The Homeowners Policy - There’s Coverage in Those Exclusions!

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UPC INSURANCE
The HO Policy –
There’s Coverage In Those Exclusions
This material has been designed for use in training programs for insurance industry personnel. It is not intended to be used as a complete reference resource on the programs and coverages outlined herein.

Unless indicated otherwise, our programs use “standard” policy forms and endorsements for the purposes of discussing the exposures to loss that may exist, some of the coverage options available to treat them, and to provide a framework for discussions with carriers you represent concerning the programs they have available.

Coverages, rules and materials presented during this program may differ from those used by individual insurance companies. Contact individual carriers for details about interpretations of their eligibility requirements, particular insurance contracts and rates.

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ISO HOMEOWNERS (HO)

HO-3 – “Coverage B”:
The HO policy includes coverage for “Other Structures”, however, the property coverage is intended to provide protection for items that are used for personal use. Coverage B, therefore, excludes structures that are used for business purposes.

Below are excerpts from the ISO HO policy relating to the “business exclusion” under Coverage B:

**Coverage B – Other Structures**

B. Coverage B — Other Structures

1. We cover other structures on the "residence premises" set apart from the dwelling by clear space. This includes structures connected to the dwelling by only a fence, utility line, or similar connection.

2. **We do not cover:**

   a. Land, including land on which the other structures are located;

   b. Other structures rented or held for rental to any person not a tenant of the dwelling, unless used solely as a private garage;

   c. Other structures from which any "business" is conducted; or

   d. Other structures used to store "business" property. However, we do cover a structure that contains "business" property solely owned by an "insured" or a tenant of the dwelling provided that "business" property 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.

Endorsements:

“Structures Rented to Others” (HO 04 40):
- Requires that (1) the structure is on the “residence” premises, (2) must be rented to someone who is not a tenant, and (3) must be used as a private residence.
- Also, the liability and medical payments business exclusions do not apply.

“Permitted Incidental Occupancy” (HO 04 42):
- The endorsement lists a limit and description of the structures covered
- Structures described are no longer insured under Coverage B
- Coverage B continues to provides coverage for other structures not described in the endorsement
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HO-3 – “PROPERTY NOT COVERED”:

The HO policy is designed to cover personal property anywhere in the world. However, under the “Property Not Covered” provision there are some items that are not covered under the HO.

Below are excerpts from the ISO HO policy for both the property and liability exposures arising out of “motor vehicles”:

DEFINITION:

7. "Motor vehicle" means:

a. A self-propelled land or amphibious vehicle; or
b. Any trailer or semitrailer which is being carried on, towed by or hitched for towing by a vehicle described in a. above.

PROPERTY NOT COVERED:

c. "Motor vehicles":

(1) This includes:
   (a) Their accessories, equipment and parts; or
   (b) Electronic apparatus and accessories designed to be operated solely by power from the electrical system of the "motor vehicle". Accessories include antennas, tapes, wires, records, discs or other media that can be used with any apparatus described above.

The exclusion of property described in (a) and (b) above applies only while such property is in or upon the "motor vehicle".

(2) We do cover "motor vehicles" not required to be registered for use on public roads or property which are:
   (a) Used solely to service an "insured's" residence; or
   (b) Designed to assist the handicapped
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COVERAGE C – SPECIAL LIMITS:

c. $1,500 on watercraft of all types, including their trailers, furnishings, equipment and outboard engines or motors.

d. $1,500 on trailers or semitrailers not used with watercraft of all types.

j. $1,500 on electronic apparatus and accessories, while in or upon a "motor vehicle", but only if the apparatus is equipped to be operated by power from the "motor vehicle's" electrical system while still capable of being operated by other power sources. Accessories include antennas, tapes, wires, records, discs or other media that can be used with any apparatus described in this Category j.

k. $1,500 on electronic apparatus and accessories used primarily for "business" while away from the "residence premises" and not in or upon a "motor vehicle". The apparatus must be equipped to be operated by power from the "motor vehicle's" electrical system while still capable of being operated by other power sources. Accessories include antennas, tapes, wires, records, discs or other media that can be used with any apparatus described in this Category k.

