

# Georgia Personal Lines Agent Content Outline

## What You Need to Know to Pass the State Exam

Examination Content Outline provided by GA DOI

- I. **Types of Property Policies**
- II. Types of Casualty Policies
- III. Property & Casualty Insurance Terms and Related Concepts
- IV. Property and Casualty Policy Provisions and Contract Law
- V. State Laws, Rules, and Regulations



*"What You Don't Know Can't Help You!" ... Eddie K. Emmett, Editor / Publisher*



## On-Demand Training Series

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### A. Homeowners

#### Coverage Forms

All HO policies are **package** policies **combining** property and liability coverages.

Part I is the Property Section and has **a** deductible

Part II is the Liability Section and has **no** deductible.

**HO-2 – Broad Form** - refers to homeowners' insurance that provides protection over the dwelling and other structures, whether attached or detached, and personal property in the home against 16 named perils. HO-2 is also referred to as a broad form because it offers more coverage than HO-1.



- Fire and lightning
- Explosion
- Smoke
- Windstorms and hail
- Damage from accidental discharge or overflow of water or stream
- Ice, snow, or sleet
- Freezing
- Volcanic eruptions
- Riots and civil commotion
- Vandalism and malicious mischief
- Vehicles, only if third parties are at fault
- Aircraft
- Theft, usually limited to only \$1,000
- Falling objects
- Sudden and accidental damage from artificially generated electrical current

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### A. Homeowners

#### Coverage Forms

**HO-3 – Special Form** is a type of home insurance policy that provides coverage over the home and structures both attached and detached against loss or damage caused by all perils, except those **specifically excluded** in the contract. HO-3 also covers personal belongings inside the primary residence, but only against named perils. Exclusions include:

- Neglect
- Intentional loss
- Vandalism or malicious mischief occurring while home is vacant for at least 60 days
- War
- Government action
- Earthquake
- Collapse
- Nuclear hazard
- Smog, corrosion, and rust
- Water damage, except accidental, and sudden overflow
- Power failure
- Mechanical breakdown
- Wear and tear
- Smoke from industrial operations
- Discharge and seepage of pollutants
- Molds, fungus, or wet rot
- Birds, rodents, insects
- Animals belonging to the insured
- Theft when the dwelling is under construction

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### A. Homeowners

#### Coverage Forms

- **HO-4 – Contents Broad** is a type of home insurance policy that provides coverage for only the contents of the home against 16 named perils as well as liability coverage for property damage or injury to those in the residence. It is the same perils as an HO-2 that has been modified to cater to tenants of a room, apartment, or home.
- HO-4 is also known as **renter's insurance**.
- It is important to note HO-4 does not provide coverage to the dwelling or home. However, it may cover alterations the renter makes to the building for up to **10** percent of the coverage for personal property. Moreover, it may provide for additional living expenses in case the renter is displaced.



# **Key Points:** Types of Property Policies What You Need to Know to Pass the State Exam

## **A. Homeowners**

### Coverage Forms

**HO-5 – Comprehensive** is a homeowner's insurance policy that covers the property, structures within the limits of the property, personal belongings, liability, and medical coverage. As the name implies, it is the type of homeowner's insurance that provides the widest coverage.

- HO-5 insurance is considered the all-perils policy for homeowners. If the property is damaged, the policy owner does not have to link the cause of the damage to one of the items listed in the policy, as would be the case with named perils insurance.
- Insurance companies tend to be cautious when issuing HO-5 policies and usually sell them to houses that are quite new, well maintained, or located near the fire department.

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### A. Homeowners

#### Coverage Forms

**HO-6 – Unit-Owners (Condo) Form** is a type of homeowner's insurance policy that provides coverage for the personal property of condominium unit owners or shareholders of a cooperative building. The coverage may include other items not covered by the condominium association's insurance as well as liability coverage and medical payments coverage.

- Though similar to HO-3, it does not provide as much real property coverage as HO-6 is intended to work in conjunction with the master policy of the condominium owner. Aside from personal property, HO-6 generally provides coverage for the following:
- Improvements and alterations, such as built-in cabinets, appliances, interior dividers, or bookshelves.
- Common areas, such as a portion of the hallway, sidewalk, or entrance.
- Real property exclusively belonging to the condominium unit owner, such as upgraded doors and locks.
- Structures off the premises, such as a garage or shed owned by the insured which are located in another part of the building.
- Content's coverage is Named Perils (Broad Form)

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### A. Homeowners

#### Coverage Forms

- **HO-8 – Modified Form** - The HO-8 form is a modified version that provides coverage for homeowners unable to attain an HO-3 policy for their **older home** — typically more than 40 years old.
- Under an HO-8 policy, the insured's dwelling, personal property, liability, and loss of use are covered. However, it should be noted this insurance policy will not go as far in covering your home and personal belongings as an HO-3 or HO-5 policy.
- An accident that results in bodily injury or property damage is defined as an “occurrence”

