

Chapter 7 Coverages

Policy Structure

The front page, or the "Declaration Page," of the homeowners' policy shows exactly what is covered and for how much. The front page contains the following information:

- Name of the Insurance Company and address
- Name and address of the insured and address of the insured property
- The agent's name, agency name and address
- Policy number
- Policy period showing the effective and expiration date and time
- The coverage and premium breakdown

Homeowners' policies contain two sections: Section I and Section II. Section I contains property coverage (Coverages A through D). Section II contains Liability coverage (Coverages E and F).

Property Coverages – Section I

- a. Dwelling Limits
- b. Detached Structures Limits
- c. Personal Property Limits
- d. Loss of Use Limits

Liability Coverage

- e. Personal Liability, Each Occurrence Limits
- f. Medical Payments to Others, Each Person Limits

Coverage Form Basics

The following is a quick run down of the general characteristics of each Homeowners' Coverage Form. The "HO" stands for Homeowners and the number following that designates the different policy packages.

These policy forms contain a standardized numbering system throughout the United States, except for Texas. They are as follows:

Broad Form (HO-2)

The Broad Form is divided into two sections: Section I and Section II. Section I provides broad form named peril coverage and contains 16 named perils. In most states, property must be insured for at least 80% of the full replacement cost of the home/property at the time it is damaged or destroyed if the insured wants to collect the full replacement cost.

Special Form (HO-3)

Section I is similar to Broad Form. The Special Form brings "special form" coverage to dwelling and other structures, which means it covers all perils *except* those specifically excluded. The 80% rule applies here as well. The Special Form's Section II is identical to the Broad Form.

Contents Form (HO-4)

Section I of the Contents Form provides broad named peril coverage for tenants of apartment units. This coverage is written to insure the tenant's personal property and requires no minimum of coverage. The Section II for this form is identical to the Broad Form.

Comprehensive Form (HO-5)

Section I of the Comprehensive Form provides special form coverage for Personal Property, which means that coverage applies to personal property unless specifically excluded. The 80% rule applies. This form's Section II is identical to the Broad Form.

Unit Owners Form (HO-6)

Section I of the Unit Owners form provides broad named peril coverage to owner-occupants of condo units. This insurance is written to cover the owner-occupant's personal property and requires no minimum of coverage. Section II is identical to the Broad Form.

Modified Coverage Form (HO-8)

Section I of the Modified Coverage Form provides modified named coverage to one-to-four-unit, owner-occupied dwellings. This coverage is used primarily to insure older homes that have large gaps between replacement value and market value. The Modified Coverage Form does NOT require 80% coverage minimums and does NOT include some Additional Coverages that appear in other forms. This form has significantly FEWER perils insured against than other forms. Section II is identical to the Broad Form.

Coverages

As you know, a homeowners' policy is divided into two sections: Section I and Section II. For the most part, Section II, which provides for liability coverage, is pretty much the same for each Form, HO-2 through HO-8. Section I provides for actual property coverages (Coverage A through Coverage D) and differs from one form to the next. We'll discuss each in depth.

Section I provides named peril coverage for property, including 16 perils. This means that unless the peril is named in the policy, it isn't covered. As was mentioned already, Section I of most policy forms is subject to an insurance-to-value condition, which requires the insured to carry insurance equal to 80% of the replacement value of the dwelling at the time of loss. If an insured does not carry the minimum 80%, the loss will be settled on an actual cash value basis.

While this may seem to be basic information, it is important to understand this if you expect to understand other, more complex components of homeowners insurance. The following coverage descriptions are based on the Homeowners Broad Form (HO-2).

Coverage A: Dwelling

This coverage is almost identical to that found in a Dwelling policy. The insurance provided under this section of the policy applies to dwelling buildings and structures attached, as well as construction materials and supplies on or adjacent to the premises. The following locations are covered:

The Dwelling

The dwelling is covered, defined as the house or structure in which one lives. This includes a residence, abode, habitation, apartment, building and/or group of buildings occupied by a family as a place of residence.

Structures Attached to the Dwelling

This includes a garage or storage shed, for example, that is physically attached to the principal dwelling described in the Declarations of the policy. A fence, utility line, or other type of connection does not qualify a structure as "physically attached."

Construction Materials and Supplies

In addition to the dwelling, building supplies and materials, and some equipment are also included under this coverage of the policy. Not everything is covered: there are some conditions.

To be covered, materials must be used to construct, alter or repair the dwelling or other structures. This will be a primary factor in determining whether certain materials/supplies are covered.

Materials must also physically be on or next to the described location. This could be on the location, next to it (like an adjoining street), or even on a neighboring piece of land.

Building and outdoor equipment used to service the location is covered, if not covered under other insurance. This includes lawnmowers, snow blowers, ladders, and other related types of material that one would use to maintain the described location. It may be covered under Coverage A if it is not covered elsewhere.

Land is excluded from coverage, including the land the residence is on. If land is damaged in some way by an insured peril, the insurer will not cover the loss.

Limits

The Coverage A limit is the main limit in the policy – the one other coverages are calculated against. The insured selects the limit for Coverage A, subject the insurer's underwriting rules. For form HO-6, the basic limit for Coverage A is \$5,000, but can be higher per the insured's needs.

