5 – Homeowners Property Coverage

**1 – ISO Homeowners Coverage**

The Insurance Services Office, Inc (ISO) Homeowners insurance program’s policy forms are designed to meet the personal risk management needs of individuals and families.

**The parties eligible for coverage under the ISO 2011 Homeowners (HO) insurance program fall into 3 general categories:**

* **Individuals and families who own a private home in which they reside – typically a single family dwelling, but sometimes an 2-4 family dwelling. Dwelling and mobile home insurance policies are available for residences that are not eligible for homeowners policies.**
* **People who rent or lease the premises in which they reside – renters**
* **Individuals and families who own private condominium units used for residential purposes**

**To address these parties’ needs, the ISO Homeowners program offers 6 policy forms:**

* **HO-2 Broad Form – provides named perils coverage for dwellings, other structures, and personal property**
* **HO-3 Special form – provides named perils coverage for personal property, as does the HO-2. The HO-3 is designed to meet the risk management needs of owner-occupants of dwelling who want broader coverage on their dwellings and other structures**
* **HO-4 Contents Broad form – provides coverage for a tenant’s person property on a named perils basis**
* **HO-5 Comprehensive form – A homeowner who desires the broadest available coverage for his or her home and contents, and is willing to pay the increased premium for it, should select the HO-5 Comprehensive form**
* **HO-6 Unit Owners form – is designed to meet the risk management needs of the owners of condominium units and cooperative apartments shares**
* **HO-8 Modified Coverage form – provides coverage for a dwelling, other structures, and personal property on a limited, named perils basis. A special valuation clause specifies that damage will be covered om a functional replacement cost basis – the cost of replacing damaged property with similar property that performs the same function but might not be identical to the damaged property.**

**2 – Overview of Homeowners Form HO-3**

The HO-3 Special For provides insurance coverage for the majority of owner-occupied dwellings.

The HO-3 policy is designed for the owner-occupants of a one-four-family dwelling, as opposed to owners who do not occupy the dwelling. It provides coverage for a house, its contents, and the occupant’s liability and is designed to be broad enough to cover the property and liability insurance needs of most families.

**Structure of Homeowners Form HO-3**

**The HO-3 policy structure consists of these primary components:**

* **Declarations**
* **Agreement and Definitions**
* **Section I – Property Coverages**
* **Section – Liability Coverages**
* **Endorsements**

**Declarations**

**The declarations provide essential information about the insured, the property covered, and the limits of coverage by answering these questions:**

* **Who is the policyholder**
* **Where is the policyholder’s residence?**
* **What are the coverage limits?**
* **What is the premium?**
* **What is the Section I deductible?**
* **What is the effective date of the policy?**
* **Which forms and endorsements apply to the policy?**
* **Who is the mortgage holder?**

**Agreement and Definitions**

**The agreement (also known as the insuring agreement) is usually the first sentence in the policy form. It establishes the basis for the contract and specifies what the insurer and the insured will do. The insurer agrees to provide coverage, and the insured agrees to pay the premium and comply with the policy conditions.**

Definitions follow that agreement and clarify what is and not covered under the policy. Defined words have special meanings when they are used within the policy; a defined word or phrase might have a meaning that is different, narrower, or broader than the dictionary definition. If a word is used within a policy and no definition is provided, it is given the common definition provided by a dictionary.

**Section I – Property Coverages**

**Section I – Property Coverage specifies the property covered, the perils insured against, and the exclusions and condition that affect property coverages and losses.**

**Section I is divided into 4 property coverages plus a group of Additional Coverages:**

* **Coverage A – Dwelling applies to the dwelling on the residence premises” listed on the Dec page. It also applies to structures attached to the dwelling, such as a garage or deck.**
* **Coverage B – Other structures applies to structures on the residence that are not attached to the dwelling, such as storage sheds, detached garages, and swimming pools.**
* **Coverage C – Personal property applies to the contents of the insured premises and to personal property owned or used by an insured anywhere in the world.**
* **Coverage D – Loss of Use applies to the financial loss, apart from the property damage itself; if the premises are damage so badly they are unfit for use**
* **Additional Coverage – apply to certain direct property losses or consequential expenses that are not covered by Coverages A, B, C, or D. Such as Trees, shrubs and other plants or Debris removal.**

**Section II – Liability Coverages**

Section II - Liability Coverages is divided into 2 parts:

* Coverage E – Personal Liability applies to 3rd party coverage for those who are injured or whose property is damaged by an insured, generally for a basic limit of $100,000
* Coverage F – Medical Payments to others covers the necessary medical expense incurred by others (not an insured) within 3 years of an injury

**Role of Endorsements**

**Endorsements to the HO-3 can increase or decrease limits, add or remove coverages, change definitions, clarify policy intent, or recognize specific characteristics that require a premium increase of decrease**.