Want to know more? [Click here](#)

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### UNDERSTANDING HOMEOWNERS' COVERAGE USING CHARTS

#### Coverage Parts:

		HO 00 02 Broad Form	HO 00 03 Special Form	HO 00 04 Contents Broad Form	HO 00 05 Comprehensive Form	HO 00 06 Unit-Owners Broad Form	HO 00 08 Modified Coverage Form
<b>Section I</b>	Coverage A	Dwelling Coverage		N/A	Dwelling Coverage		
	Coverage B	Other Structures			Other Structures		
	Coverage C	Personal Property					
	Coverage D	Additional Living Expense; Fair Rental Value and Civil Authority Prohibits Use					
<b>Section II</b>	Coverage E	Personal Liability					
	Coverage F	Medical Payments to Others					



# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### UNDERSTANDING HOMEOWNERS' COVERAGE USING CHARTS

#### Covered Perils and Valuation:

	HO 00 02 Broad Form	HO 00 03 Special Form	HO 00 04 Contents Broad Form	HO 00 05 Comprehensive Form	HO 00 06 Unit-Owners Broad Form	HO 00 08 Modified Coverage Form
<b>Real Property Cause of Loss</b> Coverage A / Coverage B	Broad Named Peril	Special Cause of Loss	N/A	Special Cause of Loss	Broad Named Peril	<u>Basic</u> Named Peril
<b>Real Property Valuation</b> Coverage A / Coverage B	Replacement Cost			Replacement Cost		<b>Functional</b> Replacement Cost
<b>Personal Property Cause of Loss</b> Coverage C	Broad Named Peril			Special Cause of Loss	Broad Named Peril	<u>Basic</u> Named Peril
<b>Personal Property Valuation</b> Coverage C	Actual Cash Value					
<b>Loss of Use</b> Coverage D	Actual Loss Sustained (out of pocket expense) for Additional Living Expense, Fair Rental Value and Civil Authority Prohibiting Use resulting from a covered cause of loss					

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### UNDERSTANDING HOMEOWNERS' COVERAGE USING CHARTS

#### Covered Perils:







Basic Named Perils	Broad Named Perils	Special Cause of Loss ("Open Perils")
HO 00 08 Modified Coverage Form <ul style="list-style-type: none"> <li>• Coverage A - Dwelling</li> <li>• Coverage B - Other Structures</li> <li>• Coverage C – Personal Property</li> </ul>	HO 00 02 Broad Form <ul style="list-style-type: none"> <li>• Coverage A - Dwelling</li> <li>• Coverage B – Other Structures</li> <li>• Coverage C – Personal Property</li> </ul> HO 00 03 Special Form <ul style="list-style-type: none"> <li>• Coverage C – Personal Property</li> </ul> HO 00 04 Contents Broad Form <ul style="list-style-type: none"> <li>• Coverage C – Personal Property</li> </ul> HO 00 06 Unit-Owners Broad Form <ul style="list-style-type: none"> <li>• Coverage A – Dwelling</li> <li>• Coverage C – Personal Property</li> </ul>	HO 00 03 Special Form <ul style="list-style-type: none"> <li>• Coverage A – Dwelling</li> <li>• Coverage B – Other Structures</li> </ul> HO 00 05 Comprehensive Form <ul style="list-style-type: none"> <li>• Coverage A – Dwelling</li> <li>• Coverage B – Other Structures</li> <li>• Coverage C – Personal Property</li> </ul>

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### UNDERSTANDING HOMEOWNERS' COVERAGE USING CHARTS

#### Key Values and Percentages:

PROPERTY TYPE	HO 00 02 Broad Form	HO 00 03 Special Form	HO 00 04 Contents Broad Form	HO 00 05 Comprehensive Form	HO 00 06 Unit-Owners Broad Form	HO 00 08 Modified Coverage Form
<b>Cov. A: Dwelling</b>	Key Value 	Key Value 	10% of C	Key Value 	\$5,000	Key Value 
<b>Cov. B: Other Structures</b>	10% of A	10% of A		10% of A		10% of A
<b>Cov. C: Personal Property</b>	50% of A	50% of A	Key Value 	50% of A	Key Value 	50% of A
<b>Cov. D: Loss of Use</b>	30% of A	30% of A	30% of C	30% of A	50% of C	10% of A

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### UNDERSTANDING HOMEOWNERS' COVERAGE USING CHARTS

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#### Listing of Perils:

