



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

Three Bulls' Heads Investments, Inc. d/b/a AccuAgents Insurance Education (162486)

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# Personal Lines P&C Agent Study Manual



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When you can correctly answer these online quizzes and the Practice Exams in this Study Manual ... You're ready for the Final Exam at <https://www.classmarker.com/online-test/start/?quiz=j6x56e46b61904e5>

### Personal Auto Insurance

14 questions on Personal Auto Insurance. Answer to Question #9 is incorrect since Property Damage is included in Georgia's Uninsured Motorist Coverage.

<http://www.proprofs.com/quiz-school/story.php?title=personal-auto-insurance>

### P&C Insurance Practice Exam

22 Questions. Great practice. Don't worry about correctly answering the ones on commercial insurance since you will be taking the Personal Lines Agent Exam

<http://www.proprofs.com/quiz-school/story.php?title=pc-insurance-practice-exam>

### Principles of Insurance

This quiz reviews basic principles that provide a foundation for the insurance industry. They range from the concept of risk, to the idea that individuals and businesses can minimize losses by transferring and sharing risks, to the application of the law of large numbers. Various principles also determine why some risks of loss are insurable whereas others are not.

<http://www.proprofs.com/quiz-school/story.php?title=principles-insurance>

### The Insurance Contract

A contract is a legal agreement between two or more competent parties that promises a certain performance in exchange for a certain consideration. When an insurance company agrees to pay for an insured's losses in exchange for a certain premium, the two parties have entered into a contract. Although a contract of insurance can be oral, it is usually written in the form of an insurance policy.

<http://www.proprofs.com/quiz-school/story.php?title=insurance-contract>

### Insurance Transactions

A number of steps must be taken before an insurance transaction can be completed. These include making an application for insurance, underwriting the risk, and including all the steps required for forming a valid contract.

<http://www.proprofs.com/quiz-school/story.php?title=insurance-transactions>

### Property and Casualty Insurance License Exam Cram

83 Questions. Great practice. Don't worry about correctly answering the ones on commercial insurance since you will be taking the Personal Lines Agent Exam

<http://www.proprofs.com/quiz-school/story.php?title=property-casualty-insurance-license-exam-cram>

### Property and Casualty Insurance Quiz

85 Questions. Great practice. Don't worry about correctly answering the ones on commercial insurance since you will be taking the Personal Lines Agent Exam

<http://www.proprofs.com/quiz-school/story.php?title=property-and-casualty-insurance-quiz>



## 5 Easy Steps to get your Personal Lines Agent License

1. Save this PDF Study Manual on your computer desktop for easy access.
2. Study this manual & take the Practice Quizzes
3. Take the Study Exam when you are ready. You don't have to pay \$79.00 until you pass the Study Exam. You pay nothing if your agency is a member of GIAA
4. I'll send to you your Certificate of Completion
5. Follow the instructions in the Georgia Insurance Licensing Handbook on page 10



**Do you have questions?**

**I'm always here for you!**

**Call (770) 312-2342 or send an e-mail to [eddie@FYIExpress.com](mailto:eddie@FYIExpress.com)**

**Good luck and welcome to the Wonderful World of Insurance!**



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Insurance and Safety Fire Commissioner



**Pearson**  
**VUE**

# **Georgia** **Insurance** **Licensing**

**Candidate Handbook**

**January 2020**



## STATE LICENSING INFORMATION

Candidates may contact PSI Services LLC with questions about obtaining or maintaining a license after the examination has been passed.

### PSI Services LLC

**Phone:**

855-235-5174

**Website:**

[www.oci.ga.gov](http://www.oci.ga.gov)

## EXAMINATION AND LICENSING INFORMATION

Candidates may contact Pearson VUE with questions about this handbook or about an upcoming examination.

### Pearson VUE Georgia Insurance

Attn: Regulatory Program 5601 Green Valley Dr. Bloomington, MN 55437

**Phone:**

(800) 274-0488

**Email:**

[pearsonvuecustomerservice@pearson.com](mailto:pearsonvuecustomerservice@pearson.com)

**Website:**

[www.pearsonvue.com](http://www.pearsonvue.com)

# QUICK REFERENCE

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## RESERVATIONS

### Before making an exam reservation

Candidates should thoroughly review this handbook, which contains examination content outlines and important information regarding eligibility and the examination process.

### Making an exam reservation (details on page 6)

Candidates may make a reservation by:

- Visiting <http://www.pearsonvue.com/ga/insurance/>
- Calling Pearson VUE **Note:** Scores will **not** be given over the telephone.

Candidates should make a reservation online or by phone at least twenty-four (24) hours before the desired examination date (unless an electronic check is used for payment, as detailed on page 4). **Walk-in examinations are not available.**

Live Chat is available to address your support inquiries and is the quickest way to reach a customer service agent. It's available from 8:00 AM through 5:00 PM Central Time, Monday through Friday, subject to change during locally designated holidays.

Please visit <http://www.pearsonvue.com/ga/insurance/contact/> for further information.

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## LICENSING SERVICES

### Licensing Services are provided by:

**PSI Services LLC**

855-235-5174

email: [GAInslicensing@psionline.com](mailto:GAInslicensing@psionline.com)

**All licensing forms and procedures can be found online at the Department website [www.oci.ga.gov](http://www.oci.ga.gov).**

# OVERVIEW

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## **The candidate handbook is a useful tool in preparing for an examination.**

It is highly recommended that the Georgia Insurance handbook be reviewed, with special attention given to the content outlines, before taking the examination. (*content outlines begin in the center of this handbook*)

## **Individuals who wish to obtain an insurance license in the state of Georgia must:**

### **1. Complete all pre-licensing education.**

Complete all required pre-licensing education (if necessary).

### **2. Make a reservation and pay examination fee.**

Make a reservation with Pearson VUE for the examination. (*See page 6*)

### **3. Go to the test center.**

Go to the test center on the day of the examination, bringing along all required materials. (*See page 9*)

### **4. Apply for a license.**

After passing the examination, apply for your license by sending a completed application to the Georgia Insurance Department. **For more information regarding obtaining a license go to [www.oci.ga.gov](http://www.oci.ga.gov) or apply online at [www.sircon.com/georgia](http://www.sircon.com/georgia).**

## **PRACTICE TESTS**

Practice tests are offered exclusively online at [www.pearsonvue.com](http://www.pearsonvue.com), giving candidates even more opportunity to succeed on insurance examinations. Our practice tests will not only prepare candidates for the types of questions they will see on the licensure exam, but also familiarize them with taking computer-based examinations.

Pearson VUE offers practice tests in the areas of Life, Health, and Property and Casualty that contain questions developed by subject matter experts using concepts found in the general portion of the licensure examination. The tests closely reflect the format of the real licensure examination, can be scored instantly, and provide immediate feedback to help candidates identify correct and incorrect answers. Candidates can purchase practice tests anytime at [www.pearsonvue.com](http://www.pearsonvue.com).

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# GEORGIA LICENSING REQUIREMENTS

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## GENERAL LICENSING QUALIFICATIONS

The Official Code of Georgia Annotated, Title 33, Chapter 23, and Chapter 120-2-3 of the Rules and Regulations of the Office of the Commissioner of Insurance cover the licensing of insurance agents, subagents, adjusters and counselors. Other license types are covered in specific code and rule sections.

The information in this section is provided as a general guide for new resident applicants qualifying by examination and answers the most commonly asked licensing questions. For specific authoritative information, applicants should contact their insurance company or refer to the appropriate code and/or rule sections.

## PROCEDURES FOR APPLYING FOR A LICENSE

The general procedure for applying for a license is to register and pass the required examination and then submit a complete application package to the Georgia Insurance Department. Examination reservations are described beginning on page 7.

PLEASE NOTE: All new resident applicants, excluding active licensees and individuals who apply for reinstatement within six (6) months of expiration date, shall be required to submit electronic fingerprints for a criminal background check. The applicant shall bear the cost for electronic fingerprinting. Information regarding fingerprint requirements can be found on the Department's website.

Upon issuance of the agent license, the licensee must obtain a certificate of authority from each insurer that they will represent. Sponsorship by an insurer is still required for all temporary license applicants.

Electronic online application services are available at [www.sircon.com/georgia](http://www.sircon.com/georgia).

Effective July 1, 2012, the Georgia Insurance Department will transition to a two-year agent license that expires on the last day of the licensee's birth month. As a result, new applicants for an agent's license will receive a license with an initial term ranging between 18 to 29 months, depending on the applicant's birth month. The new agent license will expire on the last day of the licensee's birth month.

New license applicants are also required to submit a notarized Citizenship Affidavit Form (GID-276-EN) attesting to either United States citizenship or lawful presence. A copy of the required form, along with instructions for completing the form, can be down loaded from the Georgia Insurance Department's website at [www.oci.ga.gov](http://www.oci.ga.gov).

# GEORGIA PRELICENSING REQUIREMENTS

LICENSE TYPE	EXAM CODE	LICENSE CLASS(ES)	EDUCATIONAL REQUIREMENTS OR OTHER PREREQUISITES	EXEMPTIONS FROM EDUCATION AND EXAM REQUIREMENTS*
Agent	<b>01</b> Life <b>02</b> Accident & Sickness <b>05</b> Life and Accident & Sickness	L AS L, AS	20-hour Life course and 20-hour Accident and Sickness course taken within last 12 months	CLU, PhD in insurance, FLMI
Agent	<b>03</b> Property <b>04</b> Casualty <b>06</b> Property and Casualty <b>55</b> Personal Lines	P C P, C PL	20-hour Property course, 20-hour Casualty course, and 20-hour Personal Lines course taken within last 12 months	CPCU, PhD in insurance
Agent	(No exam) Credit	CR	5 hours of self-study certification	
Agent	(No exam) Travel Ticket	TT	None	
Agent	(No exam) Travel Accident & Sickness	TA	None	
Variable Product (Agent)	<b>62</b> Variable Product Agent	VP	8-hour Variable Life prelicensing course taken within last 12 months AND must hold Agent license with Life class	
Fraternal Agent	(No exam) Fraternal Agent	L, AS	None	
Temporary Agent	(No exam)	L, AS, P, C	None	
Limited Subagent	(No exam)	Any class	20 hours taken within last 12 months	
Public Adjuster	<b>20</b> Public Adjuster	P, C	40 hour Property and Casualty course taken within last 12 months	CPCU, PhD in insurance
Worker's Comp Adjuster	(No exam)	P, C	CWCP	
Adjuster	<b>24</b> Adjuster	P, C	40 hour Property and Casualty course taken within last 12 months	CPCU, UCC, PhD in insurance
Counselor	<b>40</b> Life and Accident & Sickness Counselor	L, AS	5 years of experience	AAI, REBC, CLU, CIC, FLMI, PhD in insurance
Counselor	<b>41</b> Property & Casualty Counselor	P, C	5 years of experience	CIC, AAI, PhD in insurance
Limited Health Counselor	42 Limited Health Counselor		5 years of experience	CIC, CLU, FLMI, REBC, RHU
Surplus Lines Broker	<b>50</b> Surplus Lines Broker	P, C	None, but must hold Agent license with Property, Casualty	CPCU exempts examination

# GEORGIA APPLICATION REQUIREMENTS

LICENSE TYPE	SPONSORSHIP/ CERTIFICATE OF AUTHORITY (CA)*	WHO SUBMITS	WHAT FORM	SPECIAL SUPPORTING DOCUMENTS*	LICENSE AND APPLICATION FEES
Agent	Company CA required after licensure	Applicant	GID-103		Application: \$15 License: \$100
Agent	Company CA required after licensure	Applicant	GID-103		Application: \$15 License: \$100
Agent	Company CA required after licensure	Applicant	GID-103		Application: \$15 License: \$100
Agent	Company CA required after licensure	Applicant	GID-103		Application: \$15 License: \$100
Agent	Company CA required after licensure	Applicant	GID-103		Application: \$15 License: \$100
Variable Product (Agent)	Company CA required after licensure	Applicant	GID-103	NASD Certification (Series 6, 7, IR, or GS)	Application: \$15 License: \$100
Fraternal Agent	Company CA required at time of application	Insurer	GID-103		Application: \$15 License: \$100 Cert of Auth: \$10
Temporary Agent	Company CA required at time of application	Insurance Company	GID-103	Supervising Agent	Application: \$15 License: \$50 Cert of Auth: \$10
Limited Subagent	Subagent CA	Sponsoring Agent	GID-103		Application: \$15 License: \$100 Cert of Auth: \$5
Public Adjuster	Not required	Individual	GID-103	\$5,000 bond (form GID-113)	Application: \$15 License: \$100
Adjuster	Not required	Individual	GID-103		Application: \$15 License: \$100
Crop Hail Adjuster	Not required	Individual	GID-103		Application: \$15 License: \$100
Counselor	Not required	Individual	GID-103	\$5,000 bond (form GID-112)	Application: \$15 License: \$100
Counselor	Not required	Individual	GID-103	\$5,000 bond (form GID-112)	Application: \$15 License: \$100
Limited Health Counselor	Not required	Individual		\$5,000 bond	Application: \$15 License: \$100
Surplus Lines Broker	Not required	Individual	GID-103	\$50,000 bond (form GID-114)	Application: \$15 License: \$600



## **CERTIFICATE OF AUTHORITY (CA) REQUIREMENTS**

In order to conduct insurance business, all agents must obtain a certificate of authority (CA) directly with an insurance company or companies. CA appointments will cover all classes of insurance held in common by the agent and the insurer. New CA's for previously licensed agents will be valid the date submitted to the Department by the insurer. The insurer has the responsibility of verifying that the CA has been issued. CA's for new licensees are valid only upon the issuance of a permanent license.

Certificates of authority will be renewed annually by the insurance company. CA's will terminate automatically upon the expiration or cancellation of the license. CA's may also be terminated at the written request of the insurer or agent.

## **NON-RESIDENT LICENSES**

A nonresident must be licensed as an agent, surplus lines broker, counselor, or adjuster with respect to any insurance activities in Georgia. A nonresident Agent must also be appointed in Georgia. Nonresident licenses hold only license classes that are in common with those classes held on the licensee's home state resident license.

Nonresident licenses are renewed biennially. A PDB check will be processed by the Georgia Insurance Department to verify home state licensure. A renewal fee is due upon submission of the renewal application.

Individuals holding a nonresident license who are required to meet continuing education requirements in their state of residence will be considered in compliance with the continuing education requirements under this chapter.

## **LICENSE RENEWAL QUALIFICATIONS**

Renewal of licenses can be done online in real time at [www.sircon.com/georgia](http://www.sircon.com/georgia). All renewal notices will be emailed 45 days before the start of the license expiration month. Renewal notices are due at Georgia Insurance Department by the renewal due date. If filing a paper renewal, licensees should plan extra time to submit the applications by mail to account for postal delivery time. Renewals received after the required renewal date must include a \$15 late fee.

Continuing education providers will submit course completions at [www.sircon.com](http://www.sircon.com). Incomplete paper renewal applications will be returned for completion. In the event an online renewal filing is incomplete or CE noncompliant, a notice will be sent advising the licensee of the error(s).

## **CONTINUING EDUCATION (CE) REQUIREMENTS**

The completion of continuing education (CE) courses is mandatory for the renewal of all resident licenses (other than for licensees exempt from CE requirements). Continuing education completed during the current biennium is required to renew a license for the following biennium. The requirements for renewal of a license vary based on license type, membership in professional organizations, and other factors. If the licensee holds more than one license type and meets the requirements of the license with the maximum CE required, the licensee will also meet the requirements of the other license types. The following chart contains specific information about CE requirements.

Individuals licensed less than 20 years must obtain 24 hours (with 3 hours of Ethics) of continuing education from approved education providers. Individuals licensed 20 years or more are required to complete 20 hours with 3 hours in Ethics.

LICENSE TYPE	STANDARD REQUIREMENT	EXCEPTIONS
All Licensees	24 Hours/ biennium (min. 3 in Ethics)	<ul style="list-style-type: none"> <li>• <u>Professional Designations</u> Licensees holding a professional designation of CLU, BBA in insurance, PHD, CFP, CPCU, AAI, CEBS, ChFC, CIC, FLMI, CRM, or CISR are required to obtain 12 hours/ biennium (min. 3 in Ethics)</li> <li>• <u>20 Years of Service</u> Licensees with 20 years of licensure agent must complete 20 CE hours/ biennium (3 in ethics).</li> <li>• <u>Credit License Only</u> Licensees with the Credit line of insurance only must complete 10 CE hours every biennium.</li> <li>• <u>Limited Subagents</u> Licensees with a Ltd. Subagent license must complete 10 CE hours every biennium.</li> <li>• <u>Workers Compensation</u> Must take 24 hours of CE credits; however, if courses are taken through the Workers Compensation Board Providers, must take only 20 hours. No ethics are required.</li> </ul>

### Licensees Exempt from Continuing Education Requirements

- Holders of agent licenses with only travel ticket and/or travel accident classes
- Temporary agents
- Foreign military representatives
- Fraternal agents
- Title

### Course Content Requirements

Continuing education requirements may be completed in any subject area (line of insurance) for which the licensee is licensed. Each licensee requires three (3) hours of ethics credit each biennium.

### Exceptions:

- For a multiple lines license where one of the lines is credit no more than 5 hours may be taken in the credit subject area.
- The ethics requirement is waived for limited subagents and credit licensees, and for Workers Compensation adjusters.

A course may not be repeated within the same renewal cycle.

### Continuing Education Carryover Provisions

Carry over credits are calculated based upon the number of hours required. Up to 50% of the biennium CE requirement may be carried over from the previous cycle, as long as the credits had not been allocated to that previous biennium.

### Continuing Education Completion Dates

All CE requirements are to be met by the renewal due date on or before licensee's expiration date. Renewals received within 15 days after the license expiration date require a \$15 late fee to be included.

To view your current continuing education transcript, please utilize online services available at [www.sircon.com/georgia](http://www.sircon.com/georgia).

## AGENCY LICENSING REQUIREMENTS

An agency is defined as a business entity which represents one or more insurers in the business of selling, soliciting, or negotiating insurance. The Georgia Insurance Department requires that every agency with a Georgia business address be licensed.

To become licensed as an agency, a licensee must submit a complete GID-130 form for a Resident Georgia Agency or the Uniform Application for Nonresident Business Entity. This must include the appropriate fee to the Georgia Insurance Department and any required supporting documentation. Applicants may also apply online at [www.sircon.com/georgia](http://www.sircon.com/georgia).

## LICENSE PROCESSING FORMS

Forms may be obtained from the GID website at [www.oci.ga.gov](http://www.oci.ga.gov). All forms may be photocopied, but original signatures and notary seals are required for most submission.

# EXAM RESERVATIONS

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Georgia Insurance licensure exams are now available at select Pearson VUE test centers on military installations across the globe. Service members, dependents, and contractors with authorized base access who want to gain Georgia Insurance licensure from their duty station or assignment in another state and foreign deployment will have the option to take their exams without having to leave their base.

In addition to Pearson VUE's standard ID policy, candidates must have valid government ID and authorization to gain access to military testing sites. Civilians without valid government ID will be turned away by the test center and/or military entrance gate security.

To locate a Pearson VUE authorized testing center, visit <http://www.pearsonvue.com/ga/insurance/> and select the "Find an on-base test center" link on the lower right-hand side of the page.

## MAKING AN EXAMINATION RESERVATION

**Walk-in examinations are not available.** Online reservations are the most efficient way for candidates to schedule their examination. Candidates **must** go to [www.pearsonvue.com/ga/insurance/](http://www.pearsonvue.com/ga/insurance/) to make an online reservation for an examination. First-time users are required to create an account. The candidate will need to fill in all required fields, which are preceded by an asterisk (\*), on the online form in order to create an ID and be assigned a password. Step-by-step instructions will lead the candidate through the rest of the examination reservation process.

Candidates **must** make an online reservation at least twenty-four (24) hours before the desired examination date. Candidates who wish to make a phone reservation at (800) 274-0488 must do so at least twenty-four (24) hours before the desired examination date (unless an electronic check is used for payment, as detailed below).

### **Before making a reservation, candidates should have the following:**

- Legal name, address, Social Security number, and daytime telephone number
- The school code or name of the school where you completed your pre-licensing training (if applicable) This information is found on the pre-licensing education certificate
- The name of the examination(s)
- The preferred examination date and test center location (a list of test centers appears on the back cover of this handbook) A full list of available test sites can be found at [www.pearsonvue.com](http://www.pearsonvue.com).

## EXAM FEES

The examination fee (\$63) must be paid at the time of reservation by credit card, debit card, voucher or electronic check. **Fees will not be accepted at the test center.** Examination fees are non-refundable and non-transferable, except as detailed in the *Change/Cancel Policy*.

### **Electronic Checks**

Candidates who choose to pay the examination fee by electronic check must have a personal checking account, and must be prepared to provide to Pearson VUE at the time of reservation the following information:

- Bank name
- Account number
- Routing number
- Social Security number, state-ID number or driver's license number
- Name and address on the account

Using this information, Pearson VUE can request payment from the candidate's bank account just as if the candidate had submitted an actual paper check.

Candidates paying by electronic check must register at least five (5) days before the examination date in order for their check to be processed.