Coverage B: Other Structures

This coverage is also almost identical to Coverage B of a Dwelling Policy. Other structures on the residence premises that are separate from the dwelling are covered under this coverage. Section B does not appear in forms HO-4 or HO-6. The following conditions apply:

Separation

The structure must be set apart from the dwelling by a clear space. This means that if you can see a clear space between the dwelling and the structure, it will be considered an "Other Structure." Examples of other structures are garages, storage sheds and workshops (not business-related).

Other Structures can be separated from the dwelling by objects attached to the ground. An Other Structure may be connected to the dwelling by a fence or patio. Language in the policy specifically includes connections made with things like fences or utility lines. If the deck off the back of Sam's home connects it to a workshop, the workshop is still technically "separated" from the dwelling.

Exclusions

Coverage B may not cover an Other Structure that is either business-related or rented to someone who is not a tenant of the dwelling.

Other Structures that are rented to someone who is not a tenant of the dwelling, unless the Other Structure is used solely as a private garage, are not covered. If the insured rents a structure on the described location to a neighbor to store his/her car, it would be covered. If a tenant of the dwelling rented the structure from the homeowner to store personal items, it would be covered. But, if the neighbor rented the garage to store his/her personal items, it would not be covered.

For example, Todd has two sons: Tyler and Alec. If Tyler wants to rent the shed to store his personal items in, the shed would be covered as an Other Structure. If Alec allowed his friend TJ to rent the shed to store TJ's car over winter, the shed would be covered as an Other Structure. Now, if Alec were to rent the shed to TJ so that TJ could store his personal items in it, the shed would be excluded from coverage.

Other Structures used in whole or in part for any business are not covered. If Todd's shed were used to rebuild carburetors as a business, the shed would not be covered. Even if just a small portion of the workshop were used for this purpose, it would be excluded.

An exception to this exclusion allows coverage if the insured is storing business property that is solely owned by the insured or by a tenant in an Other Structure. For instance, if business inventory owned by the insured or a tenant of the dwelling is stored in the shed for use in a business run from another location, the shed is covered. However, this business property does not include gaseous or liquid fuel, other than fuel in a permanently installed gas tank of a vehicle

parked or stored in the structure. If an insured stores cases of motor oil for an auto repair business in the shed, the shed would not be covered.

Like Coverage A, Coverage B does not cover land, including the land on which residence premises are located.

Limits

The limit for Coverage B cannot be more than 10% of the limit that applies to Coverage A. For example, if the limit of liability for Coverage A is \$120,000, the limit for Coverage B cannot exceed \$12,000. If the insured uses the 10% limit of Coverage A for Other Structures, the total limit for Coverage A would not be reduced.

Coverage C: Personal Property

Coverage C covers personal property used or owned by the insured. Generally, this is all property other than real property. Items considered to be personal property would be furniture, appliances, jewelry, clothing, and the like that are located in the dwelling, as well as lawn mowers or tools within other structures.

An insured's personal property is covered anywhere in the world. If an insured is on vacation in Hawaii and personal property is stolen or damaged by a covered peril, it's covered.

Personal Property vs. Real Property

Like the Dwelling Policy, some personal property may be considered "real property" by underwriting if certain characteristics exist. A general rule applies that if a structure is bolted or fixed to a permanent foundation or poured in concrete, it would be considered "real property." If a structure sits flat on the ground, it would be considered personal property.

Personal Property of Others

Coverage C of the Broad Form will extend coverage to the personal property of others, but only at the named insured's request. If requested, the insurer will cover personal property owned by the following:

Others while on any part of the residence premises occupied by any insured. For example, if an insured stores property for a friend, it will be covered.

A guest or residence employee while in any residence occupied by an insured. For example, if a friend visits any of the insured's covered residences (primary, secondary, vacation home, etc.), that friend's personal property is covered.

For example, if a friend visits any of the insured's covered residences (primary, secondary, vacation home, etc.), that friend's personal property is covered.

Coverage C Limits

The limit for Coverage C is usually 50% of Coverage A's limit. However, there are different limits for property at other residences, as well as for certain items.

Limits for Property at Other Residences

The limit for personal property usually located at an insured's residence other than the residence premises is 10% of the limit of liability for Coverage C, or \$1,000, whichever is greater. This means that 10% of the limit for Coverage C (or \$1,000, whichever is greater) will be paid for personal property that is usually at another insured residence, such as a vacation home or summer cabin.

If the insured's limit for Coverage C is \$60,000, \$6,000 would be used to cover furniture, appliances, etc. that are usually kept at a secondary insured residence.

This limit has no effect on other personal property coverages and does not apply to these:

- Personal property that is moved to another residence because the residence premises are being repaired or renovated and is unfit to live in.
- Cases in which the insured has moved into a newly acquired principal residence. Personal property is covered fully for 30 days from the time the insured begins to move property to

the new residence.

This 30-day limit only applies to instances when an insured is moving into a new home. If an insured is moving to a different insured residence, such as a vacation home, while the principal residence is unfit to live in because of repairs or renovation, the 30-day limit does not apply.

This maximum limit of personal property coverage does not apply to a temporary, non-owned residence if the insured had no intentions to return to his/her principal residence or into a new home.