Basic Named Perils	Broad Named Perils
<ul style="list-style-type: none"><li>• Fire or Lightning</li><li>• Windstorm or Hail</li><li>• Explosion</li><li>• Riot or Civil Commotion</li><li>• Aircraft</li><li>• Vehicles</li><li>• Smoke</li><li>• Vandalism or Malicious Mischief</li><li>• Theft</li><li>• Volcanic Eruption</li></ul>	<ul style="list-style-type: none"><li>• Fire or Lightning</li><li>• Windstorm or Hail</li><li>• Explosion</li><li>• Riot or Civil Commotion</li><li>• Aircraft</li><li>• Vehicles</li><li>• Smoke</li><li>• Vandalism or Malicious Mischief</li><li>• Theft</li><li>• Volcanic Eruption</li><li>• Falling Objects</li><li>• Weight of Ice, Snow or Sleet</li><li>• Accidental Discharge or Overflow of Water or Steam</li><li>• Sudden and Accidental Tearing Apart, Cracking, Burning or Bulging</li><li>• Freezing</li><li>• Sudden and Accidental Damage from Artificially Generated Electrical Current</li></ul>

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### UNDERSTANDING HOMEOWNERS' COVERAGE USING CHARTS

#### Special Limits Applicable to All HO Forms:

Property Limited	All HO Forms	Maximum Allowable
Money, bank notes, bullion, gold, silver, platinum, coins, medals, scrip, stored value cards and smart cards.	\$200	\$1,000
Securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, personal records, passports, tickets and stamps.	\$,1500	\$3,000
Watercraft of all types, including their trailers	\$1,500	
Trailers not used with watercraft	\$1,500	
Business property on premises	\$2,500	
Business property off premises	\$1,500	
Portable electronic equipment for motor vehicles	\$1,500	\$6,000
Antennas, tapes, wires, disks, records, or other media for use with portable electronic equipment	\$250	

#### Special Limits for All Forms Except HO-8:

Property Limited	HO-2, HO-3, HO-4, HO-5, HO-6	Maximum Allowable
<b>Theft</b> of jewelry, watches, furs, precious and semiprecious stones	\$1,500	\$6,500
<b>Theft</b> of firearms and related equipment	\$2,500	\$6,500
<b>Theft</b> of silverware, silver-plated ware, goldware, gold-plated ware, platinumware, platinum-plated ware and pewterware	\$2,500	\$10,000

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### UNDERSTANDING HOMEOWNERS' COVERAGE USING CHARTS

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#### Watercraft Liability Exclusion Exception:

	Sailboat	Inboard or Inboard-Outdrive	Outboard
Owned	Covered if less than 26 feet in length	Excluded if owned	Owned Outboards are Covered if total of 25HP or less
Rented		Covered if 50HP or less	Covered if rented or not owned if greater than 25 total HP
Non-Owned / Borrowed	All non-owned or borrowed sailboats are covered regardless of length	Covered regardless of HP if not owned and not rented	

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### A. Homeowners

#### Definitions

**Insured** is the named insured and his or her resident spouse

**Insured Location** is the residence premises. Cemetery plots are also considered as an insured location.

**Residence Employee** is an employee whose duties are related to the maintenance of the residence premises. Example: gardener or nanny. An HO policy will not cover the property of a boarder (renter) but will cover the property of a guest or residence employee.

**Residence Premises** is the dwelling where the named insured resides. HO Liability is also known as “Premises Liability”

**Business** is a full or part-time trade, profession or occupation

**Key Points:** Types of Property Policies  
What You Need to Know to Pass the State Exam

**A. Homeowners**

**Section I – Property Coverages** – There are 6 standard homeowners' policies that include Section I Property Coverages and Section II Liability Coverages

- **HO-4** – HO-4 policies cover against the same types of damage as an HO-2 policy. The difference is that HO-4 policies are typically for tenants to insure the personal effects and property the tenant keeps at a rented location.
- **HO-6** – For condominium unit-owners, HO-6 policies offer the ability to insure items not covered by any policy purchased by the condo association. HO-6 policies can also cover personal effects inside the individual unit.



# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### A. Homeowners

#### Section I – Property Coverages

**Coverage A** – Coverage A, or dwelling coverage, is the central coverage included in a homeowner's policy and will generally have the highest limit of types of coverage on your policy.

**What It Covers:** Dwelling coverage protects the structural components of your home from damage and covers in the event of damage to the home that impacts walls, floors, ceilings, home systems, and more.

**When It Applies:** This type of coverage will usually apply in the event of damage from theft, vandalism, fire, explosions, windstorms, and lightning.

**Standard Coverage:** Coverage A can have any limit and it is generally recommended that homeowners carry Coverage A that protects the full replacement cost of their home.

A “**First Party Claim**” is presented by the insured to the insurer when their house burns down.

**Debris Removal** is covered up to 5% in **addition** to policy limits.

Damage due to **rain** is not covered **unless** the roof or walls were first damaged by wind or hail allowing the rain to enter.