## Vouchers

Vouchers offer another convenient way to pay for tests. Vouchers can be purchased online at [www.pearsonvue.com/vouchers/pricelist/ga/ins.asp](http://www.pearsonvue.com/vouchers/pricelist/ga/ins.asp) by credit card either singly or in volume. To redeem a voucher as payment when scheduling a test, simply indicate voucher as the payment method and provide the voucher number. **All vouchers are pre-paid. Vouchers are non-refundable and non-returnable.**

Vouchers expire twelve (12) months from the date they are issued. Voucher expiration dates cannot be extended. The exam must be taken by the expiration date printed on the voucher.

## CHANGE/CANCEL POLICY

Candidates should call Pearson VUE at (800) 274-0488 at least forty-eight (48) hours before the examination to change or cancel a reservation. Candidates who change or cancel a reservation with proper notice may either transfer the fee to a new reservation, or may request a refund. **Candidates who change or cancel their reservations without proper notice will forfeit the examination fee.** Refunds for credit/debit cards are immediate, while refunds for electronic checks and vouchers will be processed in two to three (2-3) weeks.

Candidates are individually liable for the full amount of the examination fee once a reservation has been made, whether paid individually or by a third party.

## ABSENCE/LATENESS POLICY

Candidates who are late to or absent from an examination may be excused for the following reasons:

- Illness of the candidate or of the candidate's immediate family member
- Death in the immediate family
- Disabling traffic accident
- Court appearance or jury duty
- Military duty
- Weather emergency

**Candidates who are absent from or late to an examination and have not changed or canceled the reservation according to *Change/Cancel Policy* will not be admitted to the examination and will forfeit the examination fee.** Written verification and supporting documentation for excused absences must be submitted to Pearson VUE within fourteen (14) days of the original examination date. Written verification and supporting documentation can be sent by fax to (888) 204-6291 or mailed to the following address:

**Pearson VUE/Georgia Insurance**  
Attn: Regulatory Program Coordinator  
5601 Green Valley Drive, Bloomington, MN 55437

## WEATHER DELAYS AND CANCELLATIONS

If severe weather or a natural disaster makes the test center inaccessible or unsafe, the examination may be delayed or canceled. Pearson VUE will notify and reschedule candidates in the case of severe weather.

## ACCOMMODATIONS

Pearson VUE complies with the provisions of the Americans with Disabilities Act as amended. The purpose of accommodations is to provide candidates with full access to the test. Accommodations are not a guarantee of improved performance or test completion. Pearson VUE provides reasonable and appropriate accommodations to individuals with documented disabilities who demonstrate a need for accommodations.

Test accommodations may include things such as:

- A separate testing room
- Extra testing time
- A Reader or Recorder, for individuals with mobility or vision impairments and cannot read or write on their own

Test accommodations are individualized and considered on a case-by-case basis. All candidates who are requesting accommodations because of a disability must provide appropriate documentation of their condition and how it is expected to affect their ability to take the test under standard conditions. This may include:

- Supporting documentation from the professional who diagnosed the condition, including the credentials that qualify the professional to make this diagnosis
- A description of past accommodations the candidate has received

The steps to follow when requesting test accommodations vary, depending on your test program sponsor. To begin, go to <http://pearsonvue.com/accommodations>, and then select your test program sponsor from the alphabetized list. Candidates who have additional questions concerning test accommodations may contact the ADA Coordinator at [accommodationspearsonvue@pearson.com](mailto:accommodationspearsonvue@pearson.com).

## **ENGLISH AS A SECOND LANGUAGE (ESL)**

Candidates for whom English is a second language (ESL) may request additional time for the examination by sending the *English as a Second Language (ESL) Request Form* (found in the back of this Candidate Handbook) to Pearson VUE. Candidates **MUST** include a letter from either his/her English instructor or sponsoring company (on official letterhead if from a company) stating that English is not the candidate's primary language.

Candidates should not attempt to make a reservation until after they have been notified by Pearson VUE via email that their request for additional time has been approved. The length of the examination will be equal to 1-1/2 times the length of the examination. For example, a 2 hour examination will be extended to 3 hours. **NOTE: NO OTHER accommodations will be granted for ESL, i.e. separate testing room, reader, marker, etc.** These accommodations are for individuals who qualify under the American's with Disability Act (ADA) only.

Candidates who have additional questions about ESL examinations should contact the Special Examination Coordinator at (800) 466-0450.

**Candidates should not attempt to make an examination reservation until after they have been notified by Pearson VUE that their request for additional time has been approved.**

The approval of additional time will be for one (1) year from the date of the request for the level you have requested. Candidates who have additional questions about ESL examinations should contact the Special Examination Coordinator at (800) 466-0450.

Candidates who need to reschedule or need to retest should notify Pearson VUE Special Accommodations that special arrangements were used for the prior examination.

# EXAM DAY

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## WHAT TO BRING

### Required Materials

All candidates are required to bring identification deemed acceptable to the test center on examination day.

#### REQUIRED MATERIALS

Candidates who do not present the required items will be denied admission to the examination, will be considered absent, and will forfeit the examination fee.

### Acceptable Forms of Candidate Identification

Candidate must present **two** forms of current signature identification. The name on the identification must exactly match the name on the registration. The primary identification must be government-issued, and photo-bearing with a signature and the secondary identification must contain a valid signature. Identification must be in English.

#### Primary ID (photograph and signature, not expired)

- Government-issued Driver's License
- U.S. Dept. of State Drivers License
- U.S. Learner's Permit (plastic card only with photo and signature)
- National/State/Country Identification Card
- Passport
- Passport card
- Military ID
- Military ID for spouses and dependents
- Alien Registration Card (Green Card, Permanent Resident Visa)

#### Secondary ID (signature, not expired)

- U.S. Social Security Card
- Debit (ATM) or Credit card
- Any form of ID on the Primary list

If the ID presented has an embedded signature that is not visible (microchip), difficult or impossible to read, the candidate must present another form of identification from the Primary ID or Secondary ID list that contains a visible signature.

Pearson VUE does not recognize grace periods. For example, if a candidate's driver's license expired yesterday and the state allows a 30-day grace period for renewing the ID, the ID is considered to be expired.

### Suggested Materials

- Prelicensing education certificate (optional)
- A valid Georgia life insurance license or a passing Georgia life examination score report (Variable Product candidates only)

## EXAM PROCEDURES

Candidates should report to the test center thirty (30) minutes before the examination and check in with the test center administrator. The candidate's identification and other documentation will be reviewed and they will be photographed for the score report.

Candidates are required to review and sign a **Candidate Rules Agreement** form. If the **Candidate Rules Agreement** is not followed and/or cheating or tampering with the examination is suspected, the incident will be reported as such and the appropriate action will be taken. The examination fee will not be refunded, the exam may be determined invalid, and/or the state may take further action.

Candidates will have an opportunity to take a tutorial on the computer on which the examination will be administered. The time spent on this tutorial will not reduce the examination time. The examination administrators will answer questions, but candidates should be aware that the administrators are not familiar with the content of the examinations or with the state's licensing requirements. Examination administrators have been instructed not to advise candidates on requirements for licensure. Candidates are responsible for determining which examinations they need to take.

Once candidates are familiar with the examination unit, they may begin the examination. The examination begins the moment a candidate looks at the first question. The time allotted for each examination is detailed on the back cover of this handbook. After the examination time has expired, the examination unit will automatically turn off. Candidates will leave the test center with their official scores in hand.

## ABOUT THE EXAM

The content of the general examination is based upon information obtained from a job analysis performed by Pearson VUE. Responses from insurance professionals were analyzed to determine the nature and scope of tasks they perform and the knowledge and skills needed to perform them. This information is the basis upon which examination questions are written and ensures that examinations reflect the practice of insurance. The examination has been developed to reflect the laws, statutes, rules, and regulations for the practice of insurance in Georgia, and has been reviewed and approved by Georgia insurance professionals.

The passing score for the examination is determined by the Georgia Insurance Department (GID). Through standardization and control, Pearson VUE ensures that no individual has an unfair disadvantage or advantage because of a particular examination format.

Pearson VUE maintains examination administration and examination security standards designed to ensure that all candidates are given the same opportunity to demonstrate their abilities and to prevent some candidates from gaining an unfair advantage over others because of irregularities or misconduct. Pearson VUE routinely reviews irregularities and examination scores believed to be earned under unusual or nonstandard circumstances.

Pearson VUE maintains the right to question any examination score whose validity is in doubt because the score may have been obtained unfairly. Pearson VUE first undertakes a confidential review of the circumstances contributing to the questions about score validity. If there is sufficient cause to question the score, Pearson VUE will refer the matter to the state licensing agency, which will make the final decision on whether or not to cancel the score.

The performance of all candidates is monitored and may be analyzed statistically for the purpose of detecting and verifying fraud. If it is determined that a score has questionable validity, the GID will be so notified and will determine whether the candidate's scores will be released.

Each examination is given in a multiple-choice format. The examination covers basic insurance product knowledge and insurance laws, rules, regulations and practices that are unique to Georgia.

Scores on each examination are based on the number of questions answered correctly. Those who are uncertain about the correct answer to a question may be able to eliminate one or more of the answer choices as incorrect. It is always better to guess at the correct answer than to not answer a question.

### EXAMINATION QUESTIONS

All examination questions, each form of the examination, and any other examination materials are copyrighted and are the property of Pearson VUE. Consequently, any distribution of the examination content or materials through any form of reproduction or oral or written communication is strictly prohibited and punishable by law.

## SCORE EXPLANATION

### Percent Score

There are multiple versions of each of the licensing examinations. These versions are known as *forms*. All forms of an examination are developed based on the content outlines. To ensure that no candidate is put at an unfair advantage or disadvantage due to the particular form of an examination that he or she is given, a statistical procedure known as equating is used to attain comparable form difficulty.

The passing score of an examination was set by the Georgia Insurance Department (GID) after a comprehensive study was completed for each examination. The examination score is reported as a percent score on a scale of 0%-100%. It is the percentage of questions answered correctly on the examination. You need to answer 70% of questions correctly in order to pass the examination.

## SCORE REPORTING

When candidates complete the examination, they will receive a score report marked "pass" or "fail". Examination results will not be given by phone. Candidates who pass the examination will receive a score report that includes information on how to apply for a license.

Candidates who fail the examination will receive a score report that includes a numeric score and diagnostic information as well as information about reexamination. Appointments for reexamination are not made at the test center. **Candidates must wait 24 hours before scheduling a reexamination. Candidates who receive a failing score must wait two weeks before retesting.**

Candidates who fail the examination three (3) times and had taken a preclicensing course through an independent provider will be required to retake a preclicensing course from a different provider prior to retaking the examination.

Candidates who fail the examination three (3) times and had taken a preclicensing course via a virtual classroom will be required to retake an in-classroom preclicensing course prior to retaking the examination.

## REVIEW OF EXAMS

For security reasons, examination material is not available to candidates for review.

## QUESTIONS OR COMMENTS ABOUT THE EXAM

There are no provisions for allowing failing or passing candidates to review their examination results. Pearson VUE insurance licensing examinations are secure examinations and are not available for general distribution. Those who have questions, comments, or concerns about the examinations, or who wish to verify any data held in Pearson VUE files, should direct written inquiries to:

### **Pearson VUE/Insurance Licensing Program**

*Attn: Regulatory Program Coordinator*

5601 Green Valley Drive, Bloomington, MN 55437

In all correspondence, candidates should give their name and address. If questions or comments concern an examination already taken, they should also include the name of the examination, the date the examination was taken, the location of the test center, and their confirmation number.

## DUPLICATE SCORE REPORTS

Candidates may request a duplicate score report from Pearson VUE by completing the form in the back of this handbook and submitting it along with the correct fees.

## TEST CENTER POLICIES

The following policies are observed at each test center. **Candidates who violate any of these policies will not be permitted to finish the examination and will be dismissed from the test center, forfeiting the examination fee.**

- **No personal items are allowed in the testing room.** Personal items include but are not limited to: cellular phones, hand-held computers or other electronic devices, pagers, watches, wallets, purses, firearms or other weapons, hats, bags, coats, books, and/or notes, pens or pencils.
- Candidates must store all personal items in a secure area as indicated by the administrator, or return items to their vehicle. All electronic devices must be turned off before storing them in a locker. **The test center is not responsible for lost, stolen, or misplaced personal items.**
- Studying **is not** allowed in the test center. Visitors, children, family or friends **are not** allowed in the test center.
- Dictionaries, books, papers (including scratch paper), and reference materials are not permitted in the examination room (unless permitted by the exam sponsor), and candidates are strongly urged not to bring such materials to the test center. Upon entering and being seated in the testing room, the test administrator will provide the candidate with materials to make notes or calculations and any other items specified by the exam sponsor. **The candidate may not write on these items before the exam begins or remove these items from the testing room.**
- Eating, drinking, chewing gum, smoking, and/or making noise that creates a disturbance for other candidates is prohibited during the exam.
- Break policies are established by the exam sponsor. Most sponsors allow unscheduled breaks. To request an unscheduled break, the candidate **must** raise their hand to get the administrator's attention. **The exam clock will not stop while the candidate is taking a break.**
- Candidates must leave the testing room for all breaks. However, candidates **are not permitted to leave the floor or building for any reason during this time, unless specified by the administrator and the exam sponsor.** If a candidate is discovered to have left the floor or building they will not be permitted to proceed with the examination and may forfeit the exam fees.
- While taking a break, candidates are permitted to access personal items that are being stored during the exam only if necessary—for example, personal medication that must be taken at a specific time. **However, a candidate must receive permission from the administrator prior to accessing personal items that have been stored.** Candidates are **not** allowed access to other items, including but not limited to, cellular phones, exam notes, and study guides, unless the exam sponsor specifically permits this.
- Any candidate discovered causing a disturbance of any kind or engaging in any kind of misconduct—giving or receiving help; using notes, books, or other aids; taking part in an act of impersonation; or removing examination materials or notes from the examination room—will be summarily dismissed from the examination and will be reported to the state licensing agency. Decisions regarding disciplinary measures are the responsibility of the state licensing agency.



# PREPARING FOR THE EXAM

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## CONTENT OUTLINES

Each examination is based on a detailed content outline of topics, subtopics, and references to applicable state laws, statutes and regulations. These content outlines are provided to publishers of study materials and to state-approved education providers for their use in developing and updating their educational materials and programs. Content outlines are updated periodically to reflect changes in practice, state laws and regulations. Georgia offers these content outlines as part of the handbook.

They list the topics covered in each examination, and candidates should be sure their program of study covers all the topics listed in these content outlines. The content outlines are not meant to include everything that appears on the examinations. The state-specific study materials for a chosen area(s) of insurance will provide the most complete review of the information that candidates will be expected to know.

Candidates may obtain additional copies of the content outlines either by calling (800) 274-0488 or visiting [www.pearsonvue.com](http://www.pearsonvue.com).

## STUDY MATERIALS

Other study materials besides the content outlines include:

- **The Georgia Agents' Licensing Study Manual** (Life and Accident and Sickness or Property and Casualty)
- Sections 33-1-9 and 33-1-16 and Chapters 33-5, 33-6, 33-7, 33-23, 33-24, 33-25, 33-26, 33-27, 33-28, 33-29, 33-30, 33-31, 33-32, 33-33, 33-34, 33-39, 33-42, 33-43, 33-44, 33-50, and 33-51 of the Office Code of Georgia Annotated and corresponding regulations
- Policies, endorsements, riders, and other policy contract documents
- Such additional material as prescribed by regulations or identified by the Commissioner of Insurance

### PRETEST QUESTIONS

Many of the examinations will contain "pretest" questions. Pretest questions are questions on which statistical information is being collected for use in constructing future examinations. Responses to pretest questions do not affect a candidate's score. Pretest questions are mixed in with the scored questions and are not identified.

The number of pretest questions are listed in the content outline heading of each examination for which they are available. If a number is not present then there are no pretest questions for that particular examination.



GEORGIA

# Insurance Content Outlines

# DUPLICATE SCORE REQUEST FORM

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Use this form to request that Pearson VUE send a duplicate copy of your score report to you.

**You may request one free duplicate score report.**

Please print or type all information on this form and either email or mail your request to Pearson VUE. It is strongly suggested that you email your request to [pearsonvuecustomerservice@pearson.com](mailto:pearsonvuecustomerservice@pearson.com); however if you are unable to email, please mail your request to:

Pearson VUE  
**GEORGIA INSURANCE**  
DUPLICATE SCORE Request  
5601 Green Valley Drive  
Bloomington, MN 55437

I hereby authorize Pearson VUE to send me at the email address below a duplicate of my score report from the insurance examination.

Signature	Date
Name	
Email Address	

If you do not have a valid email address please include your physical mailing address below.

Address		
City	State	ZIP

If the above information was different at the time you tested, please indicate original information below.

Name		
Address		
City	State	ZIP

Exam Taken	Date Taken
Date of Birth	
Licensing Jurisdiction	

# ENGLISH AS A SECOND LANGUAGE (ESL) REQUEST FORM

**Note: Only candidates who require additional examination time for ESL should use this form.**

Candidates for whom English is a second language (ESL) may request additional examination time. Candidates who wish to request additional time for ESL should fax this form to Pearson VUE at (610) 617-9397. Certain documentation must be faxed along with this form, as detailed on page 8 of the candidate handbook.

**All requests must first be approved by Pearson VUE. Candidates must wait for confirmation of the approval before scheduling an examination.**

**PLEASE PRINT CLEARLY**

Date:		
Last Name:		
First Name:		M.I.:
Address:		
City:	State:	Zip:
Daytime Telephone:		
Email address:		
Examination Name:		
<input type="checkbox"/> English as a second language	<input type="checkbox"/> Additional time	

**Candidates should contact Pearson VUE with questions about additional time.**

**PEARSON VUE SPECIAL ACCOMMODATIONS/ESL**

5715 West Old Shakopee Road • Bloomington, MN 55437

Phone (800) 466-0450 • Fax (610) 617-9397

# GENERAL INFORMATION

**CANDIDATES MAY CALL (800) 274-0488 TO MAKE AN EXAM RESERVATION.**

**CANDIDATES MAY TEST AT ANY TEST CENTER.**

See [www.pearsonvue.com](http://www.pearsonvue.com) for full list of test centers.

TEST CENTERS		
LOCATION*	SCHEDULE	
<b>FLORIDA</b>		
Jacksonville, FL	Tuesday through Saturday	
Tallahassee, FL	Tuesday through Saturday	
<b>TENNESSEE</b>		
Chattanooga, TN	3 days per week	
<b>GEORGIA</b>		
Atlanta Area	Atlanta	1-2 days per week
	Atlanta (North)	3-4 days per week
	Atlanta (Stockbridge)	3 days per week
Albany	2-3 days per week	
Augusta	3 days per week	
Dahlonega	schedule varies	
Macon	3 days per week	
Marietta	Tuesday, Wednesday, Friday and Saturday	
Savannah	2-3 days per week	
Valdosta	schedule varies	

*\*Locations and schedules are subject to change.*

AVAILABLE EXAMINATIONS			
EXAM CODE	EXAM NAME	EXAM LENGTH	EXAM FEE*
12-GA-01	Life Agent	2 hours	\$63
12-GA-02	Accident/Sickness Agent	2 hours	\$63
12-GA-03	Property Agent	2 hours	\$63
12-GA-04	Casualty Agent	2 hours	\$63
12-GA-05	Life/Accident/Sickness Agent COMBO	2 hours	\$63
12-GA-06	Property & Casualty Agent COMBO	2 hours	\$63
12-GA-20	Public Adjuster	2 hours	\$63
12-GA-24	Adjuster	2 hours	\$63
12-GA-40	Life, Accident & Sickness Counselor	2 hours	\$63
12-GA-41	Property/Casualty Counselor	2 hours	\$63
12-GA-42	Limited Health Counselor	1 hour	\$63
12-GA-50	Surplus Lines Broker	2 hours	\$63
12-GA-55	Personal Lines	2 hours	\$63
12-GA-62	Variable Products	2 hours	\$63
12-GA-84	Navigator	1 hour	\$63

*\*Personal checks and cash will not be accepted.*

## PEARSON VUE HOLIDAY SCHEDULE

No exams on the following holidays:

New Year's Day    Martin Luther King, Jr. Day    Memorial Day    Independence Day    Labor Day    Thanksgiving    Christmas Day

# DUPLICATE SCORE REQUEST FORM

DIRECTIONS: You may use this form to request that Pearson VUE send a duplicate copy of your score report to you. Please print all information on this form.

Please enclose a cashier's check or money order made payable to "Pearson VUE."

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Macon	3 days per week
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Augusta	3 days per week
Albany	2-3 days per week
Marietta	Tuesday, Wednesday, Friday and Saturday
Chattanooga, TN	3 days per week
Atlanta	3 days per week

*\*Locations and schedules are subject to change.*

AVAILABLE EXAMINATIONS			
EXAM CODE	EXAM NAME	EXAM LENGTH	EXAM FEE *
12-GA-01	Life Agent	2 hours	\$90
12-GA-02	Accident/Sickness Agent	2 hours	\$90
12-GA-03	Property Agent	2 hours	\$90
12-GA-04	Casualty Agent	2 hours	\$90
12-GA-05	Life/Accident/Sickness Agent COMBO	2 hours	\$90
12-GA-06	Property & Casualty Agent COMBO	2 hours	\$90
12-GA-20	Public Adjuster	2 hours	\$90
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## IN THE BEGINNING ...

