

CISR

INSURING PERSONAL
RESIDENTIAL PROPERTY

STUDY GUIDE

EXAM PREP AND ANSWER KEY

- **Knowledge Checks**
- **Check-Ins**
- **Self-Quizzes**
- **Sample Exam Questions**
- **Glossary of Terms**



RISK & INSURANCE
EDUCATION ALLIANCE

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EXAM PREP AND ANSWER KEY

This Study Guide has been prepared to enhance your learning experience. It contains all of the Check-In questions, Knowledge Checks, and Self-Quizzes contained within the course, along with an Answer Key and Glossary. Use it as a tool to help practice and assess your knowledge of the course material, but *do not* mistake it for a comprehensive "short-cut" to preparing for the final exam.

Be sure to take a look at the section, "Resources," that follows the Answer Key in this Study Guide. It contains valuable suggestions for test preparation and study techniques, as well as some sample exam questions and a glossary of terms.

Your path to success in passing the final exam will come from your attentiveness during the course and the effort you put into preparation.



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Contents

Tools to Assess Your Knowledge

Check-Ins, Knowledge Checks, and Self-Quizzes by Topic

Section 1: Insuring Personal Residential Property.....3

- Dwelling Policies: Eligibility..... 3
- The Coverages and Limitations of Dwelling Policies..... 5
- Homeowners Policy: Eligibility..... 7
- Homeowner Policy Coverage Forms..... 11
- Section 1 Self-Quiz..... 12

Section 2: The Homeowners Policy Structure and Definitions 17

- The First Steps in the Policy..... 17
- Policy Definitions..... 18
- Who Is An Insured? 19
- What is an Insured Location?..... 20
- Section 2 Self-Quiz..... 22

Section 3: The Homeowners Policy Section I – Property Coverages 25

- Section I – Property Coverages 25
- Section I – Perils Insured Against..... 28
- Section I – Exclusions..... 29
- Section I – Conditions..... 30
- Section 3 Self-Quiz..... 34

Section 4: The Homeowners Policy Section II – Liability Coverages	37
Section II – Liability Coverages	37
Section II – Exclusions	38
Section II – Additional Coverages	44
Section II – Conditions	45
Sections I and II Conditions	47
Section 4 Self-Quiz	49

Answer Key

Section 1: Insuring Personal Residential Property	53
Dwelling Policies: Eligibility	53
The Coverages and Limitations of Dwelling Policies	56
Homeowners Policy: Eligibility	58
Homeowner Policy Coverage Forms	62
Section 1 Self-Quiz	63

Section 2: The Homeowners Policy Structure and Definitions	67
The First Steps in the Policy	67
Policy Definitions	68
Who Is An Insured?	70
What Is an Insured Location?	71
Section 2 Self-Quiz	74

Section 3: The Homeowners Policy Section I – Property Coverages	77
Section I – Property Coverages	77
Section I – Perils Insured Against	80
Section I – Exclusions	81
Section I – Conditions	82
Section 3 Self-Quiz	86

Section 4: The Homeowners Policy	
Section II – Liability Coverages	89
Section II – Liability Coverages	89
Section II – Exclusions	91
Section II – Additional Coverages	97
Section II – Conditions	99
Sections I and II Conditions	101
Section 4 Self-Quiz	103

Appendix

Preparing for the Final Exam	107
Glossary of Terms	109

Tools to Assess Your Knowledge

Check-Ins, Knowledge Checks,
and Self-Quizzes by Topic

Section 1: Insuring Personal Residential Property

Dwelling Policies: Eligibility

What Could I Do?

Imagine one of your clients unexpectedly inherits a large sum of money from a relative. The client decides that she wants to put the money to work in real estate. She explains to you that she plans to buy a second home, rent it out until the market value increases, and then sell it to make a profit. What could you recommend that your client does to protect her second home until she sells it?



- Buy a separate Homeowners Policy for the second home.
- Cover the second home using endorsements to the Homeowners Policy she owns for her first home.
- Buy a Dwelling Policy for the second home.

Section 1: Insuring Personal Residential Property

Check-In



Directions: Read each statement. Then circle True or False.

1. An insurance professional can use the Dwelling Policy Program to insure homes that are ineligible for a Homeowners Policy.

True

False

2. Homeowners and Dwelling Policies are equally restrictive, making either option suitable for most clients.

True

False

3. To be eligible for a Dwelling Property Policy, a structure like the one in the photograph must be attached to the ground, meaning it must be permanently located.



True

False

4. Dwelling Policies are most often used for tenant-occupied dwellings.

True

False

5. To qualify for coverage under a Dwelling Property Form, there can be no more than three roomers or boarders per unit.

True

False

▶▶ Knowledge Check



Your client remodeled her family home to contain five one-bedroom apartments. Each apartment has a fully functional kitchen and its own bathroom. Three of the apartments are occupied by tenants, one is vacant, and your client resides in the remaining apartment.

Your client is seeking insurance recommendations. What will you say to her?

The Coverages and Limitations of Dwelling Policies

Check-In



Directions: Read each statement. Then decide if it is True or False.

1. A Declarations Page is part of a Dwelling Property Policy.

True

False

2. Perils Insured Against in the DWELLING PROPERTY 2 - BROAD FORM include the weight of snow, ice, or sleet.

True

False

3. An endorsement is an amendment or addition to the language in a policy contract.

True

False

4. Liability and medical payments coverages are automatically included in a Dwelling Policy.

True

False

5. The DWELLING PROPERTY - 3 SPECIAL FORM offers automatic coverage for personal property.

True

False

▶▶ **Knowledge Check**



A client purchases an old Victorian home with a wrap-around porch. The home has endured decades of harsh winters. The appliances and utilities in the home are aged but in working condition. Which Dwelling Property Form should you recommend to your client? Explain why.

Homeowners Policy: Eligibility

Check-In



Directions: Review the following scenarios and consider which Homeowners Policy form you client may be eligible for.

Write the Homeowner Policy form(s), if the risk is eligible.

Place an X in the column for ineligible if the risk is not eligible for a Homeowners form.

Risk	Eligible form	Ineligible
1. Your client calls to explain they are in the process of building a new house they will live in when construction is completed.		
2. A prospect contacts you and tells you he owns and lives in a mobile home as a primary residence and would like homeowners' coverage.		
3. Your client calls to let you know he has moved out of his parent's house and has moved in with a friend. He would like coverage for his personal belongings.		
4. After a particularly difficult year, your client decides to rent three rooms in his home to three individual friends.		
5. A client calls you; he is in the process of purchasing a 10 th floor condo in Florida as a secondary residence.		

Section 1: Insuring Personal Residential Property

What Could Go Wrong?

Imagine that one of your clients decides to move in with his girlfriend. The girlfriend already owns a nice place, so the two decide that the easiest thing to do is to live in her house.



After moving his property into the house, your client and his girlfriend begin discussing how much property they both own. They also wonder whether there is enough insurance on her policy to cover it all. What could go wrong in this situation?

- The girlfriend doesn't have enough insurance on her Homeowners Policy to cover the property of both herself and your client.
- Your client's property won't be covered on his girlfriend's policy.
- There could be confusion about what property is covered after a loss.

Check-In



Directions: Read each scenario. Then select True or False.

1. Two co-owners occupy separate units in a triplex. Each has their own entrance. A Homeowners Policy may be written for both co-owners.

True

False

2. A co-owner is not a “named insured” on the other owner’s Homeowners Policy. Endorsement ADDITIONAL INSURED – RESIDENCE PREMISES is added to the policy. The endorsement recognizes the co-owner as an “insured” for Coverage A – Dwelling, Coverage B – Other Structures, and premises liability.

True

False

3. A client forms a trust and then purchases a home identifying the trust as the property’s owner. Although she is the named insured on the new Homeowners Policy, she chooses not to occupy the house. Instead, she allows her son and daughter-in-law to occupy the new home. The Homeowners Policy protects the trustor’s insurable interests.

True

False

4. A client occupies a residence at the time of impending retirement. To avoid having his home considered an asset under the terms of Medicaid eligibility, the owner establishes a life estate, sharing the ownership of his home with his adult daughter. To protect his insurable interests, the client must attach an ADDITIONAL INSURED ENDORSEMENT – RESIDENCE PREMISES endorsement to his Homeowners Policy.

True

False

5. A client has sold his home in a lease-to-own agreement. The buyer is ineligible for a Homeowners Policy until all terms of the agreement have been satisfied and the deed for the property has passed into his hands.

True

False

▶▶ **Knowledge Check**



A client is a grantor of her trust. She seeks a Homeowners Policy through you and is the named insured on the policy. What must she do to be sure her and her trust's insurable interests are covered?

Homeowner Policy Coverage Forms

▶▶ Knowledge Check



Directions: Match each Homeowners Coverage Form to its purpose.

_____ BROAD FORM (HO 00 02)	A. provides coverage for the residence and other structures on an open perils basis, and coverage for personal property on a named perils basis
_____ SPECIAL FORM (HO 00 03)	B. provides the least coverage; pays only actual cash value (ACV) on both dwelling and personal property losses
_____ CONTENTS BROAD FORM (HO 00 04)	C. provides coverage for residential condominium units
_____ COMPREHENSIVE FORM (HO 00 05)	D. provides coverage for the residence and personal property on a broad named perils basis
_____ UNIT-OWNERS FORM (HO 00 06)	E. provides coverage for someone who rents or leases an apartment or single or multi-family residence on an open perils form with replacement cost loss settlement
_____ MODIFIED COVERAGE FORM (HO 00 08)	F. provides coverage for the residence, other structures, and personal property on an open perils basis; is often used for higher value dwellings and/or to provide clients with options for broader coverage
_____ CONTENTS COMPREHENSIVE FORM (HO 00 14)	G. provides coverage for someone who rents or leases an apartment or single or multi-family residence on a named perils for with ACV loss settlement

Section 1 Self-Quiz

Directions: Complete each item.

1. Name two approaches for insuring personal residential exposures.

_____ and _____

2. Which word describes both a) a private residence with any attached structures such as garages, decks, or porches, and b) a building or structure occupied by renters?

3. Underwriting guidelines for Dwelling Policies tend to be less stringent than those applied to a Homeowners Policy. Select True or False.

True

False

4. Check each example of a dwelling.

a private residence with no more than four apartments

a private residence under construction

a town- or rowhouse

a mobile or trailer home

Section 1: Insuring Personal Residential Property

Directions: Select terms from the box to fill in the blanks.

Basic	Broad	co-owner	endorsement	excluded
five	four	incidental occupancies	life estate	named
open	personal property	residential	renters	risks
Special	trust			

1. Dwelling policies are most often used for dwellings occupied by _____.
2. Private offices, teaching studios, and private schools located on the premises of a dwelling are examples of _____.
3. What is the maximum number of roomers or boarders per unit if a dwelling is to qualify for coverage under a Dwelling Property Form? _____
4. The three Dwelling Property Form provided by the Insurance Services Office (ISO), Inc., are: _____ Form, _____ Form, and _____ Form.
5. Which factor differentiates the three Dwelling Property Form options?

6. Under the terms of a policy with open perils of loss, a loss is covered unless it is _____.
7. A(n) _____ is an addition to language in a policy contract that affects coverage.
8. Under the terms of a(n) _____ perils policy, the peril must be on the list for a loss to be covered. For a(n) _____ perils policy, the loss is covered unless the policy says it is not in the exclusions.

Section 1: Insuring Personal Residential Property

Basic	Broad	co-owner	endorsement	excluded
five	four	incidental occupancies	life estate	named
open	personal property	residential	renters	risks
Special	trust			

9. All Homeowners Policy forms (except the Tenant Form Policy HO-4, HO-14, and Condo Form Policy HO-6) may be issued to an owner who is an occupant of a dwelling that contains one to _____ family units and which is used exclusively for _____ purposes.
10. According to eligibility rules, a Homeowners Policy cannot be issued to cover the structure of a mobile home, trailer home, or house trailer. It may only be issued to cover _____ located in these structures on a Renters Form Policy.
11. A HOMEOWNERS 3 - SPECIAL FORM (HO3) policy with the Additional Insured - Residence Premises endorsement adds the second _____ (who is not a "named insured" on the HO 3) as an "insured" for Coverage A - Dwelling, Coverage B - Other Structures, and premises liability.
12. A relationship in which one party holds property for the benefit of another party is called a(n) _____.
13. A client may establish a(n) _____ to "gift" her home to a child. The home's ownership is split between the "giver" and the giver's child, the "receiver."

Directions: Read each statement and indicated whether it is True or False.

1. The HO-2 provides coverage for the residence and personal property on a broad named perils basis.

True **False**
2. The HO-2 policy is used to cover older properties, depending on each carrier's underwriting guidelines.

True **False**

Section 1: Insuring Personal Residential Property

3. The HO-2 policy provides building replacement costs but excludes liability.

True

False

4. Under the terms of the HO-3 policy, building coverage is on a replacement cost basis and personal property is covered on an actual cash value (ACV) basis.