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### A. Homeowners

#### Section I – Property Coverages

#### Coverage B – Other Structures

- **What It Covers:** Coverage B applies to structures independent of your home, like fencing, detached garages, swimming pools, sheds, driveways and more.
- **When It Applies:** Coverage B applies under similar circumstances as does Coverage A, including damage from theft, vandalism, fire, explosions, windstorms, and lightning.
- **Standard Coverage:** Standard policies will usually limit Coverage B to 10% of the replacement cost of the home, which is also the general industry's minimum recommendation for homeowners.

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### A. Homeowners

#### Section I – Property Coverages

##### **Coverage C – Personal Property**

**What It Covers:** Personal property coverage protects the belongings found within the home that don't fall outside the stipulations in the policy, such as items in certain categories or that are too valuable and need their own policies.

**When It Applies:** Personal property coverage applies when the inside of the home sustains damage, such as during a fire or from water damage.

**Standard Coverage:** Personal property coverage tends to range from 20% to 50% of the total replacement cost under Coverage A.

An HO policy will provide coverage for contents **anywhere** in the world including theft.

An HO policy covers your contents in full while moving for up to 30 days.

Personal property of others while on the insured's premises are covered.

Property of a roommate, boarder or other tenant is not covered unless related to the insured.

Recovered property will be returned to the insured or retained by the insurer at the insured's option but, if returned, the loss payment must be adjusted.

**Key Points:** Types of Property Policies  
What You Need to Know to Pass the State Exam

**A. Homeowners**

Section I – Property Coverages

**Coverage D – Loss of Use**

**What It Covers:** Loss of use covers **additional living expenses**, including housing expenses and in-excess of normal food costs when the insured property cannot be used. It can also cover lost income from rental properties that are unlivable.

**When It Applies:** Loss of use coverage applies when a home is a total loss after damage and is unlivable, and it covers the temporary housing and additional living costs (such as food).

**Standard Coverage:** Loss of use coverage covers costs of temporary housing for the entire time that the insured property is being repaired or rebuilt.

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### A. Homeowners

#### Section I – Property Coverages

- **Additional Coverages** - You might need more homeowner's insurance coverage and not even realize it. Here are some commonly overlooked areas that could be putting you and your family at more financial risk than necessary.
- **Home business:** In most states, homeowner's insurance policies cover a limited amount of business-related equipment or supplies. In some states, it may be possible to add a simple endorsement to your existing homeowner's insurance policy.
- **Valuable collections:** Replacement cost coverage on the contents of your home doesn't always cover the entire amount of valuable collections or other expensive items. Be sure to understand valuable property schedules and obtain an endorsement or separate policy if necessary.
- **Jewelry:** Many homeowners policies exclude or limit the loss of certain items due to theft even if the same item would be covered in a fire. There are also limits for very high-priced jewelry items or collections, so be sure to discuss an endorsement to your homeowner's policy.
- **Rebuilding:** Building codes and zoning can change over time, making it more expensive to rebuild or repair your home. Make sure to discuss all aspects of your home when you call.

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### A. Homeowners

#### Section II – Liability Coverages –

##### Coverage E – Personal Liability

- **What It Covers:** Personal liability coverage protects a homeowner from financial responsibilities of paying for a property or medical bills resulting from property damage or injury from the accidents caused by the homeowner or a member of their household both on and off the premises.
- **When It Applies:** Coverage E applies in cases where the homeowner is at fault (or liable), when negligence has caused a loss due to property damage or injury. Liability coverage does not apply for things that the homeowners or household members did not cause or did deliberately.
- **Standard Coverage:** Standard policies include \$100,000 worth of liability coverage.
- Company will not pay the cost of defense on an excluded claim.
- HO policy provides additional coverage for damage to the property of others up to \$1,000 per occurrence.
- Loss assessments made by Property Owners Association for bodily injury are covered up to \$1,000, but not assessments made by governmental bodies.
- Insured's use of a golf cart on a golf course is covered but not going to and from the golf course.

# **Key Points:** Types of Property Policies What You Need to Know to Pass the State Exam

## **A. Homeowners**

### Section II – Liability Coverages –

#### Coverage F – Medical Payments to Others

- **What It Covers:** Medical coverage pays for medical surgical, x-ray, dental, ambulance, hospital, nursing, prosthetic devices and funeral expenses of a person injured on the insured property. Medical coverage is **no fault** and does not require any negligence
- **When It Applies:** Medical coverage applies when a person is accidentally injured, and the claim is less than the maximum coverage limit. Medical Payments never apply to regular members of the household
- **Standard Coverage:** Standard policies include medical coverage of between \$1,000 and \$10,000. Expenses related to Medical Payments must be submitted to the insurance company within **three** years of the date of loss.