The insurance industry has a long and rich history dating back several centuries. In fact, the earliest forms of insurance occurred when merchants along the Yangtze River in China determined that it was too risky to put all their merchandise on a single boat and sail it down the river. Instead, they split the shipment into many pieces and placed a portion on each of several vessels. They recognized that the likelihood all the boats would sink was very small, assuring them that at least the majority of their goods would reach their destination unharmed. This informal, but very clever arrangement, eventually led to the formation of insurance organizations who also recognized that if they “spread the risk,” the chance of a loss to each unit was minimized. Indeed, if they collected a small amount of money from many individuals and pooled it, they could reimburse those few unfortunate people who suffered a loss. Voilà, the insurance industry was begun!

The more formal insurance industry had its origins at a coffee house near London, England owned by Edward Lloyd. In the late 1600s, wealthy merchants were engaged in a great deal of transoceanic shipping, particularly to the “new world.” Worried that they could be wiped out financially if a shipment was lost, they began to make arrangements with each other to share their risks of loss. When a shipment was scheduled to depart, the merchants would meet at the coffee house and pass around an agreement whereby each of them would agree to reimburse the shipper for a percentage of the value of their cargo. One by one, each person would sign his or her name beneath a description of the shipment, and set forth the percentage of loss he or she was willing to pay. When the total reached 100%, the vessel would sail. These individuals became known as underwriters, because they had pledged their financial backing by signing under the voyage description. If there was a loss, each person would reimburse the shipper for his or her percentage of the value, but if the voyage was successful, each would receive a bonus or a premium.

This, of course, was the beginning of Lloyd’s of London, which has continued to do business in almost the same way for over 300 years and upon which our American insurance industry is based. Lloyd’s is still a major participant in the insurance industry, providing policies insuring risks ranging from large ocean-going vessels carrying crude oil to Madonna’s voice, and virtually everything in between.



The U.S. insurance industry owes much of its current structure to a very familiar person in U.S. history: Benjamin Franklin. Along with bifocal lenses, the postal department, and lightning rods, Franklin is also credited as the “inventor” of the U.S. insurance industry. In 1752, he organized one of the first fire insurance companies in the country, one that is still in operation to this day. Franklin’s company, the Philadelphia Contributorship for the Insurance of Houses from Loss by Fire, has a long name, but tells the story of what fire insurance is all about.

*Franklin*

In the early days, each insurance company adopted its own “house mark” to identify properties it insured indicating that the property owners had purchased “insurance” from a fire company. The plaque contained the symbol, or logo, of one of the fire companies that had been formed, including Franklin’s.

Urban legend says that when a fire occurred, all the fire companies would get in their fire trucks (horse drawn, of course) and go by the house looking for the symbol. If the house had the same symbol that appeared on the truck, the fire company would stop and extinguish the fire, but if not, they would keep on going! If you visit the eastern United States, look for the symbols, called **fire marks**, near the doorways of older buildings. They are still there and serve as a reminder of the earliest days of fire “insurance.”

## **NO FIRE MARK, NO FIREFIGHTING COMPANY**

The misconception that volunteer fire companies put out fires only on buildings that displayed a fire mark arises from the fact that some articles on fire marks do not make a distinction between the English and American relationship to fire marks. The early English fire insurance companies originally used fire marks to identify properties they insured because each insurance company had its own fire brigade. These private insurance brigades only fought fires on properties identified by their employers' mark or badge. In England, the insurance companies originated before the firefighting companies. In America, it was the reverse – the volunteer fire companies were in existence before the first fire insurance company was organized. They fought fires whether or not a building displayed a fire mark. Even the literature that recognizes this distinction does not always follow through. It tends to generalize and equate the American experience with the English for the sake of the story.

Research shows that it is only in the 20th century when the idea first appears that a volunteer fire company would not fight a fire if there were no fire mark. As early as 1929 the Franklin Fire Insurance Company in its 100th anniversary history states that in the early years in Philadelphia "...each insurance company maintained its own fire company." With the proliferation of insurance companies, it became difficult for each company to recognize its own fire. Each insurance company then adopted its own "house mark" to identify properties it insured. When the fire alarm sounded "...all of the fire companies would respond, but only the company whose house mark appeared on the house in danger fought the flames."

The 1938 publication "Fire Mark" by the American Reserve Insurance Company states, "The fire marks...were guides to the competing Volunteers in determining whether or not a fire was worth the effort of putting it out.....But if a piece of property bore no Fire Mark the gallant volunteers more often than not quickly left, for then as now, there was no small profit in gratuitous acts of benevolence."

In another 1938 article, W. Emmert Swigart states, "If no insurance fire mark was seen the free-lancers [volunteers] would often declare a false alarm and calmly walk away from the scene, much to the chagrin of the uninsured owner of the burning building."

All these stories about early Philadelphia are not true. There are no primary sources, either insurance company or volunteer fire company records, which indicate that volunteer fire companies would not fight a fire unless the property was insured and had a fire mark. There is also no reference to such practice in newspaper accounts of the time. A review of books on general history, fire fighting and insurance published in the 1870's and 1880's also do not mention this practice.

In a 1983 Fire Mark Circle of the America's article Dr. Glenn Holt concludes that, at least for St. Louis, there is no reference to a fire mark influencing the firefighters. A review of records of the Insurance Company of North America by Melissa Hough confirms the same conclusion for Philadelphia. To this day, writers repeat and embellish these stories with the result that readers, while entertained, are misinformed about the early volunteers.

The reality is that fire companies operated in a local area, and were organized and existed because of donations from citizens and businesses or public funding. Volunteer fire companies were prominent social organizations and membership was an honor. Having made their case for funding by proclaiming their work in the public interest, it seems unlikely they would disregard any fire.

In the 150 - year span of fire marks in America fewer than 280 known different insurance companies issued fire marks; most insurance companies did not issue fire marks. If only about one in ten insurance companies issued fire marks, it's not likely that the volunteers would let properties burn that did not have fire marks. Had this occurred, the hue and cry of the insurance industry and the public would certainly have been noted.



### Benefits And Costs Of Insurance

There are many positive aspects to the products and services provided by the insurance industry. Rather than providing the direct benefit of actually putting out the fire, as we did in Ben Franklin's day, today's insurance products function primarily as a means to reimburse people when their property is damaged or they suffer some other kind of unforeseen loss.

Insurance helps individuals and business owners resume their normal standard of living and operations, which is actually a benefit to society as a whole. If your home burned down, and you had no means to pay for the repairs, it is unlikely you would have the funds to make other purchases. Not only would you be affected, but others from whom you ordinarily buy things would also be impacted. There would be a negative, ripple effect, on the economy. The proceeds of an insurance policy benefit everyone by restoring the insured person or organization to the same financial condition they were in before the loss happened—it indemnifies them.

Another way insurance benefits society is by encouraging activities and devices that will reduce the amount of losses and their economic impact. For example, it has been proven that seat belts and other passive restraints in automobiles significantly reduce the extent of injuries suffered by vehicle occupants involved in auto accidents.

Insurance companies were the major force behind requiring seat belts as standard equipment in all cars. The efforts of insurers to eliminate or reduce the amount of loss and human suffering date back to the earliest days of the insurance industry.

Of course, insurance is not without its costs.

In addition to the obvious consumption of resources, both human and otherwise, insurance can also create a situation where losses become more likely to occur. For example, who would be tempted to burn down their own house if they would have to bear the entire financial burden themselves? The fact that they have insurance has caused some unscrupulous people to commit the crime of arson, which means to intentionally burn down a building, simply to access the insurance policy proceeds. This certainly would not happen if there was no insurance policy, and so it is considered a cost of insurance.

Similarly, some people aren't as careful to prevent losses when they are insured. They don't cause the losses intentionally, as the arsonist does, but they are indifferent as to whether or not a loss occurs. These are people you may have heard say, "Oh well, if something happens to my property, so what, that's what I have insurance for!" As you will learn, this indifference to loss leads to damage and injury that could be prevented and thus is also considered a cost of insurance.

### **How The Insurance Industry Is Organized**

Within the property and casualty industry, there exist additional divisions.

Commercial insurance (also called commercial lines insurance) involves protection for businesses and organizations.

Personal insurance (also known as personal lines insurance) provides protection to individuals and families from risks of loss to their assets. Automobile insurance is probably the form of insurance with which you are most familiar, since it is the type you must purchase for yourself.

Homeowners insurance must be purchased if you buy a home with the help of a bank or other lender in order to protect their collateral.

Additionally, you may own jet skis, a boat, or an ATV (all terrain vehicle), all of which are insured by personal insurance policies.

### **Where The Insurance Premium Dollar Goes**

Some people think insurance is a "rip off" because they believe insurance companies charge excessive premiums and then keep the money, earning high profits. In fact, nearly 70 cents of every dollar collected in insurance premiums is returned directly to policyholders in the form of claim payments. About 28 cents is used to pay the insurance company's expenses, including the agent's commission, the salaries of their employees, and other overhead items such as utilities, rent and the like. That leaves about 2 cents for profit. Many insurance companies would be very happy with a profit of 2%, but in reality some make no profit at all by writing insurance. When an insurance company pays out more money in claims and expenses than it takes in premium, the company is considered to have suffered an underwriting loss. This can sometimes occur when unusual events take place that actuaries could not have predicted such as a major earthquake, tornado, or hurricane. If there is still money left over after paying these items, the company has experienced an underwriting profit.

How can an insurance company stay in business if they have an underwriting loss? Insurers have another source of income. Since you must pay insurance premiums in advance, the insurance company is able to invest the money until the time comes to pay your claim. In the meantime the company earns interest on the funds.

This is called the company's investment income and it can be used to offset losses if claims exceed the company's expectations.

Insurance companies sometimes earn all their profits on investments. Insurance company investments are very conservative and are regulated by law. You would not want your insurance company to take your premium and invest it all in the stock market and then be unable to pay your claim.

## General Principles of Insurance

Just like when you build a house, the study of insurance must begin with a foundation.

This foundation consists of the guiding principles that underlie all other topics we will discuss in this book.

The first guiding principle is known as the **doctrine of insurable interest**. Under this doctrine, or rule, an insurable interest is said to exist whenever the occurrence of a certain event, such as a fire or theft, results in a financial loss to a person or organization. In order to purchase legally valid insurance, one must possess an insurable interest in the item being insured. If you own a car, and that car is damaged in an automobile accident, the value of the car declines and you suffer a financial loss.

Therefore, you possess an insurable interest in that car and may purchase insurance to protect against the financial loss.

Another part of the foundation is called the **principle of indemnity**, the second guiding principle of insurance. This is similar to insurable interest, but rather than defining under what circumstances you can collect on an insurance policy, the principle of indemnity determines how much you can collect. Let's say your car is damaged in an auto accident.

While you might want the insurance company to replace your car with a new one, this would violate the principle of indemnity since a new car is more valuable than an older one in most cases. So, the insurance company determines the value of your damaged automobile (including a deduction for depreciation) and pays you that amount. You are indemnified.

Under this rule, insurance policies are considered to be **contracts of indemnity**, meaning they are designed to put someone back in the same general financial condition he or she was in before the loss occurred. In other words, you shouldn't be able to profit by collecting the insurance. You may have heard the phrase "insurance is to make you whole." This is a euphemism for the principle of indemnity. You're no better off than you were prior to the loss, but neither are you any worse.

Without each of these underlying principles, there is little that would separate the purchase of insurance from gambling. Think what would happen if people did not need to have an insurable interest in the houses they insured for loss by fire. You would simply drive around town, find the oldest, most rundown house you could, buy a fire insurance policy and wait for the place to burn down. It's the doctrine of insurable interest that prevents you from doing that. In order to collect the insurance, you had to have suffered a loss in the first place.

## Basic Insurance Terms

Among the most fundamental insurance concepts are the meaning of the words risk, peril, hazard, loss, insurance, and insurance policy.

### Risk

A risk exists whenever there is uncertainty about the outcome. "Taking a risk" means not knowing exactly what will happen. Facing risks is part of life, and it is the basic problem dealt with in insurance. Risk, however, comes in two forms, only one of which is addressed by insurance.

**Pure risk** exists whenever there are only two possible outcomes: loss, or no loss. This is the type of risk insurance deals with. Your home burns (loss) or it does not (no loss). Your car is damaged in an accident (loss) or it is not (no loss).

The other type of risk is called **speculative risk**. With speculative risk, there is a third possible outcome: gain. When you purchase a company's stock, the value of the stock could decline (loss), it could stay the same (no loss), or it could appreciate (gain). When a company comes up with a new product, it could be a flop (loss), they could break even (no loss), or they could have a huge success (gain).

Insurance does not deal with speculative risk, since the potential for gain or profit contained in these situations would be a violation of the general principles of insurable interest and indemnity.

### Peril

A peril is the cause of a loss. Fire, flood, theft, and earthquake are all perils or events that can cause a loss to property and people.

### Hazard

A hazard is a condition that makes a peril more likely to happen or that increases the seriousness of a loss. Leaving the door to your house unlocked when no one is there is a hazard since it increases the likelihood that a theft will take place. Building houses with wood shake roofs increases the amount of damage that the structure will suffer if there is a brush fire and is, therefore, a hazard. Some hazards are the result of the physical characteristics of property, such as old wiring in a home that could lead to a fire. Other hazards are created by people, such as when a person burns down his or her own house or when someone files a false insurance claim. This is called a **moral hazard**, since it arises out of a person's habits or tendencies and increases the likelihood of losses.

The person who is indifferent to loss represents a **morale hazard**, since it is his or her carelessness that raises the likelihood of loss.

### Insurance Policy

An insurance policy is a document issued by an insurance company to its policyholder that provides details about what is covered under the contract. The type of coverage (such as automobile liability insurance), the limits (maximum amount that will be paid for a particular loss), and any deductibles (amount the insured must pay his or herself) are all stated in the policy.

## **Loss**

Loss is simply a decline in value. When there is a reduction in the quantity, quality, or value of something, a loss is said to occur. This can occur to tangible items, such as houses, cars, or equipment (direct loss), or it can result from damage to tangible items (indirect loss). An example is when you must take up residence in a hotel (indirect loss) because your house was damaged by fire (direct loss) or when you have to rent a car (indirect loss) while yours is in the shop being repaired following a collision (direct loss).

## **Insurance**

Insurance is a social and contractual device that transfers the risk of financial loss from individuals or businesses to an insurer. The insurer collects small amounts of money from each of the individuals or businesses (premium) and “pools” them into a large sum of money out of which losses will be paid. The organization that arranges and administers the pool of funds is generally referred to as an insurer, and the individuals or businesses that transfer their risks are called insureds. The contract that makes the transfer is referred to as the insurance policy.

## **Risk And Loss**

Whenever you are faced with a risk, there are three possible things that can happen.

First, the outcome can be positive. When you risk your money buying a lottery ticket you could win (called a gain).

Second, the outcome could be negative and produce a loss. When you face the risks associated with driving a car, you could have an accident. The accident is a loss, because you may have to pay to have your car repaired or may be responsible to pay for the damage you cause to someone else’s car.

Third, the outcome could be neutral—neither positive nor negative. There’s no loss, but there’s no gain either.

When there are only two possible outcomes to a risk, loss or no loss, it is referred to as pure risk. When there is a third possible outcome, gain, the risk is called speculative risk.

Insurance is designed to treat pure risk exposures.

Speculative risk, because it has a potential for gain, is not the subject of insurance.

The purpose of insurance is to protect against loss. If no loss occurs or there is potential for gain, insurance usually cannot be purchased.

For example, if you start a business, it can be successful or unsuccessful ... insurance, in general, cannot be purchased to ensure the success of your business, though it can if your business is threatened by a peril (e.g., fire) where the only possible outcomes are loss or no loss.

## Practice Quiz #1

Complete each sentence below using the following list of words.

Not all words are used.

- |                          |                   |
|--------------------------|-------------------|
| a. commercial            | g. hazard         |
| b. property and casualty | h. peril          |
| c. insurable interest    | i. personal       |
| d. indemnified           | j. pure risk      |
| e. speculative risk      | k. financial loss |
| f. life and health       | l. insurance      |

1. The type of insurance that protects business firms and other organizations is called \_\_\_\_\_ insurance.
2. When a person stands to lose financially if a loss occurs, they are said to have an \_\_\_\_\_ in the risk.
3. A social device that transfers the risks of loss from an individual to an insurer is called \_\_\_\_\_.
4. A \_\_\_\_\_ is a condition that increases the chance that a loss will occur.
5. When an insurance company puts someone back in the same general financial condition they were in prior to a loss, the person is said to be \_\_\_\_\_.
6. A \_\_\_\_\_ is defined as the cause of a loss.
7. The type of risk that has a chance for gain is called \_\_\_\_\_.
8. When someone is concerned about the risk of loss due to premature death or disability, they may purchase \_\_\_\_\_ insurance to protect themselves.
9. \_\_\_\_\_ is the type of risk that most insurance policies are designed to deal with.
10. When a piece of property is damaged and declines in value, it is said to have suffered a \_\_\_\_\_.



## **How Can You Manage Risks?**

There are five methods a person can use to manage their risks of loss.

### **Avoidance**

This risk management technique means that you eliminate the loss exposure or never acquire it in the first place. For example, if you fear having your car stolen, you might consider not owning a vehicle. If you already own the car, you could sell it.

When used as a risk management technique, avoidance is very effective. In fact it ensures that a loss will not happen. However, it is not always practical and some loss exposures, such as death, simply can't be avoided.

### **Loss Control**

For risks that cannot be avoided, loss control can reduce the number of losses (loss frequency) or the cost of losses that do occur (loss severity). Burglar alarms are an example of a loss control device that reduces the number of losses that occur to property. A person intent on breaking into a home may see that the house has an alarm and decide not to commit the crime (at least to that house)!

Seat belts and airbags in automobiles are examples of loss control devices that are designed to reduce the cost of a loss. While their use does not keep auto accidents from happening, when used by vehicle passengers these restraints generally result in less serious injuries.

Choosing among the risk management techniques can be a challenge. When the risks of loss are enormous, avoidance may be most appropriate. For losses that don't happen very often, but are costly when they do, insurance may be the best choice.

Loss control measures that reduce the number of losses are called loss prevention methods.

When the purpose is to reduce the cost of a loss, the device is referred to as a loss reduction technique, because the dollar amount of the loss is less than it would be otherwise.

### **Transfer to Others**

Some risks can actually become the responsibility of someone else using a transfer such as contract or agreement. When you rent a car, the rental car company requires you to sign a contract in which you agree to pay for any damage to the vehicle. Rather than suffer the loss itself, the rental car company transfers that risk to you, the renter.

### **Retention**

The risk management method of retention means paying some or all of the losses that occur out of your own personal current income or from a personal savings account.

An example of the individual paying for the loss or sustaining the damage without correcting the problem is in the case of small losses, such as cracks in a car windshield. The owner of the car may retain the loss (pay out of pocket) since it does not happen frequently and does not result in a large dollar amount of loss.

It is also possible that the damage will not be repaired and the person will simply have a vehicle worth less money due to the cracked windshield. Either way, the burden of the loss falls on the owner of the vehicle.

### **Insurance**

The last risk management method to be considered is insurance, or transfer of the cost of loss to an insurance company. Understanding how insurance operates as a tool of risk management is the primary purpose of this book and will be dealt with in some detail in the following chapters.

For each of the following loss exposures, indicate the risk management technique(s) that is (are) most appropriate for treating the risks of loss.

## **Practice Quiz #2**

1. A vehicle owner travels frequently on roadways with heavy trucks and worries about the \_\_\_\_\_
2. An athlete is concerned that playing two sports in high school may result in an injury that \_\_\_\_\_
3. The tires on a vehicle have become worn and could result in a blow-out and collision or \_\_\_\_\_
4. A beginning driver is worried that an automobile accident could result in serious injuries \_\_\_\_\_
5. A contractor is concerned that he might be sued for damages as a result of something done \_\_\_\_\_
  - a. could jeopardize a college scholarship to play one sport.
  - b. by a subcontractor at a construction site.
  - c. overturn of the vehicle.
  - d. possibility of getting a cracked windshield.
  - e. to passengers in the vehicle or to others.

## 20 Hour Pre-Licensing for Personal Lines P&C Agent Study Manual

Matching Questions: Match each term in Column A with its definition in Column B.

### Column A

- |                          |                           |
|--------------------------|---------------------------|
| ___ 1. Deductible        | ___ 6. Replacement Cost   |
| ___ 2. Endorsement       | ___ 7. Coverage           |
| ___ 3. Insurance Policy  | ___ 8. Limit              |
| ___ 4. Actual Cash Value | ___ 9. Risk               |
| ___ 5. Depreciation      | ___ 10. Declarations Page |

### Column B

- a. The cost of replacing your property at today's prices, minus depreciation.
- b. The protection for specific losses provided under the terms of an insurance policy.
- c. The chance of a financial loss.
- d. The maximum amount that an insurance company will pay for a covered loss.
- e. The amount of money the policyholder agrees to pay toward the total amount of an insured loss before the insurance company pays.
- f. A legal contract that sets forth the rights and obligations of both the policyholder and the insurance company.
- g. The decrease in the value of property due to wear and tear, age, or other cause.
- h. The portion of the insurance policy booklet containing the information that makes the insurance policy your own.
- i. An amendment attached to an insurance policy to add to or change the terms of a policy contract.
- j. The amount it would cost to replace damaged property at today's prices, without a deduction for depreciation.