True

False

5. The most popular and commonly used by carriers of Homeowners Policies is the HO-3.

True

False

6. The HO-3 is designed for someone who rents or leases an apartment or single or multi-family residence.

True

False

7. The HO-4 covers personal property on an open perils form with replacement cost loss settlement and provides personal liability coverage.

True

False

8. The HO-6 policy is issued to owners of condominium or cooperative units which are used exclusively for residential purposes.

True

False

9. Like the underwriting for a Dwelling Policy, the HO-8 is written for owner-occupied dwellings that are older and possibly in need of repairs.

True

False

Section 2: The Homeowners Policy Structure and Definitions

The First Steps in the Policy

▶▶ Knowledge Check



You are reviewing a new Homeowners Policy written for your client, **Elyssa Brown**. Using the Declarations Page snapshot below, identify the who, what, when, and where of the Declarations Page.

Who: _____

What: _____

When: _____

Where: _____

ABC Insurance Company

Homeowner Insurance Declaration Page

Alysa Brown
1234 National Alliance Dr.
Austin, TX 76502

Policy Number: HTX00463 15 29 00 Homeowner 00 03
Policy Effective Date: 01/05/20x1 12:01 a.m.
Policy Expiration Date: 01/05/20x2 12:01 a.m.

Property Location
Address: 555 River Road Lane, Austin, TX 76502

Policy Coverage	Limit of Liability	Premium
(Section I - Property)		
Coverage A - Dwelling	\$ 434,000	\$ 1,969
Coverage B - Other Structures	\$ 43,400	
Coverage C - Personal Property	\$ 217,000	
Coverage D - Loss of Use	\$ 130,200	
(Section II - Liability)		
Coverage E - Personal Liability	\$ 500,000	

Policy Definitions

Check-In



Directions: Write the letter of each definition next to the correct term.
Some terms have more than one correct answer.

_____ “motor vehicle”	A. the part of a policy where the effective and expiration dates of coverage are indicated
_____ Declarations Page	B. a reference to the “named insured” on the Declarations Page
_____ “named insured”	C. sickness or disease
_____ Agreement	D. a trailer attached to a private passenger auto
_____ “you” and “your”	E. the part of a policy that provides detailed information about a client
_____ “bodily injury”	F. loss of services
	G. a party specifically named in an insurance contract as the Insured as distinguished from one protected under a policy whether so named or not
	H. where the promise an insurance company makes to an Insured is stated

▶▶ Knowledge Check



It is important to understand what is considered a “business,” and what is not as defined in the Homeowners Policy to ensure coverage throughout the policy is understood and applied correctly. What are some questions you can ask your client to correctly assess their activities?

Who Is An Insured?

Check-In



Directions: Write the letter of each example under the correct header.

Not An insured	Is An Insured

- A. Person(s) named in the Declarations
- B. Unnamed spouse who moved out of the home
- C. Foster child
- D. A 30-year-old adult child who lives outside the home
- E. An old friend who is visiting for the weekend
- F. A neighbor's child invited over for a play date
- G. A 19-year-old child away at college for the semester

▶▶ Knowledge Check



Directions: Explain the importance of accuracy when identifying the “named insured” in the Declarations Page, including why naming both spouses or domestic partners on the policy is important.

What is an Insured Location?

What Could Go Wrong?

You have a client who questions the coverage details in his Homeowners Policy written for the dwelling he owns and lives in. You help him understand that under the terms of his policy, whether coverage exists depends on whether the place where an accident occurs is an “insured location.” Your client asks you for examples of locations where coverage would and would not apply.



You provide five examples of locations. Coverage would apply in all of the examples but one. Which example would leave your client unprotected were an accident to happen?

- A hotel room the client stays in over a weekend
- A storage unit down the street from where your client lives where he stores excess family furniture
- A condominium in Colorado that your client’s parents left him in their will two years ago
- A vacant lot your client purchased as an investment
- The cemetery plots your client purchased last year for himself and his spouse

Check-In



It is important to understand what an “insured location” is and is not in order to ensure coverage throughout the policy is understood and applied correctly.

Directions: Write the letter of each example under the correct term.

Not An insured Location	Is An Insured Location

- A. Location(s) named in the Declarations
- B. A new residence purchased and leased to others
- C. Hotel room “you” rented while on vacation
- D. A boat dock used in connection with the “residence premises”
- E. A second home purchased five years prior which is not named in the policy
- F. Hotel event room rented for demonstrating home organization units “you” build and sell
- G. Vacant land owned in another state

Section 2 Self-Quiz

Directions: Complete each item. For fill-in-the-blank item, select from the following terms. Some terms may be used more than once or not at all.

Agreement	motor vehicle	effective	employees
expiration	insureds	named insured	occurrence
bodily Injury	residence premises	quotation marks	tangible

1. The Declarations Page on a Homeowners Policy includes the named person or persons to be insured, the location of the insured property, and the _____ and _____ dates of coverage.
2. The _____ section of a Homeowners Policy outlines the promise an insurance company makes to an insured.
3. _____ around a word or phrase in a Homeowners Policy indicate that the word or phrase is defined in the Definitions section of policy.
4. Loss of services is included in “_____”.
5. The words “you” and “your” refer to the “_____” on the Declarations Page and the spouse if the spouse is a resident of the same household.
6. A “_____” is a self-propelled land or amphibious vehicle capable of operating on land.
7. A labor leasing agency has a contract with a “named insured.” The agency sends several individuals to cater a wedding reception at the insured’s home. Under the terms of a Homeowners Policy, the caterers are _____.
8. An “_____” is an accident that results in bodily injury or property damage that occurs during a policy period.

Section 2: The Homeowners Policy Structure and Definitions

9. "Property damage" refers to physical injury to, destruction of, or loss of use of _____ property.
10. " _____ " include the one-family dwelling where a policy holder resides; a two-, three-, or four-family dwelling where a policy holder resides in at least one of the family units; or any part of any other building where a policyholder resides; and which is shown as the " _____ " in the Declarations.

Directions: For each question, check the box(es) which apply.

11. Check the example(s) of an aircraft, as aircraft are defined in a Homeowners Policy.
- a contrivance that transports passengers by air
 - a mechanical device that flies but does not transport people or cargo
12. An activity engaged in for money or other compensation is defined as a "business." Check each exception to this definition under the terms of a Homeowners Policy.
- an activity for which no "insured" receives more than \$5,000 in total compensation for the 12 months before the beginning of a policy period
 - volunteer activities for which no money is received other than payment for expenses incurred to perform the activity
 - providing home day care services for which no compensation is received, other than the mutual exchange of such services
 - the rendering of home day care services to a relative of an "insured"
13. Check each example of an "insured" under the terms of a Homeowners Policy.
- a resident who is a relative of the "insured"
 - a resident under the age of 21 who is in the "insured's" care
 - a resident under the age of 21 who is in the care of a resident relative of the "insured's"
 - a relative of the "insured's" who leaves the "insured's" residence to attend school and is under the age of 24

Section 3: The Homeowners Policy

Section I – Property Coverages

Section I – Property Coverages

Check-In



Directions: Write the letter of the coverage section (all forms except the HO-14) that applies to each description. Some coverage sections will apply more than once.

- A. Covered Property
- B. Limit for Property At Other Locations
- C. Special Limits Of Liability $\text{°}\text{ø}$
- D. Property Not Covered

- _____ 1. Special limits are established for a variety of property categories.
- _____ 2. Property is covered while owned or used by an “insured” anywhere in the world.
- _____ 3. Property on part of the “residence premises” occupied by an “insured” is covered.
- _____ 4. Coverage is limited for property that is usually located at an “insured’s” residence other than the “residence premises.”
- _____ 5. Personal property owned by a guest or “residence employee” while the property is in any residence occupied by the “insured” is covered.
- _____ 6. Uncovered property categories are identified.
- _____ 7. Theft coverage is excluded for property at any other residence owned, rented, or occupied by an “insured” except while the “insured” is temporarily living there.
- _____ 8. After a loss and at the request of the “insured,” personal property owned by others while the property is on part of the “residence premises” occupied by an “insured” is covered.

Check-In



Directions: Read each description. Then write the letter of the related coverage which may provide some protection.

- | | | |
|--|--|----------------------------|
| A. Debris Removal | E. Property Removed | I. Collapse |
| B. Reasonable Repairs | F. Loss Assessment | J. Ordinance Or Law |
| C. Trees, Shrubs And Other Plants | G. Glass or Safety Glazing Material | K. Grave Markers |
| D. Fire Department Service Charge | H. Landlord's Furnishings | |

_____ 1. private fire department charges a client to save their property outside the jurisdictional limits of the responding fire department

_____ 2. a tarp is placed on a damaged portion of a roof until permanent repairs can be made

_____ 3. costs associated with removing debris from trees felled by wind, hail, or the weight of winter precipitation

_____ 4. covers the cost of appliances in a regularly rented "residence premises"

_____ 5. lightning splits a tree

_____ 6. additional coverage up to \$2,000 to cover shared costs under the terms of a Homeowners Association

_____ 7. covers costs related to the enforcement of an ordinance or law

_____ 8. covered property is removed before a covered peril endangers the property

_____ 9. additional coverage up to \$5,000 of the actual cash value of damage to a grave marker

_____ 10. covers costs for repairing damage caused by the falling down or caving in of a building or part of a building due to one or more named perils

_____ 11. covers the cost of glass breakage

▶▶ Knowledge Check



After observing structural changes within his home, a client hired an inspector. The inspector confirmed that the foundation was damaged and explained that a number of neighboring homeowners had similar problems. An investigation of the problem had led inspectors to an oil and natural gas extraction site. Drilling and the injection of high-pressure water caused earth tremors that extended across a large geographic area, which included your client's neighborhood. Your client is seeking coverage for repairs. What will you say to him?

Section I – Perils Insured Against

Check-In



Directions: Select True or False.

1. An insured homeowner maintains the heat in her residence, but the plumbing freezes. The physical loss to property is covered.

True

False

2. An insured homeowner's residence is under construction when thieves remove uninstalled kitchen cabinetry and plumbing. The physical loss to property is covered.

True

False

3. An insured homeowner has a work assignment that requires her to be abroad for 30 days. While she is working outside the country, vandals graffiti her home's exterior. The physical loss to property is covered.

True

False

4. An insured homeowner's hot-water tank, which is stored in a utility closet in the home's garage, leaks. The homeowner cleans up the water and has the tank repaired. Weeks later, mold is discovered within the walls of the utility closet where the tank is stored. The physical loss to property is covered.

True

False

5. An insured homeowner hires a service to conduct an environmental assessment. Service representatives detect high levels of radon in several rooms in the house, primarily in the kitchen, bathrooms, and basement. Remediation is required. The physical loss to property is covered.

True

False

▶▶ Knowledge Check



A client asks you to explain what types of losses are covered on their HO-3 Policy for Coverage A – Dwelling, Coverage B – Other Structures, and Coverage C – Personal Property. What do you say?

Section I – Exclusions

▶▶ Knowledge Check



You've provided a Homeowners (HO-3) quote to a prospective client, but as they were reviewing it, they noticed a premium quoted for something called Water Back-up/Sump Discharge coverage with a limit of \$20,000. The prospect advises they are not in a flood zone and do not have any issues with water around the home. What exclusion should you discuss and what might you say to help the prospect understand the important coverage you've added to their Homeowners Quote?

Section I – Conditions

Check-In



Directions: Match each condition to its correct category.

1. No Benefit to Bailee	_____	A carrier will not be liable in any one loss for more than the amount of an “insured’s” interest at the time of loss.
	_____	A carrier defines the conditions for replacement cost without deduction to buildings covered under Coverage A or B.
2. Recovered Property	_____	An insurance company does not recognize assignments or grants that benefit an individual or organization that holds, stores, or moves property for a fee.
	_____	The insurance carrier establishes the consequences of any recovered property for which they have already made payment, whether the property is recovered by the “insured” or by the company.
3. Other Insurance and Service Agreement	_____	The insurance carrier agrees to adjust all losses with the “insured.”
	_____	An insurance carrier will pay only that part of the total of all loss payable that exceeds the deductible amount shown in the Declarations.
4. Policy Period	_____	The insurance carrier describes the extent of its obligations should an “insured” have other insurance or a service plan, such as a home warranty.
	_____	The insurance carrier retains the right to repair or replace any part of damaged property with material or property of like kind and quality if the carrier gives the “insured” written notice within 30 days of receiving a signed, sworn proof of loss.
5. Loss Settlement	_____	The insurance carrier declares that it will provide no coverage to an “insured,” whether before or after a loss, if the “insured” has intentionally concealed or misrepresented information, engaged in fraudulent conduct, or made false statements related to the insurance.
	_____	The insurance carrier states that the policy applies only to loss that occurs during the policy period.
6. Our Option	_____	

7. Concealment or Fraud	_____	

8. Deductible	_____	

9. Loss Payment	_____	

10. Insurable Interest and Limit of Liability	_____	

▶▶ Knowledge Check



Your client contacts you and advises that embers from their fireplace caused fire damage. As a result, carpeting in the living room and the couch are irreparably marred. Your client has a \$500 deductible. How much do you expect the HOMEOWNERS 03 - SPECIAL FORM to pay for this claim?