Not all personal property has the same, standard limit. As you will see in the next section, certain items have certain limits of their own.

Special Limits

Each of the following categories of personal property has special limits under Coverage C. This greatly affects the coverage an insured may think he or she has under Coverage C of his/her homeowners' policy. If an insured has \$10,000 worth of jewelry in his/her home and it is stolen, only \$1,500 is covered by his/her homeowners' policy. This is an area where an insurance agent needs to carefully discuss the types and value of personal items the insured plans to keep in his or her home. Not knowing what is and what isn't covered – or worse, believing something is covered for its full amount when it is not – makes for an unpleasant claim settlement for both the insured and the adjuster who has to deliver the bad news.

The following amounts show the total limit for each loss for all property in that category. These special limits do not increase the Coverage C Limit.

\$200—Money, bank notes, bullion, gold (other than goldware), silver (other than silverware), platinum (other than platinumware), coins, medals, scrip, stored value cards and smart cards.

\$1,500—Securities, accounts, deeds, evidences of debt, letters of credit, notes (other than bank notes), manuscripts, personal records, passports, tickets and stamps. This limit applies regardless of the medium on which the material exists, whether on paper or on computer software. This limit includes the cost to research, replace or restore the information from the lost or damaged material.

\$1,500—Watercraft of all types, including their trailers, furnishings, equipment and outboard motors or engines

\$1,500—Trailers or semi-trailers of all types not used with watercraft

\$1,500--- Loss by theft of jewelry, watches, furs, precious and semi-precious stones

\$2,500—Loss by theft of firearms and related equipment such as telescopic gunsights, cases, or ammunition.

\$2,500—Loss by theft of silverware, silver-plated ware, goldware, gold-plated ware, platinumware, platinum-plated ware and pewterware. This includes flatware, hollowware, tea sets, trays and trophies made of or including silver, gold or pewter.

\$2,500—Property on the residence premises used primarily for business purposes.

\$500—Property away from the residence premises used primarily for business purposes. This limit does not apply to the next two categories.

\$1,500—Electronic apparatus and accessories while in or on a motor vehicle, but only if it is equipped to be operated by the power supply of the motor vehicle and/or other types of power supply. This includes CD players or cell phones that can also be plugged into a wall outlet. This also includes CDs, disks and other accessories of these items.

\$1,500—Electronic apparatus and accessories used primarily for business purposes away from the residence premises and not in or on the motor vehicle. The apparatus must be equipped to receive power supply from the motor vehicle's electrical system (as with the above category), as well as other types of power supply. This is basically the same category as above for when the

items mentioned there are for business purposes.

Readability of the Policy

Personal property is coverage of a homeowners' policy used most often by insureds. This is why it is so important that the insured can read and understand his/her policy. As with most legal documents, insurance contracts can become wordy, complicated and confusing. In response to complaints of insureds that their insurance policies were too difficult to comprehend without a law degree, some states issue a law that requires all language in insurance policies to meet readability standards.

According to the law, every policy must be readable, as measured by the following guidelines.

The text must meet a minimum score of 45 on the Flesch Reading Ease test (or an equivalent score on any other test comparable in result and approved by the insurance commissioner's office). The Flesch scores (Flesch-Kincaid Grade Level and Flesch Reading Ease) are based on the average number of syllables per word and words per sentence. The Flesch Reading Ease score is based on a 100 point scale: the higher the score, the easier it is to comprehend.

The policy must use layout and spacing that separates the paragraphs from each other and from the border of the paper. The contract must have section titles that are captioned in boldfaced type or that otherwise stand out significantly from the text. It must avoid the use of unnecessarily long, complicated, or obscure words, sentences, paragraphs or constructions.

The style, arrangement and overall appearance of the policy must give no undue prominence to any portion of the text of the policy or to any endorsements or riders. Finally, the policy must contain either a table of contents or an index of the main sections of the policy if the policy has more than 3,000 words or is longer than three pages.

Laws like this make insurance policies simpler to read and understand for insurance agents and adjusters.

Coverage C Exclusions

There are many things excluded under Coverage C of a homeowners' policy. This is a very important area of the policy for both an insured and an adjuster. People tend to believe anything they own is considered "personal property." Not so, according to the insurance industry.

Articles separately described and specifically insured. This means that any item that is covered under a separate floater or endorsement is not covered by Coverage C. That specific coverage exists in place of the coverage provided in this section, not in addition to it. This is connected to our earlier discussion of special limits for certain items. An insured who believes she has covered all the bases by purchasing a \$1,000 floater to cover her \$2,500 necklace will be disappointed to learn that once a floater is applied to a particular item, it is no longer covered by the main policy.

Animals, birds or fish—Pets are not covered even if the loss is caused by a covered peril. People who invest a great deal into acquiring purebred pets should be advised to purchase coverage separately to protect them.

Motor vehicles—This is a broad exclusion and includes motor vehicles used on public roads, antique cars, vehicles in dead storage, and off-road recreational vehicles. This exclusion includes equipment (jacks, tire irons, anti-theft devices, etc.) and accessories (truck bed cap, bra, seat covers, etc.) whether or not they are in or on the vehicle, and electronic apparatus and accessories designed to be powered solely by the vehicle's electrical system only while property is in or on the vehicle.