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### A. Homeowners

#### Section II – Liability Coverages –

#### Additional Coverages

- Payment for claims expenses
- First Aid to Others
- Damage to Property of Others
- [Test your understanding](#)
- The insurer's duty to defend a lawsuit is stated in the insuring agreement.
- All HO policies provide coverage related to credit card losses up to \$500
- Lawsuits may be filed by the insured against the insurer up to a maximum of 12 months after a loss.
- The bankruptcy of an insured does not relieve the insurer of their obligations under the policy.





# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### A. Homeowners

#### Perils Insured Against

A peril is an event, like a fire or break-in, that may damage your home or belongings. The perils covered by your homeowner's insurance are listed in your policy.

The list of mishaps you're protected against ("perils" in industry speak) is actually pretty broad. Here's a look at what the [Insurance Information Institute](#) says are some of the most common perils covered by a typical homeowner's insurance policy:

Fire and Smoke Lightning strikes

Windstorms and Hail Explosion

\*Vandalism and Malicious Mischief

Theft Falling objects Water Damage

Damage from an aircraft, car or vehicle

Weight of ice, snow or sleet

HO does not cover theft of animals, birds or fish

All HO policies cover theft of contents and damage done by burglars

Theft of personal property of a resident employee is covered under a HO-3

Check your homeowner's insurance policy to learn what perils it covers.

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### A. Homeowners

#### Exclusions

- Flood – All HO policies exclude coverage for flood
- Earthquake, Landslide, Mudslide and Sinkhole
- Dogs
- Maintenance Issues
- Farm risks
- BI & PD arising out of the loading or unloading of a motor vehicle
- Damage to **motorized vehicles are not covered** other than those used to maintain the premises. For example, a riding lawn mower.

#### **Other Exclusions**

Damage caused by war or nuclear hazards are excluded. Identity theft and related expenses are also not covered.

Dwelling under construction will not cover theft

Personal injury liability is not automatically covered but can be added by endorsement for an additional premium.

Damages from Off Premises Power Failure are not covered but can be endorsed.

# **Key Points:** Types of Property Policies What You Need to Know to Pass the State Exam

## **A. Homeowners**

**Conditions** - The conditions section of an insurance policy outlines various obligations that must be fulfilled for the contract to be enforced. Some conditions apply to the insured while others apply to the insurer.

Insurance conditions may include:

- How to report a loss
- How long you have to report a loss
- How property will be valued: after a loss, if the cost of reconstructing a home exceeds its market value, the insurer will consider it to be a “Constructive Total Loss”
- How and when a policy can be canceled: advance written notice must be sent to both the mortgage company and the named insured.
- When the insurer can non-renew the policy

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### A. Homeowners



Miscellaneous facts that should be memorized:

- Severability – coverage applies separately to each insured but will not increase the limits of liability for any one occurrence
- If the insured dies, their policy rights are transferred to their authorized representative.
- Proof of Loss does not have to contain the names of everyone in the household.
- Valued Policy a/k/a Agreed Amount is determined in advance between insured and insurer.
- On a valued policy, it is not necessary to determine the ACV or the depreciation.
- A Mortgagee does not have to accept a binder for insurance upon renewal.
- The definition of an insured under a HO includes residents of your household who are relatives or any other person under the age of 21 who is in your care.
- Liability coverage does not extend to a location where you are temporarily conducting your business.
- The insurer's duty to defend a lawsuit ends when the amount paid out for damages equals the limit of liability.

## **Key Points:** Types of Property Policies What You Need to Know to Pass the State Exam

### **A. Homeowners**

Selected Endorsements - A homeowner's insurance endorsement is optional coverage you can add to your policy to protect parts of your home and property that are not covered by standard insurance.

Most insurance companies offer several endorsements to accommodate your supplemental coverage needs. Service line, equipment breakdown, and water backup coverage, for example, are valuable policy add-ons if you have an old home with older plumbing or built-in appliances.

[Here's a more extended list to study](#)

**Key Points:** Types of Property Policies  
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**A. Homeowners**

Selected Endorsements

Limited Fungi, Wet or Dry Rot, or Bacteria Coverage (HO 04 26, HO 04 27)

- Endorsement that provides \$10,000 annual aggregate limit for loss caused by fungi, wet or dry rot or bacteria. Includes the cost of testing, removal of the fungi, rot and bacteria, replacing sections torn out to get to the fungi, rot or bacteria.
- Insurers may offer higher limits of \$25,000 and \$50,000

# **Key Points:** Types of Property Policies What You Need to Know to Pass the State Exam

## **A. Homeowners**

### Selected Endorsements

#### Permitted Incidental Occupancies (HO 04 42)

The endorsement asks WHERE this “described” business is conducted. If it is in the dwelling, then nothing further needs to be done. If the business is conducted in a separate structure, then one needs to identify this, and the endorsement language REMINDS us that business in a separate structure is NOT covered. However, the endorsement provides the opportunity to purchase coverage for this excluded separate structure. One must ascertain the ENTIRE value of this other structure and pay a rate per \$1,000 of value.

