



# Homeowner's Coverage

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# What is insurance?

A promise between an insurer and a policyholder to indemnify policyholder from covered losses.

# Terminology

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**Coverage:** Amount of risk, liability, or loss protected by the insurer

**Scheduled coverage:** Insurance for property specially listed (scheduled) on a policy, with a limit of liability for each item

**Limits:** Maximum payment for any single loss minus the deductibles (ex. \$300K)

**Deductibles:** Policy deductible applies on a per-loss basis

- Min. deductible for ISO Homeowners program is \$500

**Endorsement:** Used to modify policy

- Increase/decrease limits; add/remove coverages; change definitions

**Functional replacement cost:** Cost of replacing damaged property with similar property that performs the same function but might not be identical to the damaged property

# Section I - Property Coverages

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## Coverage A – Dwelling

- Dwelling and any structures attached to the dwelling (garage, deck)
- 1, 2, 3, or 4-family dwelling, named insured resides in at least one of the units

## Coverage B – Other Structures/Buildings

- Other structures that are not attached to the dwelling (ex. swimming pools, detached garages, fence)
- Amount usually equal to 10% of Coverage A limit
- Exclusions:
  - A structure for which any business is conducted
  - A structure used to store business property

# Section I - Property Coverages (Cont.)

## Coverage C - Contents

- Contents of the home
- Personal property owned/used by insured anywhere in the world (ex. personal luggage)
- Usually is 50% of Coverage A limit
- Only 10% of the Coverage C limit or \$1,000 is available for property located at a residence other than the one listed under the policy or property kept in a self-storage warehouse
- 5 categories (jewelry, furs; firearms; silverware, goldware; currency; electronics) are subject to special limits when loss is caused by theft
- Property not covered (ex. animals, aircraft, business data)



# Section I - Property Coverages (Cont.)

## Coverage D – Loss of Use

- Insured's exposure to financial loss, apart from the property damage itself that is covered under Section I Property Coverage
- Limit is usually 20% of Coverage A limit
- Three groups of coverage
  - Additional living expense until dwelling has been repaired
  - Fair rental value (lost of rental income if part of residence has been rented)
  - Loss of use due to civil authority (covered up to 2 weeks)

## TIV– Total Insurable Value

- The sum of Coverage A, B, C, and D
- $100\% + 10\% + 50\% + 20\% = 180\%$  of Cov A

# Section II - Liability Coverages

# Section II - Liability Coverage

## Coverage E – Personal Liability

- Third party coverage for those who are injured or whose property is damaged by insured
- Basic limit \$100,000

## Coverage F – Medical Payments to Others

- Necessary medical expenses incurred by others within three years of an injury
  - Basic limit \$1,000
- 
- These are known as Coverage L and Coverage M for DP3, respectively.

# **Eight Policy Forms**

# Eight Homeowners' Policies Forms

- H01 – Basic Form
- H02 – Broad Form
- H03 – Special Form
- H04 – Renter's Form
- H05 – Comprehensive Form
- H06 – Condo Form
- H07 – Mobile Home Form
- H08 – Modified Coverage Form

# Eight Homeowners' Policies Forms (Cont.)

## **H02 – Broad Form**

- Named perils (perils are listed) coverage for dwelling, other structures, and personal property
- Owner-occupants of dwelling

## **H03 – Special Form**

- Covering all causes of loss not specifically excluded for dwellings and other structures
- Named perils coverage for personal property
- Owner-occupants of dwelling who want broader coverage

## **H04 – Contents Broad Form (Renter's)**

- Coverage for a tenant's personal property on a named perils basis

# Eight Homeowners' Policies Forms (Cont.)

## **H05 – Comprehensive Form**

- Open perils coverage on dwelling, other structures, and personal property
- Owner-occupants of dwelling who want broadest coverages

## **H06 – Unit-Owners Form (Condo)**

- Coverage for personal property on a named perils basis, with limited dwelling coverage
- Owners of condo and cooperative apartment shares

## **H08 – Modified Coverage Form**

- Coverage for a dwelling, other structures and personal property, on a limited, named perils basis
- Owners-occupant of dwellings that may not meet UW standards of other policy forms

# Additional Policy Forms

## **DP3 – Special Form**

- Most comprehensive dwelling fire coverage
- Covering all causes of loss not specifically excluded for dwellings and other structures
- Named perils coverage for personal property
- Coverage for rental or investment properties if owner does not live on the property

## **HWO – Wind Only Coverages**

- Covering damage from hail and windstorms
- No other perils are covered
- To limit exposures in coastal counties, carriers may offer homeowners coverage excluding the windstorm peril

## **Flood – Flood Only Coverages**



# Flood Coverage

- **NFIP** (National Flood Insurance Program) **Act of 1968**
- **Blanket Coverage A Limits**
  - \$5,000
  - \$10,000
  - \$50,000
  - \$100,000
  - NFIP Equivalent (\$250,000)
  - NFIP Enhanced (Full Limits)
- **Key Difference: Coverage C only covers first floor/basement**

# Factors Considered in Rating

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- Rating factors and adjustments can vary by insurers, but they usually include Base Premium and adjustments
- **Base Premium**
  - Based on dwelling locations, protection class, construction factors, coverage amount, form selected
- **Base Premium Adjustments**
  - Deductible changes, endorsements, unusual construction types
- **Final Adjustments**
  - Claim history, insurance score, and package policy credits



An aerial photograph of a rugged coastline. The left side shows a sandy beach with some sparse vegetation and rocks. The right side shows the ocean with white-capped waves crashing against a rocky shore. A dark green, curved banner is superimposed over the center of the image, containing the word "Questions?" in white text.

Questions?