Multiple Choice:

In the space provided write the letter of the item that best completes the statement.

1. Selecting a higher deductible \_\_\_\_\_

- a. leads to a higher premium.
- b. leads to a lower premium.
- c. often has no effect on premium.
- d. never has an effect on premium.

2. The three basic types of risks are \_\_\_\_\_

- a. contents, liability, additional living expenses.
- b. contents, liability, loss of income/additional expenses.
- c. property, liability, loss of income/additional expenses.
- d. property, liability, additional living expenses.

3. When you refuse to engage in any activities that may expose you to a loss, you are managing risk through \_\_\_\_\_

- a. avoidance.
- b. retention.
- c. transfer.
- d. insurance.

4. When you decide that you will pay for a future loss out of your current income and/or savings, you are managing risk through \_\_\_\_\_

- a. avoidance.
- b. retention.
- c. transfer.
- d. insurance.

5. As a group, teenagers pay more for insurance because teenagers \_\_\_\_\_

- a. own more cars.
- b. drive more miles.
- c. park their cars on the street.
- d. have high accident rates.

## 20 Hour Pre-Licensing for Personal Lines P&C Agent Study Manual

True or Make True:

Read each statement carefully and decide whether it is true or false. If it is false, change the underlined word or words to make the statement true.

\_\_\_\_ 1. Actual Cash Value is the decrease in the value of property due to wear and tear, age, or other cause.

\_\_\_\_ 2. Liability is the legal responsibility you have to others to compensate them for damages you cause.

\_\_\_\_ 3. The higher the limit(s) a policyholder selects, the higher the premium the policyholder will pay.

\_\_\_\_ 4. Since an insurance company cannot afford unlimited losses, coverages are subject to deductibles.

\_\_\_\_ 5. The declarations page is a legal contract that sets forth the rights and obligation of both the policyholder and the insurance company.

Match the terms to their description.

\_\_\_\_ Benjamin Franklin

\_\_\_\_ Lloyd's of London

\_\_\_\_ Underwriter

\_\_\_\_ Premium

\_\_\_\_ Fire Mark

1. The amount of money charged for an insurance policy.
2. A person pledges who financial backing of a risk.
3. The father of modern insurance in the United States.
4. A symbol placed on a building to signify that it is insured.
5. An organization of individuals who insure large and unusual risks.

# I. TYPES OF PROPERTY POLICIES

## A. Property: Personal lines

“Personal Lines” is a term used to describe insurance for individuals or families. Commercial Lines is a term used to describe insurance for businesses.

When broken down into simple terms, insurance can be considered a method for distributing risk among a group of people so that no single person feels the full effects of a loss. Defined that way, insurance has a long history. In ancient China, farmers’ crops were taken to market via water, rather than land. If a ship sank, obviously it meant great financial loss. Eventually, farmers distributed their crops across a group of ships so that the sinking of one ship wouldn’t ruin one lone farmer. Other ancient societies had similar systems of safe-guarding individual investments. In the 13th century, European merchants began insuring their ships by signing contracts with wealthy benefactors that provided compensation in case a ship was lost at sea.

In a then anonymous letter to The Pennsylvania Gazette on February 4, 1735, Benjamin Franklin coined the famous phrase *“an ounce of prevention is worth a pound of cure”* when talking about the need for a better fire fighting service in the city of Philadelphia. In December 1736, a fire fighting service was formed in Philadelphia, and in 1752, Franklin’s Union Fire Company, along with members of other fire fighting groups, formed the Philadelphia Contributionship, the first insurance company in the American colonies. Today, Franklin’s proverb remains as valuable as ever.

### 1. Dwelling and contents (DP forms)

A series of forms providing basic, broad, or special form coverage for dwelling buildings and contents or coverage for household contents only. Usually written for either hard to place homeowners or for owned property rented to others.

#### ***Dwelling Policy***

An insurance policy that covers buildings and the personal property inside. The Insurance Services Office has a basic form, a broad form, and a special form.

The principal differences among them are the perils covered. The forms are designed to insure one- to four-family dwellings, whether owner-occupied or tenant-occupied, and can be used to insure mobile homes. Unlike homeowners’ policies, dwelling policies do not include theft, liability or medical payments coverage, but these coverages can be added by endorsement. The ISO policy forms have a standard format:

- ◆ Coverage A--Dwelling Coverage
- ◆ Coverage B--Other Structures Coverage
- ◆ Coverage C--Personal Property Coverage
- ◆ Coverage D--Fair Rental Value Coverage
- ◆ Coverage E--Additional Living Expense (except basic form)

#### ***Dwelling policy basic form***

A very limited dwelling policy (ISO form DP 00 01) that only covers the perils of fire or lightning and internal explosion and does not include additional living expense coverage, though this can be added by endorsement. The form includes an "other coverages" section that extends coverage to other structures; debris removal; improvements, alterations and additions; world-wide personal property

coverage; rental value; reasonable repairs; and fire department service charges. An extended coverage option adds the perils of windstorm, hail, explosion, riot, civil commotion, aircraft, vehicles, smoke, and volcanic eruption. Another option adds the perils of vandalism and malicious mischief.

### ***Dwelling policy broad form***

This dwelling policy (ISO form DP 00 02) is identical to the basic form except it includes coverage E (additional living expense) and the perils available as coverage options under the basic form. In addition, it includes the perils of damage by burglars; falling objects; weight of ice, snow or sleet; accidental discharge or overflow of water or steam; sudden and accidental tearing apart, cracking, burning or bulging; freezing; and sudden and accidental damage from artificially generated electrical current. In addition to the "other coverage" provided in the basic form, it includes coverage for trees, shrubs, and other plants; collapse; and glass or safety glazing material.

### ***Dwelling policy special form***

This dwelling policy (ISO form DP 00 03) is identical to the broad form, but it insures the dwelling and other structures on an open-perils basis and covers personal property on the same broad named-perils basis as the broad form.

### ***Open perils***

A property insurance form that insures against any risks of loss that are not specifically excluded. This term is frequently used instead of "all risks."

### ***All-risk insurance***

A property or inland marine insurance form that covers all risks of loss except risks that are specifically excluded. All-risk policies always have some exclusions or limitations regarding the insured property, persons or protected interests, and some policies may exclude certain causes of loss.

### ***Broad form property insurance endorsement***

An endorsement to a property insurance policy covering perils such as breakage of glass, falling objects, weight of snow, ice, sleet, or water damage, in addition to the basic perils.

### ***Named perils***

Specified causes of loss covered under a property insurance policy. No coverage is provided for perils not listed.

Most of today's insurance policies combine several coverages into one package. Some coverages are basic and always included in the policy others are optional and allow the insured to select additional protection for additional premiums. All of the coverages selected, with their limits and premiums, are shown on the declaration page.

***Property coverage*** protects the dwelling, other structures on the property, and personal property. The homeowners policy also provides compensation for additional expenses after a loss. Additional payments may also be made for certain stated expenses or losses. Claim payments will not exceed the specified limit of liability for each coverage. Let's take a brief look at each individual property coverage.

***Dwelling coverage*** covers the dwelling, structures attached to that dwelling (such as a garage, carport, or breezeway), and fixtures permanently attached to the house (such as a furnace, wood burning stove, plumbing fixtures, built-in air conditioning system, and certain kitchen appliances). As you can see in the example above, the premium for dwelling coverage includes the premiums for

most of the other coverages. That premium will depend upon many factors, including the replacement value of the house, its construction, the deductibles selected, and location.

Coverage for **Other Structures** covers those buildings and structures that are on the insured premises but completely separated from the house or connected only with a fence or utility line. Such structures as in-ground swimming pools, fences, detached garages, tool sheds, and gazebos are included here. Structures used on a regular basis for business purposes are not covered by homeowner's policies. A builder who stores lumber and tools in a barn behind his home should cover that barn on a commercial policy.

**Personal property** coverage insures personal property that the insured owns or uses anywhere in the world. Property that is borrowed and damaged by the insured is also covered. Most insurance companies automatically insure furniture and personal possessions at a limit equal to 50% of the amount for which the dwelling is insured, but this amount can be increased for an additional premium.

Personal property coverage is subject to certain exclusions that restrict the limits on certain kinds of property. There are several popular options that increase protection on items not normally covered or covered only up to certain limits. Again, such optional coverages are available for additional premiums.

**Personal property replacement** coverage extends protection to include the actual cost to repair or replace damaged property. Generally depreciation is taken into account when determining a claim payment. With this option in the policy there is no deduction for depreciation.

**Extended theft** coverage insures items or property left in unattended motor vehicles or trailers.

**Jewelry and fur** coverage increases the limit of liability for the loss of jewelry watches, furs, precious and semiprecious stones.

**Silverware** coverage similarly increases the limits for the loss of silverware, silver-plated ware, gold ware, gold-plated ware, and pewter ware.

There are other options that can further customize the basic homeowner's policy to protect the personal property your customer owns or uses.

Additional expenses coverage is intended to help compensate the insured for additional living expenses after a loss. This does not cover all living expenses — only those in excess of the ones the insured normally pays.

Suppose a family is forced to live in a motel and eat in restaurants for two weeks after their home is damaged in a fire. Their normal living expenses for that period would be \$500, but they spend \$1200. Additional expenses coverage would reimburse them for the extra \$700 expense because of the damage to their home.

Again, the purpose of this coverage is to return insureds to the financial condition they enjoyed before the loss.

Additional payments are also made for specified expenses or property losses the insured incurs. They provide reimbursement for such things as debris removal, removing property from endangered premises, fire department service charges, and glass breakage. Notice that such payments help to limit damage and the need for insurance company to pay higher claim payments.

Just going with the usual homeowner's package may neglect important coverage that your customers need. If a family's silverware worth \$3500 is stolen, they will be in for a rude awakening if



they have only the standard \$1000 coverage. By taking the time to thoroughly determine what property must be protected, you can avoid these unpleasant surprises.

### **Settlement of Property Losses**

The replacement cost is the actual cost of repairing or replacing the home at today's prices. For adequate protection, the amount of dwelling coverage should be based on that replacement cost. It is up to you to keep an eye on your customer's policy — especially when appreciation and improvements constantly push the replacement cost upward. You can obtain a reasonably good estimate of the replacement cost by using construction data from reputable appraisal companies.

Most insurance companies recommend full replacement coverage. This means insuring the dwelling for 100% of its replacement cost and updating that coverage as the replacement cost rises. The insurer will then pay whatever it costs to replace the damaged property or return it to its pre-loss condition—even if that cost exceeds the limit of liability

Suppose our homeowner has kept up with the growing replacement cost of the home and has now upgraded the dwelling coverage from \$120,000 to \$180,000. The damage will cover any damage to the home in full—even if the house is destroyed and costs more than \$180,000 to rebuild.

Your customer may be tempted to save money by underinsuring or buying only the minimum coverage that is required. You can provide value-added service by keeping the homeowner aware of rising replacement costs. When it is time to decide on the amount of property insurance to carry on the home, you should encourage the customer to honestly answer one question — Can I afford to replace my home and possessions at today's prices?

### **Customizing the Policy**

Determining your customers' insurance needs and “building” the proper policy is much like ordering from a menu. In a good restaurant the menu offers a range of courses—something for every taste. In the same way you can offer your customers a range of coverages — protection that meets their needs and circumstances.

## **Basic Form – DP 00 01**

Basic policies provide the ***specified perils*** coverage we discussed previously. The house and possessions are covered for losses caused by those perils specifically listed in the policy. Perils not listed are not covered. Usually basic policies cover fire and lightning, windstorm and hail, explosion, riot and civil commotion, damage caused by vehicles or aircraft, smoke damage, vandalism, and theft.

## **Broad Form – DP 00 02**

Broader policies cover all losses to the house except those specifically excluded in the policy. All the perils in the basic policy are covered and others are added—rupture of steam or hot water systems, falling objects, weight of ice, snow, or sleet, electrical damage to appliances, water damage from plumbing or heating systems, collapse of buildings, and losses to property being conveyed because of collision or upset of the vehicle carrying that property This coverage applies to the home or other buildings only. Possessions are still covered only for those perils specified in the policy.

Review the following examples of DP forms then test your understanding by completing the Practice Quiz on page 49.

# Pacific Specialty Insurance Company BASIC DWELLING FIRE POLICY

DP-1-POL (Ed. 1)

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	<b>AGREEMENT</b>
	We will provide the insurance described in this policy in return for the premium and compliance with all applicable provisions of this policy.
	<b>DEFINITIONS</b>
	In this policy, "you" and "your" refer to the "named insured" shown in the Declarations and the spouse if a resident of the same household, "We," "Us" and "our" refer to the Company providing this insurance.
	Actual Cash Value means the replacement cost, less depreciation assessed at the time of loss.
	<b>COVERAGES</b>
	This insurance applies to the Described Location, Coverages for which a Limit of Liability is shown and Perils Insured Against for which a Premium is stated.
	<b>COVERAGE A – Dwelling</b>
	We cover:
1.	the dwelling on the Described Location shown in the Declarations, used principally for dwelling purposes, including structures attached to the dwelling;
2.	materials and supplies located on or next to the Described Location used to construct, alter or repair the dwelling or other structures on the Described Location; and
3.	if not otherwise covered in this policy, building equipment and outdoor equipment used for the service of and located on the Described Location.
	This coverage does not apply to land, including land on which the dwelling is located.
	<b>COVERAGE B – Other Structures</b>
	We cover other structures on the Described Location, set apart from the dwelling by clear space. This includes structures connected to the dwelling by only a fence, utility line, or similar connection.
	We do not cover other structures:
1.	used in whole or in part for commercial manufacturing or farming purposes; or
2.	rented or held for rental to any person not a tenant of the dwelling, unless used solely as a private garage.
	<b>COVERAGE C – Personal Property</b>
	We cover personal property, usual to the occupancy as a dwelling and owned or used by you or members of your family residing with you while it is on the Described Location. At your request, we will cover personal

	property owned by a guest or servant while the property is on the Described Location.
	<b>Property Not Covered.</b> We do not cover:
1.	accounts, bank notes, bills, bullion, coins, currency, deeds, evidences of debt, gold other than goldware, letters of credit, manuscripts, medals, money, notes other than bank notes, passports, personal records, platinum, securities, silver other than silverware, tickets and stamps;
2.	animals, birds or fish;
3.	aircraft and parts. Aircraft means any contrivance used or designed for flight, except model or hobby aircraft not used or designed to carry people or cargo;
4.	motor vehicles or all other motorized land conveyances. This includes: <ul style="list-style-type: none"> <li>a. their equipment and accessories; or</li> <li>b. any device or instrument for the transmitting, recording, receiving or reproduction of sound or pictures which is operated by power from the electrical system of motor vehicles or all other motorized land conveyances, including:                 <ul style="list-style-type: none"> <li>(1) accessories or antennas; or</li> <li>(2) tapes, wires, records, discs or other media for use with any such device or instrument; while in or upon the vehicle or conveyance.</li> </ul> </li> </ul>
5.	We do cover vehicles or conveyances not subject to motor vehicle registration which are: <ul style="list-style-type: none"> <li>a. used to service the Described Location; or</li> <li>b. designed for assisting the handicapped;</li> </ul>
6.	watercraft, other than rowboats and canoes; data, including data stored in: <ul style="list-style-type: none"> <li>a. books of account, drawings or other paper records; or</li> <li>b. electronic data processing tapes, wires, records, discs or other software media.</li> </ul> However, we do cover the cost of blank recording or storage media, and of pre-recorded computer programs available on the retail market; credit cards or fund transfer cards.
7.	If you remove personal property from the Described Location to a newly acquired principal residence, the Coverage C limit of liability will apply at each residence for the 30 days immediately after you begin to move the property there. This time period will not extend beyond the termination of this policy. Our liability is limited to the proportion of the limit of liability that the value at each residence bears to the total value of all personal property covered by this policy.

	or held for rental by you less any expenses that do not continue while that part of the Described Location rented or held for rental is not fit to live in.  Payment will be for the shortest time required to repair or replace that part of the Described Location rented or held for rental.  If a civil authority prohibits you from use of the Described Location as a result of direct damage to a neighboring location by a Peril Insured Against in this policy, we cover the Fair Rental Value loss for no more than two weeks.  The periods of time referenced above are not limited by the expiration of this policy.  We do not cover loss or expense due to cancellation of a lease or agreement.
	<b>OTHER COVERAGES</b>
1.	<b>Other Structures.</b> You may use up to 10% of the Coverage A limit of liability for loss by a Peril Insured Against to other structures described in Coverage B.
2.	Payment under this coverage reduces the Coverage A limit of liability by the amount paid for the same loss. <b>Debris Removal.</b> We will pay your reasonable expense for the removal of: <ul style="list-style-type: none"> <li>a. debris of covered property if a Peril Insured Against causes the loss; or</li> <li>b. ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.</li> </ul> Debris removal expense is included in the limit of liability applying to the damaged property.
3.	<b>Improvements, Alterations and Additions.</b> If you are a tenant of the Described Location, you may use up to 10% of the Coverage C limit of liability for loss by a Peril Insured Against to improvements, alterations and additions, made or acquired at our expense, to that part of the Described Location used only by you.
4.	Payment under this coverage reduces the Coverage C limit of liability by the amount paid for the same loss. <b>World-Wide Coverage.</b> You may use up to 10% of the Coverage C limit of liability for loss by a Peril Insured Against to property covered under Coverage C while anywhere in the world. This coverage does not apply to property of guests or servants or to rowboats or canoes.
5.	Payment under this coverage reduces the Coverage C limit of liability by the amount paid for the same loss. <b>Rental Value.</b> You may use up to 10% of the Coverage A limit of liability for loss of fair rental value as described in Coverage D. We will pay only 1/12

of the 10% for each month the rented part of the Described Location is unfit for its normal use.

Payment under this coverage reduces the Coverage Against. A limit of liability by the amount paid for the same loss.

- Reasonable Repairs.** In the event that covered property is damaged by an applicable Peril Insured Against, we will pay the reasonable cost incurred by you against further damage. If the measures taken involve repair to other damaged property, we will pay for those measures only if that property is covered under this policy and the damage to that property is caused by an applicable Peril Insured Against.

This coverage:

- does not increase the limit of liability that applies to the covered property,
- does not relieve you of your duties, in case of a loss to covered property, as set forth in Condition 4.b.

- Property Removed.** We insure covered property against direct loss from any cause while being removed from a premises endangered by a Peril Insured Against and for no more than 5 days while removed.

This coverage does not change the limit of liability that applies to the property being removed.

- Fire Department Service Charge.** We will pay up to \$500 for your liability assumed by contract or agreement for fire department charges incurred when the fire department is called to save or protect covered property from a Peril Insured Against. We do not cover fire department service charges if the property is located within the limits of the city, municipality or protection district furnishing the fire department response.

This coverage is additional insurance. No deductible applies to this coverage.

### PERILS INSURED AGAINST

Unless the loss is excluded in the General Exclusions, we insure for direct physical loss to the property covered caused by:

- Fire or lightning.**
- Internal Explosion,** meaning explosion occurring in the dwelling or other structure covered on the Described Location or in a structure containing personal property covered.

Explosion does not mean:

- electric arcing;
  - breakage of water pipes; or
  - breakage or operation of pressure relief devices.
- This Peril does not include loss by explosion of steam boilers, or steam pipes, if owned or leased by you or operated under your control.

### Windstorm or hail.

This peril does not include loss:

- to the inside of a building or the property contained in a building caused by rain, snow, sleet, sand or dust unless the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand or dust enters through this opening; or
- to the following property when outside of the building:
  - awnings, signs, radio or television antennas or aerials including lead-in wiring, masts or towers; or
  - canoes and rowboats.

### Explosion.

This peril does not include loss by explosion of steam boilers or steam pipes, if owned or leased by you or operated under your control.

Explosion does not mean:

- electric arcing;
- breakage of water pipes; or
- breakage or operation of pressure relief devices.

This peril replaces Peril 1B.

### Riot or civil commotion.

**Aircraft,** including self-propelled missiles and spacecraft.

### Vehicles.

This peril does not include loss: caused by a vehicle owned or operated by you or a resident of the Described Location; or caused by any vehicle to fences, driveways and walks.

**Smoke,** meaning sudden and accidental damage from smoke.

This peril does not include loss caused by smoke from fireplaces or from agricultural smudging or industrial operations.

**Volcanic Eruption** other than loss caused by earthquake, land shock waves or tremors.

**When a Premium for Vandalism or Malicious Mischief is shown in the Declarations, the following is made part of Perils Insured Against.**

### Vandalism or malicious mischief.

This peril does not include loss:

- to glass or safety glazing material constituting a part of the building other than glass building blocks;
- by pilferage, theft, burglary or larceny but we will be liable for damage to the building covered caused by burglars; or
- to property on the Described Location if the dwelling has been vacant for more than 30 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant.