There is an exception to this exclusion, though. Coverage is provided for motor vehicles that are not required to be registered for use on public property that are used solely to service an insured's residence premises or designed to assist the handicapped.

Aircraft—This includes hot air balloons, hang gliders, and ultra-lites; basically anything that is used or designed for flight. Hobby planes and aircraft not designed to carry cargo or people are covered.

Hovercraft and Parts—A hovercraft is a self-propelled motorized ground effect vehicle, like an air cushion vehicle. They may not be common, but insurers found it necessary to exclude them from Coverage C.

Property of Roomers or Boarders who are NOT Related to the Insured—The roomer or boarder must be related to the insured, and coverage must be requested by the insured to apply.

Property in an Apartment Regularly Rented or Held for Rent to People Other than Insureds—If an insured regularly offers a furnished apartment above his garage for rent, the items in it would not be covered.

Property Rented or Held for Rent to Others Off the Residence Premises—If an insured rents his guitar to a third party, no coverage is provided for the guitar.

Business Data—This excludes business data, such as data stored in accounting records, drawings or other paper records or computers and related equipment. Coverage is provided to pre-recorded data or software available to the public, such as Microsoft Office or Quicken.

Credit Cards, Electric Transfer cards, or Access Cards—This excludes credit cards, fund transfer cards, and access cards used solely for deposit, withdrawal or transfer of funds. They are excluded under this section, but covered under Additional Coverages for up to \$500.

Water or Steam—Water or steam are listed as property under the Homeowners' 2000 program to eliminate the possibility of argument that water or steam delivered to the insured was lost or stolen. Hard to believe, but true.

Coverage D: Loss of Use

Coverage D provides coverage for Additional Living Expenses, Fair Rental Value and Civil Authority Prohibits Use. The limit for Coverage D is for the total of these three coverages. This coverage applies when the insured dwelling is damaged by a covered peril so much so that it is unfit for occupancy.

Additional Living Expenses

The Additional Living Expenses for the homeowners' policy is almost identical to the coverage available in the Dwelling Policy. It is intended for cases when the residence is damaged by an insured peril so severely that it is unfit to live in.

Additional Living Expenses are considered to be necessary increases in living expenses in order to keep the insured at his or her normal standard of living. If a family usually spent \$300 a month for groceries, and the cost to dine out each night due to the damage to the home is \$500, the insurer would pay \$200 to make up the difference. If the insured were to submit a claim of \$600 for eating expenses, it would obviously be greater than the family's normal living standard and the claim would likely be denied.

Some things, such as cable television and utility costs, may be reduced or eliminated completely. These amounts would then be deducted from the additional living expense determination.

Coverage is limited to the shortest period of time it takes to repair or replace damaged property. If the insured must relocate, coverage is limited to the shortest period of time it takes to settle at a new location. If the dwelling can be repaired in 30 days, but because of the insured's actions it ends up taking 45 days, coverage would only be provided for the first 30 days.

If the policy expires before repairs or replacements are completed on covered losses, the policy will continue until they are completed.

Fair Rental Value

This coverage pays the insured/owner the fair rental value of the unit(s) if a covered Section I property loss causes part of the residence premises that is rented to others to be unfit to live in. If

Mike rents the apartment above his garage for \$600 a month, and that unit is damaged severely by tornado, the insured will receive \$600 a month until the unit is repaired. Expenses that do not exist while the unit is unfit for inhabitation, such as a cleaning service, would be deducted from the rent amount.

If the insured's residence premises are also damaged in the event, coverage is provided under Additional Living Expenses.

As with Additional Living Expenses, coverage is limited to the shortest period of time it takes to repair or replace damaged property. If the insured must relocate, coverage is limited to the shortest period of time it takes to settle at a new location.

If the policy expires before repairs or replacements are completed on covered losses, the policy will continue until they are completed.

Civil Authority Prohibits Use

This coverage pays the insured Additional Living Expenses and Fair Rental Value if the insured is prohibited from using his or her property by civil authority. This prohibition must arise out of direct damage caused to neighboring premises by a covered peril.

Coverage is provided for up to two weeks to an insured who cannot use the described location by order of civil authority because of direct damage to neighboring premises by a covered peril. A city may not allow people to return to their apartments because of an explosion several blocks away. The loss must include direct damage to the neighboring premises and must be the result of a covered peril.

If the policy expires before repairs or replacements are completed on covered losses, the policy will continue until they are completed.

Coverage D Exclusions

The insurer will not cover loss or expenses due to the cancellation of a lease or agreement. If a tenant's lease is cancelled because the property is unfit to live in, coverage does not apply.

Coverage D Limits

The limit for Coverage D depends on the form used. For HO-2, HO-3 and HO-5, the limit is 30% of Coverage A. For HO-4, the limit is 30% of Coverage C. In HO-6, the limit is 50% of Coverage C. For HO-8, the limit is 10% of Coverage A.

Perils Insured Against

Broad Form Perils Insured Against

Section I of the Broad Form lists 16 named perils that are covered by the policy. The Homeowners Broad Form provides coverage for direct physical loss to property described in Coverages A, B and C, and caused by a peril listed in the policy. Each occurrence is subject to Section I Exclusions. We'll number the perils to help you keep track, however this does not represent the way they appear in the policy.