	Replacement Cost	Actual Cash value
Carpet	\$3,500	\$1,500
Couch	\$1,500	\$500

How much would be paid for this claim? _____

Check-In



Directions: Write the letter of each item on the right under the correct loss settlement header according to the Loss Settlement condition for a Homeowners 3 - Special Form.

Actual Cash Value	Replacement Cost

- A. Carpeting of the home
- B. Detached guest house in the back yard
- C. Aluminum awning installed from the roofline over hanging the attached deck
- D. The dwelling
- E. The refrigerator
- F. Personal clothing and furniture
- G. Wooden privacy fence

Check-In



Directions: Apply what you know about Property Coverage, Exclusions, limitations, and the Loss Settlement Condition.

Emilio's house was damaged in April by a falling tree. He carried **\$150,000** of insurance coverage on his home valued at **\$250,000**. The total cost to repair damage is **\$20,000**. The actual cash value of the damage is **\$12,000**. Emilio had moved from the home and it remained unoccupied since January of the same year.

Is the damage covered?

If the claim is covered, how much will the policy pay?

▶▶ Knowledge Check



Directions: Review the scenario below and use everything you've learned so far to discuss replacement cost and the loss settlement policy condition with your client.

It is important to understand how loss settlement can hinder claim payments and hurt a client if proper coverage limits are not selected.

A client calls and informs you that they purchased a new primary residence for which they'd like to obtain insurance. You perform a replacement cost evaluation (RCE) using information from home inspection and/or appraisal, property assessments, and other accurate and relevant information. The RCE is \$350,000. You provide your client with a Homeowners quote with \$350,000 Coverage A, but the client says "My mortgage loan amount is only \$250,000 and that's all I'd like to insure my home for." Using everything you've learned about the Homeowners Policy up to now, what important points will you discuss with your client to help them understand replacement cost and his policy conditions?

Section 3 Self-Quiz

Directions: Use the word bank to fill in the blanks. Words may be used more than once.

open perils	exclusions	other structures	penalty
Ordinance or Law	named perils	dwelling	replacement cost
actual cash value	loss settlement		

- The _____ condition details which property will receive _____ and which will receive replacement cost value (RCV).
- The loss settlement condition sets forth an important requirement that buildings must be insured to at least 80% of their _____ at the time of a loss or a _____ will apply to a loss to damaged property.
- The Special Personal Property endorsement can be used on the HO-4 Tenant form to broaden Perils Insured Against to _____.
- Coverage - C Personal Property is insured against _____ on all Homeowners Forms, except the HO-5 and HO-14.
- The unendorsed Homeowners Policy excludes coverage for _____ except as provided in Section I - Additional Coverages.
- _____ are policy provisions which limit or restrict coverage.
- An attached garage is covered under _____ coverage, while a detached garage is covered under _____ coverage.

Directions: Read each statement. Then circle True or False.

- Certain property classes (Jewelry, Firearms, and Silverware) have limited coverage for theft but are covered up to the full Coverage C limit of liability for any other covered loss.

True

False

- The value or cost of land is included in Coverage A - Dwelling.

Section 3: The Homeowners Policy Section I - Property Coverages

True

False

3. Vandalism and malicious mischief is covered on dwellings that have been vacant for less than 90 days.

True

False

4. Under the Loss Settlement condition, for losses greater than \$5,000 and 5% of the limit of liability, the client will receive actual cash value on covered buildings until the damages are repaired or the building is replaced.

True

False

5. Collapse is not covered except as provided in Section I - Additional Coverages and only for certain named perils.

True

False

Directions: Select the correct Answer

1. The Basic Limit for Coverage A - Dwelling under the Homeowner 3 - Special Form is:

- \$100,000
- Selected by the "insured"
- \$150,000
- 50% of Coverage E - Personal Liability

2. The Basic Limit for Coverage B - Other Structures under the Homeowner 3 - Special Form is:

- 50% of Coverage A
- \$10,000
- \$1,000
- 10% of Coverage A

3. Coverage C - Personal Property has a Basic Limit of _____ under the Homeowner 3 - Special Form.

- 10% of Coverage A or \$1,500, whichever is greater.
- 30% of Coverage A
- \$50,000
- 50% of Coverage A

Section 3: The Homeowners Policy Section I - Property Coverages

4. The Homeowner 3 - Special form includes _____ as a basic limit of coverage for Coverage D - Loss of Use:
- Loss of Use is not covered
 - 30% of Coverage A
 - 20% of Coverage A
 - \$30,000
5. What is the Coverage C - Personal Property limit of liability for Renter/Tenant forms (HO-4 and HO-14)?
- \$50,000 minimum
 - The limit is selected by the "insured"
 - 50% of Coverage E - Personal Liability
 - \$25,000

Section 4: The Homeowners Policy

Section II – Liability Coverages

Section II – Liability Coverages

Check-In



Directions: Read each statement and indicate whether it is True or False.

1. Laura visits a hospital after falling off a ladder while removing a dead limb from a tree in her own backyard. Medical payments for the visit are covered under Section II - Liability Coverages of her Homeowners Policy.

True

False

2. Ali invites a neighbor to her home to assist in repairing a vintage car. Ali breaks a toe when the neighbor drops a toolbox on her foot. Medical treatment for Ali's broken toe is covered under Section II - Liability Coverages of her Homeowners Policy.

True

False

3. Under the terms of Coverage E - Personal Liability, an insurance carrier promises to pay up to the carrier's limit of liability for "bodily injury" or "property damage" for which an "insured" is held liable.

True

False

4. An insurance carrier's duty to settle or defend a suit ends once the limit of liability for an "occurrence" has been exhausted by payment of a judgment or settlement, even if the "insured" is liable beyond the limit of liability.

True

False

5. Under the terms of Coverage F - Medical Payments to Others, an insurance carrier provides medical coverage to "residence employees."

True

False

▶▶ Knowledge Check



A client calls to alert you to a possible liability claim. He hired a pest-control service to inspect his home. During the visit, the service representative claims he fell and injured himself because the family dog, an aged golden retriever, chased him. Explain how Defense coverage provided by Coverage E - Liability applies in this situation.

Section II – Exclusions

What Could Go Wrong?

You over hear your co-worker, Jeff, advising a client that they do not need to have a Personal Auto Policy on an old truck that is “just sitting in the driveway” because the client says it is dead but plans to fix it eventually. Jeff says that the Homeowners Policy will provide motor vehicle liability coverage for a vehicle in dead storage on an “insured location.” What could go wrong?



- Nothing, Jeff correctly interpreted the term “dead storage” even though it is not defined in the Homeowners Policy.
- “Dead storage” is not defined in the policy and Jeff may have created an E&O by advising the client motor vehicle liability will apply.
- Jeff should have asked more questions to determine if the vehicle is actually considered in “dead storage.”

What Could Go Wrong?

Jay and his daughter enjoy fishing, hiking, and camping in a national forest near their hometown. The daughter suggests that her father purchase an ATV to ride on their camping trips. Jay responds to her suggestion with, "Great idea! That'll be fun." What could go wrong?



- Jay and his daughter are fine. Owned ATV's are provided liability coverage from the Homeowners Policy anywhere the insured takes them.
- The Homeowners Policy does not provide Personal Liability or Medical Payments to Others coverage for the use of owned recreational vehicles of this type when located off of an "insured location."

Check-In



Directions: Review the scenarios below and decide how the unendorsed Homeowner Policy Liability Coverage will respond to the following loss scenarios.

Example #1

Sarah and Mike bought their four-year-old son a new 12-volt battery-powered four-wheeler. On the way to the neighborhood, Mike watched his son go “super fast,” but he knew better: the toy would only go five miles per hour, just one to two mph faster than the average adult walking speed. Oops! Mike’s son is suddenly distracted by a puppy, and runs into the leg of a jogger causing the jogger to fall resulting in a deep gash to her knee. Which of the following describes how the Homeowners Policy will respond to this loss?

- There will only be coverage under Coverage F - Medical Payments to Others
- There will be no Personal Liability or Medical Payments coverage because the motorized toy is considered a “motor vehicle” and off an “insured location”
- Good news! Because the motorized toy is designed for a child under seven years old and does not exceed five mph the policy will respond with Personal Liability and Medical Payments coverage.

Example #2

Mike got a new Golf Cart for father’s day! Even though he lives within a private golfing community, he just doesn’t have time for the golf course today so he takes the golf cart for a spin around the neighborhood with his neighbor buddy to show it off. Mike has to make a sudden stop to avoid what could be a very damaging pot hole, and the neighbor hits his head hard enough to cause a deep cut above his eye. Mike calls his insurance agent. How might Mike’s agent expect his unendorsed Homeowners Policy to respond to this loss?

- As long as the owned golf cart is not registered, or required to be registered, for public road use, Personal Liability and Medical Payments coverage from Mike’s Homeowners Policy will apply because Mike is using his golf cart within his private community.
- The agent fears there is no liability coverage because the “Motor Vehicle Liability” exclusion only provides coverage exception for owned vehicles on an “insured location” unless it’s a toy vehicle designed for children under seven years old.
- The agent believes Personal Liability and Medical Payments coverage only applies to owned Golf Carts when the vehicle is being parked, stored, or used on a golfing facility by the “insured” while playing a game of golf.

Check-In



Directions: Fill in the table according to how an “insured” may possess a “watercraft” to discover how Homeowners liability coverages will apply.

Does coverage for “watercraft liability” apply?

Type of Watercraft	Details	Possession of Watercraft		
		Owned	Rented	Borrowed
Sailing vessel	Less than 26 ft. in length			
	26 ft. or more in length			
Powered by engines or motors (including water jet pump)	25 horsepower or less			
	More than 25 horsepower			
	More than 25-hp outboard engine or motor: if acquired and owned by an insured <u>DURING</u> the policy period, coverage will be provided during the policy period if intent to insure the craft is made in writing within 45 days of acquiring the watercraft, OR if acquired and owned by the insured <u>BEFORE</u> the policy period but declared at policy inception.			

What Should You Do?

Amelia, your client’s personal house manager, is injured at your client’s secondary lake home (not listed on the Declarations) while accompanying a plumber hired to service the location. Your client calls to inform you of the accident. As the their agent, what should you do?



Check-In



Directions: Use the following terms to fill in the blanks.

“aircraft liability”	“expected”	“property damage”
“bodily injury”	handicapped person	“residence employee”
business	“Insured”	“watercraft”
communicable disease	“intended”	“watercraft liability”
controlled substance	“motor vehicle”	

- Liability Coverages E and F do *not* apply to a(n) _____ that is registered for use on public roads or property.
- If Part 1 of the “motor vehicle liability” exclusion does *not* apply, there is still no coverage for “motor vehicle liability” unless the “motor vehicle” at the time of an occurrence is designed for and used to assist a(n) _____.
- Coverages E and F do *not* apply to _____ if at the time of an occurrence, the _____ is operating in or practicing for a prearranged or organized race.
- There is no liability coverage for _____ or “hovercraft liability.”
- Liability Coverages E and F do *not* apply to “bodily injury” or “property damage” that is _____ or _____ unless the injury or damage arises from an “Insured’s” use of reasonable force to protect persons or property.
- Liability Coverages E and F do *not* apply to “bodily injury” or “property damage” that arises from or in connection with a(n) _____ conducted from an “insured location.”

Check-In (continued)



7. Liability Coverages E and F do *not* apply to “bodily injury” or “property damage” that occurs on premises owned, rented to, or rented to others by a(n) _____.
8. Liability Coverages E and F do *not* apply to “bodily injury” or “property damage” that arises from the transmission of a(n) _____ by an “insured.”
9. Liability Coverages E and F do *not* apply to “bodily injury” or “property damage” related to the use, sale, manufacture, delivery, transfer or possession of a(n) _____.
10. Coverage E - Personal Liability does *not* apply to _____ to property rented to, occupied, or used by or in the care of an “Insured.”
11. Coverage E - Personal Liability does *not* apply to _____ to any person eligible to receive any benefits voluntarily provided or required to be provided by an “Insured” under specific laws.
12. Coverage F - Medical Payments To Others does *not* apply to a _____ if the “bodily injury” occurs off the “insured location” and does not arise from or in the course of the person’s employment by an “insured.”

▶▶ Knowledge Check



An insurance agency calls a customer to discuss the customer’s upcoming Homeowners insurance renewal. During the conversation, the customer tells the agent that she has recently converted one of her bedrooms into a photography studio and has started a new family portrait photography business.

What exclusions for Personal Liability and Medical Payments coverage in the Homeowners Policy might you advise your client on about their new venture?