The endorsement then deletes and replaces the special limitation of coverage for business personal property located on the “residence premises”. The \$2500 special limit for business personal property located on the residence premises NO LONGER applies to the DESCRIBED business. It now will apply to any OTHER business.

# **Key Points:** Types of Property Policies What You Need to Know to Pass the State Exam

## **A. Homeowners**

### Selected Endorsements

#### **Home Day Care** ([HO 04 97](#))

This endorsement provides modest property coverage as well as day care liability protection.

#### **Earthquake** (HO 04 54)

Coverage for damage caused by an earthquake. Deductible is a percentage of Coverage A (Dwelling) or Coverage C (Personal Property), whichever is greater but not less than \$500.

#### **Scheduled Personal Property** ([HO 04 61](#))

This endorsement may be attached to a homeowner's policy to provide coverage for scheduled personal property with high values such as jewelry, furs and antiques on a special form cause of loss (as opposed to a named peril) basis. The coverage is subject to certain exceptions and to individual company guidelines.



**Key Points:** Types of Property Policies  
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**A. Homeowners**

Selected Endorsements

**Personal Property Replacement Cost** ([HO 04 90](#))

This endorsement changes the loss settlement basis under Coverage C from actual cash value to full replacement cost.

**Business Pursuits** ([HO 24 71](#))

This endorsement may be attached to a homeowner's policy to provide coverage for the liability of an insured arising out of business activities, other than a business of which the insured is sole owner or a partner. Eligible business pursuits include clerical office employees, salespersons, collectors, messengers and teachers. Teachers have the option of including liability coverage for corporal punishment.

# **Key Points:** Types of Property Policies What You Need to Know to Pass the State Exam

## **A. Homeowners**

### Selected Endorsements

#### **Watercraft** ([HO 24 75](#))

Liability on a HO covers outboard watercraft with 25 total horsepower **or less** automatically.

This endorsement provides liability coverage for a described watercraft with outboard motor or combination of outboard motors of **more than 25 total horsepower** and described sailing vessels. These watercraft would not be covered under an unendorsed homeowner's policy. Coverage for other boat types is available under yacht policies.

#### **Personal Injury** ([HO 24 82](#))

This endorsement adds coverage for personal injury. The form defines it as any injury arising out of false arrest, detention or imprisonment, or malicious prosecution; libel, slander or defamation of character; invasion of privacy; or wrongful eviction or wrongful entry. It does not cover bodily injury

# **Key Points:** Types of Property Policies What You Need to Know to Pass the State Exam

## **A. Homeowners**

### Selected Endorsements

#### Water Back-Up (HO 04 95)

ISO HO 00 03 provides coverage for water damage that is the result of a discharge or overflow of a plumbing, heating, air conditioning, or household appliance if it is on the residence premises.

The policy specifically excludes water that overflows from sumps, sump pumps, or related equipment or water that backs-up through sewers or drains.

To provide coverage for this occurrence there is the Water Back-up and Sump Discharge or Overflow endorsement, HO 04 95. This provides \$5,000 of coverage for back up through a sewer or drain or overflow or discharge of a sump, sump pump or related equipment, even if the equipment suffers a mechanical breakdown.

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### B. Dwelling

#### Characteristics and Purpose

The Dwelling Policy is used primarily for personally owned residential one-to-four-unit dwellings not eligible for homeowner's policy or is occupied by a tenant.

#### 4.2 Coverage Forms – Perils insured Against

In the United States, most landlords have three standard policy types available to insure their rental properties. The DP1 is the first, followed by the DP2 and the DP3. The DP1 policy offers the most basic coverage of all the rental property policies. It contains no bells and no whistles.



Property Perils is the main difference between the various DP Forms.

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### B. Dwelling

#### Coverage Forms – Perils insured Against

Basic (DP-1) Fire, lightning, internal explosion.

Additional premium for Extended Coverage (**EC**) such as:

- Windstorm or Hail
- Explosion
- Riot or civil commotion
- Aircraft, vehicles
- Smoke
- Volcanic eruption

Additional Premium for Vandalism or Malicious Mischief (**VMM**)

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On a DP-1, water damage resulting from putting out a fire is covered

DP-1 is a named or specified peril policy

DP-1 does not provide additional living expenses under Coverage D. Only Fair Rental Value is provided.