**Factors Considered in Rating**

**Homeowners policy rating factors and adjustments can vary by insurer. A homeowners policy premium is determined by first developing the base premium. The base premium is based on factors such as dwelling location, public protection class (classification used to rate the quality of community fire protection) construction factors, coverage amount, and the policy form selected.**

Base premium adjustments are applied to reflect variations in the risk management requirements and loss exposures of individuals and families. Base premium adjustments can result from endorsements, deductible changes, and unusual construction types.

Final adjustments are applied to develop the final premium. These can include claim history, insurance score, and package policy credits.

**3 – HO-3 Section I - Property Coverages**

**Coverage A – Dwelling**

Coverage A applies to the dwelling on the residence premises listed on the Declarations page. “Residence premises” where the named insured resides, it also applies to structures (such as garage or a deck) attached to the dwelling and to materials and supplies located on or next to the covered dwelling and used to construct or repair the dwelling. Coverage does not apply to the land at the residence.

Residence Premises Endorsements – the definition of “residence premises” in the homeowners form has led to some confusion regarding its interpretation. If someone purchased a home and repaired it before moving in, an insurer could argue that the insured did not reside there and deny coverage. The ISO Residence Premises Definition Endorsement (to be attached to all homeowners form other than HO-6 and mobilehome forms, which have their own similar endorsements) changes the language of the definition to require residency at the inception date of the policy. This means if the insured must move out of the home during the policy term the homeowners coverage will continue until the policy renewal.

ISO has introduced an optional related endorsement. The Broadened Residence Premises Endorsement provides for a starting date and an end date to the residency requirement; if a new home is purchased and you intend to renovate for the first 3 months.

**Coverage B – Other Structures**

**Other Structures applies to structures on the residence premises that are not attached to the dwelling and are separated from it by “clear space”. A fence, utility line, or similar connection linking another structure with the dwelling does not make it an attached structure**.

An additional **amount equal to 10% of the Coverage A limit is available for other structures**, collectively.

**Coverage B has three important exclusions:**

* **A structure rented to anyone who is not a resident of the dwelling. However, a structure that is rented to others for use as a private garage is covered.**
* **A structure from which any business is conducted**
* **A structure used to store business property. (unless the property is solely owned by an insured or a tenant of the dwelling and does not include gaseous or liquid fuel, other than fuel in a permanently installed fuel tank of a vehicle or craft parked or stored in the structure)**

**Coverage C – Personal Property**

**Coverage C – Personal Property applies to items the insured owns or uses, anywhere in the world. It can also cover loss of or damage to personal property of others while that property is on the residence premises if the named insured request such coverage after a loss. It can also cover loss of or damage to personal property of a guest or residence employee while it is in any residence occupied by an insured.**

**The standard limit for Coverage C is 50% of the Coverage** A limit and it applies in addition to that limit.

Only 10% of the Coverage C limit or $1,000 (whichever is greater) is available for property usually located at a residence other than the one listed in the Dec page. The same limitation applies to property kept by an insured I a self-storage warehouse. But does not apply if the property has been removed from the residence because the house is being repaired.

**Special Limits of Liability**

**Some categories of personal property are subject to sub-limits, called special limits of liability, within the Coverage C limit. Items within these categories pose a higher-than-average risk of loss (for example, jewelry) or are types of property not contemplated in homeowners insurance premiums (for example, business property). The special limits for three personal property categories (jewelry and furs; firearms and related items; and silverware, goldware, platinumware, and pewterware) apply only when loss is caused by theft. The special limits for 8 other categories of personal property apply when loss is caused by any covered peril.**

*Special Sub-limits Within Coverage C*

***Money and precious metals, including stored value cards, such as gift cards******$200***

*Antennas, tapes, wires, records, disks, or other media $250*

***Securities, documents, records, stamps, Watercraft including trailers, Trailers (other than used with watercraft), Portable electronic equipment, Jewelry, furs, precious stones, and semiprecious stones (applicable to Theft only), Property used primarily for business purposes away from the residence premises*** *$1,500*

***Property used primarily for Business Purposes on the residence premises, Firearms and related items, silverware, goldware, platinumware, and pewterware (applicable to Theft Only)***  *$2,500*