Section II – Additional Coverages

Check-In



Directions: Read each scenario. Then circle Yes or No.

1. An Insured is using a popular app-based e-scooter in the city runs into a small child, causing injury. The parents of the child sue your insured for the injuries. A sum within the limit of liability is awarded but the insurance company experienced a systems error which caused a delay in payment and the court has now awarded post-interest judgement.

Will the insurance carrier pay?

Yes

No

2. While visiting some friends for an outdoor barbeque, your client's four-year-old child took off into their friend's home with a burst of energy. While running around the home the child excitedly kicked a ball into a 75-inch OLED television.

Will the insurance carrier pay?

Yes

No

▶▶ Knowledge Check



Your clients, the Jones family, purchased a new home that is part of a homeowners association (HOA). During a neighborhood watch meeting, your client hears stories from other property owners about a past lawsuit against the HOA that resulted in each of them paying a Loss Assessment fee of \$3,000. A child was playing in one of the neighborhood parks and a rotted board broke causing the child to fall and resulted in serious injuries. Having never lived within an HOA before, your client calls you and asks what coverage they have under their Homeowners Policy for Loss Assessment and how much coverage they can get, what will you advise?

Section II – Conditions

Check-In



Directions: Read each statement on the left and match it to the appropriate condition shown on the right. Some conditions may be used more than once.

_____ An “insured” is required to notify the insurance carrier or its agent in the case of an “occurrence.”	A. Concealment or Fraud
_____ Insurance provided by the policy is excess over other valid and collectible insurance.	B. Limit of Liability
_____ The insurance carrier does not provide coverage to an “insured” who intentionally conceals or misrepresents facts or circumstances.	C. Other Insurance
_____ An “insured” is obligated to cooperate with the insurance carrier in an investigation, settlement, or defense of a claim or suit.	D. Bankruptcy of an “Insured”
_____ Under Coverage E, the insurance carrier’s total liability for all damages resulting from any one “occurrence” will not exceed the coverage identified in the Declarations Page.	E. Duties After “Occurrence”
_____ With respect to C. Damage To Property Of Others under Section II – Additional Coverages, an “insured” must submit a sworn statement of loss to the insurance carrier within 60 days after the loss.	F. Suit Against Us
_____ The insurance carrier will provide coverage even if the “insured” is declared bankrupt or insolvent.	G. Policy Period
_____ The Homeowners Policy’s effective dates of coverage	
_____ No action can be brought against the insurance carrier unless there has been full compliance with all of the terms under Section II – Conditions.	

▶▶ Knowledge Check



A homeowner is named in a lawsuit along with his 18-year-old resident son after another person was seriously injured in a suspicious accident during a hunting trip. Which conditions in the policy will come into play with this claim?

Sections I and II Conditions

Check-In



Directions: Read each statement. Then circle True or False.

1. Under the Liberalization Clause, the insurance carrier can make automatic changes to an “insured’s” coverage if the implementation date occurs 60 days prior to or during the policy period stated in the Declarations.

True

False

2. Under the terms of Cancellation condition, when the insurance carrier cancels a policy, the “insured” receives a pro-rated refund for the premium for the time period between cancellation and the policy’s expiration date.

True

False

3. Under the terms of the Nonrenewal condition, the insurance carrier sends the most expedient form of notification, whether by email, fax, mail, or through a delivery service.

True

False

4. An insurance company must give written consent before a policy assignment is valid.

True

False

5. An insurance company may cancel a policy if an “insured” fails to pay the premium.

True

False

6. An insurance company may cancel a policy only if the policy is not a renewal and has been in effect for no more than 60 days.

True

False

▶▶ Knowledge Check



Directions: Answer the following questions based on details you recall from policy conditions.

1. The Homeowners Insurance Company decides to cancel a newly written policy because of the condition of the home. The policy has been in effect for 45 days. How many days' notice is the company required to give the insured?

2. How many days' notice would the insurance company have to provide if the policy was being non-renewed?

Section 4 Self-Quiz

Directions: Read each statement. Then select True or False.

1. In insurance, protection from liability means protection against claims arising from injuries to people and damage to property.

True

False

2. For Section II - Personal Liability of a Homeowners Policy, you and residents of your household are the only "insureds."

True

False

3. In Coverage E - Personal Liability of a Homeowners Policy, a person under the age of 21 who is in your care or the care of a resident of your household who is your relative is an "insured."

True

False

4. An "insured location" is the "residence premises" and parts of other premises, other structures and grounds used by you as a residence, and which is shown in the Declarations or is acquired by you during the policy period for your use as a residence.

True

False

5. Under the terms of a Homeowners Policy, bodily harm, sickness or disease, including required care, loss of services and death that results are examples of physical losses.

True

False

6. Under the terms of a Homeowners Policy, physical injury to, destruction of, or loss of use of tangible property is described as property damage.

True

False

7. Under the terms of a Homeowners Policy, an insurance carrier will pay up to the carrier's limit of liability for the damages for which an "insured" is legally liable and provide a defense at the carrier's expense by counsel of the insured's choosing.

True

False

8. Coverage F - Medical Payments To Others applies to the "insured" or regular residents of the "insured's" household, other than "residence employees."

True

False

9. Liability coverage is provided for "motor vehicles" designed for recreational use off public roads and not owned by an "insured."

Section 4: The Homeowners Policy Section II - Liability Coverages

True

False

10. All owned watercraft under 50-horsepower are provided coverage for Section II - Liability Coverages.

True

False

11. Liability Coverages E and F apply to "bodily injury" or "property damage" that arises from or in connection with a "business" conducted from an "insured location."

True

False

12. Coverage E - Personal Liability does not apply to "property damage" to property rented to, occupied by, or used by or in the care of an "insured" unless damage was caused by fire, smoke, or explosion.

True

False

13. Under the terms of Section II - Additional Coverages, additional coverages paid in addition to the limit of liability include claims expenses, first aid expenses, damage to Property of Others, and loss assessment.

True

False

14. Under the terms of a Homeowners Policy, an insurance carrier will pay for "property damage" intentionally caused by an "insured" who is 13 years old or older.

True

False

15. In Section II - Conditions of the Homeowners Policy, a carrier states that its total liability for all damages related to an "occurrence" will not exceed the limit of liability stated in the Declarations Page under Coverage E Limit of Liability.

True

False

16. Under the terms of Nonrenewal, an insurance carrier retains the right not to renew a policy.

True

False

Answer Key

Section 1: Insuring Personal Residential Property

Dwelling Policies: Eligibility

What Could I Do?



Imagine one of your clients unexpectedly inherits a large sum of money from a relative. The client decides that she wants to put the money to work in real estate. She explains to you that she plans to buy a second home, rent it out until the market value increases, and then sell it to make a profit. What could you recommend that your client does to protect her second home until she sells it?

- Buy a separate Homeowners policy for the second home.
- Cover the second home using endorsements to the Homeowners Policy she owns for her first home.
- Buy a Dwelling Policy for the second home.

Check-In



Directions: Read each statement. Then circle True or False.

1. An insurance professional can use the Dwelling Policy Program to insure homes that are ineligible for a Homeowners Policy.

True

False

2. Homeowners and Dwelling Policies are equally restrictive, making either option suitable for most clients.

True

False

Underwriting guidelines for Dwelling Policies tend to be less restrictive than those applied to a Homeowner Policy.

3. To be eligible for a Dwelling Policy, a structure like the one in the photograph must be attached to the ground, meaning it must be permanently located.



True

False

4. Dwelling Policies are most often used for tenant-occupied dwellings.

True

False

5. To qualify for coverage under a Dwelling Property Policy, there can be no more than three roomers or boarders per unit.

True

False

There can be no more than five roomers or boarders per unit.

▶▶ Knowledge Check



Your client remodeled her family home to contain five one-bedroom apartments. Each apartment has a fully functional kitchen and its own bathroom. Three of the apartments are occupied by tenants, one is vacant, and your client resides in the remaining apartment.

Your client is seeking insurance recommendations. What will you say to her?

Sample Answer:

Eligibility varies by carriers. However, when considering the ISO Dwelling Property Policy, the client is NOT eligible for coverage. Why? Because there are five apartments! The ISO Dwelling Form eligibility is for no more than four units.

The Coverages and Limitations of Dwelling Policies

Check-In



Directions: Read each statement. Then decide if it is True or False.

1. A Declarations Page is part of a Dwelling Property Policy.

True

False

2. Perils Insured Against in the DWELLING PROPERTY 2 - BROAD FORM include the weight of snow, ice, or sleet.

True

False

3. An endorsement is an amendment or addition to the language in a policy contract.

True

False

4. Liability and medical payments coverages are automatically included in a Dwelling Property Policy.

True

False

The Personal Liability (DL 24 01) endorsement must be used if a Dwelling Policy Program is to pick up liability.

5. The DWELLING PROPERTY - 3 SPECIAL FORM offers automatic coverage for personal property.

True

False

There is no automatic coverage provided for Personal Property for any of the DP Forms.

▶▶ Knowledge Check



A client purchases an old Victorian home with a wrap-around porch. The home has endured decades of harsh winters. The appliances and utilities in the home are aged but in working condition. Which Dwelling Property Form should you recommend to your client? Explain why.

Sample Answer:

The home may be eligible for all three Dwelling Property Forms, but the carrier underwriter should be consulted to determine which form should be used for the risk.

- The carrier will have the least amount of risk if the DP-1 Basic Form is used. This form will provide the client with basic named perils (only two, unless endorsed with extended coverage).

- The carrier accepts greater risk with the DP-2 Broad Form, as this form provides the client with broader named perils (16 named perils), but the risk is still manageable.

- With the DP-3 Special Form, the carrier has the greatest risk of claim occurrence, as this form provides OPEN perils coverage with exclusions. The DP-3 has the most coverage, but likely the most restrictive underwriting guidelines. The aging home may not qualify for a DP-3.

Homeowners Policy: Eligibility

Check-In



Directions: Review the following scenarios and consider which Homeowners Policy form you client may be eligible for.

Write the Homeowners Policy form(s) if the risk is eligible.

Place an X in the column for ineligible if the risk is not eligible for a homeowner form.

Risk	Eligible form	Ineligible
1. Your client calls to explain they are in the process of building a new house they will live in when construction is completed.	HO-2 HO-3 HO-5 HO-8	
2. A prospect contacts you and tells you he owns and lives in a mobile home as a primary residence and would like homeowners' coverage.		X
3. Your client calls to let you know he has moved out of his parent's house and has moved in with a friend. He would like coverage for his personal belongings.	HO-4 HO-14	
4. After a particularly difficult year, your client decides to rent three rooms in his home to three individual friends.		X
5. A client calls you; he is in the process of purchasing a 10 th floor condo in Florida as a secondary residence.	HO-6	

- The first scenario is eligible for HO-2, HO-3, HO-5, HO-8. Dwellings under construction are eligible for a Homeowners Form when the home is going to be occupied by the owner and the policy is written in the name of the owner-occupant.

Section 1: Insuring Personal Residential Property

2. The second scenario is not eligible for a Homeowners Policy. Mobile homes are not eligible to be written under a Homeowners Policy. The agent would seek coverage under a dwelling fire form or specialty mobile home form.
3. The third scenario is eligible for a HO-4 and HO-14. The client is not the owner of the dwelling where he will reside, he is a tenant. The HO-4 policy will provide coverage for his personal belongings and personal liability.
4. The fourth scenario is not eligible for a Homeowners Policy due to the number of roomers being more than two.
5. The fifth scenario is eligible for an HO-6 Policy. Seasonal or secondary owner-occupied dwellings are eligible for the Homeowners Policy program. The HO-6 for will be used for condominiums.

What Could Go Wrong?

Imagine that one of your clients decides to move in with his girlfriend. The girlfriend already owns a nice place, so the two decide that the easiest thing to do is to live in her house.



After moving his property into the house, your client and his girlfriend begin discussing how much property they both own. They also wonder whether there is enough insurance on her policy to cover it all. What could go wrong in this situation?

- The girlfriend doesn't have enough insurance on her Homeowners Policy to cover the property of both herself and your client.
- Your client's property won't be covered on his girlfriend's policy.
- There could be confusion about what property is covered after a loss.

Explanation:

These situations are common and often confusing. For unmarried couples, each should consider securing and keeping his/her own Homeowners Policy. The owner of the home insures the home and his/her personal property on a typical Homeowners Policy. The non-owner insures her/his own personal property on a Homeowners Policy that is specifically designed for non-owner occupants (think renters).

Check-In



Directions: Read each scenario. Then select True or False.

1. Two co-owners occupy separate units in a triplex. Each has their own entrance. A Homeowners Policy may be written for both co-owners.

True

False

If co-owners occupy two or more of the units, each with a separate entrance, then a Homeowners Policy can be written for one of the owners. The ADDITIONAL INSURED - RESIDENCE PREMISES endorsement should be used, and a renters policy should be written for the second owner.