1. Fire or 2. Lightning

Fire is not specifically defined in the policy, though the courts have applied some conditions. A "fire" must produce a spark or flame. Smoking, charring, discoloration and blistering may be caused by an exposure to heat, but not by actual fire. The damaged article must be ignited by flame and consumed by it to be considered "damage caused by fire."

There is also a differentiation between "hostile" and "friendly" fire. A hostile fire is one that escapes its confines, such as a fire in the stove that ignites the curtains. A friendly fire is a controlled fire in the fireplace. If kindling from the fireplace ignites the sofa, it would be a hostile

fire, and the damage would be covered. If a personal item were placed into the friendly fire, it would not be covered.

Lightning is defined as "naturally generated electricity from the atmosphere," for insurance purposes. There are three categories of lightning strike:

- Direct Strike:** This occurs when a lightning bolt enters and passes through a dwelling on its way to the ground. It usually causes a great deal of damage, including fire.
- Near Miss:** This occurs when a lightning bolt strikes very nearby. It is similar to a direct strike but causes nowhere near the damage.
- Ground Surge:** This occurs when lightning strikes somewhere nearby and causes an electric surge through the area. This is the most common cause of most claims caused by lightning.

3. Windstorm or Hail

Windstorm covers the damage caused by the "direct action of wind," including high winds, cyclones, tornadoes and hurricanes. Three factors must be present in order for this loss to be covered. The wind must be unusually greater than normal, strong enough to cause damage, and identifiable as having occurred at a certain time.

Hail is basically little (or large) ice balls that sometimes accompany thunderstorms. Hail can range from the size of a pea to the size of a melon and can cause great damage. Damage caused by hail is only covered when it occurs to the outside of the dwelling, or to the inside if it was able to get inside because of damage caused it already had caused to the outside.

For example, if hail breaks a window and rain, sleet, snow, sand or dust damages the carpet or other personal property, it would be covered. However, if someone leaves the window open and rain, sleet, snow, sand or dust causes the same damage, it would not be covered. This peril also does not include damage to awnings, signs, antennas, masts, towers, canoes or rowboats when outside a building.

4. Explosion

The term "explosion" is not defined as an insured peril, nor is it qualified as one, though the coverage afforded to it is very broad. The courts have established several definitions of "explosion," depending on the circumstances. For general purposes, an explosion must be sudden and involve the breaking forth of a confined substance as the result of an internal force.

5. Riot or Civil Commotion

The inclusion of the word "civil commotion" broadens the scope of what is technically a riot. A riot is basically defined by five factors. It must involve:

- Three or more people assembled together
- With common purpose
- To cause a public disturbance of the peace
- By acting together to execute this purpose by force, resisting authority
- Create some measure of fear

One person who intentionally breaks the windows of homes on his street while enraged would not be considered a riot (it would be vandalism).

6. Aircraft (including self-propelled missiles and spacecraft)

The term "aircraft" includes any machine that flies, powered airplanes, gliders and helicopters. A missile must be self-propelled in order to be covered and is defined as an object or weapon thrown, shot, or otherwise propelled to a target. A spacecraft is any vehicle capable of traveling through space, outside of the Earth's atmosphere. Who knows how often a claims is filed involving damage caused by a space craft, but it's obviously occurred often enough to be defined in the policy.

This coverage includes parts or debris from any of these objects. If it can be proven that the sonic boom of an aircraft, missile or spacecraft caused damage to a dwelling, it is also covered.

7. Vehicles

In homeowners' coverage, a "vehicle" is any means of conveyance moving on wheels or runners. This includes autos, bicycles, snowmobiles, etc. This peril does not include damage caused by a vehicle that is owned by the insured or operated by a resident of the described location. If Jed backs his car through the garage door, no coverage will be provided. If his neighbor, Aaron, drives his car through Jed's garage door, it will be covered.

8. Smoke (sudden and accidental damage from smoke)

The incident and subsequent damage of smoke must be sudden and accidental. If an insured smokes a pipe frequently, eventually the residence will start to smell "smoky." Since this damage is not sudden or accidental, it would not be covered. Smoke from fireplaces, "smudging" caused by agricultural equipment and smoke from manufacturing equipment are not covered.

9. Falling Objects

This peril covers damage to the exterior and contents of the insured premises if the falling object first damages the roof or exterior walls. In order for interior contents to be covered, the falling object must first damage the roof or exterior walls. If a tree falls and shakes the building, knocking down shelves and pictures, but not damaging the exterior walls, there would be no coverage for the broken items inside. Damage to the falling object itself is also not covered.

10. Vandalism or Malicious Mischief

Vandalism is the willful destruction of public or private property. Remember the guy in the last section breaking windows? This is his peril. He also would be guilty of committing "malicious mischief," which is willful or reckless damage or destruction of another's property.

To be covered, damage must be intentional. This includes things like rocks thrown through windows, spray paint graffiti on the house, or damage caused by burglars. Loss to glass or glazing material that makes up part of the building other than glass blocks, or loss by pilferage, theft, burglary or larceny are not covered. The insurer will cover damage done to the building by burglars, but not what was stolen. If a building is vacant for more than 60 consecutive days immediately prior to the loss, there is no coverage. A dwelling that is being constructed is not considered vacant. This 60-day condition does not apply to any other covered perils, just vandalism. If the insured dwelling burns down after 70 days of vacancy, it is still covered.