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### B. Dwelling

#### Coverage Forms – Perils insured Against

Broad (DP-2) Perils insured against are DP-1 perils, EC perils, VMM and the following:

- Burglar Damage
- Falling Objects
- Weight of Snow, Ice or Sleet
- Accidental Discharge or overflow of water or steam
- Accidental Tearing Apart, Cracking, Burning or Bulging
- Artificial Electric Current



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DP-2 Building Structures (Coverages A & B) are written with an 80% coinsurance requirement

# Key Points: Types of Property Policies What You Need to Know to Pass the State Exam

## B. Dwelling

### Coverage Forms – Perils insured Against

#### Special (DP-3)

Building (Coverage A) and other structures (Coverage B) are covered on an Open Perils basis, meaning **if it's not excluded, then it's covered.**

Personal Property (Coverage C) is covered under Broad Form (DP-2) basis, meaning **if it's not listed, then it's not covered.**



The land your house sits on is not insurable

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# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### B. Dwelling

#### Property Coverages

Coverage A – Dwelling coverage applies to the principal dwelling and attached structures. The limit on the Dec page should equal the dwelling's replacement value.

To have replacement cost coverage on DP-2, you need at least 80% to value, not 100%



Coverage B – Other Structures are separated from the Dwelling and the limit is 10% of Coverage A



Other Structures coverage covering a detached garage excludes commercial business risks

Other Structures coverage will apply to a structure rented out as a private garage

An example of an “Other Structure” would be a detached tool shed

On a DP-2, Coverage B is in addition to other coverage limits

Dwelling Coverage C – Personal Property is household and personal property owned by insured or family members who reside with the insured.

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**Key Points:** Types of Property Policies  
What You Need to Know to Pass the State Exam

**B. Dwelling**

Property Coverages

**Coverage D – Fair Rental Value** provides coverage up to 20% of Coverage A for indirect losses that occur as a result of direct losses to property insured under Coverages A, B, or C. It pays the Fair Rental Value if the property is not fit for its normal use.

**Coverage E – Additional Living Expense** up to 20% of Coverage A and used for additional normal living expenses incurred by the named insured when the property is uninhabitable.

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# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### B. Dwelling

#### Property Coverages - Other Coverages include:

- Debris Removal
- Improvements, Alterations, and Additions
- World-Wide Coverage
- Reasonable Repairs
- Property Removed
- Trees, Shrubs, and Other Plants
- Fire Department Service Charge
- Collapse
- Glass or Safety Glazing Material
- Ordinance or Law

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On a DP-1, under Other Coverages, the peril of Removal is all-risk

Rain coming through an opening in the dwelling roof or walls would only be covered if the opening was first created by wind or another covered cause of loss

When a dwelling is covered by more than one policy, losses are shared pro-rata

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### B. Dwelling

#### General Exclusions

[Click here for Dwelling Policy Flash cards](#)

DP Policies contain general exclusions for damage due to war, nuclear hazard, and flood **but not wind**

**4.5 Conditions** - Specifies the time frame within which the insurer must pay a loss to the insured after the insurer has received the insured's proof of loss and reached an agreement with the insured. Mortgage Clause in a Dwelling Policy lays out the rights and responsibilities of the mortgagee.

Dwelling policies do not cover freezing of plumbing unless the heat was left on

Dwelling policies do not cover personal liability although it can be added by endorsement



**Key Points:** Types of Property Policies  
What You Need to Know to Pass the State Exam

**B. Dwelling**

**Selected Endorsement** requires payment of additional premium

**Broad Theft Coverage (DP 04 72)** - A Fire policy insuring Coverages A or C may be extended, for an additional premium, to provide On and Off-Premises Coverage for the perils of Theft and Vandalism and Malicious Mischief (VMM) resulting from theft.

Coverage may only be purchased in increments of \$1,000.

# **Key Points:** Types of Property Policies What You Need to Know to Pass the State Exam

## **B. Dwelling**

**Selected Endorsement** requires payment of additional premium

**Dwelling Under Construction (DP 11 43)** This endorsement is needed because eligibility for the dwelling property coverage requires insured dwellings to be occupied for residential purposes.

Dwellings under construction are not occupied and, when this endorsement is added, the named insured agrees to advise the insurer when construction is completed.

The limit of liability for Coverage A is provisional and is based on the building's value upon completion. The limit of insurance in place at any time prior to completion is a percentage of the Coverage A limit that equals the proportion the actual value bears to the value on the date of completion.

## **Key Points:** Types of Property Policies What You Need to Know to Pass the State Exam

### **B. Dwelling**

**Personal Liability Supplement** – Because the Dwelling Forms only provide property coverage, if personal liability coverage is desired by the insured, coverage has to be secured by buying a personal liability policy or an endorsement attached to the Dwelling Policy.

The endorsement is **Coverage L – Personal Liability**

Liability coverage that protects the insured against the financial consequences of liability to others for bodily injury (BI) and property damage (PD). This coverage also insures the cost of defense in addition to the policy limit.

and **Coverage M – Medical Payments to Others** is for small medical claims resulting from a guest injury on the insured premises (and off the premises in limited cases). Medical payments coverage limits in a standard policy are typically \$1,000 to \$5,000.