2. A co-owner is not a “named insured” on the other owner’s Homeowners Policy. Endorsement ADDITIONAL INSURED - RESIDENCE PREMISES is added to the policy. The endorsement recognizes the co-owner as an “insured” for Coverage A - Dwelling, Coverage B - Other Structures, and premises liability.

True

False

3. A client forms a trust and then purchases a home identifying the trust as the property’s owner. Although she is the named insured on the new Homeowners Policy, she chooses not to occupy the house. Instead, she allows her son and daughter-in-law to occupy the new home. The Homeowners Policy protects the trustor’s insurable interests.

True

False

For coverage to apply, a trustor must occupy the home and be the named insured on the Homeowners Policy.

4. A client occupies a residence at the time of impending retirement. To avoid having his home considered an asset under the terms of Medicaid eligibility, the owner establishes a life estate, sharing the ownership of his home with his adult daughter. To protect his daughter’s insurable interests, the client must attach an ADDITIONAL INSURED ENDORSEMENT - RESIDENCE PREMISES endorsement to his Homeowners Policy.

True

False

5. A client has sold his home in a lease-to-own agreement. The buyer is ineligible for a Homeowners Policy until all terms of the agreement have been satisfied and the deed for the property has passed into his hands.

True

False

A Homeowners Policy may also be issued to a purchaser-occupant(s) who has entered into a long-term installment contract for the purchase of a dwelling.

▶▶ Knowledge Check



A client is a grantor of her trust. She seeks a Homeowners Policy through you and is the named insured on the policy. What must she do to be sure her and her trust's insurable interests are covered?

Sample Answer:

The Homeowners Policy will be written in the client's name. The TRUST COVERAGE endorsement should be added to her policy to protect the liability interest of the trust with respect to the residence premises.

Homeowner Policy Coverage Forms

▶▶ Knowledge Check



Directions: Match each Homeowners Coverage Form to its purpose.

<u>D</u> BROAD FORM (HO 00 02)	A. provides coverage for the residence and other structures on an open perils basis, and coverage for personal property on a named perils basis
<u>A</u> SPECIAL FORM (HO 00 03)	B. provides the least coverage; pays only actual cash value (ACV) on both dwelling and personal property losses
<u>G</u> CONTENTS BROAD FORM (HO 00 04)	C. provides coverage for residential condominium units
<u>F</u> COMPREHENSIVE FORM (HO 00 05)	D. provides coverage for the residence and personal property on a broad named perils basis
<u>C</u> UNIT-OWNERS FORM (HO 00 06)	E. provides coverage for someone who rents or leases an apartment or single or multi-family residence on an open perils form with replacement cost loss settlement
<u>B</u> MODIFIED COVERAGE FORM (HO 00 08)	F. provides coverage for the residence, other structures, and personal property on an open perils basis; is often used for higher value dwellings and/or to provide clients with options for broader coverage
<u>E</u> CONTENTS COMPREHENSIVE FORM (HO 00 14)	G. provides coverage for someone who rents or leases an apartment or single or multi-family residence on a named perils basis for with ACV loss settlement

Section 1 Self-Quiz

Directions: Complete each item.

1. Name two approaches for insuring personal residential exposures.

Dwelling Property Policies

Homeowners Policies

2. Which word describes both a) a private residence with any attached structures such as garages, decks, or porches, and b) a building or structure occupied by renters?

Dwelling

3. Underwriting guidelines for Dwelling Policies tend to be less stringent than those applied to a Homeowner Policy. Select True or False.

True

False

4. Check each example of a dwelling.

- a private residence with no more than four apartments
- a private residence under construction
- a town- or rowhouse
- a mobile or trailer home

Section 1: Insuring Personal Residential Property

Directions: Select terms from the box to fill in the blanks.

Basic	Broad	co-owner	endorsement	excluded
five	four	incidental occupancies	life estate	named
open	personal property	residential	renters	risks
Special	trust			

1. Dwelling policies are most often used for dwellings occupied by renters.
2. Private offices, teaching studios, and private schools located on the premises of a dwelling are examples of incidental occupancies.
3. What is the maximum number of roomers or boarders per unit if a dwelling is to qualify for coverage under a Dwelling Property Policy? five
4. The three Dwelling Property Forms provided by the Insurance Services Office (ISO), Inc., are: Basic Form, Broad Form, and Special Form.
5. Which factor differentiates the three Dwelling Property Form options? risks
6. Under the terms of a policy with open perils of loss, a loss is covered unless it is excluded.
7. A(n) endorsement is an addition to language in a policy contract that affects coverage.
8. Under the terms of a(n) named perils policy, the peril must be on the list for a loss to be covered. For a(n) open perils policy, the loss is covered unless the policy says it is not in the exclusions.
9. All Homeowners Policy forms (except the Tenant Form Policy HO-4, HO-14, and Condo Form Policy HO-6) may be issued to an owner who is an occupant of a dwelling that contains one to four family units and which is used exclusively for residential purposes.

Section 1: Insuring Personal Residential Property

10. According to eligibility rules, a Homeowners Policy cannot be issued to cover the structure of a mobile home, trailer home, or house trailer. It may only be issued to cover personal property located in these structures on a Renters Form Policy.
11. A HOMEOWNERS 3 – SPECIAL FORM (HO3) policy with the Additional Insured – Residence Premises endorsement adds the second co-owner (who is not a “named insured” on the HO 3) as an “insured” for Coverage A – Dwelling, Coverage B – Other Structures, and premises liability.
12. A relationship in which one party holds property for the benefit of another party is called a(n) trust.
13. A client may establish a(n) life estate to “gift” her home to a child. The home’s ownership is split between the “giver” and the giver’s child, the “receiver.”

Directions: Read each statement and indicated whether it is True or False.

1. The HO-2 provides coverage for the residence and personal property on a broad named perils basis.

True

False

2. The HO-2 policy is used to cover older properties, depending on each carrier’s underwriting guidelines.

True

False

3. The HO-2 policy provides building replacement costs but excludes liability.

True

False

The HO-2 policy provides building replacement cost and includes personal liability.

4. Under the terms of the HO-3 Policy, building coverage is on a replacement cost basis and personal property is covered on an actual cash value (ACV) basis.

True

False

5. The most popular and commonly used by carriers of Homeowners Policies is the HO-3.

True

False

Section 1: Insuring Personal Residential Property

6. The HO-3 is designed for someone who rents or leases an apartment or single or multi-family residence.

True

False

The HO-3 is used to insure owner-occupied residences, providing open perils coverage for the residences or buildings, and named causes of loss for personal property.

7. The HO-4 covers personal property on an open perils form with replacement cost loss settlement and provides personal liability coverage.

True

False

The HO-4 provides coverage on a named perils form with actual cash value (ACV) loss settlement on personal property. The new HO-14 provides open perils coverage and replacement cost loss settlement.

8. The HO-6 Policy is issued to owners of condominium or cooperative units which are used exclusively for residential purposes.

True

False

9. Like the underwriting for a Dwelling Policy, the HO-8 is written for owner-occupied dwellings that are older and possibly in need of repairs.

True

False

Section 2: The Homeowners Policy Structure and Definitions

The First Steps in the Policy

▶▶ Knowledge Check



You are reviewing a new Homeowners Policy written for your client **Elyssa Brown**. Using the Declarations Page snapshot below, identify the who, what, when, and where of the Declarations Page.

Who: Alysa Brown

What: Homeowner 3 (Special form), Dwelling Coverage \$434,000

When: Policy period is January 5th 20x1 at 12:01 am, expiring one year later

Where: 555 River Road Lane, Austin, TX 76502 (do not mistake the mailing address for the location address)

Did you notice that the named insured's name is spelled incorrectly? Be sure to check for errors!

ABC Insurance Company

Homeowners Insurance Declarations Page

Alysa Brown
1234 National Alliance Dr.
Austin, TX 76502

Policy Number: HTX00463 15 29 00 Homeowners 00 03
Policy Effective Date: 01/05/20x1 12:01 a.m.
Policy Expiration Date: 01/05/20x2 12:01 a.m.

Property Location
Address: 555 River Road Lane, Austin, TX 76502

<u>Policy Coverage</u>	<u>Limit of Liability</u>	<u>Premium</u>
(Section I - Property)		
Coverage A - Dwelling	\$ 434,000	\$ 1,969
Coverage B - Other Structures	\$ 43,400	
Coverage C - Personal Property	\$ 217,000	
Coverage D - Loss of Use	\$ 130,200	
(Section II - Liability)		
Coverage E - Personal Liability	\$ 500,000	

Policy Definitions

Check-In



Directions: Write the letter of each definition next to the correct term.
Some terms have more than one correct answer.

<u> D </u> "motor vehicle"	A. the part of a policy where the effective and expiration dates of coverage are indicated
<u> A, E </u> Declarations Page	B. a reference to the "named insured" on the Declarations Page
<u> G </u> "named insured"	C. sickness or disease
<u> H </u> Agreement	D. a trailer attached to a private passenger auto
<u> B </u> "you" and "your"	E. the part of a policy that provides detailed information about a client
<u> C, F </u> "bodily injury"	F. loss of services
	G. a party specifically named in an insurance contract as the insured as distinguished from one protected under a policy whether so named or not
	H. where the promise an insurance company makes to an insured is stated

▶▶ Knowledge Check



It is important to understand what is considered a “business” and what is not, as defined in the Homeowners Policy, to ensure coverage throughout the policy is understood and applied correctly. What are some questions you can ask your client to correctly assess their activities?

Sample answer:

What is your primary occupation?

What other ways do you make money, other than your primary occupation?

Do you ever work from home? Where?

What volunteer activities do you participate in?

Tell me about your hobbies?

Do you own or have you sold mineral rights from your residence premises?

Who Is An Insured?

Check-In



Directions: Write the letter of each example under the correct header.

Not An insured	Is An Insured
B.	A.
D.	C.
E.	G.
F.	

- A. Person(s) named in the Declarations
- B. Unnamed spouse who moved out of the home
- C. Foster child
- D. A 30-year-old adult child who lives outside the home
- E. An old friend who is visiting for the weekend
- F. A neighbor's child invited over for a play date
- G. A 19-year-old child away at college for the semester

What Is an Insured Location?

What Could Go Wrong?

You have a client who questions the coverage details in his Homeowners Policy written for the dwelling he owns and lives in. You help him understand that under the terms of his policy, whether coverage exists depends on whether the place where an accident occurs is an “insured location.” Your client asks you for examples of locations where coverage would and would not apply.



You provide five examples of locations. Coverage would apply in all of the examples but one. Which example would leave your client unprotected were an accident to happen?

- A hotel room the client stays in over a weekend
- A storage unit down the street from where your client lives where he stores excess family furniture
- A condominium in Colorado that your client’s parents left him in their will two years ago
- A vacant lot your client purchased as an investment
- The cemetery plots your client purchased last year for himself and his spouse

Check-In



It is important to understand what an “insured location” is and is not in order to ensure coverage throughout the policy is understood and applied correctly.

Directions: Write the letter of each example under the correct term.

Not An insured Location	Is An Insured Location
B.	A.
D.	C.
E.	G.
F.	

- A. Location(s) named in the Declarations
- B. A new residence purchased and leased to others
- C. Hotel room “you” rented while on vacation
- D. A boat dock used in connection with the “residence premises”
- E. A second home purchased five years prior which is not named in the policy
- F. Hotel event room rented for demonstrating home organization units “you” build and sell
- G. Vacant land owned in another state

▶▶ Knowledge Check



Directions: Read the scenarios and identify who are “insured(s)” and what are the “insured location(s).” Explain your answers.

1. Kyle is the named insured on a Homeowners Policy insuring 123 A Street. He gets married to Casey, and they foster two children, ages three and five. Casey is not added to the policy.

Sample answer:

- Kyle is the named insured; he is a “you” and he is an “insured.”
 - When he marries Casey, as a resident spouse, Casey becomes a “you,” and thus, is an “insured.”
 - The children are residents in the care of Kyle and Casey, and they’re under 21; they are “insureds.”
 - 123 A Street is the “residence premises,” and therefore, is an “insured location.”
2. Two years later, after adopting the children, Kyle and Casey separate. Casey moves to 456 B Drive. The children spend equal time between their parents.
 - Kyle is still the named insured on the policy; he is a “you” and he is an “insured.”
 - The adopted children are Kyle’s relatives and residents of his home, and therefore, they are “insureds.”
 - Casey is still married to Kyle, but not a resident of the same household; she is no longer an “insured.”
 - 456 B Drive is not an “insured location” since (1) it is not on the Declarations, and thus, not a “residence premises,” and it was not newly acquired during the policy period, and (2) Casey is no longer a “you.”

Section 2 Self-Quiz

Directions: Complete each item. For fill-in-the-blank item, select from the following terms. Some terms may be used more than once or not at all.