11. Theft

This peril includes attempted theft and loss of property from a known place when it is likely that the property was stolen. Theft coverage does not apply in the following four instances:

- Theft committed by the insured or anyone who falls under that definition.
- Theft committed in or to a dwelling under construction, of theft of materials and supplies for use in construction until the dwelling is finished and occupied.
- Theft from the part of the residence premises rented by the insured to someone other than an insured.

Theft that occurs off the residence premises of the following items is not covered:

- Trailers, semi-trailers and campers.
- Watercraft of all types and their furnishings, equipment, and outboard engines or motors.
- Property while at any other residence owned by, rented to, or occupied by an insured except while the insured is temporarily living there.

The property of a student who is away at school is covered as long as the student had been at the residence premises at any time during the 60 days immediately prior to the loss.

12. Weight of Ice, Snow or Sleet

This peril involves damage caused by the weight of ice, snow or sleet. If a large snowfall melts into ice on a roof and the weight causes the roof to buckle, coverage would be provided. This peril does not include eventual damage caused by ice, snow or sleet, such as warping or damage to shingles after several winter seasons. This would be considered wear and tear and would be excluded.

Coverage is not provided for damage caused by the weight of ice, snow or sleet to awnings, fences, patios, pavement, swimming pools, retaining walls, foundations, bulkheads, piers, wharfs or docks.

13. Accidental Discharge or Overflow of Water or Steam

This peril provides coverage for losses caused by the accidental discharge or overflow of water or steam from within a plumbing, heating, air conditioning, or automatic fire protective sprinkler system, or from within a household appliance. Under this peril, a "plumbing system" does not include a sump, sump pump, or related equipment. Basically, if an insured's clothes washer overflows and causes damage, the damage is covered.

In the case of a loss, coverage is provided for the cost to gain access to the damaged area, which may include tearing out walls. It also covers the cost to repair the damaged area of the building. There is no coverage for the system itself. The insurer will not cover the cost to repair the washer that overflowed.

There are many exclusions and conditions under this peril, since this type of damage is quite common. The following are not covered:

Loss on the Residence Premises if it has been Vacant for More than 60 Consecutive Days—

If the described location has been vacant for more than 60 consecutive days immediately prior to the loss, there is no coverage. Dwellings under construction are not considered vacant.

Loss to the System or Appliance from which Water or Steam Escaped—This specifically excludes the system or appliance involved in the loss. As mentioned above, the washer that overflowed and caused the damage is not covered, but the damage it caused is covered.

Loss Caused by or Resulting from Freezing, Except as Provided in the Peril of Freezing—Freezing is specifically excluded under this peril, though there is different coverage provided under the Freezing Peril later in this text.

Loss on the Residence Premises Caused by Accidental Discharge or Overflow that Occurs Off the Residence Premises—If a water main breaks in the neighborhood and causes damage to the described location, no coverage would be provided.

Loss Caused by Mold, Fungus or Wet Rot, Unless Hidden within the Walls, Ceilings, Beneath the Floors or Above the Ceiling of the Building—This type of damage must be hidden to be covered.

In addition to a sump, sump pump or related equipment, this peril also does not cover a plumbing system, household appliance, roof drain, gutter, downspout or similar fixture or equipment. For example, if a sump pump malfunctions, the water damage it causes would not be covered.

14. Sudden and Accidental Tearing Apart, Cracking, Burning or Bulging

This is an explosion-like peril that includes the sudden and accidental tearing apart, cracking, burning or bulging of a steam or hot water heating system, an air conditioning or automatic fire protective sprinkler system, or an appliance for heating water. For coverage to apply, the occurrence must be sudden with forcible damage to the system or appliance. Damage to the system and to the dwelling are both covered.

Loss to any system or appliance mentioned above due to freezing is NOT covered under this peril, except as is provided in the Freezing Peril below.

Freezing

Coverage is provided for the freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system, or of a household appliance. If a pipe freezes and bursts, the insured is covered for the repair of the pipe, repair of the wall damaged when it burst, and for the repair or replacement of subsequent damage involved. If a pipe freezes and needs to be thawed, coverage is provided for this as well.

There is no coverage provided for freezing losses on the residence premises while it is vacant, unoccupied or under construction, unless the insured has used reasonable care to maintain heat in the building or shut off the water supply and drain the system of appliances that use water. If it is determined that the insured showed reasonable care to prevent freezing, yet freezing still occurred, the losses will be covered.

15. Sudden and Accidental Damage from Artificially Generated Electrical Current

This is any electrical current other than lightning. Lightning is naturally occurring electricity, whereas the electricity supplied to a dwelling as a utility is artificially generated. If a power surge caused by lightning damages an appliance, coverage will be provided.

Damages to certain items specifically excluded under this peril include the following:

- Damages to a "tube"—A tube is found in a television, radio, phonograph and related devices.

- Damage to a "transistor"—A transistor is defined as an electronic device made of semiconducting material and equipment that has three or more electrodes. A transistor functions like a vacuum tube, without requiring current to heat a cathode.