SECTION II – LIABILITY - EXCLUSIONS:

A. "Motor Vehicle Liability"

1. Coverages E and F do not apply to any "motor vehicle liability" if, at the time and place of an "occurrence", the involved "motor vehicle":
   a. Is registered for use on public roads or property;
   b. Is not registered for use on public roads or property, but such registration is required by a law, or regulation issued by a government agency, for it to be used at the place of the "occurrence"; or
   c. Is being:
      (1) Operated in, or practicing for, any prearranged or organized race, speed contest or other competition;
      (2) Rented to others;
      (3) Used to carry persons or cargo for a charge; or
      (4) Used for any "business" purpose except for a motorized golf cart while on a golfing facility.
SECTION II – LIABILITY - EXCLUSIONS:

A. "Motor Vehicle Liability" (CONTINUED)

2. If Exclusion A.1. does not apply, there is still no coverage for "motor vehicle liability" UNLESS the "motor vehicle" is:
   a. In dead storage on an "insured location";
   b. Used solely to service an "insured's" residence;
   c. Designed to assist the handicapped and, at the time of an "occurrence", it is:
      (1) Being used to assist a handicapped person; or
      (2) Parked on an "insured location";
   d. Designed for recreational use off public roads AND:
      (1) Not owned by an "insured"; or
      (2) Owned by an "insured" provided the "occurrence" takes place on an "insured location" as defined in Definitions B.6.a., b., d., e. or h. . .
   e. A motorized golf cart that is owned by an "insured", designed to carry up to 4 persons, not built or modified after manufacture to exceed a speed of 25 miles per hour on level ground and, at the time of an "occurrence", is within the legal boundaries of:
      (1) A golfing facility and is parked or stored there, or being used by an "insured" to:
         (a) Play the game of golf or for other recreational or leisure activity allowed by the facility;
         (b) Travel to or from an area where "motor vehicles" or golf carts are parked or stored; or
         (c) Cross public roads at designated points to access other parts of the golfing facility; or
      (2) A private residential community, including its public roads upon which a motorized golf cart can legally travel, which is subject to the authority of a property owners association and contains an "insured's" residence.

Endorsements:

“Owned Motorized Golf Cart Physical Damage Loss Coverage” (HO 08 28):
- Covers Owned carts & includes both a property limit and a deductible
- Open perils on an ACV basis with Collision coverage included or excluded

“Incidental or Low Power Recreation Motor Vehicle” (HO 24 13):
- Excludes motorized bikes, mopeds & golf carts
- Provides Liability coverage

“Owned Snowmobile” (HO 24 64):
- Includes coverage only for the vehicle owned & described
- Provides Liability coverage
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HO-3 – “PROPERTY NOT COVERED”:

The HO policy is designed to cover personal property anywhere in the world. However, under the “Property Not Covered” provision there are some items that are not covered under the HO.

PROPERTY NOT COVERED:

f. Property of roomers, boarders and other tenants, except property of roomers and boarders related to an "insured" . . .

g. Property in an apartment regularly rented or held for rental to others by an "insured", except as provided in E.10. Landlord's Furnishings under Section I — Property Coverages . . .

ADDITIONAL COVERAGES

10. Landlord's Furnishings

We will pay up to $2,500 for your appliances, carpeting and other household furnishings, in each apartment on the "residence premises" regularly rented or held for rental to others by an "insured", for loss caused by a Peril Insured Against in Coverage C, other than Theft.

This limit is the most we will pay in any one loss regardless of the number of appliances, carpeting or other household furnishings involved in the loss. This coverage does not increase the limit of liability applying to the damaged property.

Endorsement:

“Landlord’s Furnishings” (HO 05 46):

• Increases the limit on landlord furnishings when an amount in excess of the $2,500/unit limit is inadequate
• The rental unit is described
• The INCREASE in the property limit is listed for that respective unit
• A total limit is then shown ($2,500 plus the limit listed)
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Ordinance or Law

SECTION I - EXCLUSIONS

1. Ordinance Or Law

Ordinance Or Law means any ordinance or law:

a. Requiring or regulating the construction, demolition, remodeling, renovation or repair of property, including removal of any resulting debris. **This Exclusion A.1.a. does not apply** to the amount of coverage that may be provided for in E.11. Ordinance Or Law under Section I - Property Coverages;

ADDITIONAL COVERAGE

11. Ordinance Or Law

a. You **may use up to 10% of the limit of liability that applies to Coverage A for the increased costs you incur due to the enforcement of any ordinance or law which requires or regulates:**