**Property Not Covered**

**The HO-3 policy specifically excludes all coverage for some categories of personal property. In most cases, these items are usually insured thorough policies other than a homeowners policy.**

* Articles separately described and specifically insured in this or other insurance (Jewelry)
* Animals, birds or fish
* Motor vehicles
* Aircraft and hovercraft
* Property of a home-sharing occupant
* Property of any other person occupying the residence
* Property of roomers and boarders unrelated to the insured
* Property in an apartment rented to others
* Property rented or held for rental to others off the residence premises
* Business data, including drawing, stored wither on paper or electronically
* Credit Cards or electronic fund transfer cards
* Water or steam (replacing water in a damaged pool)
* Property primarily used for home-sharing host activities

**Coverage D – Loss of Use**

Coverage D applies to the insured’s exposure to financial loss, apart from the property damage itself, if the residence premises are damaged so badly that they are not fit to live in. Coverage D applies only if the damage is the result of a loss that is covered under Section I – Property Coverages of the policy. The limit is 30% of the Coverage A limit, the limit can be increased by changing the amount in the Dc page and paying the additional premium.

**Three coverages are grouped under Coverage D:**

* **Additional living expense**
* **Fair rental value**
* **Loss of use due to civil authority**

**Additional Coverages**

The additional coverages insure against various types of losses that would not otherwise be covered under Section I of the policy. In addition to the basic descriptions of coverage provided in the bullet list, the exhibit states weather each additional coverage creates an additional amount of insurance (as opposed to being payable within the applicable policy limit), whether each is subject to the policy deductible, and whether each must be triggered by another covered cause of loss.

|  |  |  |  |
| --- | --- | --- | --- |
| **Additional** | **Coverages** |  |  |
| **Coverage** | **Does this create an additional limit** | **Deductible?** | **Is coverage dependent on another covered cause of loss** |
| Debris Removal | Yes, if primary limits are exhausted an additional 5% is available | Yes | Damage to covered property by a covered peril or volcanic eruption must occur |
| Reasonable Repairs | No | yes | Damage to covered property by a covered peril must occur |
| Trees, Shrubs and other plants | Yes, up to $500 provided up to a total of 5% of the Coverage A limit | Yes | No |
| Fire Department Service | Yes, up to $500 is an additional limit | No | No, there must be a threat of a covered peril, but no requirement that the peril actually occur |
| Property Removed | No | Yes | No, the removed property is covered against direct loss from any cause |
| Credit Cards | Yes, and additional total of $500 is available | No | No |
| Loss Assessment | Yes, for an additional $1,000 | Yes | No, not to property of the insured. But there must be a loss from a covered peril to association property |
| Collapse | No | Yes | no, other property need not be damaged, but the collapse must result from a covered peril |
| Glass | No | Yes | No, other property need not be damaged, but the glass breakage must result from a covered peril |
| Landlord furnishing | No | Yes | No |
| Ordinance or Law | Yes, 10% of Coverage A | Yes | Yes, to the dwelling or an "other Structure" |
| Grave Markers | No | Yes | No |

**4 – HO-3 Section I - Perils Insured Against and Exclusions**

The HO-3 contains these divisions in Section I – Perils Insured Against:

* Coverage A – Dwelling and Coverage B – Other Structures are provide on a special form coverage basis, commonly referred to as open perils coverage (all causes of loss not specifically excluded)
* Coverage C – Personal Property is provided on a named perils coverage basis (the causes of loss are listed or “named” in the policy.

No covered perils are listed in Section I Property Coverages for Coverage D -Loss of Use or for the Policy’s Additional Coverage, because Coverage applies only when other covered losses occur.

**Perils Insured Against for Coverages A and B**

I**nsured perils for Coverage A – Dwelling and Coverage B – Other Structures are grouped together because both provide an open perils coverage for real property with similar exposures to loss.** Open perils coverage begins with this broad grant of coverage: “We insure against direct physical loss to property describe in Coverages A and B”.