Agreement	motor vehicle	effective	employees
expiration	insureds	named insured	occurrence
bodily Injury	residence premises	quotation marks	tangible

1. The Declarations Page on a Homeowners Policy includes the named person or persons to be insured, the location of the insured property, and the effective and expiration dates of coverage.
2. The Agreement section of a Homeowners Policy outlines the promise an insurance company makes to an insured.
3. Quotation marks around a word or phrase in a Homeowners Policy indicate that the word or phrase is defined in the Definitions section of policy.
4. Loss of services is included in "bodily injury".
5. The words "you" and "your" refer to the "named insured" on the Declarations Page and the spouse if the spouse is a resident of the same household.
6. A "motor vehicle" is a self-propelled land or amphibious vehicle capable of operating on land.
7. A labor leasing agency has a contract with a "named insured." The agency sends several individuals to cater a wedding reception at the insured's home. Under the terms of a Homeowners Policy, the caterers are employees. An "occurrence" is an accident that results in bodily injury or property damage that occurs during a policy period.
8. "Property damage" refers to physical injury to, destruction of, or loss of use of tangible property.

Section 2: The Homeowners Policy Structure and Definitions

9. “Residence premises” include the one-family dwelling where a policy holder resides; a two-, three-, or four-family dwelling where a policy holder resides in at least one of the family units; or any part of any other building where a policyholder resides; and which is shown as the “residence premises” in the Declarations.

Directions: For each question, check the box(es) which apply.

10. Check the example(s) of an aircraft, as aircraft are defined in a Homeowners Policy.
- a contrivance that transports passengers by air
 - a mechanical device that flies but does not transport people or cargo
11. An activity engaged in for money or other compensation is defined as a “business.” Check each exception to this definition under the terms of a Homeowners Policy.
- an activity for which no “insured” receives more than \$5,000 in total compensation for the 12 months before the beginning of a policy period
 - volunteer activities for which no money is received other than payment for expenses incurred to perform the activity
 - providing home day care services for which no compensation is received, other than the mutual exchange of such services
 - the rendering of home day care services to a relative of an “insured”
12. Check each example of an “insured” under the terms of a Homeowners Policy.
- a resident who is a relative of the “insured”
 - a resident under the age of 21 who is in the “insured’s” care
 - a resident under the age of 21 who is in the care of a resident relative of the “insured’s”
 - a relative of the “insured’s” who leaves the “insured’s” residence to attend school and is under the age of 24

Section 3: The Homeowners Policy

Section I – Property Coverages

Section I – Property Coverages

Check-In



Directions: Write the letter of the coverage section (all forms except the HO-14) that applies to each description. Some coverage sections will apply more than once.

- A. Covered Property
- B. Limit for Property At Other Locations
- C. Special Limits Of Liability
- D. Property Not Covered

- C 1. Special limits are established for a variety of property categories.
- A 2. Property is covered while owned or used by an “insured” anywhere in the world.
- A 3. Property on part of the “residence premises” occupied by an “insured” is covered.
- B 4. Coverage is limited for property that is usually located at an “insured’s” residence other than the “residence premises.”
- A 5. Personal property owned by a guest or “residence employee” while the property is in any residence occupied by the “insured” is covered.
- D 6. Uncovered property categories are identified.
- B 7. Theft coverage is excluded for property at any other residence owned, rented, or occupied by an “insured” except while the “insured” is temporarily living there.
- A 8. After a loss and at the request of the “insured,” personal property owned by others while the property is on part of the “residence premises” occupied by an “insured” is covered.

Check-In



Directions: Read each description. Then write the letter of the related coverage which may provide some protection.

- | | | |
|--|--|----------------------------|
| A. Debris Removal | E. Property Removed | I. Collapse |
| B. Reasonable Repairs | F. Loss Assessment | J. Ordinance Or Law |
| C. Trees, Shrubs And Other Plants | G. Glass or Safety Glazing Material | K. Grave Markers |
| D. Fire Department Service Charge | H. Landlord's Furnishings | |

- D 1. a private fire department charges a client to save their property outside the jurisdictional limits of the responding fire department
- B 2. a tarp is placed on a damaged portion of a roof until permanent repairs can be made
- A 3. costs associated with removing debris from trees felled by wind, hail, or the weight of winter precipitation
- H 4. covers the cost of appliances in a regularly rented "residence premises"
- C 5. lightning splits a tree
- F 6. additional coverage up to \$2,000 to cover shared costs under the terms of a homeowners' association agreement
- J 7. covers costs related to the enforcement of an ordinance or law
- E 8. covered property is removed before a covered peril endangers the property
- K 9. additional coverage up to \$5,000 of the actual cash value of damage to a grave marker
- I 10. covers costs for repairing damage caused by the falling down or caving in of a building or part of a building due to one or more named perils
- G 11. covers the cost of glass breakage

▶▶ Knowledge Check



After observing structural changes within his home, a client hired an inspector. The inspector confirmed that the foundation was damaged and explained that a number of neighboring homeowners had similar problems. An investigation of the problem had led inspectors to an oil and natural gas extraction site. Drilling and the injection of high-pressure water caused earth tremors that extended across a large geographic area, which included your client's neighborhood. Your client is seeking coverage for repairs. What will you say to him?

Sample Answer:

Tremors are classified as earth movements. Damages from earth movement are not covered, though losses associated with fire, explosion, or theft from these movements are. Because it is the house's foundation that is damaged and not an acceptable loss, there is no coverage for repairs.

Section I – Perils Insured Against

Check-In



Directions: Select True or False.

1. An insured homeowner maintains the heat in her residence, but the plumbing freezes. The physical loss to property is covered.

True

False

Loss caused by freezing of plumbing is not covered unless heat in the building is maintained. (A.2.c.(1))

2. An insured homeowner's residence is under construction when thieves remove uninstalled kitchen cabinetry and plumbing. The physical loss to property is covered.

True

False

No coverage is provided for a loss related to theft in or to a residence under construction. This also includes construction-related materials and supplies. (A.2.c.(3))

3. An insured homeowner has a work assignment that requires her to be abroad for 30 days. While she is working outside the country, vandals graffiti her home's exterior. The physical loss to property is covered.

True

False

Vandalism and Malicious Mischief is not covered only when the home has been vacant for 60 consecutive days immediately before the loss (A.2.c.(4)).

4. An insured homeowner's hot-water tank, which is stored in a utility closet in the home's garage, leaks. The homeowner cleans up the water and has the tank repaired. Weeks later, mold is discovered within the walls of the utility closet where the tank is stored. The physical loss to property is covered.

True

False

5. An insured homeowner hires a service to conduct an environmental assessment. Service representatives detect high levels of radon in several rooms in the house, primarily in the kitchen, bathrooms, and basement. Remediation is required. The physical loss to property is covered.

True

False

Radon is a pollutant, and causes of loss related to pollution under Section I – Perils Insured Against 2.c.(6) are NOT covered. [A.2.c.(6).(e)]

▶▶ Knowledge Check



A client asks you to explain what types of losses are covered on their HO-3 Policy for Coverage A – Dwelling, Coverage B – Other Structures, and Coverage C – Personal Property. What do you say?

Sample Answer:

The Homeowners 3 – Special Form insures against direct physical loss on an open perils basis for Coverages A and B, meaning all perils are covered, except those which the policy says are excluded. Excluded losses are found in both Perils Insured Against and Section I – Exclusions.

For Coverage C, direct physical loss is provided on a named perils basis, meaning only the causes of losses named in the policy are covered. Consider any of the 16 named perils: fire, lightning, freezing, smoke, etc.

Section I – Exclusions

▶▶ Knowledge Check



You've provided a Homeowners (HO-3) quote to a prospective client, but as they were reviewing it, they noticed a premium quoted for something called Water Back-up/Sump Discharge coverage with a limit of \$20,000. The prospect advises they are not in a flood zone and do not have any issues with water around the home. What exclusion should you discuss and what might you say to help the prospect understand the important coverage you've added to their Homeowners Quote?

Sample Answer:

Explain to the prospect that damage to the dwelling or personal property which is caused by Water (Exclusion A.3) is an exclusion in the Homeowners Policy. This exclusion not only excludes Flood, which is water at or below the surface of the ground, but also excludes water that backs-up into the house from drains, sewers, or sump pumps. These water back-ups could be caused by blocked drain lines. Adding the endorsement for Water Back-up ensures that the prospect will not be completely without coverage for such damage caused by water back-up, though the endorsement does not add back any coverage for Flood, as a separate Flood policy should be obtained..

Section I – Conditions

Check-In



Directions: Match each condition to its correct category.

1. No Benefit to Bailee	<u>10</u> A carrier will not be liable in any one loss for more than the amount of an “insured’s” interest at the time of loss.
2. Recovered Property	<u>5</u> A carrier defines the conditions for replacement cost without deduction to buildings covered under Coverage A or B.
3. Other Insurance and Service Agreement	<u>1</u> An insurance company does not recognize assignments or grants that benefit an individual or organization that holds, stores, or moves property for a fee.
4. Policy Period	<u>2</u> The insurance carrier establishes the consequences of any recovered property for which they have already made payment, whether the property is recovered by the “insured” or by the company.
5. Loss Settlement	<u>9</u> The insurance carrier agrees to adjust all losses with the “insured.”
6. Our Option	<u>8</u> An insurance carrier will pay only that part of the total of all loss payable that exceeds the deductible amount shown in the Declarations.
7. Concealment or Fraud	<u>3</u> The insurance carrier describes the extent of its obligations should an “insured” have another insurance or a service plan, such as a home warranty.
8. Deductible	<u>6</u> The insurance carrier retains the right to repair or replace any part of damaged property with material or property of like kind and quality if the carrier gives the “insured” written notice within 30 days of receiving a signed, sworn proof of loss.
9. Loss Payment	<u>7</u> The insurance carrier declares that it will provide no coverage to an “insured,” whether before or after a loss, if the “insured” has intentionally concealed or misrepresented information, engaged in fraudulent conduct, or made false statements related to the insurance.
10. Insurable Interest and Limit of Liability	<u>4</u> The insurance carrier states that the policy applies only to loss that occurs during the policy period.

▶▶ Knowledge Check



Your client contacts you and advises that embers from their fireplace caused fire damage. As a result, carpeting in the living room and the couch are irreparably marred. Your client has a \$500 deductible. How much do you expect the HOMEOWNERS 03 - SPECIAL FORM to pay for this claim?

	Replacement Cost	Actual Cash value
Carpet	\$3,500	\$1,500
Couch	\$1,500	\$500

How much would be paid for this claim? \$1,500

Check-In



Directions: Write the letter of each item on the right under the correct loss settlement header according to the Loss Settlement condition for a Homeowners 3 - Special Form.

Actual Cash Value	Replacement Cost
A.	B.
C.	D.
E.	
F.	
G.	

- A. Carpeting of the home
- B. Detached guest house in the back yard
- C. Aluminum awning installed from the roofline over hanging the attached deck
- D. The dwelling
- E. The refrigerator
- F. Personal clothing and furniture
- G. Wooden privacy fence

Check-In



Directions: Apply what you know about property coverage, exclusions, limitations and the Loss Settlement condition.

Emilio's house was damaged in April by a falling tree. He carried **\$150,000** of insurance coverage on his home valued at **\$250,000**. The total cost to repair damage is **\$20,000**. The actual cash value of the damage is **\$12,000**. Emilio had moved from the home and it remained unoccupied since January of the same year.

Is the damage covered?

If the claim is covered, how much will the policy pay?

Damage to Emilio's home is covered even though the home was unoccupied. Coverage exclusions and limitations that apply to vacancy pertain to Glass or Safety Glazing Material and Vandalism and Malicious Mischief. Freezing of plumbing, heating, air conditioning, fire protective sprinklers, or household appliances will not be covered if heat was not maintained in the home or the water supply was not shut off and systems drained.

Emilio did not insure his home to 80% of replacement cost or higher. The Loss Settlement condition, Part D.2.b. will apply.

$$\frac{\text{Did}}{\text{Should}} \times \text{Loss} = \frac{\$150,000}{\$200,000 \text{ (80\% of \$250,000)}} = 0.75 \times \$20,000 = \$15,000$$

Emilio's homeowners policy will pay \$15,000. The policy will not pay full repair cost of the damage because Emilio did not carry adequate coverage limits of at least 80% of the dwelling's replacement cost. Since ACV of the damage is lower than the penalty amount, the policy will pay the higher penalized loss amount of \$15,000.

▶▶ Knowledge Check



Directions: Review the scenario below and use everything you've learned so far to discuss replacement cost and the loss settlement policy condition with your client.

It is important to understand how loss settlement can hinder claim payments and hurt a client if proper coverage limits are not selected.

A client calls and informs you that they purchased a new primary residence for which they'd like to obtain insurance. You perform a replacement cost evaluation (RCE) using information from home inspection and/or appraisal, property assessments, and other accurate and relevant information. The RCE is \$350,000. You provide your client with a Homeowners quote with \$350,000 Coverage A, but the client says "My mortgage loan amount is only \$250,000 and that's all I'd like to insure my home for." Using everything you've learned about the Homeowners Policy up to now, what important points will you discuss with your client to help them understand replacement cost and his policy conditions?