   (1) The construction, demolition, remodeling, renovation or repair of that part of a **covered building or other structure damaged by a Peril** Insured Against;

   (2) The **demolition and reconstruction of the undamaged part** of a covered building or other structure, when that building or other structure **must be totally demolished because of damage by a Peril** Insured Against to another part of that covered building or other structure; or

   (3) The **remodeling, removal or replacement of the portion of the undamaged part** of a covered building or other structure **necessary to complete the remodeling, repair or replacement of that part of the covered building or other structure damaged by a Peril** Insured Against.

b. You **may use all or part of this ordinance or law coverage to pay for the increased costs you incur to remove debris** resulting from the construction, demolition, remodeling, renovation, repair or replacement of property as stated in a. above . . .

Endorsement:

“Ordinance or Law Increased Amount of Coverage” (HO 04 77):
- ISO Manual allows that the 10% can be increased to 100% of Coverage A
- The endorsement schedule lists the new percentage amount
- Can also be used on an HO-4 for “Building, Additions or Alterations”
Watercraft:

ISO’s Coverage E—Personal Liability and Coverage F—Medical Payments—coverage includes a limited amount of coverage for the watercraft exposures. The coverage provided is based on the “exceptions” noted in the liability watercraft exclusions.

ISO’s HO policy has included a definition of “watercraft” as it relates to “watercraft liability”.

**DEFINITION:**

B. In addition, certain words and phrases are *defined as follows*:

1. "Aircraft Liability", "Hovercraft Liability", "Motor Vehicle Liability" and "Watercraft Liability", subject to the provisions in b. below, *mean the following*:

   a. Liability for "bodily injury" or "property damage" arising out of the:

      (1) Ownership of such vehicle or craft by an "insured";

      (2) Maintenance, occupancy, operation, use, loading or unloading of such vehicle or craft by any person;

      (3) Entrustment of such vehicle or craft by an "insured" to any person;

      (4) Failure to supervise or negligent supervision of any person involving such vehicle or craft by an "insured"; or

      (5) Vicarious liability, whether or not imposed by law, for the actions of a child or minor involving such vehicle or craft.

b. For the purpose of this definition:

   (3) Watercraft means a craft principally designed to be propelled on or in water by wind, engine power or electric motor . . .
Watercraft (continued):

B. "Watercraft Liability"

1. Coverages E and F do not apply to any "watercraft liability" if, at the time of an "occurrence", the involved watercraft is being:
   a. Operated in, or practicing for, any prearranged or organized race, speed contest or other competition. This exclusion does not apply to a sailing vessel or a predicted log cruise;
   b. Rented to others;
   c. Used to carry persons or cargo for a charge; or
   d. Used for any "business" purpose.

2. If Exclusion B.1. does not apply, there is still no coverage for "watercraft liability" unless, at the time of the "occurrence", the watercraft:
   a. Is stored;
   b. Is a sailing vessel, with or without auxiliary power, that is:
      (1) Less than 26 feet in overall length; or
      (2) 26 feet or more in overall length and not owned by or rented to an "insured"; or
   c. Is not a sailing vessel and is powered by:
      (1) An inboard or inboard-outdrive engine or motor, including those that power a water jet pump, of:
         (a) 50 horsepower or less and not owned by an "insured"; or
         (b) More than 50 horsepower and not owned by or rented to an "insured"; or
      (2) One or more outboard engines or motors with:
         (a) 25 total horsepower or less;
         (b) More than 25 horsepower if the outboard engine or motor is not owned by an "insured";
         (c) More than 25 horsepower if the outboard engine or motor is owned by an "insured" who acquired it during the policy period; or
Watercraft (continued):

(d) More than 25 horsepower if the outboard engine or motor is owned by an "insured" who acquired it before the policy period, but only if:
   (i) You declare them at policy inception; or
   (ii) Your intent to insure them is reported to us in writing within 45 days after you acquire them.

The coverages in (e) and (d) above apply for the policy period.

Horsepower means the maximum power rating assigned to the engine or motor by the manufacturer.

Endorsement:

“Watercraft” (HO 24 75):

- Section II coverage is extended to the watercraft identified in the schedule
- Coverage is excluded for the racing, rental, or business exposures
- Excludes any WC coverage for insured’s employees whose duties are in connection with the watercraft
Business:
2. "Business"
   a. "Bodily injury" or "property damage" arising out of or in connection with a "business" conducted from an "insured location" or engaged in by an "insured", whether or not the "business" is owned or operated by an "insured" or employs an "insured".