**Under the HO-3 Section I, a broad statement of coverage against direct broad statement of coverage against direct physical loss under Coverages A and B. The statement is followed by a list of excluded perils. Any peril not listed in these exclusions is covered.** The excluded perils are:

* Any peril excluded in Section I – Exclusions (example, earthquake, flood)
* Collapse – unless results from some other cause
* Freezing of plumbing, heating, air conditioning, or sprinkler system or household appliance
* Freezing, thawing, pressure of weight or water or ice. If the insured fails to take reasonable precautions to prevent freezing pipes and hoses, coverage is excluded for resulting damage.
* Theft – this is a structure related to home-sharing host activities or vacant homes (construction materials and supplies)
* Vandalism and malicious mischief – related to home-sharing host activities or vacant homes
* Mold, Fungus, or wet rot unless it is hidden and results from an accidental leak of water or steam from a plumbing, heating, sprinkler, or a/c system; from a household appliance; or from a storm drain or water, steam or sewer pipes off the premises. Sump pumps and roof drains are not considered part of these units.
* Natural deterioration – wear and tear, marring, mechanical breakdown, latent defect, smog
* Smoke from agricultural smudging or industrial operations
* Pollutants
* Settling of the dwelling – settling, shrinking, bulging, or expansion of foundation
* Animals – damage caused by animals the insured owns or keeps or birds, rodents or insects

Unless the loss is otherwise excluded, the HO-3 covers water damage resulting from an accidental discharge or overflow of water or steam from a plumbing heating, air conditioning, or sprinkler system; or from a storm drain or water, steam, or sewer pipe off the residence premises. Coverage is provided for damage caused by the water, including the cost of tearing out and replacing any part of the building to make repairs. However, the loss to a damaged system or appliance is not covered.

Ensuing losses not specifically excluded by the HO-3 are covered. For example, settling of foundations is excluded, but if a settling foundation causes a water pipe to break, the ensuing water damage would be covered.

**Perils Insured Against for Coverage C = Contents**

**Coverage C covers the contents of a home and other personal property.**

**In contrast with the open perils coverage for Coverages A and B, Coverage C applies on a named perils basis, meaning that coverage applies only if covered property is damaged as a result of a cause of loss named in the policy. Open perils coverage sometimes includes causes of loss that are not among the named perils**.

**These are named perils that apply to coverage C:**

* **Fire or lightning**
* **Windstorm or hail (if first damages the building, causing an opening in a roof or wall)**
* **Explosion**
* **Riot or civil commotion**
* **Aircraft**
* **Vehicles (items left in a vehicle)**
* **Smoke (sudden an accidental smoke damage)**
* **Vandalism or malicious mischief**
* **Theft**
* **Falling objects - that have come through the roof or exterior wall**
* **Weight of ice, snow or sleet**
* **Accidental discharge or overflow of water or steam**
* **Sudden and accidental tearing apart, cracking, burning, or bulging**
* **Freezing (but only if the insured has taken reasonable precautions)**
* **Sudden and accidental damage from artificially generated electrical current, but not to tubes, transistors, or electronic components or circuitry of appliances, computers or home entertainment systems).**
* **Volcanic eruption**

**Section I – Exclusions**

**The HO-3 section I exclusions apply to Coverages A, B, and C:**

* Ordinance or Law – any law that reduces the value of the property
* Earth movement – earthquakes, mudslides, sinkholes
* Water – flood
* Power failure – damage resulting from loss of electrical power or utility
* Neglect - failure to protect the property during and after a loss
* War
* Nuclear hazard
* Intentional loss
* Governmental action

Section I – Exclusions **contain 3 additional exclusions that apply only to Coverage A – Dwelling and Coverage B – Other Structures:**

* **Weather** is an excluded peril only if it contributes to any of the previously excluded perils. Example, torrential rain causes a mudslide would not be a covered peril because of the earth movement exclusion. However, if the weight of rainwater that has collected on a roof causes the roof to collapse, coverage is provided under the Collapse form of Additional Coverage.
* **Acts or decision** – including failure to act or decide
* Damage that results from **faulty planning, zoning, surveying, design specifications, workmanship, construction, renovation**, materials and maintenance is excluded. However, if faulty construction of a chimney in the insured’s house results in a fire, the damage caused by the fire would be covered.

**5 – HO-3 Section I Conditions**

18 major conditions apply to the Section I coverage in the ISO HO-3 Special Form. Both the insured and the insurer must meet these conditions.

**Insurable Interest**

**The insurable Interest and Limit of Liability condition limits the maximum payment for any single loss to the applicable limits shown on the declarations page, regardless of the number of insureds who have an insurable interest in the property.** This condition further limits loss payment to any insured to the extent of the insured’s insurable interest in the property at the time of the loss.