- Damage to a similar electronic component—This excludes mechanisms that are used to serve the same purpose as tubes and transistors. The circuit board of a computer is a similar device to a tube or transistor, and would therefore be excluded from coverage.

16. Volcanic Eruption

Though uncommon in most parts of the United States, this peril covers losses caused by volcanic eruption. This is physical damage caused by volcanic lava, steam, ashes or airborne shock waves. It does not include earthquake, land shock waves or tremors.

Additional Coverages

In addition to all the coverages we've discussed provided by Coverage forms A through D, Section I of a homeowners' policy offers 12 coverages that appear in a separate section of the policy: the "Additional Coverages" section. Each additional coverage comes with its own conditions and exclusions, as well as its limit.

Debris Removal

A homeowners' policy will cover the reasonable expenses for the removal of debris from the residence premises caused by a covered peril.

An additional 5% is available for debris removal in the event of a total loss. If a dwelling is insured for \$120,000, and is destroyed totally by fire, an additional 5% of the limit for Coverage A can be applied to cover debris removal. This percentage can be applied to Coverages B and C.

Tree Debris

The insurer will pay \$1,000 for the removal of tree debris caused by a covered peril that damages a structure, or a covered peril that does not damage the structure, but blocks the driveway or handicapped ramp. There are coverage conditions, though.

Reasonable Repairs

Reasonable Repairs will pay expenses for necessary steps taken by the insured after sustaining damage from a covered peril for the purpose of protecting the property from further damage. For instance, if a dwelling is damaged by a tornado, the insurer will cover the cost of boarding up windows or covering a damaged roof until permanent repairs can be made. These steps are only covered if they are necessary due to damage caused by a covered peril.

Trees, Shrubs and Other Plants

The insurer will pay for loss to trees, shrubs or other plants or lawns on the residence premises, but only if damaged by one of the following specific perils:

- Fire or Lightning
- Explosion
- Riot
- Civil Commotion
- Aircraft
- Vehicles Not Owned or Operated by a Resident of the Residence Premises
- Vandalism or Malicious Mischief
- Theft

Fire Department Service Charge

If a dwelling is located in an area that does not provide tax-funded fire protection, the insurer will pay up to \$500 for the insured's liability assumed if the fire department is called for service related to a covered peril. This coverage does not apply if a dwelling is located within a tax-funded fire department's territory. This is additional coverage, and no deductible applies.

Property Removal

If an insured moves covered property from the residence premises to another premises because it is in danger of being damaged by a covered peril, the insurer will cover that property for any cause of loss for 30 days. The cause for the insured to move the property must be an insured peril, but the property itself is protected from all perils while being moved.

Credit Card, Electronic Fund Transfer Card, Forgery or Counterfeit Money

This coverage will pay up to \$500 for loss or unauthorized use of credit cards, electronic fund cards, forgery or counterfeit money. This \$500 limit applies to all losses resulting from a series of acts committed by any one person or in which any one person is concerned or implicated. This means that a "series" is considered one occurrence.

Loss Assessment

The insurer will pay up to \$1,000 for the insured's share of loss assessment charges as the owner or tenant of the residence premises by a corporation or association of property owners. The assessment must be made as a result of direct loss to property owned collectively by all members. The loss must also be of the type that would be covered by this policy, if owned by the insured and caused by a covered peril OTHER than earthquake, or land shock waves or tremors before, during or after a volcanic eruption.

Collapse

The Homeowners 2000 program defines collapse as: "A collapse is an abrupt falling down or caving in of a building or of any part of a building with the result that the building or part of the building cannot be occupied for its current intended purpose." The Homeowners 2000 program describes conditions and exclusions of this additional coverage in great detail.

Glass or Safety Glazing Material

This coverage is for breakage of glass or safety glazing materials that are part of the building, including storm doors/storm windows. This covers the following:

- Breakage of glass and safety glazing materials that are part of the building, including storm doors and windows.

- Breakage of glass and safety glazing materials that are part of the building, including storm doors and windows when caused by earth movement.

- Direct physical damage to covered property caused solely by pieces, fragments or splinters of broken glass/safety glazing material.

Landlord's Furnishings

This coverage provides \$2,500 for carpeting, appliances and other household furnishings in each apartment on the residence premises that is regularly rented or held for rental for a loss caused by a covered peril other than theft. This coverage is only offered in HO-2, HO-3 and HO-5.

Ordinance or Law

An insured may use up to 10% of the Coverage A limit for the increased costs incurred due to the enforcement of any ordinance or law that requires these things:

- The construction, demolition, remodeling, renovation or repair of that part of the covered building damaged by a covered peril.

- The demolition and reconstruction of the undamaged part of a covered building when it must be totally demolished because of damage caused by an insured peril to another part of the building.

- The remodeling, removal or replacement of the undamaged part of the building to complete the remodeling, repair or replacement of the part of the building damaged by an insured peril.

The insured may use all or part of this coverage to pay for the increased costs incurred to remove debris resulting from the construction, demolition, remodeling, renovation, repair or replacement of the property as stated above.