### GENERAL EXCLUSIONS

A. We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss.

- Ordinance or Law,** meaning enforcement of any ordinance or law regulating the use, construction, repair, or demolition of a building or other structure, unless specifically provided under this policy.
- Earth Movement,** meaning earthquake including land shock waves or tremors before, during or after a volcanic eruption, landslide, mine subsidence, mudflow, earth sinking, rising or shifting, unless direct loss caused by:
  - fire; or
  - explosion;

ensues and then we will pay only for the ensuing loss.

### Water Damage, meaning:

- flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these, whether or not driven by wind;
- water which backs up through sewers or drains or which overflows from a sump; or
- water below the surface of the ground, including water which exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure.

Direct loss by fire or explosion resulting from water damage is covered.

- Power Failure,** meaning the failure of power or other utility service if the failure takes place off the Described Location. But, if a Peril Insured Against ensues on the Described Location, we will pay only for that ensuing loss.

**Neglect,** meaning your neglect to use all reasonable means to save and preserve property at and after the time of a loss.

- War,** including undeclared war, civil war, insurrection, rebellion, revolution, warfare act by a military force or military personnel, destruction or seizure or use for a military purpose, and including any consequence of any of these.

Discharge of a nuclear weapon will be deemed a warlike act even if accidental.

- Nuclear Hazard,** to the extent set forth in the Nuclear Hazard Clause of the Conditions.

**Intentional Loss,** meaning any loss arising out of any act committed:

- by or at the direction of you or any person or organization named as an additional insured; and
  - with the intent to cause a loss.
- B. We do not cover loss to lawns, plants, shrubs or trees outside of buildings.

### CONDITIONS

- Policy Period.** This policy applies only to loss which occurs during the policy period.
- Insurable Interest and Limit of Liability.** Even if more than one person has an insurable interest in the property covered, we will not be liable in any one loss:
  - for an amount greater than the interest of a person insured under this policy; or
  - for more than the applicable limit of liability.

**Concealment or Fraud.** The entire policy will be void if, whether before or after a loss, you have:

- intentionally concealed or misrepresented any material fact or circumstance;
  - engaged in fraudulent conduct; or
  - made false statements;
- relating to this insurance.

**Your Duties After Loss.** In case of a loss to covered property, you must see that the following are done:

- give prompt notice to us or our agent;
  - protect the property from further damage; make reasonable and necessary repairs to protect the property; and
  - keep an accurate record of repair expenses;
- c. prepare an inventory of damaged personal property showing the quantity, description, actual cash value and amount of loss. Attach all bills, receipts and related documents that justify the figures in the inventory;

as often as we reasonably require:

- show the damaged property;
- provide us with records and documents we request and permit us to make copies; and
- submit to examination under oath, while not in the presence of any other named insured, and sign the same;

e. send to us, within 60 days after our request, your signed, sworn proof of loss which sets forth, to the best of your knowledge and belief:

- the time and cause of loss;
- your interest and that of all others in the property involved and all liens on the property;
- other insurance which may cover the loss;
- changes in title or occupancy of the property during the term to the policy;
- specifications of damaged buildings and detailed repair estimates;
- the inventory of damaged personal property described in 4c;
- receipts for additional living expenses incurred and records that support the fair rental value loss.

**Loss Settlement.** Covered property losses are settled at actual cash value at the time of loss but

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- not more than the amount required to repair or replace the damaged property.
6. **Loss to a Pair or Set.** In case of loss to a pair or set we may elect to:
- repair or replace any part to restore the pair or set to its value before the loss; or
  - pay the difference between actual cash value of the property before and after the loss.
7. **Glass Replacement.** Loss for damage to glass caused by a Peril Insured Against will be settled on the basis of replacement with safety glazing materials when required by ordinance or law.
8. **Appraisal.** If you and we fail to agree on the amount of loss, either may demand an appraisal of the loss. In this event, each party will choose a competent appraiser within 20 days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within 1 day, you or we may request that the choice be made by a judge of a court of record in the state where the Described Location is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss.
- Each party will:
- pay its own appraiser; and
  - bear the other expenses of the appraisal and umpire equally.
9. **Other Insurance.** If property covered by this policy is also covered by other fire insurance, we will pay only the proportion of a loss caused by any peril insured against under this policy that the limit of liability applying under this policy bears to the total amount of fire insurance covering the property.
10. **Subrogation.** You may waive in writing before a loss all rights of recovery against any person. If not waived, we may require an assignment of rights of recovery for a loss to the extent that payment is made by us.
- If an assignment is sought, the person insured must sign and deliver all related papers and cooperate with us.
11. **Suit Against Us.** No action can be brought unless the policy provisions have been complied with and the action is started within one year after the date of loss.
12. **Our Option.** If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may repair or replace any part of the damaged property with like property.
13. **Loss Payment.** We will adjust all losses with you. We will pay you unless some other person is named in the policy or is legally entitled to receive payment. Loss will be payable 60 days after we receive your proof of loss and:
- reach an agreement with you;

- there is an entry of a final judgment; or
  - there is a filing of an appraisal award with us.
14. **Abandonment of Property.** We need not accept any property abandoned by you.
15. **Mortgage Clause.** The word "mortgage" includes trustee.
- If a mortgage is named in this policy, any loss payable under Coverage A or B will be paid to the mortgagee and you, as interests appear. If more than one mortgage is named, the order of payment will be the same as the order of precedence of the mortgages.
- If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:
- notifies us of any change in ownership, occupancy or substantial change in risk of which the mortgagee is aware;
  - pays any premium due under this policy on demand if you have neglected to pay the premium; and
  - submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so. Policy conditions relating to Appraisal, Suit Against Us and Loss Payment apply to the mortgagee.
- If we decide to cancel or not to renew this policy, the mortgagee will be notified at least 10 days before the date cancellation or nonrenewal takes effect.
- If we pay the mortgagee for any loss and deny payment to you:
- we are subrogated to all the rights of the mortgagee granted under the mortgage on the property; or
  - at our option, we may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, we will receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.
- Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.
16. **No Benefit to Bailee.** We will not recognize any assignment or grant any coverage that benefits a person or organization holding, storing or moving property for a fee regardless of any other provision of this policy.
17. **Cancellation.**
- You may cancel this policy at any time by returning it to us or by letting us know in writing of the date cancellation is to take effect.
  - We may cancel this policy only for the reasons stated below by letting you know in writing of the date cancellation takes effect. This cancellation notice may be delivered to you, or mailed to you at your mailing address shown in the Declarations.

- Proof of mailing shall be sufficient proof of notice.
- When you have not paid the premium, we may cancel at any time by letting you know at least 10 days before the date cancellation takes effect.
  - When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason by letting you know at least 10 days before the date cancellation takes effect.
  - When this policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel:
    - if there has been a material misrepresentation of fact which if known to us would have caused us not to issue the policy; or
    - if the risk has changed substantially since the policy was issued.
 This can be done by letting you know at least 30 days before the date cancellation takes effect.
  - When this policy is written for a period of more than one year, we may cancel for any reason at anniversary by letting you know at least 30 days before the date cancellation takes effect.
  - When this policy is cancelled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata.
  - If the return premium is not refunded with the notice of cancellation or when this policy is returned to us, we will refund it within a reasonable time after the date cancellation takes effect.
18. **Non-Renewal.** We may elect not to renew this policy. We may do so by delivering to you, or mailing to you at your mailing address shown in the Declarations, written notice at least 30 days before the expiration date of this policy. Proof of mailing will be sufficient proof of notice.
19. **Liberalization Clause.** If we make a change which broadens coverage under this edition of our policy without additional premium charge, that charge will automatically apply to your insurance as of the date we implement the change in your state, provided that this implementation date falls within 60 days prior to or during the policy period stated in the Declarations.
- This Liberalization Clause does not apply to changes implemented through introduction of a subsequent edition of our policy.
20. **Waiver or Change of Policy Provisions.** A waiver or change of a provision of this policy must be in writing by us to be valid. Our request for an appraisal or examination will not waive any of our rights.
21. **Assignment.** Assignment of this policy will not be valid unless we give our written consent.
22. **Death.** If you die, we insure:

- your legal representatives but only with respect to the property of the deceased covered under the policy at the time of death;
  - with respect to your property, the person having proper temporary custody of the property until appointment and qualification of a legal representative.
23. **Nuclear Hazard Clause.**
- "Nuclear Hazard" means any nuclear reaction, radiation, or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these.
  - Loss caused by the nuclear hazard will not be considered loss caused by fire, explosion, or smoke, whether these perils are specifically named in or otherwise included within the Perils Insured Against.
  - This policy does not apply to loss caused directly or indirectly by nuclear hazard, except that direct loss by fire resulting from the nuclear hazard is covered.
24. **Recovered Property.** If you or we recover any property for which we have made payment under this policy, you or we will notify the other of the recovery. At your option, the property will be returned to or retained by you or it will become our property. If the recovered property is returned to or retained by you, the loss payment will be adjusted based on the amount you received for the recovered property.
25. **Volcanic Eruption Period.** One or more volcanic eruptions that occur within a 72-hour period will be considered as one volcanic eruption.
- In Witness Whereof, the Company has caused this policy to be executed and attested, but this policy shall not be valid unless countersigned on the Declarations page by a duly authorized agent of the Company.

  
President

  
Secretary

# Pacific Specialty Insurance Company GEORGIA DWELLING FIRE ENDORSEMENTS

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**ATTENTION**  
This booklet contains endorsements that are applicable to your policy only if the endorsement number appears on your Declarations page. Not all endorsements are necessarily applicable to your policy. Review your Declarations page to see which ones apply.

Please read carefully. When applicable, the endorsement will change your Dwelling policy.

**ENDORSEMENT No. PM1-GA-DP (Ed. 1)**  
**Georgia Amendatory Endorsement for DP-1 and DP-3 Policies**

This endorsement changes your policy. Please read it carefully.

This endorsement is mandatory. It applies to all DP-1 and DP-3 policies issued in Georgia.

**Intentional Loss Exclusion.**

The Intentional Loss provisions of your policy, found in the GENERAL EXCLUSIONS section, are hereby replaced with the following:

- Intentional Loss**, meaning any loss arising out of any act that meets all of the following criteria:
- (1) Committed by or at the direction of you or any person or organization named as an additional insured.
  - (2) Committed with the intent to cause a loss.

**ENDORSEMENT No. PM3 (Ed. 1)**  
**Occupancy Endorsement (Primary Residence Only)**

This endorsement changes your policy. Please read it carefully.

It is a condition of this policy that any vacancy or unoccupancy of the described dwelling after the inception date of this policy must be reported to the Company. The terms "vacant" or "unoccupied" mean that you have not slept overnight in the dwelling for a period of sixty (60) consecutive days.

It is understood and agreed that the Company shall not be liable for loss occurring while a described dwelling that is intended for occupancy by the owner as a primary residence is vacant or unoccupied beyond a period of sixty consecutive days. However, coverage remains in effect during this period under Perils 1A (Fire or Lightning), 3 (Windstorm or Hail), 7 (Smoke) and 8 (Volcanic Eruption).

All other terms and conditions of this policy remain unchanged.

**ENDORSEMENT No. PM4 (Ed. 1)**  
**Satellite Dish Exclusion**

This endorsement changes your policy. Please read it carefully.

This policy does not provide any coverage loss or damage to a satellite dish, antennas, or their components, including mounting hardware.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM5 (Ed. 1)**  
**Roof for Fire and Lightning Only Endorsement**

It is agreed that the roof on your Dwelling is only covered for losses caused by fire and lightning. It is further agreed that there is no coverage for interior damage if such damage is due to the failure of the roof, unless such failure is caused by fire or lightning.

**ENDORSEMENT No. PM6 (Ed. 1)**  
**Water Damage Exclusion for Plumbing**

It is agreed that the insured dwelling's plumbing system is constructed, in whole or in part, from material other than copper, galvanized steel or polyvinyl chloride (PVC). This does not include any of the following:

- a) Plumbing outside the dwelling.
- b) Drain pipes.
- c) Sprinkler irrigation systems.
- d) Gas pipes.

In the event a claim is made resulting from the failure of the dwelling's plumbing system, including the failure of polybutylene (PB) or other plastic plumbing, no coverage will be afforded under this policy.

**ENDORSEMENT No. PM7 (Ed. 1)**  
**Copper Plumbing Agreement**

It is agreed that the insured dwelling's plumbing system is constructed from copper plumbing. This does not include plumbing outside the dwelling, drain pipes, sprinkler irrigation systems, or gas pipes.

In the event a claim is made resulting from a non-copper plumbing system failure, no coverage will be afforded under this policy.

**ENDORSEMENT No. PM9-GA (Ed. 1)**  
**Mold Limitation Endorsement**

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.

**LIMITED COVERAGE FOR MOLD POLLUTANTS.**

This policy does not provide coverage for any loss, damage, cost, claim, expense, bodily injury, property damage, medical payments or any other coverage under this policy arising from or in any way involving, directly or indirectly,

- a. Mold.
  - b. Fungi.
  - c. Mildew
  - d. Spores.
  - e. Wet or dry rot.
  - f. Bacteria.
  - g. Protists.
  - h. A chemical, matter, or a compound produced or released by such mold, fungi, mildew, spores, wet or dry rot, bacteria, protists.
  - i. Any other similar organism, strain or derivative.
- These coverages are subject to all of the terms of the policy, except as amended by this endorsement.

**LIMITED WET ROT, DRY ROT, BACTERIA, FUNGI, AND PROTISTS COVERAGES**

**Definitions.**

1. **Mold Pollutants:**
  - a. Wet rot.
  - b. Dry rot.
  - c. A bacterium.
  - d. A fungus, including mildew or mold.
  - e. A protist.
  - f. A chemical, matter, or a compound produced or released by such wet rot, dry rot, bacterium, fungus, or protist.
2. **Remediation:**
  - a. Any remediation of mold, including the cost or expense to:
    - (1) Remove the mold from covered property or to repair, restore or replace that property.
    - (2) Contain, treat, detoxify, neutralize or dispose of or in any way respond to or assess the effect of the mold.
  - b. The cost of any necessary testing or monitoring of air or property to confirm the type, absence, presence or level of mold, whether performed

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prior to, during or after removal, repair, restoration or replacement of covered property.

**I. PROPERTY COVERAGES.**

**A. Insuring Agreement.**

We pay for direct physical loss to property covered under Coverages A, B, C, or, if provided by this policy, the Incidental Property Coverage for improvements caused by **mold pollutants**, when the presence of any **mold pollutants**, whether collectively or any one item, is the direct result of any covered peril. All reasonable means must be used to save and preserve the property at and after the time of loss.

However, all consequential damage and subsequent cost arising from **mold pollutants** and its **remediation**, meaning any loss caused directly or indirectly by **mold pollutants** regardless of any other cause or event contributing concurrently or in any sequence to the loss, will be subject to the Aggregate Property Limit (herein "APL") of this endorsement unless the proximate covered cause of loss is the peril of fire or lightning. This coverage does not otherwise increase any coverage limits shown in the declarations of this policy.

**B. Property Exclusions.**

This coverage does not apply to damage caused by or consisting of **mold pollutants** that results directly or indirectly from the following:

1. Discharge or overflow.
  - a. Caused by continuous or repeated seepage or leakage, unless hidden or unknown to the insured.
  - b. From a sump, sump pump, or related equipment.
  - c. That comes from off the insured premises.
  - d. Caused by freezing while the residence is vacant, unoccupied, or under construction and unoccupied, unless you have taken reasonable care to:
    - (1) Maintain heat in the dwelling.
    - (2) Shut off the liquid supply and drain the system, heater, or domestic appliance.
2. A peril that is not covered under the terms of this policy.

**C. Limits of Liability.**

**Aggregate Property Limit.**

The APL of this endorsement is the most we pay for **remediation** regardless of the number of occurrences, claims or assessments made, or locations insured under this policy. The APL of this endorsement is the most that we pay for each consecutive annual policy period and for any remaining period of less than twelve months, beginning with the inception date of this policy as shown on the declarations. If, however, the policy period is extended for an additional period of less than twelve months, this additional period will be considered part of the preceding

period for the purpose of determining the APL of this endorsement.

The APL is the greater of \$5,000 or 5% of the Coverage A (Dwelling) limit, and is subject to a per-occurrence deductible of \$250. Restoration of Limits under How Much We Pay For Loss Or Claim does not apply.

**II. COVERAGE L LIABILITY COVERAGE.**

**A. Insuring Agreement.**

Subject to the Aggregate Liability Limit (herein "ALL") of this endorsement, we pay for bodily injury or property damage that results from ingestion of inhalation of, physical contact with, or exposure to **mold pollutants**.

Except for claims adjustment expense and any litigation costs incurred thereunder, any coverage provided under these Incidental Liability Coverages for bodily injury, property damage, damages, or legal fees arising from ingestion of, inhalation of, physical contact with, or exposure to **mold pollutants** is subject to the ALL of this endorsement.

**C. Limits of Liability.**

**Aggregate Liability Limit.**

The ALL of this endorsement, as shown on the declarations, is the most we pay for loss for each occurrence covered under this endorsement. This applies regardless of the number of:

- a. Persons insured under this policy.
  - b. Parties who sustain injury or damage.
  - c. Claims made or suits brought.
- Subject to the ALL of this endorsement, the amount shown on the declarations per person for Coverage M is the most we pay for all medical expenses payable for bodily injury to one person as the result of one occurrence covered under this endorsement.

Any per occurrence limit shown on the declarations for Coverage M does not apply with respect to this endorsement. Payment under Coverage M will not be deemed as an admission of liability under Coverage L.

Our total limit of liability in any one policy year will not exceed the ALL of this endorsement, regardless of the number of:

- a. Occurrences.
- b. Insureds.
- c. Claims made or suits brought.
- d. Persons injured.
- e. Assessments made.

However, this ALL does not apply to coverage provided under Claims and Defense Cost under the Incidental Liability Coverages.

The ALL of this endorsement, is the most that we pay for each consecutive annual policy period and for any remaining period of less than twelve months, beginning with the inception date of this policy, as shown on the declarations. If, however, the policy period is extended for an

additional period of less than twelve months, this additional period will be considered part of the preceding period for the purpose of determining the ALL of this endorsement.

The ALL is \$50,000. Restoration of Limits under How Much We Pay For Loss Or Claim does not apply.

**ENDORSEMENT No. PM11 (Ed. 2)  
Increased Deductible For Loss or Damage Caused by Tenants**

**This endorsement changes your policy. Please read it carefully.**

It is understood and agreed that if a loss occurs due to an insured peril which is caused by a deliberate act, or is a result of the abuse of the property by a present or past tenant of the property, then that loss is considered to be a "Tenant Caused Loss."

We will only be liable for that portion of a Tenant Caused Loss that exceeds \$2,500.00, up to the limits of the policy as stated on the policy declarations page. However, if a policy deductible of \$5,000.00 is stated on the policy declarations page, then we will only be liable for that portion of a Tenant Caused Loss that exceeds \$5,000.00, up to the limits of the policy as stated on the policy declarations page.

This endorsement does not extend or expand the perils insured under this policy.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM12 (Ed. 1)  
Windstorm or Hail Deductible**

**The Windstorm or Hail Deductible is 2% of the Coverage A limit**, unless a higher percentage has otherwise been noted on the policy declarations page and a credit has been applied to the premium.

The following is added to the deductible provisions of this policy:

**Windstorm or Hail Deductible** – We pay only that part of the loss caused directly or indirectly by windstorm or hail which is more than the deductible amount shown in this endorsement, or on the policy declarations page, if greater than 2% of the Coverage A limit. The deductible amount is the percent shown in this endorsement, or on the policy declarations page if greater than 2% of the Coverage A limit, of the limit that applies to Coverage A.

The deductible applies per occurrence, and separately at each covered location. Only one deductible applies at each location.

The deductible applies regardless of other causes or events that contribute to or aggravate the loss, whether such causes or events occur before, at the same time as, or after the loss caused by windstorm or hail.

All other terms, conditions and exclusions of this policy remain unchanged.

**ENDORSEMENT No. PM18 (Ed. 1)  
Trampoline Exclusion**

**This endorsement changes your policy. Please read it carefully.**

This policy does not provide any coverage for any:

- a. loss,
  - b. damage,
  - c. cost,
  - d. claim,
  - e. expense,
  - f. "bodily injury,"
  - g. "property damage," or
  - h. medical payments
- arising from or in any way involving, directly or indirectly, a trampoline, regardless of cause.

We shall have no duty to investigate, defend, or indemnify any claim or "suit" seeking such damages.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM19 (Ed. 1)  
Swimming Pool Diving Board and Slide Exclusion**

**This endorsement changes your policy. Please read it carefully.**

This policy does not provide any coverage for any:

- a. loss,
  - b. damage,
  - c. cost,
  - d. claim,
  - e. "bodily injury,"
  - f. "property damage," or
  - g. medical payments
- arising from or in any way involving, directly or indirectly, a swimming pool diving board, slide or similar structure, regardless of cause.