1. Loss Settlement condition, penalty if coverage is less than 80% of the replacement cost at the time of the loss.
2. Cost of debris removal is included in the limit of liability of the damaged building.
3. Coverages based on a percentage of Coverage A:
 - Coverage for Other Structures is 10% of Coverage A, is that enough to cover detached structures on the premises?
 - Coverage for Personal Property is 50% of Coverage A.
 - Coverage for Additional Living Expense is 30% of Coverage A. How long will it take to get permits, building plans, rebuild the home, and pass inspections?
 - Ordinance or Law coverage is 10% of Coverage A. From the moment a home construction is complete it is possible ordinances are updated/revised. Older homes are very likely to be subject to new ordinances and building codes at the time of a loss.
4. The dwelling loan may be \$250,000 but if the home suffers a total loss claim, it will cost more than \$250,000 to rebuild.

Section 3 Self-Quiz

Directions: Use the word bank to fill in the blanks. Words may be used more than once.

open perils	exclusions	other structures	penalty
Ordinance or Law	named perils	dwelling	replacement cost
actual cash value	loss settlement		

1. The loss settlement condition details which property will receive actual cash value and which will receive replacement cost value (RCV).
2. The loss settlement condition sets forth an important requirement that buildings must be insured to at least 80% of their replacement cost at the time of a loss or a penalty will apply to a loss to damaged property.
3. The Special Personal Property endorsement can be used on the HO-4 Tenant form to broaden Perils Insured Against to open perils.
4. Coverage - C Personal Property is insured against named perils on all Homeowners Forms, except the HO-5 and HO-14.
5. The unendorsed Homeowners Policy excludes coverage for Ordinance or Law except as provided in Section I - Additional Coverages.
6. Exclusions are policy provisions which limit or restrict coverage.
7. An attached garage is covered under Dwelling coverage, while a detached garage is covered under Other Structures coverage.

Directions: Read each statement. Then circle True or False.

1. Certain property classes (Jewelry, Firearms, and Silverware) have limited coverage for theft but are covered up to the full Coverage C limit of liability for any other covered loss.

True

False

Section 3: The Homeowners Policy Section I - Property Coverages

2. The value or cost of land is included in Coverage A - Dwelling.

True

False

3. Vandalism and malicious mischief is covered on dwellings that have been vacant for less than 90 days.

True

False

4. Under the Loss Settlement condition, for losses greater than \$5,000 and 5% of the limit of liability, the client will receive actual cash value on covered buildings until the damages are repaired or the building is replaced.

True

False

5. Collapse is not covered except as provided in Section I - Additional Coverages and only for certain named perils.

True

False

Directions: Select the correct Answer

1. The Basic Limit for Coverage A - Dwelling under the Homeowner 3 - Special Form is:

\$100,000

Selected by the "insured"

\$150,000

50% of Coverage E - Personal Liability

2. The Basic Limit for Coverage B - Other Structures under the Homeowner 3 - Special Form is:

50% of Coverage A

\$10,000

\$1,000

10% of Coverage A

3. Coverage C - Personal Property has a Basic Limit of _____ under the Homeowner 3 - Special Form.

10% of Coverage A or \$1,500, whichever is greater.

30% of Coverage A

\$50,000

50% of Coverage A

Section 3: The Homeowners Policy Section I - Property Coverages

4. The Homeowner 3 - Special form includes _____ as a basic limit of coverage for Coverage D - Loss of Use:
- Loss of Use is not covered
 - 30% of Coverage A
 - 20% of Coverage A
 - \$30,000
5. What is the Coverage C - Personal Property limit of liability for Renter/Tenant forms (HO-4 and HO-14)?
- \$50,000 minimum
 - The limit is selected by the "insured"
 - 50% of Coverage E - Personal Liability
 - \$25,000

Section 4: The Homeowners Policy

Section II – Liability Coverages

Section II – Liability Coverages

Check-In



Directions: Read each statement and indicate whether it is True or False.

1. Laura visits a hospital after falling off a ladder while removing a dead limb from a tree in her own backyard. Medical payments for the visit are covered under Section II - Liability Coverages of her Homeowners Policy.

True

False

Coverage F - Medical Payments to Others “does not apply to you or regular residents of your household except “residence employees.”

2. Ali invites a neighbor to her home to assist in repairing a vintage car. Ali breaks a toe when the neighbor drops a toolbox on her foot. Medical treatment for Ali’s broken toe is covered under Section II - Liability Coverages of her Homeowners Policy.

True

False

Coverage F - Medical Payments to Others “does not apply to you or regular residents of your household except “residence employees.”

3. Under the terms of Coverage E - Personal Liability, an insurance carrier promises to pay up to the carrier’s limit of liability for “bodily injury” or “property damage” for which an “insured” is held liable.

True

False

The “insured” must be liable, and damages must be due to either “bodily injury” or “property damage” for the policy to pay up to the limit of liability per “occurrence.”

Check-In (continued)



Directions: Read each statement and indicate whether it is True or False.

4. An insurance carrier's duty to settle or defend a suit ends once the limit of liability for an "occurrence" has been exhausted by payment of a judgment or settlement, even if the "insured" is liable beyond the limit of liability.

True

False

Defense expense is in addition to the limits of liability, but this defense ends once the policy limit for the "occurrence" is exhausted by a judgment or settlement.

5. Under the terms of Coverage F - Medical Payments to Others, an insurance carrier provides medical coverage to "residence employees."

True

False

Coverage F - Medical Payments to Others "does not apply to you or regular residents of your household except "residence employees."

▶▶ Knowledge Check



A client calls to alert you to a possible liability claim. He hired a pest-control service to inspect his home. During the visit, the service representative claims he fell and injured himself because the family dog, an aged golden retriever, chased him. Explain how Defense coverage provided by Coverage E - Liability applies in this situation.

Sample Answer:

The insurance carrier will take responsibility for investigating the claim to determine whether the client is potentially liable. In any case, the carrier will decide whether it is appropriate to settle the claim. If the claim goes to court, the carrier will provide a defense at their expense with counsel of their choosing.

Section II – Exclusions

What Could Go Wrong?

You over hear your co-worker, Jeff, advising a client that they do not need to have a Personal Auto Policy on an old truck that is “just sitting in the driveway” because the client says it is dead but plans to fix it eventually. Jeff says that the Homeowners Policy will provide motor vehicle liability coverage for a vehicle in dead storage on an “insured location.” What could go wrong?



- Nothing, Jeff correctly interpreted the term “dead storage” even though it is not defined in the Homeowners Policy.
- “Dead storage” is not defined in the policy and Jeff may have created an E&O by advising the client motor vehicle liability will apply.
- Jeff should have asked more questions to determine if the vehicle is actually considered in “dead storage.”

What Could Go Wrong?

Jay and his daughter enjoy fishing, hiking, and camping in a national forest near their hometown. The daughter suggests that her father purchase an ATV to ride on their camping trips. Jay responds to her suggestion with, “Great idea! That’ll be fun.” What could go wrong?



- Jay and his daughter are fine. Owned ATV’s are provided liability coverage from the Homeowners Policy anywhere the insured takes them.
- The Homeowners Policy does not provide Personal Liability or Medical Payments to Others coverage for the use of owned recreational vehicles of this type when located off of an “insured location.”

Under Section II - Exclusions “Motor Vehicle Liability,” the Homeowners Policy does not provide Personal Liability or Medical Payments to Others coverage for the use of owned recreational vehicles of this type when located off of an “insured location.” A separate policy for ATVs would be needed for liability insurance protection.

Check-In



Directions: Review the scenarios below and decide how the unendorsed Homeowner Policy liability coverages will respond to the following loss scenarios.

Example #1

Sarah and Mike bought their four-year-old son a new 12-volt battery-powered four-wheeler. On the way through the neighborhood, Mike watched his son go “super fast,” but he knew better: the toy would only go five miles per hour, just one to two mph faster than the average adult walking speed. Oops! Mike’s son is suddenly distracted by a puppy, and runs into the leg of a jogger, causing the jogger to fall, resulting in a deep gash to her knee. Which of the following describes how the Homeowners Policy will respond to this loss?

- There will only be coverage under Coverage F - Medical Payments to Others
- There will be no Personal Liability or Medical Payments coverage because the motorized toy is considered a “motor vehicle” and off an “insured location”
- Good news! Because the motorized toy is designed for a child under seven years old and does not exceed five mph, the policy will respond with Personal Liability and Medical Payments coverage.

Example #2

Mike got a new golf cart for Father’s Day! Even though he lives within a private golfing community, he just doesn’t have time for the golf course today, so he takes the golf cart for a spin around the neighborhood with his neighbor buddy to show it off. Mike has to make a sudden stop to avoid what could be a very damaging pot hole, and the neighbor hits his head hard enough to cause a deep cut above his eye. Mike calls his insurance agent. How might Mike’s agent expect his unendorsed Homeowners policy to respond to this loss?

- As long as the owned golf cart is not registered or required to be registered for public road use, Personal Liability and Medical Payments coverage from Mike’s Homeowners Policy will apply because Mike is using his golf cart within his private community.
- The agent fears there is no liability coverage because the “Motor Vehicle Liability” exclusion only provides coverage exception for owned vehicles on an “insured location” unless it’s a toy vehicle designed for children under seven years old.
- The agent believes Personal Liability and Medical Payments coverage only applies to owned golf carts when the vehicle is being parked, stored, or used on a golfing facility by the “insured” while playing a game of golf.

Check-In



Directions: Fill in the table according to how an “insured” may possess a “watercraft” to discover how Homeowners liability coverages will apply.

Does coverage for “watercraft liability” apply?

Type of Watercraft	Details	Possession of Watercraft		
		Owned	Rented	Borrowed
Sailing vessel	Less than 26 ft. in length	Yes	Yes	Yes
	26 ft. or more in length	No	Yes	Yes
Powered by engines or motors (including water jet pump)	25 horsepower or less	Yes	Yes	Yes
	More than 25 horsepower	No	Yes	Yes
	More than 25-hp outboard engine or motor: if acquired and owned by an insured <u>DURING</u> the policy period, coverage will be provided during the policy period if intent to insure the craft is made in writing within 45 days of acquiring the watercraft, OR if acquired and owned by the insured <u>BEFORE</u> the policy period but declared at policy inception.			

What Should You Do?

Amelia, your client's personal house manager, is injured at your client's secondary lake home (not listed on the Declarations) while accompanying a plumber hired to service the location. Your client calls to inform you of the accident. As the their agent, what should you do?



Explanation:

Turn in the claim to the homeowner's insurance company; the house manager is "residence employee," thus the exclusion applicable to "bodily injury" arising out of an "Insured's" Premises Not An "Insured Location" will not apply as there is a coverage give-back at the end of exclusion E. The house manager's injury is be covered.

Check-In



Directions: Use the following terms to fill in the blanks.

“aircraft liability”	“expected”	“property damage”
“bodily injury”	handicapped person	“residence employee”
business	“Insured”	“watercraft”
communicable disease	“intended”	“watercraft liability”
controlled substance	“motor vehicle”	

- Liability Coverages E and F do *not* apply to a(n) “motor vehicle” that is registered for use on public roads or property.
- If Part 1 of the “motor vehicle liability” exclusion does *not* apply, there is still no coverage for “motor vehicle liability” unless the “motor vehicle” at the time of an occurrence is designed for and used to assist a(n) handicapped person.
- Coverages E and F do *not* apply to “watercraft liability” if at the time of an occurrence, the “watercraft” is operating in or practicing for a prearranged or organized race.
- There is no liability coverage for “aircraft liability” or “hovercraft liability.”
- Liability Coverages E and F do *not* apply to “bodily injury” or “property damage” that is “expected” or “intended” unless the injury or damage arises from an “Insured’s” use of reasonable force to protect persons or property.
- Liability Coverages E and F do *not* apply to “bodily injury” or “property damage” that arises from or in connection with a(n) “business” conducted from an “insured location.”

Check-In *(continued)*



Directions: Use the following terms to fill in the blanks.

“aircraft liability”	“expected”	“property damage”
“bodily injury”	handicapped person	“residence employee”
business	“Insured”	“watercraft”
communicable disease	“intended”	“watercraft liability”
controlled substance	“motor vehicle”	

7. Liability Coverages E and F do *not* apply to “bodily injury” or “property damage” that occurs on premises owned, rented to, or rented to others by a(n) “insured.”
8. Liability Coverages E and F do *not* apply to “bodily injury” or “property damage” that arises from the transmission of a communicable disease by an “insured.”
9. Liability Coverages E and F do *not* apply to “bodily injury” or “property damage” related to the use, sale, manufacture, delivery, transfer or possession of a controlled substance.
10. Coverage E - Personal Liability does *not* apply to “property damage” to property rented to, occupied, or used by or in the care of an “Insured.”
11. Coverage E - Personal Liability does *not* apply to “bodily injury” to any person eligible to receive any benefits voluntarily provided or required to be provided by an “insured” under specific laws.
12. Coverage F - Medical Payments To Others does *not* apply to a “residence employee” if the “bodily injury” occurs off the “insured location” and does not arise from or in the course of the person’s employment by an “insured.”