**Deductible**

**The Deductible condition specifies that the policy deductible applies on a per-loss basis and that only the highest deductible apples when 2 or more apply to a loss. The 2011 revision to the HO-3’s Deductible condition was to reinforce the policy’s intent that the deductible applies only to Section 1 losses.**

Additionally, the minimum deductible for the ISO Homeowners program is $500. This is an increase from the previous minimum deductible amount under Section I which was $250

**Your Duties After Loss**

Your Duties After Loss condition lists the insured’s duties after a property loss. Because the cooperation of an insured is essential to the investigation, settlement, or defense of any claim, this condition clarifies that the insurer can deny coverage when an insured fails to fulfill the contractual duties listed.

**Examples of the duties the insured must perform after a property loss under the HO-3 include these:**

* **Give prompt notice**
* **Notify the police**
* **Notify the credit card, electronic fund transfer card company, or access device company**
* **Protect the property from further damage**
* **Cooperate with the insurer**
* **Verify the loss**
* **Sign a sworn proof of loss**

**Loss Settlement**

**The Loss Settlement condition establishes the process for determining the amount to be paid for a property loss. There are two settlement methods with the first method established for Coverage C – Personal Property and other miscellaneous items, and the other established for coverage A – Dwelling and Coverage B – Other Structures.**

The deductible amount shown on the Declarations page is subtracted once from the total of all losses payable under Section I and caused by a single loss event. (Two additional coverages do not have the deductible applied to them – fire department service charges and the other credit cards and other types of money cards).

**Losses to personal property listed under Coverage C – Personal property as well as awnings, carpeting, appliances, antennas, outdoor equipment, structures that are not buildings and grave markers or mausoleums, are settled at the lesser of 2 amounts.**

* **Actual Cash Value (ACV) at the time of the loss (cost less depreciation)**
* **The amount required to repair or replace the items**

**Loss settlement for buildings depend on how the limit of insurance compares to the replacement cost value of the damaged buildings at the time of the loss. These are the methods for determining the loss settlement or a building.**

* **If the limit of insurance is 80% or more of the replacement cost, the insurer will pay for the replacement cost of the damage up to the limit of coverage.**
* **If the limit of insurance is less than 80% of the replacement cost, the insurer will pay the greater of the 2 amounts. The first amount is the ACV of the damage. The second is the proportion of the cost to repair or replace the damage that the limit of insurance bears to 80% of the replacement cost (sometimes better to understand as a formula.**
  + **Limit of insurance / 80% replacement cost X Replacement cost of the loss = payment**

Except for small losses, which are generally considered to be under $2,500, the insurer will no pay more than the ACV until repairs are completed. An insured who has not decided whether a structure should be rebuilt can seek loss settlement on an ACV basis. Should the insured then decide to complete the repairs, he or she has up to 180 days after the loss to notify the insurer of intent to complete the repairs and make settlement on a replacement cost basis rather than on the ACV basis.

The insured is not required to rebuild a damage or destroyed building on the same location. However, if the building is rebuilt on a different premise, the insurer will pay no more than it would have if the building were repaired or replaced at the original premises.

The Additional Limits of Liability for Coverages A, B, C and D endorsement increases the Coverage A – Dwelling limit to equal the current replacement cost of the dwelling the that amount exceeds the limit appearing on the Declarations page. The limits of liability for Coverage B – Other Structures, Coverage C – Personal Property, and Coverage D – Loss of Use will be increased by the same percentage applied to Coverage A.

**Loss to a Pair or Set**

Often, items that are in pairs or sets are more valuable together than they are individually. Because of the increased value of pairs or sets, the loss to a Pair or Set condition establishes the amount an insurer will pay if an item that is part of a pair or set is damaged or lost.

* Replace the missing item and restore the pair to its original value
* Pay the difference between the ACV of the item as a pair and the ACV of the remaining item

Whichever solution is chosen, the deductible will be subtracted from the final amount of the loss.

**Appraisal**

**If the insured and the insurer cannot agree on the amount of a loss, the Appraisal condition outlines a method for resolving the disagreement.**

* **The insurer and the insured each chose an appraiser to prepare an estimate of the value of the loss. Each party pays for its own appraiser.**
* **If the estimates differ, the two appraisers submit their differences to an umpire. The umpire is an impartial individual (often another appraiser or a judge) who resolves the differences. An agreement by any two of the three will set the amount of loss. The insurer and the insured share the cost of the umpire**.

**Other Insurance and Service Agreement**

**If two or more insurance policies cover the same loss, the Other Insurance and Service Agreement conditions states that the loss will be shared proportionally by all policies.**

Example: 2 policies John’s policy $80,000 Maryanne $120,000 Total available coverage $200,000

Loss $100,000

John’s policy will pay: 80,000 / 200,000 = .40 or $40,000

Maryanne’s policy will pay: $120,000 / 200,000 = .60 or $60,000

An insured home or item of personal property might also be covered by a service plan, property restoration plan, home warranty, or service warranty agreement. The homeowners policy makes it clear that the Other Insurance and Service Agreement condition that homeowners insurance coverage applies as excess over any amounts payable under such agreement.