We shall have no duty to investigate, defend, or indemnify any claim or "suit" seeking such damages.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PO1 (Ed. 1)  
Comprehensive Personal Liability Coverage**

**This endorsement changes your policy. Please read it carefully.**

**AGREEMENT**

We will provide the insurance described in this policy in return for the premium and compliance with all applicable provisions of this policy.

# Pacific Specialty Insurance Company GEORGIA DWELLING FIRE ENDORSEMENTS

<p><b>DEFINITIONS</b></p> <p>Throughout this policy, "you" and "your" refer to the named insured shown in the Declarations and the spouse if a resident of the same household, and "we", "us" and "our" refer to the company providing this insurance. In addition, certain words and phrases are defined as follows:</p> <ol style="list-style-type: none"> <li>1. <b>"Bodily injury"</b> means bodily harm, sickness or disease, including required care, loss of services and death resulting therefrom.</li> <li>2. <b>"Business"</b> includes trade, profession or occupation.</li> <li>3. <b>"Insured"</b> means you and the following residents of your household:             <ol style="list-style-type: none"> <li>a. your relative</li> <li>b. any other person under the age of 21 who is in the care of any person named above</li> <li>c. with respect to animals or watercraft to which this policy applies, any person or organization legally responsible for these animals or watercraft which are owned by you or any person included in 3a or 3b. A person or organization using or having custody of these animals or watercraft in the course of any <b>business</b>, or without the permission of the owner is not an <b>insured</b>.</li> </ol> </li> <li>4. <b>"Insured location"</b> means the following:             <ol style="list-style-type: none"> <li>a. the <b>residence premises</b>;</li> <li>b. the part of any other premises, other structures and grounds, used by you as a residence and which is shown in the Declarations or which is acquired by you during the policy period for your use as a residence;</li> <li>c. any premises used by you in connection with the premises included in 4a or 4b;</li> <li>d. any part of a premises not owned by any <b>insured</b> but where any <b>insured</b> is temporarily residing;</li> <li>e. vacant land owned by or rented to any <b>insured</b> other than farm land;</li> <li>f. land owned by or rented to any <b>insured</b> on which a one or two family dwelling is being constructed as a residence for any <b>insured</b>; individual or family cemetery plots or burial vaults of any <b>insured</b>;</li> <li>g. any part of a premises occasionally rented to any <b>insured</b> for other than business purposes.</li> </ol> </li> <li>5. <b>"Motor vehicles"</b> means the following:             <ol style="list-style-type: none"> <li>a. a motorized land vehicle designed for travel on public roads or subject to motor vehicle registration. A motorized land vehicle in dead storage on an <b>insured location</b> is not a <b>motor vehicle</b>;</li> <li>b. a trailer or semitrailer designed for travel on public roads and subject to motor vehicle registration. A motorized land vehicle in dead storage on an <b>insured location</b> is not a <b>motor vehicle</b>;</li> <li>c. a motorized golf cart, snowmobile or other motorized land vehicle owned by any <b>insured</b> and designed for recreational use off public roads, while off an <b>insured location</b>. A motorized golf cart while used for golfing purposes is not a <b>motor vehicle</b>.</li> </ol> </li> </ol>	<ol style="list-style-type: none"> <li>6. <b>"Property damage"</b> means physical injury to or destruction of tangible property, including loss of use of this property.</li> <li>7. <b>"Residence employee"</b> means an employee of any insured who performs duties in connection with the maintenance or use of the <b>residence premises</b>, including household or domestic services, or who performs duties elsewhere of a similar nature not in connection with the <b>business</b> of any <b>insured</b>.</li> <li>8. <b>"Residence premises"</b> means the one to four family dwelling, other structures and grounds or that part of any other building where you reside and which is shown as the "Covered Properties" in the Declarations.</li> </ol> <p style="text-align: center;"><b>LIABILITY COVERAGES</b></p> <p><b>COVERAGE L – PERSONAL LIABILITY</b> If a claim is made or a suit is brought against any <b>insured</b> for damages because of <b>bodily injury</b> or <b>property damage</b> to which this coverage applies, we will do the following:</p> <ol style="list-style-type: none"> <li>a. pay up to our limit of liability for the damages for which the insured is legally liable; and</li> <li>b. provide a defense at our expense by counsel of our choice. We may make any investigation and settle any claim or suit that we decide is appropriate. Our obligation to defend any claim or suit ends when the amount we pay for damages resulting from the occurrence equals our limit of liability.</li> </ol> <p>Damages include prejudgment interest awarded against the <b>insured</b>.</p> <p><b>COVERAGE M – MEDICAL PAYMENTS TO OTHERS</b> We will pay the necessary medical expenses incurred or medically ascertained within three years from the date of an accident causing <b>bodily injury</b>. Medical expenses means reasonable charges for medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, prosthetic devices and funeral services. This coverage does not apply to you or regular residents of your household other than <b>residence employees</b>. As to others, this coverage applies only as follows:</p> <ol style="list-style-type: none"> <li>a. to a person on the <b>insured location</b> with the permission of any <b>insured</b>; or</li> <li>b. to a person off the <b>insured location</b>, if the <b>bodily injury</b> meets the following conditions:             <ol style="list-style-type: none"> <li>(1) arises out of a condition of the <b>insured location</b> or the ways immediately adjoining;</li> <li>(2) is caused by the activities of any <b>insured</b>;</li> <li>(3) is caused by a <b>residence employee</b> in the course of the <b>residence employee's</b> employment by any <b>insured</b>; or</li> <li>(4) is caused by an animal owned by or in the care of any <b>insured</b>.</li> </ol> </li> </ol> <p style="text-align: center;"><b>EXCLUSIONS</b></p> <ol style="list-style-type: none"> <li>1. <b>Coverage L and Coverage M</b> do not apply to <b>bodily injury</b> or <b>property damage</b> as follows:             <ol style="list-style-type: none"> <li>a. which is expected or intended by the <b>insured</b>;</li> </ol> </li> </ol>
<ol style="list-style-type: none"> <li>b. arising out of <b>business</b> pursuits of any <b>insured</b> or the rental or holding for rental of any part of any premises by any <b>insured</b>. This exclusion does not apply to the following:             <ol style="list-style-type: none"> <li>(1) activities which are ordinarily incident to <b>nonbusiness</b> pursuits; or</li> <li>(2) the rental or holding for rental of a residence of yours, as follows:                 <ol style="list-style-type: none"> <li>(a) on an occasional basis for the exclusive use as a residence;</li> <li>(b) in part, unless intended for use as a residence by more than two roomers or boarders; or</li> <li>(c) in part, as an office, school, studio or private garage</li> </ol> </li> </ol> </li> <li>c. arising out of the rendering or failing to render professional services; arising out of any premises owned by or rented to any <b>insured</b> which is not an <b>insured location</b>;</li> <li>e. arising out of the ownership, maintenance, use, loading or unloading of the following:             <ol style="list-style-type: none"> <li>(1) an aircraft</li> <li>(2) a <b>motor vehicle</b> owned or operated by, or rented or loaned to any <b>insured</b>; or</li> <li>(3) a watercraft, as follows:                 <ol style="list-style-type: none"> <li>(a) owned by or rented to any <b>insured</b> if the watercraft has inboard or inboard-outdrive motor power of more than 50 horsepower or is a sailing vessel, with or without auxiliary power, 26 feet or more in overall length; or</li> <li>(b) powered by one or more outboard motors with more than 25 total horsepower, owned by any <b>insured</b> at the inception of this policy. In you report in writing to us within 45 days after acquisition an intention to insure any outboard motors acquired prior to the policy period, coverage will apply.</li> </ol> </li> </ol> </li> <li>f. caused directly or indirectly by war, including undeclared war, civil war, insurrection, rebellion, revolution, warlike act by a military force or military personnel, destruction or seizure or use for a military purpose and including any consequence of any of these. Discharge of a nuclear weapon shall be deemed a warlike act even if accidental.</li> </ol>	<ol style="list-style-type: none"> <li>b. an occurrence, unless excluded elsewhere in this policy.</li> <li>c. <b>property damage</b> to property owned by the <b>insured</b>;</li> <li>d. <b>property damage</b> to property rented to, occupied or used by or in the care of the <b>insured</b>. This exclusion does not apply to <b>property damage</b> caused by fire, smoke or explosion;</li> <li>e. <b>bodily injury</b> to any person eligible to receive any benefits required to be provided or voluntarily provided by the <b>insured</b> under any worker's or workmen's compensation, non-occupational disability, or occupational disease law; or</li> <li>f. <b>bodily injury</b> or <b>property damage</b> for which any <b>insured</b> under this policy is also an <b>insured</b> under a nuclear energy liability policy or would be an <b>insured</b> but for the exhaustion of its limit of liability. A nuclear energy liability policy is a policy issued by:             <ol style="list-style-type: none"> <li>(1) American Nuclear Insurers;</li> <li>(2) Mutual Atomic Energy Liability Underwriters; or</li> <li>(3) Nuclear Insurance Association of Canada.</li> </ol> </li> </ol> <p><b>Coverage M</b> does not apply to <b>bodily injury</b> as follows:</p> <ol style="list-style-type: none"> <li>a. to any person while on the <b>insured location</b> because <b>business</b> pursuits are conducted or professional services are rendered on the <b>insured location</b>;</li> <li>b. to a <b>residence employee</b> if it occurs off the <b>insured location</b> and does not arise out of or in the course of the <b>residence employee's</b> employment by any <b>insured</b>;</li> <li>c. to any person, eligible to receive any benefits required to be provided or voluntarily under any worker's or workmen's compensation, non-occupational disability or occupational disease law;</li> <li>d. from any nuclear reaction, radiation or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these.</li> </ol> <p style="text-align: center;"><b>ADDITIONAL COVERAGES</b></p> <p>We cover the following in addition to the limits of liability.</p> <ol style="list-style-type: none"> <li>1. <b>Claim Expenses.</b> We pay:             <ol style="list-style-type: none"> <li>a. expenses incurred by us and costs taxed against any <b>insured</b> in any suit we defend;</li> <li>b. premiums on bonds required in a suit defended by us, but not for bonds amounts greater than the limit of liability for Coverage L. We are not obligated to apply for or furnish any bond;</li> <li>c. reasonable expenses incurred by any <b>insured</b> at our request, including actual loss of earnings (but not loss of other income) up to \$50 per day for assisting us in the investigations or defense of any claim or suit;</li> <li>d. interest on the entire judgment which accrues after entry of the judgment and before we pay for or tender, or deposit in court that part of the</li> </ol> </li> </ol>

## Pacific Specialty Insurance Company GEORGIA DWELLING FIRE ENDORSEMENTS

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2. **First Aid Expenses.** We will pay expenses for first aid to others incurred by any **insured** for **bodily injury** covered under this policy. We will not pay for first aid to you or any other **insured**.
3. **Damage to Property of Others.** We will pay up to \$250 per occurrence for **property damage** to property of others caused by any **insured**. We will not pay for **property damage**:
  - a. caused intentionally by any **insured** who is 13 years of age or older;
  - b. to property owned by or rented to any **insured** a tenant of any **insured**, or a resident in your household; or
  - c. arising out of the following:
    - (1) **business** pursuits,
    - (2) any act or omission in connection with a premises owned, rented or controlled by any **insured**, other than the **insured** location; or
    - (3) the ownership, maintenance or use of a motor vehicle, aircraft or watercraft.

### CONDITIONS

1. **Limit of Liability.** Regardless of the number of **insureds**, claims made or persons injured, our total liability for Coverage L stated in this policy for all damages resulting from any one occurrence shall not exceed the limit of liability for Coverage L stated in the Declarations. All **bodily injury** and **property damage** resulting from any one accident or from continuous or repeated exposure to substantially the same general conditions shall be considered to be the result of one occurrence. Our total liability under Coverage M for all medical expense payable for **bodily injury** to one person as the result of one accident shall not exceed the limit of liability for Coverage M stated in the Declarations.
2. **Severability of Insurance.** This insurance applies separately to each **insured**. This condition shall not increase our limit of liability for any one occurrence.
3. **Duties After Loss.** In case of an accident or occurrence, the **insured** shall perform the following duties that apply. You shall cooperate with us in seeing that the following duties are performed:
  - a. give written notice to our agent or us as soon as practicable, which sets forth the following:
    - (1) the identity of the policy and **insured**;
    - (2) reasonably available information on the time, place and circumstances of the accident or occurrence; and
  - b. forward to us every notice, demand, summons or other process relating to the accident or occurrence;
  - c. at our request, assist in the following:
    - (1) making settlement;
    - (2) the enforcement of any right of contribution or indemnity against any person or organization who may be liable to any **insured**;
    - (3) the conduct of suits and attend hearings and trials.

4. **Duties of an Injured Person-Coverage M – Medical Payments to Others.** The injured person or someone acting on behalf of the injured person shall:
  - a. give us written proof of claim, under oath if required, as soon as practicable;
  - b. execute authorization to allow us to obtain copies of medical reports and record; and
  - c. the injured person shall submit to physical examination by a physician selected by us when and as often as we reasonably require.
5. **Payment of Claim-Coverage M – Medical Payment to Others.** Payment under this coverage is not an admission of liability by any **insured** or us.
6. **Suit Against Us.** No action shall be brought against us unless there has been compliance with the policy provisions. No one shall have any right to join us as a party to any action against any **insured**. Further, no action with respect to Coverage L shall be brought against us until the obligation of the **insured** has been determined by final judgment or agreement signed by us.
7. **Bankruptcy of any Insured.** Bankruptcy or insolvency of any **insured** shall not relieve us of any of our obligations under this policy.
8. **Other Insurance-Coverage L – Personal Liability.** This insurance is excess over any other valid and collectible insurance except insurance written specifically to cover as excess over the limits of liability that apply in this policy.
9. **Policy Period.** This policy applies only to **bodily injury** or **property damage** that occurs during the policy period.
10. **Subrogation.** Any **insured** may waive in writing before a loss all rights of recovery against any person, if not waived, we may require an assignment of rights of recovery for a loss to the extent that payment is made by us. If an assignment is sought, any **insured** shall sign and deliver all related papers and cooperate with us in any reasonable manner. Subrogation does not apply to Medical Payments to Others or Damage to Property of Others.

### ENDORSEMENT NO. PO2 (Ed. 1)

#### Owners, Landlords & Tenants Liability Coverage

**This endorsement changes your policy. Please read it carefully.**

For an additional premium, with this endorsement, the Company agrees to provide the coverage indicated

herein. The premium and applicable limits of liability are as stated on the policy declarations and in this endorsement. All other terms and conditions of the policy remain unchanged.

#### LIABILITY COVERAGE.

We will pay on behalf of the insured all sums that the insured shall become legally obligated to pay as damages to which this insurance applies because of either **bodily injury** or **property damage** (collectively referred to as "loss").

This coverage exists when the "loss" is caused by an occurrence that arises out of the ownership, maintenance, or use of the insured premises. This includes all necessary or incidental operations of the premises. We shall have the right and duty to defend any suit against the insured seeking damages on account of such "loss." This duty exists even if any of the allegations of the suit are groundless, false or fraudulent. We may investigate and settle any claim or suit as we deem expedient. We shall not be obligated to pay any claim or judgment, or to defend any suit, after the applicable limit of our liability has been exhausted.

#### Exclusions.

The following apply to both liability and medical payments coverage.

1. "Loss" that arises out of the "use" of any of the following:
  - a. Automobile.
  - b. Aircraft.
  - c. Watercraft.
2. This does not apply to the parking of an automobile on the insured premises, if such automobile is not owned by or rented or loaned to any **insured**. This also does not apply to watercraft while ashore on the insured premises.
3. "Loss" that arises out of the following:
  - a. The "use" of any mobile equipment while being used in any prearranged or organized racing, speed or demolition contest or in any stunting activity or in practice or preparation for any such contest or activity.
  - b. The operation or use of any snowmobile or trailer designed for use therewith.
  - c. "Loss" that arises out of and in the course of the transportation of mobile equipment by an automobile owned or operated by or rented or loaned to any **insured**.
  - d. "Loss" that results from the selling, serving or giving of alcoholic beverage in any of the following circumstances:
    - a. In violation of any statute, ordinance or regulation.
    - b. To a minor.
    - c. To a person under the influence of alcohol.
    - d. Which causes or contributes to the intoxicating of any person, if the named insured is a person or organization engaged in the business of manufacturing, distributing, selling or serving alcoholic beverages or if not so engaged, is an owner or lessor of premises used for such purposes, but only part a. of this exclusion

applies when the named insured is such an owner or lessor.

The following apply to liability coverage.

1. Liability assumed by the insured under any contract or agreement except an incidental contract. With respect to "loss" occurring while work performed by the named insured is in progress, this exclusion does not apply to a warranty that such work will be done in a workmanlike manner.
2. "Loss" arising out of the discharge, dispersal, release or escape ("discharge") of the following into or upon land, the atmosphere or any water course or body of water:
  - a. Smoke.
  - b. Vapors.
  - c. Soot.
  - d. Fumes.
  - e. Acids.
  - f. Alkalils.
  - g. Toxic chemicals.
  - h. Liquids or gases.
  - i. Waste materials or other irritants.
  - j. Contaminants.
  - k. Pollutants.
3. This exclusion does not apply if such "discharge" is sudden and accidental.
4. Any obligation stemming from the following:
  - a. Workers' compensation law.
  - b. Unemployment compensation law.
  - c. Disability benefits law.
  - d. Any similar law.
5. Bodily injury to any employee of the insured arising in the course of his employment. This includes any obligation of the insured to indemnify another because of damages arising out of such injury. This exclusion does not apply to liability assumed by the insured under an incidental contract.
6. Property damage to the following:
  - a. Property owned, occupied or rented to the insured.
  - b. Property used by the insured.
  - c. Property in the care, custody or control of the insured. This includes property over which the insured exercises physical control for any purpose. This does not apply with respect to liability under a written sidetrack agreement or property damage (other than OT elevators) arising out of the use of an elevator at the insured premises.
7. Property damage to premises alienated by the named insured arising out of such premises or any part thereof:
  - a. Loss of use of tangible property that has not been physically injured or destroyed resulting from the following:
    1. A delay in or lack of performance by or on behalf of the named insured of any contract or agreement.
    2. The failure of the named insured's products to meet the level of performance, quality, fitness or durability warranted or represented by the named insured. This includes work performed by or on behalf of