▶▶ Knowledge Check



An insurance agent calls a customer to discuss the customer's upcoming Homeowners insurance renewal. During the conversation, the customer tells the agent that she has recently converted one of her bedrooms into a photography studio and has started a new family portrait photography business.

What exclusions for Personal Liability and Medical Payments coverage in the Homeowners Policy might the agent discuss about the client's new venture?

Sample Answer:

The Business exclusion (E.2) and the Professional Services exclusion (E.3)

Section II – Additional Coverages

Check-In



Directions: Read each scenario. Then circle Yes or No.

1. An insured is using a popular app-based e-scooter in the city runs into a small child, causing injury. The parents of the child sue your insured for the injuries. A sum within the limit of liability is awarded but the insurance company experienced a systems error which caused a delay in payment and the court has now awarded post-interest judgment.

Will the insurance carrier pay?

Yes

No

2. While visiting some friends for an outdoor barbeque, your client's four-year-old child took off into their friend's home with a burst of energy. While running around the home the child excitedly kicked a ball into a 75-inch OLED television.

Will the insurance carrier pay?

Yes

No

▶▶ Knowledge Check



Your clients, the Jones family, purchased a new home that is part of a homeowners association (HOA). During a neighborhood watch meeting, your client hears stories from other property owners about a past lawsuit against the HOA that resulted in each of them paying a Loss Assessment fee of \$3,000. A child was playing in one of the neighborhood parks and a rotted board broke causing the child to fall and resulted in serious injuries. Having never lived within an HOA before, your client calls you and asks what coverage they have under their Homeowners Policy for Loss Assessment and how much coverage they can get, what will you advise?

It would be best to advise that the unendorsed Homeowners Policy includes up to \$2,000 of coverage for Loss Assessments charged against them during the policy period for bodily injury and property damage or the act of an unpaid elected HOA director, officer, or trustee as long as the loss is not excluded under Section II. You also know that the Supplemental Loss Assessment endorsement is available for an additional premium that can increase the \$2,000 limit up to \$50,000.

Section II – Conditions

Check-In



Directions: Read each statement on the left and match it to the appropriate condition shown on the right. Some conditions may be used more than once.

<u>E.</u> An “insured” is required to notify the insurance carrier or its agent in the case of an “occurrence.”	A. Concealment or Fraud
<u>C.</u> Insurance provided by the policy is excess over other valid and collectible insurance.	B. Limit of Liability
<u>A.</u> The insurance carrier does not provide coverage to an “insured” who intentionally conceals or misrepresents facts or circumstances.	C. Other Insurance
<u>E.</u> An “insured” is obligated to cooperate with the insurance carrier in an investigation, settlement, or defense of a claim or suit.	D. Bankruptcy of an “Insured”
<u>B.</u> Under Coverage E, the insurance carrier’s total liability for all damages resulting from any one “occurrence” will not exceed the coverage identified in the Declarations Page.	E. Duties After “Occurrence”
<u>E.</u> With respect to C. Damage To Property Of Others under Section II – Additional Coverages, an “insured” must submit a sworn statement of loss to the insurance carrier within 60 days after the loss.	F. Suit Against Us
<u>D.</u> The insurance carrier will provide coverage even if the “insured” is declared bankrupt or insolvent.	G. Policy Period
<u>G.</u> The Homeowners Policy’s effective dates of coverage	
<u>F.</u> No action can be brought against the insurance carrier unless there has been full compliance with all of the terms under Section II – Conditions.	

▶▶ Knowledge Check



A homeowner is named in a lawsuit along with his 18-year-old resident son after another person was seriously injured in a suspicious accident during a hunting trip. Which conditions in the policy will come into play with this claim?

Limit of Liability: Though there are two “insureds” named in the liability claim, the limit of liability will not change and will apply to both “insureds” together.

Severability of Insurance: Though the limit of liability will apply with one limit for both “insureds” together, each “insured” (the parent and the son) may be treated separately to receive separate defense coverage. Coverage for Defense is provided in addition to the Limits of Liability.

Duties After “Occurrence”: The homeowner and the son will both have obligations to the insurance carrier to aid in the process of the claim.

Concealment or Fraud: To ensure that any applicable coverage will apply, it is necessary that the homeowner and son do not purposefully hide or misrepresent any facts, make any false statements, or engage in any fraudulent activity.

Sections I and II Conditions

Check-In



Directions: Read each statement. Then circle True or False.

1. Under the Liberalization Clause, the insurance carrier can make automatic changes to an “insured’s” coverage if the implementation date occurs 60 days prior to or during the policy period stated in the Declarations.

True

False

2. Under the terms of Cancellation condition, when the insurance carrier cancels a policy, the “insured” receives a pro-rated refund for the premium for the time period between cancellation and the policy’s expiration date.

True

False

3. Under the terms of the Nonrenewal condition, the insurance carrier sends the most expedient form of notification, whether by email, fax, mail, or through a delivery service.

True

False

4. An insurance company must give written consent before a policy assignment is valid.

True

False

5. An insurance company may cancel a policy if an “insured” fails to pay the premium.

True

False

6. An insurance company may cancel a policy only if the policy is not a renewal and has been in effect for no more than 60 days.

True

False

▶▶ Knowledge Check



Directions: Answer the following questions based on details you recall from policy conditions.

1. The Homeowners Insurance Company decides to cancel a newly written policy because of the condition of the home. The policy has been in effect for 45 days. How many days' notice is the company required to give the insured?

10 days

2. How many days' notice would the insurance company have to provide if the policy was being non-renewed?

30 days

Section 4 Self-Quiz

Directions: Read each statement. Then select True or False.

1. In insurance, protection from liability means protection against claims arising from injuries to people and damage to property.

True

False

2. For Section II - Personal Liability of a Homeowners Policy, you and residents of your household are the only "insureds."

True

False

3. In Coverage E - Personal Liability of a Homeowners Policy, a person under the age of 21 who is in your care or the care of a resident of your household who is your relative is an "insured."

True

False

4. An "insured location" is the "residence premises" and parts of other premises, other structures and grounds used by you as a residence, and which is shown in the Declarations or is acquired by you during the policy period for your use as a residence.

True

False

5. Under the terms of a Homeowners Policy, bodily harm, sickness or disease, including required care, loss of services and death that results are examples of physical losses.

True

False

6. Under the terms of a Homeowners Policy, physical injury to, destruction of, or loss of use of tangible property is described as property damage.

True

False

7. Under the terms of a Homeowners Policy, an insurance carrier will pay up to the carrier's limit of liability for the damages for which an "insured" is legally liable and provide a defense at the carrier's expense by counsel of the insured's choosing.

True

False

8. Coverage F - Medical Payments To Others applies to the "insured" or regular residents of the "insured's" household, other than "residence employees."

True

False

Section 4: The Homeowners Policy Section II - Liability Coverages

9. Liability coverage is provided for “motor vehicles” designed for recreational use off public roads and not owned by an “insured.”

True

False

10. All owned watercraft under 50-horsepower are provided coverage for Section II - Liability Coverages.

True

False

11. Liability Coverages E and F apply to “bodily injury” or “property damage” that arises from or in connection with a “business” conducted from an “insured location.”

True

False

12. Coverage E - Personal Liability does not apply to “property damage” to property rented to, occupied by, or used by or in the care of an “insured” unless damage was caused by fire, smoke, or explosion.

True

False

13. Under the terms of Section II - Additional Coverages, additional coverages paid in addition to the limit of liability include claims expenses, first aid expenses, damage to Property of Others, and loss assessment.

True

False

14. Under the terms of a Homeowners Policy, an insurance carrier will pay for “property damage” intentionally caused by an “insured” who is 13 years old or older.

True

False

15. In Section II - Conditions of the Homeowners Policy, a carrier states that its total liability for all damages related to an “occurrence” will not exceed the limit of liability stated in the Declarations Page under Coverage E Limit of Liability.

True

False

16. Under the terms of Nonrenewal, an insurance carrier retains the right not to renew a policy.

True

False

Appendix

Preparing for the Final Exam

Preparing for the Final Exam

For many learners, test preparation is stressful. Please keep in mind that the most important measure of your knowledge will be witnessed in your service to your organization. Think of a test as a tool. Use it to come to an understanding of what you know, how it affects your work, and what more you would like to know to have even greater success in the workplace.

The testing period for the Final Exam is sixty-five minutes long. The test itself is composed of 50 multiple-choice questions that ask you to demonstrate what you know. Each question is worth two points. To pass, you are required to earn a minimum of 70 out of 100 possible points. Questions appear in the order of presentation of the topics.

Remain aware of the time as you take the test. Pace yourself and be aware that unanswered questions are considered incorrect.

Study Techniques

There are some techniques you can use to help you prepare for the end-of-course test. Apply the same techniques to each chapter in your learning guide.

1. Review the Section Goal.
2. Review each Learning Objective.
3. Change each header and subhead into a question. Then answer the question. For example,
Header: Characteristics of Whole Life Insurance
Question: What are some characteristics of Whole life insurance?
4. Review each diagram, graph, and table. Interpret what you see. Ask yourself how it relates to a specific Learning Objective.
5. Check your answers to each Check-In. Correct your original answers, if necessary.
6. Check your answers to each Knowledge Check. Consider ways to improve your original answers.
7. Re-read the summary at the end of each section.
8. Check your answers to each question in the Self-Quizzes at the end of each section. Correct your original answers, if necessary.
9. Review any comments, highlights, or notes you made in each section.
10. Rewrite important ideas in your own words. Find ways to connect those ideas to your own work experiences.

11. Make flash cards to help you review important vocabulary.

Sample Test Question

The end-of-course test has a variety of questions similar to the ones you see below.

1. Your client calls to inform you that he has quit his job and has started a new home-based business. He has asked whether his homeowners' insurance will protect his business. Which of these would be the best answer regarding the coverage found in his Homeowners Policy?
 - A) The Homeowners Policy will protect his business property.
 - B) The Homeowners Policy provides a small amount of property coverage and no liability coverage.
 - C) The Homeowners Policy provides broad liability protection for his business.
 - D) The Homeowners Policy provides liability coverage but no property coverage.
2. You discover that one of your clients has left the home that you insure on a Homeowners Policy vacant. You call the client to ask how long the house has been vacant. Which of the following answers gives you the greatest concern?
 - A) seven days
 - B) two weeks
 - C) six weeks
 - D) over two months

Glossary of Terms

actual cash value (ACV) property's replacement cost value, less depreciation according to the age of the property or results in a reduction in value for normal wear and tear of the property just prior to the loss.

beneficiary a party that receives a trust's assets when a trustor dies.

boarders/roomers individuals who rent rooms in a dwelling occupied by other boarders and/or the dwelling's owner; inhabitants share common spaces and kitchen facilities

conditional contract the insured must abide by the terms of the policy for the policy contract to be enforceable.

Conditions obligations required of an insured and insurance company to carry out other policy provisions

co-ownership dwellings owned by two individuals

Declarations Page the part of a policy that identifies the named insured, and includes an address, the policy period, the insured location, policy limits, and any other key information peculiar to the insured; also called the Information Page

dwelling a house's structure and things such as garages, decks, or porches attached to that structure

dwellings under construction dwellings in the course of construction

endorsements amendments or additions to language in a policy contract that affect coverage; also called riders

exclusions provisions that eliminate coverage for some types of risk

grantor an individual who establishes a trust

ISO Insurance Services Office

incidental occupancy a business operating within a dwelling

life estate ownership arrangement that splits ownership between the giver and receiver

long-term purchase/contract of sale ownership arrangement where the title of the property does not pass from the seller until all the terms of the installment contract have been satisfied; a "lease-to-own" type agreement

named perils coverage only for perils listed in a policy

open perils coverage for any reason not specifically excluded from a policy (continued)

Glossary of Terms

peril an event that causes or has the potential to cause damage or loss, such as a fire or falling object

P.I.N.E.S. acronym used to describe the Key Condition of Duties After Loss: **P**rotect, **I**nventory, **N**otify, **E**xhibit, **S**ubmit

replacement cost (RC) cost to replace damaged property with like kind and quality at today's value

seasonal dwellings dwellings with continuous unoccupancy of three or more consecutive months during any one-year period

settlor an individual who establishes a trust

tangible real, physical property that you can touch, or property is physically present and is made of physical materials

trust a relationship in which one party holds property for the benefit of another party

trustee an individual who manages a trust; often an attorney or accountant

trustor an individual who establishes a trust; trustor, settlor, creator, or grantor