**Our Option**

Insurers usually settle claim by paying the value of the loss and the insured is responsible for repairing or replacing the property. However, **the Our Option condition reserves the right for the insurer to repair or replace damaged property with similar property, should it choose to do so.** Sometimes insurers exercise this right because they can purchase repairs or obtain replacement items at a deep discount. Repairing or replacing property is the insurer’s option. The insured cannot require an insurer to repair or replace damaged property.

**Loss Payment**

As provided for in the Loss Payment condition, the insurer will adjust all losses with the insured or the insured’s spouse (unless another person is named in the policy or is legally entitled to receive a payment). A loss is payable 60 days after the insurer receives a proof of loss an either an agreement has been reached by the insurer and the insured or a court judgment or an appraisal award has been entered.

**Abandonment of Property**

The Abandonment of Property condition provides that if the insured abandons the property after it is damaged or destroyed, the insurer need not take responsibility for it.

**Mortgage Clause**

**The Mortgage Clause condition establishes these rights of the mortgagee listed on the Declarations page:**

* **If a loss occurs to property covered by Coverage A – Dwelling or Coverage B – Other Structures, the loss is payable jointly to the mortgagee and the insured. Typically, the mortgagee relies on this right to ensure that the insured uses the money to repair the property. The mortgagee is satisfied as long as the property is repaired, and the insured continues to make mortgage payments.**
* **A mortgagee has rights that are independent of the insured’s rights. If the insurer denies the insured’s loss (if, for example, arson by the insured is discovered), the mortgagee retains the right to collect from the insurer its insurable interest in the property.**
* **An insurer must mail notice of cancellation or nonrenewal of a policy to the mortgagee (in addition to notice sent to the insured) at least 10 days before the cancellation or nonrenewal**.

**No Benefit to Bailee**

The No Benefit to Bailee condition states that a bailee who holds the property of an insured is responsible for the care of that property. (a drycleaner cannot avoid responsibility for damage because the insured has homeowners insurance).

**Loss payable Clause**

In the Loss Payable Clause condition, the insurer agrees to include the named loss payee when a claim is paid involving that personal property. Such as a furniture that is leased or rented. Ordinarily this means that a claim draft would be payable to both the named insured and the loss payee. The loss payee is also entitled to notification if the policy is canceled or non-renewed.

**Other Section I Conditions**

Suit Against Us – bars an insured from bringing legal action against the insurer unless the named insured has complied with all policy provisions

Recovered Property – provides that if the insurer pays a claim for the loss of property, and the property is later recovered, the insured has the option of taking the property and returning the claim payment or keeping the claim payment and allowing the insurer to take over the property.

Volcanic Eruption Period – All volcanic eruptions that occur within a 72-hour period are considered to be one volcanic eruption. If multiple eruptions occur within that period, only one coverage limit and one deductible would apply.

Policy Period – specifies that coverage applies only to losses that occur during the policy period

Concealment or Fraud – States any insured who conceals or misrepresents any material information, engages in fraudulent conduct, or makes false statement relating to the insurance is not covered under the policy. This condition applies whether the conduct occurred before or after a loss

Nuclear Hazard Clause – defines the nuclear hazard, for which coverage is excluded.

**6 – HO-3 Section1 – Property Coverage Case Study**

Declarations page, which specifies the named insured, address of covered property and period during which coverage applies.

The Insuring Agreement, in which the insurer agrees to pay for direct physical loss to property described in Coverages A and B (subject to certain exclusions) and for direct physical loss under Coverage C for certain named perils, including fire and subsequent smoke and water damage.

Special Limit of Liability for specified limits on certain items destroyed in the loss, such as a boat and trailer limit of $1,500 or Cash limit of $200

Under Coverage A did they comply with the 80% coinsurance, if so they will receive replacement cost less the deductible

Under Coverage C, the lesser of the actual cash value (ACV) at the time of the loss or the amount required to repair or replace. The ACV can be determined by identifying what it would cost new and then subtracting a percentage of that value based on depreciation. Example a TV cost new is $600. Because the television has consumed half of its useful life, it has depreciated 50% $300. If the cost to repair the TV would be $400 the claims representative will settle the loss for the amount of $300 the lesser amount.