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<p>the named insured. This exclusion does not apply to loss of use of other tangible property resulting from the sudden and accidental physical injury to or destruction of the named insured's products after such products or work have been put to use by any person or organization other than an insured. This includes work performed by or on behalf of the named insured.</p> <p>8. Property damage to the named insured's products arising out of such products.</p> <p>9. Property damage to work performed by or on behalf of the named insured arising out of the work or out of materials, parts or equipment furnished in connection therewith.</p> <p>10. "Loss" included within the completed operations hazard or the products hazard.</p> <p>11. "Loss" arising out of operations on any premises other than the insured premises, or to liability assumed by the insured under any contract or agreement relating to such premises.</p> <p>12. "Loss" arising out of the following to a building or other structure by the named insured.</p> <ol style="list-style-type: none"> <li>a. Alteration.</li> <li>b. Movement.</li> <li>c. New construction.</li> <li>d. Demolition.</li> </ol> <p><b>PERSONS INSURED.</b> Each of the following is an insured under this insurance to the extent set forth below.</p> <ol style="list-style-type: none"> <li>1. If the named insured is an individual, the person so designated but only with respect to the conduct of a business of which he is the sole proprietor. This includes the spouse of the named insured with respect to the conduct of such a business.</li> <li>2. If the named insured is a partnership or joint venture, the partnership or joint venture so designated and any partner or member thereof but only with respect to his liability as such.</li> <li>3. If the named insured is other than an individual, partnership or joint venture, the organization so designated and any executive officer, director or stockholder thereof while acting within the scope of his duties as such.</li> <li>4. Any person (other than an employee of the named insured) or organization while acting as real estate manager for the named insured.</li> </ol> <p>This insurance does not apply to "loss" arising out of the conduct of any partnership or joint venture of which the insured is a partner or member and which is not designated in this policy as named insured.</p> <p><b>Limits of Liability.</b> Our bodily injury and property damage liability is limited. The limit of liability stated in the declarations as applicable to "each occurrence" is the total limit of our liability for all damages because of "loss" as a result of any one occurrence.</p> <p>For the purpose of determining the limit of our liability, all "loss" arising out of continuous or repeated exposure to</p>	<p>substantially the same general conditions shall be considered as arising out of one occurrence.</p> <p><b>COVERAGE E – PREMISES MEDICAL PAYMENTS.</b> We will pay to or for each person who sustains bodily injury caused by accident all reasonable medical expenses incurred within one year from the date of the accident on account of such injury. This is provided such injury arises out of a condition on the insured premises or operations with respect to which the named insured is afforded coverage for bodily injury liability under this policy.</p> <p><b>Exclusions.</b> The following apply to medical payments coverage.</p> <ol style="list-style-type: none"> <li>1. "Loss" that is included within the completed operations hazard or the products hazard.</li> <li>2. "Loss" that arises out of operations performed for the named insured by independent contractors other than for maintenance and repair of the insured premises, or structural alterations at such premises, which do not involve changing the size of or moving buildings or other structures.</li> <li>3. "Loss" to the named insured, any partner therein, any tenant or other person regularly residing on the insured premises or any employee of any of the foregoing if the bodily injury arises out of and in the course of his employment therewith.</li> <li>4. "Loss" to any other tenant if the bodily injury occurs on that part of the insured premises rented from the named insured. This includes any employee of such a tenant if the bodily injury occurs on the tenant's part of the insured premises and arises out of and in the course of his employment for the tenant.</li> <li>5. "Loss" to any person while engaged in maintenance and repair of the insured premises or alteration, demolition or new construction at such premises.</li> <li>6. "Loss" to any person if any benefits for such bodily injury are payable or required to be provided under any workers' compensation, employment compensation or disability benefits law, or under any similar law.</li> <li>7. "Loss" to any person practicing, instructing or participating in any of the following contests, unless a premium charge is entered for sport activities in the policy with respect to Premises Medical Payments Coverage (PMPC).             <ol style="list-style-type: none"> <li>a. Physical training.</li> <li>b. Sport.</li> <li>c. Athletic activity.</li> </ol> </li> </ol> <p>This insurance also does not apply to any medical expense for services by the named insured, any employee thereof or any person or organization under contract to the named insured to provide such services.</p> <p><b>Limits of Liability.</b> The limit of liability for PMPC stated in the schedule as applicable to "each person" is the limit of our liability for all medical expense for bodily injury to any one person as the result of any accident. Our total liability under PMPC for all medical expense for bodily injury to two or more</p>
<p>persons as the result of any one accident shall not exceed the limit of liability stated in the schedule as applicable to "each accident".</p> <p>When more than one medical payments coverage afforded by this policy applies to the loss, we shall not be liable for more than the amount of the highest applicable limit of liability.</p> <p><b>DEFINITIONS.</b> The following items shall have the following meanings.</p> <p><b>Automobile.</b> A land motor vehicle, trailer or semitrailer designed for travel on public roads, including any attached machinery or apparatus, but does not include mobile equipment.</p> <p><b>Bodily injury.</b> Sickness or disease sustained by any person which occurs during the policy period, including death at any time resulting in the injury.</p> <p><b>Completed operations hazard.</b> "Loss" arising out of operations or reliance upon a representation or warranty made at any time with respect thereto, if the "loss" occurs after such operations have been completed or abandoned and occurs away from premises owned by or rented to the named insured.</p> <p><b>Operations.</b> Materials, parts or equipment furnished in connection with the operation. Operations shall be deemed completed at the earliest of the following times.</p> <ol style="list-style-type: none"> <li>1. When all operations to be performed by or on behalf of the named insured under the contract have been completed.</li> <li>2. When all operations to be performed by or on behalf of the named insured at the site of the operations have been completed.</li> <li>3. When the portion of the work out of which the "loss" arises has been put to its intended use by any person or organization other than another contractor or subcontractor engaged in performing operations for a principal as a part of the same project.</li> </ol> <p>Operations which may require further service or maintenance work, or correction, repair or replacement because of any defect or deficiency, but which are otherwise complete, shall be deemed completed.</p> <p>The <b>completed operations hazard</b> does not include "loss" arising out of the following.</p> <ol style="list-style-type: none"> <li>1. Operations in connection with the transportation of property, unless the "loss" arises out of a condition in or on the vehicle created by the loading or unloading of the vehicle.</li> <li>2. The existence of tools, uninstalled equipment or abandoned or unused material.</li> <li>3. Operation for which the classification stated in the policy or in our manual specifies "including completed operations."</li> </ol> <p><b>Elevator.</b> Any hoisting or lowering device to connect floors or landings, whether or not in service, and all</p>	<p>appliances thereof. This includes any car, platform, shaft, hoistway, stairway, runway, power equipment and machinery. This does not include any automobile servicing hoist. This also does not include a hoist without a platform outside a building if without mechanical power or if not attached to building walls. This also does not include a hoist or material hoist used in alteration, construction or demolition operations. This also does not include an inclined conveyor used exclusively for carrying property or a dumbwaiter used exclusively for carrying property and having a compartment height not exceeding four feet.</p> <p><b>Incidental contract.</b> Any of the following when in writing.</p> <ol style="list-style-type: none"> <li>1. Lease of premises.</li> <li>2. Easement agreement, except in connection with construction or demolition operations on or adjacent to a railroad.</li> <li>3. Undertaking to indemnify a municipality required by municipal ordinance, except in connection with work for the municipality.</li> <li>4. Sidetrack agreement.</li> <li>5. Elevator maintenance agreement.</li> </ol> <p><b>Insured.</b> Any person or organization qualifying as an insured in the "persons insured" provision of the applicable insurance coverage. The insurance afforded applies separately to each insured against whom claim is made or suit is brought, except with respect to the limits of our liability.</p> <p><b>Insured premises.</b> All of the following.</p> <ol style="list-style-type: none"> <li>1. The premises designated in the declarations.</li> <li>2. Premises alienated by the named insured (other than premises constructed for sale by the named insured), if possession has been relinquished to others.</li> <li>3. Premises acquired by the named insured when we have been notified within 30 days after such acquisition, including the ways immediately adjoining such premises on land.</li> </ol> <p><b>Medical expense.</b> Expenses for necessary medical, surgical, x-ray and dental services, including prosthetic devices and necessary ambulance, hospital, professional nursing and funeral services.</p> <p><b>Mobile equipment.</b> A land vehicle, including any attached machinery or apparatus, whether or not self-propelled that meets any of the following.</p> <ol style="list-style-type: none"> <li>1. Not subject to motor vehicle registration.</li> <li>2. Maintained for use exclusively on premises owned by or rented to the named insured, including the ways immediately adjoining.</li> <li>3. Designed for use principally on public roads.</li> <li>4. Designed or maintained for the sole purpose of affording mobility to equipment of the following types forming an integral part of or permanently attached to such vehicle.             <ol style="list-style-type: none"> <li>a. Power cranes.</li> <li>b. Shovels, loaders, diggers and drills.</li> <li>c. Concrete mixers (other than the mix-in-transit type).</li> <li>d. Graders, scrapers, rollers and other road construction or repair equipment.</li> </ol> </li> </ol>

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<p>e. Air compressors, pumps and generators, including spraying, welding and building cleaning equipment.</p> <p>f. Geophysical exploration and well servicing equipment.</p> <p><b>Named insured.</b> The person or organization so named in the declarations of this policy.</p> <p><b>Named insured's products.</b> Goods or products manufactured, sold, handled or distributed by the named insured. This includes trading under the named insured's name. This also includes any container of such product, other than a vehicle. However, "named insured's products" does not include a vending machine or any property other than such container, rented or located for use of others but not sold.</p> <p><b>Occurrence.</b> An accident, including continuous or repeated exposure to conditions that result in unexpected or unintended loss.</p> <p><b>Policy territory.</b></p> <ol style="list-style-type: none"> <li>the United States of America, its territories or possessions, or Canada;</li> <li>international waters or air space, provided the "loss" does not occur in the course of travel or transportation to or from any other country, state or nation, or anywhere in the world with respect to damages because of "loss" arising out of a product which was sold for use or consumption within the territory described in paragraph 1. above, provided the original suit for such damages is brought within such territory.</li> <li> <ol style="list-style-type: none"> <li>In the event of an occurrence, written notice containing particulars sufficient to identify the insured shall be given to us or our authorized agent. This includes reasonably obtainable information with respect to the time, place and circumstances of the occurrence. This also includes the names and addresses of the injured and of available witnesses. This information shall be provided to us or our agent as soon as practicable.</li> <li>If claim is made or suit is brought against the insured, the insured shall immediately forward to us every demand, notice, summons or other process received by him or his representative.</li> <li>The insured shall cooperate with us. Upon our request, the insured shall assist in making settlements and in the conduct of suits. The insured shall also assist in enforcing any right of contribution or indemnity against any person or organization who may be liable to the insured because of a covered loss. The insured shall attend hearings and trials. The insured shall assist in securing and giving evidence and obtaining the attendance of witnesses. The insured shall not, except at his own cost, voluntarily make any payment, assume any obligation or incur any expense other than for first aid to others at the time of accident.</li> </ol> </li> </ol> <p><b>Supplemental Payments.</b> We will pay the following, in addition to the applicable limit of liability.</p> <ol style="list-style-type: none"> <li>All expenses incurred by us. All costs taxed against the insured in any suit defended by us, and all interest on the entire amount of any judgment therein which accrues after entry of the judgment and before we have paid or tendered or deposited in court that part of the judgment which does not exceed the limit of our liability thereon.</li> <li>Premiums on appeal bonds required in any such suit. Premiums on bonds to release attachments in any such suit arising out of the use of any vehicle to</li> </ol>	<p>which this policy applies. Not to exceed \$250 per bail bond. However, we shall have no obligation to apply for or furnish any such bonds.</p> <ol style="list-style-type: none"> <li>Expenses incurred by the insured for first aid to others at the time of an accident for bodily injury to which this policy applies.</li> <li>Reasonable expenses incurred by the insured at our request in assisting us in the investigation or defense of any claim or suit, including actual loss of earnings not to exceed \$25 per day.</li> </ol> <p><b>CONDITIONS</b></p> <ol style="list-style-type: none"> <li><b>Inspection.</b> We shall be permitted, but not obligated, to inspect the named insured's property and operations at any time. No such inspection or report shall constitute a determination or warranty that the named insured's property or operations are safe or healthful, or are in compliance with any law, rule or regulation.</li> <li><b>Financial Responsibility Laws.</b> When this policy is certified as proof of financial responsibility under the provisions of a motor vehicle financial responsibility law, the coverage provided by this policy shall comply with the provisions of such law to the extent required. The insured agrees to reimburse us for any payment made by us which it should not have been obligated to make under the terms of this policy except for the agreement contained in the paragraph, <b>Insured's Duties in the Event of Occurrence, Claim or Suit.</b></li> <li> <ol style="list-style-type: none"> <li>In the event of an occurrence, written notice containing particulars sufficient to identify the insured shall be given to us or our authorized agent. This includes reasonably obtainable information with respect to the time, place and circumstances of the occurrence. This also includes the names and addresses of the injured and of available witnesses. This information shall be provided to us or our agent as soon as practicable.</li> <li>If claim is made or suit is brought against the insured, the insured shall immediately forward to us every demand, notice, summons or other process received by him or his representative.</li> <li>The insured shall cooperate with us. Upon our request, the insured shall assist in making settlements and in the conduct of suits. The insured shall also assist in enforcing any right of contribution or indemnity against any person or organization who may be liable to the insured because of a covered loss. The insured shall attend hearings and trials. The insured shall assist in securing and giving evidence and obtaining the attendance of witnesses. The insured shall not, except at his own cost, voluntarily make any payment, assume any obligation or incur any expense other than for first aid to others at the time of accident.</li> </ol> </li> </ol> <p><b>Action Against Company.</b> No action can be brought unless all of the provisions of this policy have been complied with. Also, the amount of the insured's obligations to pay shall have been finally determined either by judgment against the insured after actual trial or by written agreement of the insured, the claimant and us.</p>
<p><b>Products hazard.</b> Includes "loss" arising out of the named insured's products or reliance upon a representation or warranty made at any time with respect to the product. However, "products hazard" is only present if the "loss" occurs away from premises owned by or rented to the named insured and after physical possession of such products has been relinquished to others.</p> <p><b>Property damage.</b> Physical injury to or destruction of tangible property which occurs during the policy period, including the loss of use of the property. This also includes the loss of use of tangible property that has not been physically injured or destroyed, provided such loss of use occurs during the policy period.</p>	<p>Any person or organization or the legal representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recover under this policy. This recovery is subject to the extent of the insurance afforded by this policy. No person or organization shall have any right under this policy to join the insured's liability, nor shall we be impleaded by the insured or his legal representative. Bankruptcy or insolvency of the insured or of the insured's estate shall not relieve us of any of our obligations hereunder.</p> <p><b>Other Insurance.</b> The insurance afforded by this policy is primary insurance, except when stated to apply in excess of or contingent upon the absence of other insurance. When this insurance is primary, the amount of our liability shall not be reduced by the existence of other insurance.</p> <p>When both this insurance and other insurance apply to the loss on the same basis, whether primary, excess or contingent, we shall not be liable under this policy for a greater proportion of the loss than that stated in the applicable contribution provision below.</p> <ol style="list-style-type: none"> <li>Contribution by Equal Shares. If contribution by equal shares is provided for by all applicable insurance, we shall not be liable for a greater proportion of loss than would be payable if each insurer contributes an equal share until the share of each insurer equals the lowest applicable limit of liability under any one policy or the full amount of the loss is paid. If any amount of loss remains unpaid, the remaining insurers then continue to contribute equal shares of the remaining amount of the loss until each such insurer has paid its limit in full or the full amount of the loss is paid.</li> <li>Contribution by limits. If contribution by equal shares is not provided for, we shall not be liable for a greater proportion of such loss than the applicable limit of liability under this policy for such loss bears to the total applicable limit of liability of all valid and collectible insurance against such loss.</li> </ol> <p><b>Changes.</b> Notice to any agent or knowledge possessed by any agent or by any other person shall not effect a waiver or a change in any part of this policy or estop us from asserting any right under the terms of this policy. The terms of this policy cannot be waived or changed, except by endorsement issued to form a part of this policy.</p> <p><b>Medical Reports - Proof and Payment of Claim.</b> As soon as practicable the injured person or someone on his behalf shall give us written proof of claim. This shall be under oath, if required. An authorization enabling us to obtain medical reports and copies of records shall be executed at our request. The injured person shall submit to physical examination by physicians selected by us when and as often as we may reasonably require. We may pay the injured person or any person or organization rendering the services and the payment shall reduce the amount payable hereunder for such injury.</p>
<p><b>Definitions.</b></p> <p><b>Hazardous properties.</b> Radioactive, toxic or explosive properties.</p> <p><b>Nuclear material.</b> Source material, special nuclear material or by product material, as defined in the AEA.</p> <p><b>ENDORSEMENT NO. PO3 (Ed. 1)</b></p> <p><b>Theft Coverage for Full-Time Owner-Occupied Dwellings</b></p> <p><b>This endorsement changes your policy. Please read it carefully.</b></p> <p>In order for the coverage specified below to apply, the dwelling must be occupied on a full-time basis by the owner of the dwelling.</p> <p>Under PERILS INSURED AGAINST, the following named peril will be added.</p> <ol style="list-style-type: none"> <li><b>Theft</b>, including attempted theft and loss of property from the described location when it is likely that the property has been stolen.</li> </ol> <p>This peril does not include loss caused by theft, if any of the following are true.</p> <ol style="list-style-type: none"> <li>Committed by any of the following. <ol style="list-style-type: none"> <li>An <b>insured</b>.</li> <li>A tenant of the described location.</li> <li>An employee of a tenant or resident of a tenant's household.</li> </ol> </li> <li>In or to a dwelling under construction, or of materials and supplies for use in the construction until the dwelling is completed and occupied.</li> <li>While the described location is rented to other than an insured, any of the following. <ol style="list-style-type: none"> <li>Gold, goldware, silver, silverware, pewterware, platinum, coins and metals.</li> <li>Passports, tickets and stamps.</li> </ol> </li> </ol>	<p>Payment hereunder shall not constitute an admission of liability of any person by us.</p> <p><b>NUCLEAR LIABILITY EXCLUSION.</b></p> <p>In addition to the Nuclear Hazard Clause contained in the policy, this policy does not provide any of the coverage detailed in this endorsement for any "loss" that meets either condition below.</p> <ol style="list-style-type: none"> <li>When an insured under this policy is also an insured under a nuclear energy liability policy. This includes when an insured would be an insured under any such policy but for its termination upon exhaustion of its limit of liability.</li> <li>When "loss" results from the hazardous properties of nuclear material that is required to have financial protection by the Atomic Energy Act of 1954 and its amendments (AEA). This includes when the insured is or had this policy not been issued would be entitled to indemnity from the United States of America (USA), or any agency thereof, under any agreement entered into by the USA, or any agency thereof.</li> </ol>

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- (3) Jewelry, watches, furs, precious and semiprecious stones.

**Special Limits of Liability**

These limits do not increase the Coverage C limit of liability. The special limit for each following numbered category is the total limit for each loss for all property in that numbered category.

1. \$100 on passports, tickets and stamps.
2. \$500 on trailers not used with watercraft.
3. \$500 on jewelry, watches, furs, precious and semiprecious stones.
4. \$500 on silverware, goldware, pewter and platinum, including:
  - a. Plateware, flatware, hollowware, tea sets, trays, trophies, and the like.
  - b. Other utilitarian items made of or including silver, gold, pewter or platinum.
5. \$500 on firearms.
6. \$200 on property used at any time or in any manner for any **business** purpose.
7. \$500 on computers, electronic data processing equipment and facsimile machines.
8. \$500 on antiques, fine arts, paintings and similar items of rarity, antiquity or irreplaceability. Memorabilia, souvenirs, collectibles of every kind, including but not limited to baseball and other card collections and similar articles whose age or collectible demand contributes to their value.
9. \$500 on rugs, carpets, or other woven or knit floor covering or other wall hangings.
10. \$500 on all photographic and video equipment, including but not limited to cameras, dark room equipment, video recorders, players, editors, and related equipment.
11. \$500 on all glassware and crystal, including:
  - a. Decanters, goblets, tea sets, trays, trophies and the like.
  - b. Other utilitarian items made of or including crystal.

This peril does not include loss caused by theft that occurs away from the described location, including but not limited to property within a vehicle, watercraft, trailer, or camper.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. P04 (Ed. 1)  
Extended Replacement Cost Coverage**

**THIS ENDORSEMENT AMENDS YOUR POLICY.  
PLEASE READ IT CAREFULLY.**

In the event of a covered loss to your home, we will pay to repair or replace the damaged or destroyed dwelling with like or equivalent construction, up to 20% over the policy's limits of liability. Your policy will specify whether you must actually repair or replace the damaged or destroyed dwelling in order to recover extended replacement costs. The amount of recovery will be reduced by any deductible you have agreed to pay.

To be eligible to recover extended replacement cost coverage, you must insure the dwelling to its full

replacement cost at the time the policy is issued, with possible periodic increases in the amount of coverage to adjust for inflation. You must also notify us about any alterations that increase the value of the insured dwelling by a certain amount (see your policy for that amount).

All other terms and conditions remain unchanged.

**ENDORSEMENT No. P05 (Ed. 1)  
Replacement Cost Coverage for Personal Property**

It is agreed that, for the additional premium noted on the declarations of this policy, that the loss settlement provisions of the policy relating to losses of personal property covered under Coverage C of the policy are to be settled on a replacement cost basis and in accordance with the following provisions:

1. "Replacement cost" means the cost to repair or replace the property with new property of equivalent kind and quality to the extent practical, without deduction for depreciation.
2. The replacement cost terms set forth in this endorsement apply to the following covered property:
  - a. Coverage C – Personal Property;
  - b. appliances and window air conditioners;
  - c. carpets and window coverings;
  - d. awnings and canopies; and
  - e. antennas.
3. The replacement cost terms set forth in this endorsement do not apply to the following property:
  - a. articles of art or rarity that cannot be duplicated;
  - b. memorabilia, souvenirs, collector's items, and similar items whose age or history contribute to its value;
  - c. items not maintained in good or workable condition; or
  - d. items that are outdated or obsolete and are stored or not being used.
4. Under the Conditions of the policy, loss settlement terms, item 5 in the DP-1 policy and item 5a in the DP-3 policy, are deleted and replaced by the following with respect to the property that is subject to the terms of this endorsement:
 

**Loss Settlement.** Subject to the terms show in the Conditions – Loss Settlement portion of this policy and the terms of this endorsement, we settle losses according to the Replacement Cost Terms. If the Replacement Cost Terms do not apply, we settle losses according to the Actual Cash Value Terms.

  - a. Replacement Cost Terms
    - (1) We pay the smallest of the following amounts for each covered item:
      - (a) the replacement cost of the property as defined in this endorsement;
      - (b) the amount computed after any special limitation in this policy has been applied to the loss, or
      - (c) for loss to property covered under Coverage C, subject to the Coverage C limit.
    - (2) When the replacement cost for each occurrence is more than \$500, we do not pay for more than the actual cash value of

the loss until actual repair or replacement is completed. You may make a claim for the actual cash value amount of the loss before repairs are made or replacement is completed. A claim for any additional amount payable under this provision must be made within six months after the loss.

- b. Actual Cash Value Terms – Actual cash value includes a deduction for depreciation, however caused.
  - (1) The Actual Cash Value Terms apply to all property not subject to the Replacement Value Terms.
  - (2) The smaller of the following amounts is used in applying the terms under our limit:
    - (a) the cost to repair or replace the property with materials of like kind and quality to the extent practical; or
    - (b) the actual cash value of the property at the time of loss.
6. The coverage provided by this endorsement does not increase our limit. All other terms, conditions and exclusions of the policy apply.

**ENDORSEMENT No. P012 (Ed. 1)  
Windstorm or Hail Exclusion**

**THIS ENDORSEMENT MODIFIES INSURANCE PROVIDED UNDER THIS POLICY.**

The following exclusion is added:

We do not cover loss resulting directly or indirectly from windstorm or hail. We will cover fire and explosion losses which are the result of windstorm or hail.

