. b

5. d

6. d

7. c

8. b

9. c

10. b

11. b

12. d

13. a

14. a

15. a

16. b

17. d

18. c

19. b

20. a

21. b

22. c

23. d

24. b

25. c

26.b

27.d

28.b

29.b

30.c

31.d

32.a

33.d

34.c

35.b

36.b