This coverage is additional insurance and does not cover loss in value to any covered building due to the requirements of any ordinance or law, or costs incurred to comply with any ordinance or law requirements for testing, monitoring, cleaning up, containing, treating, detoxifying or neutralizing, or in any way to respond to or assess the effects of pollutants.

Grave Markers

The insurer will pay up to \$5,000 for grave markers, including mausoleums on or away from the residence premises for damages caused by a covered peril. This coverage does not increase the limits of liability that apply to the damaged covered property.

Homeowner's Exclusions

Though it may seem as though so much is covered by a homeowners' policy, there is still a reasonably lengthy list of exclusions.

The exclusions we're discussing here are applicable to Section I of the homeowners' policy and deal with Coverages A, B and C (these exclusions are in addition to the special exclusions that exist under Coverage C). These exclusions apply whether occurrences were caused directly, indirectly, or in any sequence when a concurrent cause or event is not excluded.

Ordinance or Law

This exclusion negates coverage for a loss that is caused by enforcement of laws, like building codes, that may require changes to foundations, wiring and plumbing systems if a building is damaged by an insured peril. If the plumbing system of an older dwelling does not meet current standards, the insurer will not pay to replace the system.

Costs associated with any compliance requirement of testing for pollution exposures are not covered. The Ordinance or Law exclusion applies whether or not the residence premises has been physically damaged. It is important to first note that this exclusion does not apply to the amount of coverage that may be elected under the Ordinance or Law Additional Coverage.

Earth Movement

For insurance purposes, "earth movement" is an earthquake causing land shock waves or tremors before, during or after a volcanic eruption, landslide, mine, mudflow, and earth sinking, rising or shifting. A loss caused by earth movement is excluded.

Losses caused directly by fire or explosion, though connected with an earth movement, are covered. For instance, if an earthquake causes a shift in a building's foundation, and a fire sparks, damaging the building, the damage caused by the fire would be covered, but the damage to the foundation would not be.

Water Damage

Water damage is excluded. Under the policy, water damage includes the following:

Flood—A flood is a rising and overflowing of a body of water onto normally dry land.

Surface Water—This type of water runs or stands on the surface of the ground, such ponds, lakes, streams, creeks, etc.

Waves—Waves are the curling ridges or swells in the surface of a body of water.

Tidal Waves—A tidal wave is water brought into a dry area by rising tides.

Spray from any of these, whether or not driven by wind—Heavy rains and winds that cause a river to overflow causing property.

Water or water-borne material that backs up through sewers or drains that overflows, or is discharged from a sump, sump pump or related equipment—If there is a back-up or reverse flow of water or water-borne material that causes water damage, no coverage is provided. A back-up is usually caused by excessive rain or lack of sewer/plumbing maintenance. The term "water-borne" was added because courts were beginning to grant coverage to damage caused by back-ups of raw sewage.

Water or water-borne material below the ground surface—Heavy rains can cause this build-up, which can put pressure on foundation walls, causing seepage or leakage into a building.

Water damage resulting from human or animal forces, or forces of nature—These are not covered.

Losses caused directly by fire or explosion, though connected with water damage, are covered. For instance, water damage causes a gas pipe to burst and a fire sparks, damaging the building, the damage caused by the fire would be covered.

Power Failure

A power failure that occurs off the residence premises could be caused by a transformer that has been struck by lightning. If this causes a power failure at the residence premises, the loss will not be covered. If the lightning struck the residence premises, causing power failure, it would be covered.

This exclusion does not include losses covered by the perils of the policy. If an off-location power failure causes a furnace to fail and results in frozen pipes at the residence premises, the loss would be still be covered.

Neglect

If an insured neglects to make a reasonable effort to preserve property at the time of a loss or following a loss, that loss will not be covered. For instance, if a fire ignites in your kitchen, the reasonable thing to do is attempt to distinguish the fire. If it can be proven that you neglected to act, the loss will not be covered. The insurer does not require an insured to make any life threatening effort to preserve property, only a reasonable effort.

War

War and warlike behavior are excluded in a homeowners' policy. The broad term "war" includes these:

Undeclared War—If the parties involved do not formally declare war, and warlike behavior breaks out, it is an undeclared war.

Civil War—Civil war is war that breaks out between people of the same country.

Insurrection—Insurrection is an uprising of people in resistance to their country.

Rebellion—A rebellion is like an insurrection, except a rebellion is deliberate, organized effort made by force or by arms against a country or its laws.

Revolution—Rebellion is the complete overthrow of a government by its people.

Any damage to property caused by warlike behavior is excluded. This includes the accidental discharge of nuclear weapons.

Nuclear Hazard

Losses caused by nuclear hazards are excluded, except those that are caused directly by a fire that ensues from a nuclear hazard. This topic will be examined more thoroughly in the Nuclear Hazard Clause of the Section I conditions.

Intentional Loss

Losses that are caused intentionally by an insured are excluded. This includes actions that are made by direction of the insured. If the insured hires someone to vandalize his house, it would not be covered. This exclusion is common to almost all types of insurance.

Governmental Action

"Governmental action" is the destruction, confiscation or seizure of property described in Coverage A, B or C by order of any governmental or public authority. This does not exclude actions taken by authorities at the time of fire to prevent it from spreading. Damages in those cases are covered.