This exclusion E.2. applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the "business".

b. This exclusion E.2. does not apply to:
   (1) The rental or holding for rental of an "insured location";
      (a) On an occasional basis if used only as a residence;
      (b) In part for use only as a residence, unless a single family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or
      (c) In part, as an office, school, studio or private garage; and
   (2) An "insured" under the age of 21 years involved in a part-time or occasional, self-employed "business" with no employees;

Definition “Insured Location”:
6. "Insured location" means:
   a. The "residence premises";
   b. The part of other premises, other structures and grounds used by you as a residence; and (1) Which is shown in the Declarations; or (2) Which is acquired by you during the policy period for your use as a residence;
   c. Any premises used by you in connection with a premises in a. and b. above;
Definition “Insured Location” (continued):

d. Any part of a premises:
   (1) Not owned by an "insured"; and (2) Where an "insured" is temporarily residing;

e. Vacant land, other than farm land, owned by or rented to an "insured";

f. Land owned by or rented to an "insured" on which a one, two, three or four family dwelling is being built as a residence for an "insured";

g. Individual or family cemetery plots or burial vaults of an "insured"; or

h. Any part of a premises occasionally rented to an "insured" for other than "business" use.

Endorsements:

“Business Pursuits” (HO 24 71)
- Amends Section II to include the described business
- The business can not be owned or controlled by the insured

“Home Day Care Coverage” (HO 04 97)
- Property is included under Coverage C
- Eliminates the “business exclusion” under Section II
- The center must be operated by the insured

“Home Business Insurance Coverage” (HO 07 01)
- Similar to a BOP policy

Non- Homeowner Policy Option:

- Businessowners Policy (BOP)
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Loss Assessment & Contractual - Exclusion:

1. Liability Exclusion:
   
a. For any loss assessment charged against you as a member of an association, corporation or community of property owners, except as provided in D. Loss Assessment under Section II - Additional Coverages:

b. Under any contract or agreement entered into by an "insured". However, this exclusion does not apply to written contracts:

   (1) That directly relate to the ownership, maintenance or use of an "insured location"; or

   (2) Where the liability of others is assumed by you prior to an "occurrence";

   unless excluded in a. above or elsewhere in this policy . .

SECTION II – ADDITIONAL COVERAGE

D. Loss Assessment

1. We will pay up to $1,000 for your share of loss assessment charged against you, as owner or tenant of the "residence premises", during the policy period by a corporation or association of property owners, when the assessment is made as a result of: a. "Bodily injury" or "property damage" not excluded from coverage under Section II - Exclusions; or b. Liability for an act of a director, officer or trustee in the capacity as a director, officer or trustee . .

Endorsement:
“Loss Assessment Coverage” (HO 04 35)
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SECTION II - EXCLUSIONS

Damage to Property of Others:

3. "Property damage" to property rented to, occupied or used by or in the care of an "insured". This exclusion does not apply to "property damage" caused by fire, smoke or explosion;

SECTION I - PROPERTY COVERAGE

Coverage C – Personal Property:

We cover personal property owned or used by an "insured" while it is anywhere in the world . . .

SECTION II – ADDITIONAL COVERAGE

C. Damage To Property Of Others

1. We will pay, at replacement cost, up to $1,000 per "occurrence" for "property damage" to property of others caused by an "insured".

2. We will not pay for "property damage":
   a. To the extent of any amount recoverable under Section I; b. Caused intentionally by an "insured" who is 13 years of age or older; c. To property owned by an "insured"; d. To property owned by or rented to a tenant of an "insured" or a resident in your household; or
   e. Arising out of:

   (1) A "business" engaged in by an "insured"; (2) Any act or omission in connection with a premises owned, rented or controlled by an "insured", other than the "insured location"; or (3) The ownership, maintenance, occupancy, operation, use, loading or unloading of aircraft, hovercraft, watercraft or "motor vehicles".

   This exclusion e.(3) does not apply to a "motor vehicle" that:

   (a) Is designed for recreational use off public roads; (b) Is not owned by an "insured"; and (c) At the time of the "occurrence", is not required by law, or regulation issued by a government agency, to have been registered for it to be used on public roads or property