**Key Points:** Types of Property Policies  
What You Need to Know to Pass the State Exam

**C. Inland Marine Insurance**

1. **Personal Articles Floater** — a personal lines inland marine policy that is used to cover scheduled personal property on an all-risks basis. The policy is particularly appropriate for property that receives limited coverage under the homeowner's forms, such as furs, jewelry, fine arts, silverware, cameras, musical instruments, stamp and coin collections, and similar property

Coverage is also sometimes afforded in homeowner's policies by endorsement.

# **Key Points:** Types of Property Policies

## What You Need to Know to Pass the State Exam

### D. National Flood Insurance Program

- Because of the potential for catastrophic losses, private insurance companies are reluctant to assume the risk of writing flood insurance which prompted the United States Congress to create the [National Flood Insurance Program](#) (NFIP).
- You cannot buy flood insurance unless your local government qualifies for the NFIP.
- To qualify, a community must adopt flood-plain management regulations to reduce the possibility of floods. Most local governments in potential flood areas qualify, but many homeowners may not be aware they need to buy the coverage
- Although flood insurance is a federal government program, private insurance companies sell the policies. If your community qualifies, flood insurance is available on almost any enclosed building and its contents, and you do not have to live in a flood plain to buy flood insurance.
- If your community has taken necessary steps to control flooding, you can insure a building for up to \$250,000 and contents for as much as \$100,000. Your home will be covered 30 days after your application and premium are received by the NFIP.



## **Key Points:** Types of Property Policies What You Need to Know to Pass the State Exam

### E. Others

#### 1. Earthquake

While there has been no major earthquake in Georgia for many years, there have been numerous small ones. Most companies sell earthquake endorsements and since the risk of a serious earthquake in Georgia is fairly low, coverage is relatively cheap.

The deductible, however, is relatively high and typically ranges from two- to five-percent of your home's insured replacement cost. Brick or masonry homes are more likely to be damaged by an earthquake than a frame house, so if you own a brick home you will pay more for earthquake coverage.

Without an earthquake endorsement, there is no coverage under your homeowner's or dwelling policy.

# **Key Points:** Types of Property Policies What You Need to Know to Pass the State Exam

## **E. Others**

### **2. Mobile Home**

Mobile Homeowner Insurance - Insurance coverage for mobile and manufactured homes is usually similar to a standard homeowner's policy, offering coverage for the home, your personal property and liability claims. The two basic coverages typically included in mobile home insurance policies are for physical damage and personal liability, the [Insurance Information Institute](#) (III) says.

Generally, coverage under a regular policy doesn't apply while the mobile home is in transit. Some insurers may offer temporary coverage, or an endorsement, for physical damage to cover the mobile home and personal property within the mobile home while it is in transit. There may be special limitations and provisions to this coverage.

## **Key Points:** Types of Property Policies What You Need to Know to Pass the State Exam

### E. Others

#### 3. Watercraft Insurance

Watercraft insurance is an umbrella term for three types of insurance: boat insurance, yacht insurance, and personal watercraft insurance. It protects against damages to vessels powered by a motor that has horsepower of at least 25 miles per hour (mph). Examples of the types of costs covered by watercraft insurance policies include physical loss or damage to the boat, theft of the boat, and towing.

Depending on the policy, there may also be watercraft liability coverage for bodily injury to people other than the boat's owner and family, guest passengers using the boat by themselves, and medical payments for injury to the owner and their family. Some policies, however, require the purchase of additional liability coverage as an add-on. The specific type of insurance you buy is dictated by the size of your vessel.

# Key Points: Types of Property Policies

## What You Need to Know to Pass the State Exam

### E. Others

#### 4. Windstorm

A standard homeowners insurance policy typically covers your home and personal belongings from wind and hail damage. However, insurance companies in high-risk coastal communities are known to exclude windstorm damage from policies if your home is considered too high risk. As a solution to this potentially massive coverage gap, some insurance companies in coastal states offer separate windstorm insurance policies that specifically cover wind and hail-related damage and nothing else.

But if your homeowner's insurance policy does include coverage for wind and hail, you may have to pay a special percentage deductible before you'll be reimbursed for a windstorm-related loss. Your insurance company may give you the option to leave this deductible off of your policy altogether for a reduced premium but doing so would leave you without a pretty crucial piece of coverage. Additionally, you'll likely have to get permission from your mortgage company before opting out of a wind deductible.

**Key Points:** Types of Property Policies  
What You Need to Know to Pass the State Exam

## I. Types of Property Policies

Now is time to test your understanding of all you have studied in this section of the state exam.

- Click the link below after reading these instructions
- Then **click** “Options” in the UPPER RIGHT CORNER
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