**POLICY SERVICE**  
NOTE: You MUST refer to your policy number when asking for information.

**PACIFIC SPECIALTY INSURANCE COMPANY**

P. O. Box 40  
Anaheim, CA 92815-0040  
(714) 998-2190  
(800) 303-5000  
(714) 998-3158 Fax  
  
3601 Haven Avenue  
Menlo Park, CA 94025-1010  
(650) 780-4800  
(800) 828-3003

**FOR REPORTING OF CLAIMS:**  
Please Call:  
**800-962-1172**

**POLICY NUMBER MUST ACCOMPANY CLAIM REPORT AND ALL CORRESPONDENCE**

## Special Form – DP 00 03

The broadest policies cover damage to the house and possessions on an all risk basis — all perils are covered except those specifically excluded in the policy. These policies add such perils as the escape of oil from heaters or tanks, damage by certain wild animals, and the backup of water caused by the buildup of ice on roof surfaces.

Optional coverages extend protection even further. Earlier in this lesson we mentioned personal property replacement, extended theft, jewelry and fur and silverware coverage that provide extended personal property coverage. Earthquake coverage, flood coverage, and mortgage insurance (which pays the mortgage balance when the insured or spouse dies) are also examples of optional property coverages that protect the house. Optional liability coverage is available for watercraft and snowmobiles, certain business pursuits, personal injury, and the business use of the home. All of these optional coverages extend protection and are available for additional premiums.

The point is this: You have many options to choose from in developing the right homeowner's policy for your customer. The policy that is finally written is a contract between the insurance company and your customer.

It is not like a meal which can be sent back because it is under- or over-cooked. Your customers must understand what they are "ordering" when the policy is written. It's too late to customize the policy to their specific needs after a loss has occurred.

Review the following examples of DP forms then test your understanding by completing the Practice Quiz at the end of this Chapter.



**Pacific Specialty Insurance Company  
SPECIAL DWELLING FIRE POLICY**

DP-3-POL (Ed. 1.0)

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**AGREEMENT**

We will provide the insurance described in this policy in return for the premium and compliance with all applicable provisions of this policy.

**DEFINITIONS**

In this policy, "you" and "your" refer to the "named insured" shown in the Declarations and the spouse if a resident of the same household. "We," "Us" and "our" refer to the Company providing this insurance.

Actual Cash Value means the replacement cost for like kind and quality, less depreciation assessed at the time of loss.

**COVERAGES**

This insurance applies to the Described Location, Coverages for which a Limit of Liability is shown and Perils Insured Against for which a Premium is stated.

**COVERAGE A – Dwelling**

- We cover:
1. the dwelling on the Described Location shown in the Declarations, used principally for dwelling purposes, including structures attached to the dwelling;
  2. materials and supplies located on or next to the Described Location used to construct, alter or repair the dwelling or other structures on the Described Location; and
  3. if not otherwise covered in this policy, building equipment and outdoor equipment used for the service of and located on the Described Location. This coverage does not apply to land, including land on which the dwelling is located.

**COVERAGE B – Other Structures**

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

This coverage does not apply to land, including land on which the dwelling is located.

- We do not cover other structures:
1. used in whole or in part for commercial, manufacturing or farming purposes; or
  2. rented or held for rental to any person not a tenant of the dwelling, unless used solely as a private garage.

**COVERAGE C – Personal Property**

We cover personal property, usual to the occupancy as a dwelling and owned or used by you or members of your family residing with you while it is on the Described Location. At your request, we will cover personal property owned by a guest or servant while the property is on the Described Location.

**Property Not Covered.** We do not cover:

1. accounts, bank notes, bills, bullion, coins, currency, deeds, evidences of debt, gold other than goldware, letters of credit, manuscripts, medals, money, notes other than bank notes, passports, personal records, platinum, securities, silver other than silverware, tickets and stamps;
2. animals, birds or fish;
3. aircraft and parts. Aircraft means any contrivance used or designed for flight, except model or hobby aircraft not used or designed to carry people or cargo;
4. motor vehicles or all other motorized land conveyances. This includes:
  - a. their equipment and accessories; or
  - b. any device or instrument for the transmitting, recording, receiving or reproduction of sound or pictures which is operated by power from the electrical system of motor vehicles or all other motorized land conveyances, including:
    - (1) accessories or antennas; or
    - (2) tapes, wires, records, discs or other media for use with any such device or instrument; while in or upon the vehicle or conveyance.

property there. This time period will not extend beyond the termination of this policy. Our liability is limited to the proportion of the limit of liability that the value at each residence bears to the total value of all personal property covered by this policy.

**COVERAGE D – Fair Rental Value**

If a loss to tenant-occupied property described in Coverage A, B or C by a Peril Insured Against under this policy makes that part of the Described Location rented to others or held for rental by you unfit for its normal use, we cover its:

**Fair Rental Value**, meaning the fair rental value of that part of the Described Location rented to others or held for rental by you less any expenses that do not continue while that part of the Described Location rented or held for rental is not fit to live in.

Payment will be for the shortest time required to repair or replace that part of the Described Location rented or held for rental.

If a civil authority prohibits you from use of the Described Location as a result of direct damage to a neighboring location by a Peril Insured Against in this policy, we cover the Fair Rental Value loss for no more than two weeks.

The periods of time referenced above are not limited by the expiration of this policy.

We do not cover loss or expense due to cancellation of a lease or agreement.

**COVERAGE E – Additional Living Expense**

If a loss to owner-occupied property, described in Coverage A, B or C by a Peril Insured Against under this policy makes that part of the Described Location unfit for its normal use, we cover your:

**Additional Living Expense**, meaning any necessary increase in living expenses incurred by you so that your household can maintain its normal standard of living.

Payment will be for the shortest time required to repair or replace the Described Location or, if you permanently relocate, the shortest time required for your household to settle elsewhere.

If a civil authority prohibits you from use of the Described Location as a result of direct damage to a neighboring location by a Peril Insured Against in this policy, we cover the Additional Living Expense loss for no more than two weeks.

The periods of time referenced above are not limited by the expiration of this policy.

We do not cover loss or expense due to cancellation of a lease or agreement.

**Pacific Specialty Insurance Company  
SPECIAL DWELLING FIRE POLICY**

<p><b>OTHER COVERAGES</b></p> <p>1. <b>Other Structures.</b> You may use up to 10% of the Coverage A limit of liability for loss by a Peril Insured Against to other structures described in Coverage B.</p> <p>Use of this coverage does not reduce the Coverage A limit of liability for the same loss.</p> <p>2. <b>Debris Removal.</b> We will pay your reasonable expense for the removal of:</p> <ol style="list-style-type: none"> <li>debris of covered property if a Peril Insured Against causes the loss; or</li> <li>ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.</li> </ol> <p>Debris removal expense is included in the limit of liability applying to the damaged property.</p> <p>3. <b>Improvements, Alterations and Additions.</b> If you are a tenant of the Described Location, you may use up to 10% of the Coverage C limit of liability for loss by a Peril Insured Against to improvements, alterations and additions, made or acquired at our expense, to that part of the Described Location used only by you.</p> <p>Use of this coverage does not reduce the Coverage C limit of liability for the same loss.</p> <p>4. <b>World-Wide Coverage.</b> You may use up to 10% of the Coverage C limit of liability for loss by a Peril Insured Against to property covered under Coverage C while anywhere in the world. This coverage does not apply to property of guests or servants or to rowboats or canoes.</p> <p>Use of this coverage does not reduce the Coverage C limit of liability for the same loss.</p> <p>5. <b>Rental Value and Additional Living Expense.</b> You may use up to 10% of the Coverage A limit of liability for loss of both fair rental value as described in Coverage D and additional living expense as described in Coverage E.</p> <p>Use of this coverage does not reduce the Coverage A limit of liability for the same loss.</p> <p>6. <b>Reasonable Repairs.</b> In the event that covered property is damaged by an applicable Peril Insured Against, we will pay the reasonable cost incurred by you for necessary measures taken solely to protect against further damage. If the measures taken involve repair to other damaged property, we will pay for those measures only if that property is covered under this policy and the damage to that property is caused by an applicable Peril Insured Against.</p> <p>This coverage:</p> <ol style="list-style-type: none"> <li>does not increase the limit of liability that applies to the covered property;</li> <li>does not relieve you of your duties, in case of a loss to covered property, as set forth in Condition 4 b.</li> </ol>	<p>7. <b>Property Removed.</b> We insure covered property against direct loss from any cause while being removed from a premises endangered by a Peril Insured Against and for no more than 30 days while removed.</p> <p>This coverage does not change the limit of liability that applies to the property being removed.</p> <p>8. <b>Trees, Shrubs and Other Plants.</b> We cover trees, shrubs, plants or lawns, on the Described Location for loss caused by the following Perils Insured Against: Fire or Lightning, Explosion, Riot or Civil Commotion, Aircraft, Vehicles not owned or operated by you or a resident of the Described Location, or Vandalism or Malicious Mischief, including damage during a burglary or attempted burglary, but not theft of property. The limit of liability for this coverage will not be more than \$500 for any one tree, shrub or plant. We do not cover property grown for commercial purposes.</p> <p>9. <b>Fire Department Service Charge.</b> We will pay up to \$500 for your liability assumed by contract or agreement for fire department charges incurred when the fire department is called to save or protect covered property from a Peril Insured Against. We do not cover fire department service charges if the property is located within the limits of the city, municipality or protection district furnishing the fire department response.</p> <p>This coverage is additional insurance. No deductible applies to this coverage.</p> <p>10. <b>Collapse.</b> We insure for risk of direct physical loss to covered property involving collapse of a building or any part of a building caused only by one or more of the following:</p> <ol style="list-style-type: none"> <li>Perils Insured Against in Coverage C – Personal Property. These perils apply to covered building and personal property for loss insured by this Other Coverage;</li> <li>hidden decay;</li> <li>hidden insect or vermin damage;</li> <li>weight of contents, equipment, animals or people;</li> <li>weight of rain which collects on a roof;</li> <li>use of defective material or methods in constructions, remodeling or renovation if the collapse occurs during the course of the constructions, remodeling or renovation.</li> </ol> <p>Loss to an awning, fence, patio, pavement, swimming pool, underground pipe, flue, drain, cesspool, septic tank, foundation, retaining wall, bulkhead, pier, wharf or dock is not included under items b, c, d, e and f unless the loss is a direct result of the collapse of the building.</p> <p>Collapse does not include, settling, cracking, shrinking, bulging or expansion.</p> <p>This coverage does not increase the limit of liability applying to the damaged covered property.</p>	<p>11. <b>Glass or Safety Glazing Material.</b> We cover:</p> <ol style="list-style-type: none"> <li>the breakage of glass or safety glazing material which is part of a covered building, storm door or storm window; and</li> <li>damage to covered property by glass or safety glazing material which is part of a building, storm door or storm window.</li> </ol> <p>This coverage does not include loss on the Described Location if the dwelling has been vacant for more than 30 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant.</p> <p>Loss for damage to glass will be settled on the basis of replacement with safety glazing materials when required by ordinance or law.</p> <p>This coverage does not increase the limit of liability that applies to the damaged property.</p>	<p><b>PERILS INSURED AGAINST</b></p> <p><b>COVERAGE A – DWELLING and COVERAGE B – OTHER STRUCTURES</b></p> <p>We insure against risk of direct loss to property described in Coverages A and B only if that loss is a physical loss to property; however, we do not insure loss:</p> <ol style="list-style-type: none"> <li>involving collapse, other than as provided in Other Coverages 10;</li> <li>caused by: <ol style="list-style-type: none"> <li>freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance, or by discharge, leakage or overflow from within the system or appliance caused by freezing. This exclusion applies only while the dwelling is vacant, unoccupied or being constructed unless you have used reasonable care to: <ol style="list-style-type: none"> <li>maintain heat in the building; or</li> <li>shut off the water supply and drain the system and appliances of water;</li> </ol> </li> <li>freezing, thawing, pressure or weight of water or ice, whether driven by wind or not; to a: <ol style="list-style-type: none"> <li>fence, pavement, patio or swimming pool;</li> <li>foundation, retaining wall or bulkhead; or</li> <li>pier, wharf or dock;</li> </ol> </li> <li>theft of property not part of a covered building or structure;</li> <li>theft in or to a dwelling or structure under construction;</li> <li>wind, hail, ice, snow or sleet to: <ol style="list-style-type: none"> <li>vandalism and malicious mischief, theft or attempted theft, if the dwelling has been vacant for more than 30 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant;</li> <li>water or steam over a period of weeks, months or years from within a plumbing, heating, air</li> </ol> </li> </ol> </li> </ol>	<p>conditioning or automatic fire protective sprinkler system or from within a household appliance;</p> <ol style="list-style-type: none"> <li>inherent vice, latent defect, mechanical breakdown;</li> <li>smog, rust or other corrosion, mold, wet or dry rot;</li> <li>smoke from agricultural smudging or industrial operations;</li> <li>discharge, dispersal, seepage, migration or release or escape of pollutants. Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant including smoke, vapor soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed;</li> <li>settling, shrinking, bulging or expansion, including resultant cracking, of pavements, patios, foundations, walls, floors, roofs or ceilings; or</li> <li>birds, vermin, rodents, insects or domestic animals.</li> </ol> <p>If any of these cause water damage not otherwise excluded from a plumbing, heating, air conditioning or automatic fire protective sprinkler system or household appliance, we cover loss caused by the water including the cost of tearing out and replacing any part of a building necessary to repair the system or appliance.</p> <p>We do not cover loss to the system or appliance from which this water escaped; or excluded under General Exclusions.</p> <p>Under items 1 and 2, any ensuing loss to property described in Coverages A and B not excluded or excepted in this policy is covered.</p> <p><b>COVERAGE C – PERSONAL PROPERTY</b></p> <p>We insure for direct physical loss to the property described in Coverage C caused by a peril listed below unless the loss is excluded in the General Exclusions.</p> <ol style="list-style-type: none"> <li><b>Fire or lightning.</b></li> <li><b>Windstorm or hail.</b> <ol style="list-style-type: none"> <li>This peril does not include loss to: <ol style="list-style-type: none"> <li>property contained in a building caused by rain, snow, sleet, sand or dust unless the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand or dust enters through this opening;</li> <li>canoes and rowboats; or</li> <li>trees, shrubs or plants.</li> </ol> </li> </ol> </li> <li><b>Explosion.</b></li> <li><b>Riot or civil commotion.</b></li> <li><b>Aircraft,</b> including self-propelled missiles and spacecraft.</li> <li><b>Vehicles.</b></li> <li><b>Smoke,</b> meaning sudden and accidental damage from smoke.</li> </ol> <p>This peril does not include loss caused by smoke from agricultural smudging or industrial operations.</p>
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## Pacific Specialty Insurance Company SPECIAL DWELLING FIRE POLICY

DP-3-POL (Ed. 1.0)

<p>8. <b>Vandalism or malicious mischief.</b> This peril does not include loss by pilferage, theft, burglary or larceny.</p> <p>9. <b>Damage, by Burglars.</b> meaning damage to covered property caused by Burglars.</p> <p>10. <b>Falling Objects.</b> This peril does not include loss to property contained in the building unless the roof or an outside wall of the building is first damaged by a falling object.</p> <p>11. <b>Weight of ice, snow or sleet</b> which causes damage to property contained in the building.</p> <p>12. <b>Accidental discharge or overflow of water or steam</b> from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system or from within a household appliance.</p> <p>13. <b>Burning or budging of a steam or hot water heating system, an air conditioning or automatic fire protective sprinkler system or an appliance for heating water.</b></p> <p>14. <b>Freezing</b> of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance.</p> <p>15. <b>Sudden and accidental damage from artificially generated electrical current.</b> This peril does not include loss to a tube, transistor or similar electronic component.</p>	<p>16. <b>Volcanic Eruption</b> other than loss caused by earthquake, land shock waves or tremors.</p> <hr/> <h3 style="text-align: center;">GENERAL EXCLUSIONS</h3> <p>1. We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss.</p> <p>a. <b>Ordinance or Law</b>, meaning enforcement of any ordinance or law regulating the use, construction, repair, or demolition of a building or other structure, unless specifically provided under this policy.</p> <p>b. <b>Earth Movement</b>, meaning earthquake including land shock waves or tremors before, during or after a volcanic eruption, landslide, mine subsidence, mudflow, earth sinking, rising or shifting, unless direct loss caused by:</p> <ol style="list-style-type: none"> <li>(1) fire;</li> <li>(2) explosion; or</li> <li>(3) breakage of glass or safety glazing material which is part of a building, storm door or storm window, ensues and then we will pay only for the ensuing loss.</li> </ol> <p>c. <b>Water Damage</b>, meaning:</p> <ol style="list-style-type: none"> <li>(1) flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these, whether or not driven by wind;</li> <li>(2) water which backs up through sewers or drains or which overflows from a sump, or</li> <li>(3) water below the surface of the ground, including water which exerts pressure on or seeps or leaks through a building, sidewalk driveway, foundation, swimming pool or other structure.</li> </ol> <p>d. <b>Power Failure</b>, meaning the failure of power or other utility service if the failure takes place off the Described Location. But, if a Peril Insured Against ensues on the Described Location, we will pay only for that ensuing loss.</p> <p>e. <b>Neglect</b>, meaning your neglect to use all reasonable means to save and preserve property at and after the time of a loss.</p> <p>f. <b>War</b>, including undeclared war, civil war, insurrection, rebellion, revolution, warlike act by a military force or military personnel, destruction or seizure or use for a military purpose, and including any consequence of any of these. Discharge of a nuclear weapon will be deemed a warlike act even if accidental.</p> <p>g. <b>Nuclear Hazard</b>, to the extent set forth in the Nuclear Hazard Clause of the Conditions.</p> <p>h. <b>Intentional Loss</b>, meaning any loss arising out of any act committed.</p>	<p>(1) by or at the direction of you or any person or organization named as an additional insured; and</p> <p>(2) with the intent to cause a loss.</p> <p>2. We do not insure for loss to property described in Coverages A and B caused by any of the following. However, any ensuing loss to property described in Coverages A and B not excluded or excepted in this policy is covered.</p> <p>a. <b>Weather conditions.</b> However, this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in paragraph 1. above to produce the loss.</p> <p>b. <b>Acts or decisions</b>, including the failure to act or decide, of any person, group, organization or governmental body.</p> <p>c. <b>Faulty, inadequate or defective:</b></p> <ol style="list-style-type: none"> <li>(1) planning, zoning, development, surveying, siting;</li> <li>(2) design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;</li> <li>(3) materials used in repair, construction, renovation or remodeling; or</li> <li>(4) maintenance, of part or all of any property whether on or off the Described Location.</li> </ol>
<h3>CONDITIONS</h3>		
<p>1. <b>Policy Period.</b> This policy applies only to loss which occurs during the policy period.</p> <p>2. <b>Insurable Interest and Limit of Liability.</b> Even if more than one person has an insurable interest in the property covered, we will not be liable in any one loss:</p> <ol style="list-style-type: none"> <li>a. for an amount greater than the interest of a person insured under this policy; or</li> <li>b. for more than the applicable limit of liability.</li> </ol> <p>3. <b>Concealment or Fraud.</b> The entire policy will be void if, whether before or after a loss, you have:</p> <ol style="list-style-type: none"> <li>a. intentionally concealed or misrepresented any material fact or circumstance;</li> <li>b. engaged in fraudulent conduct; or</li> <li>c. made false statements,</li> </ol> <p>4. <b>Your Duties After Loss.</b> In case of a loss to covered property, you must see that the following are done:</p> <ol style="list-style-type: none"> <li>a. give prompt notice to us or our agent;</li> <li>b. (1) protect the property from further damage;</li> <li>(2) make reasonable and necessary repairs to protect the property; and</li> <li>(3) keep an accurate record of repair expenses;</li> <li>c. prepare an inventory of damaged personal property showing the quantity, description, actual cash value and amount of loss. Attach all bills, receipts and related documents that justify the figures in the inventory;</li> </ol>	<p>d. as often as we reasonably require:</p> <ol style="list-style-type: none"> <li>(1) show the damaged property;</li> <li>(2) provide us with records and documents we request and permit us to make copies, and submit to examination under oath, while not in the presence of any other named insured, and sign the same;</li> <li>(3) send to us, within 60 days after our request, your signed, sworn proof of loss which sets forth, to the best of your knowledge and belief:             <ol style="list-style-type: none"> <li>(1) the time and cause of loss;</li> <li>(2) your interest and that of all others in the property involved and all liens on the property;</li> <li>(3) other insurance which may cover the loss;</li> <li>(4) changes in title or occupancy of the property during the term to the policy;</li> <li>(5) specifications of damaged buildings and detailed repair estimates;</li> <li>(6) the inventory of damaged personal property described in 4c;</li> <li>(7) receipts for additional living expenses incurred and records that support the fair rental value loss.</li> </ol> </li> </ol> <p>5. <b>Loss Settlement.</b> Covered property losses are settled as follows:</p> <ol style="list-style-type: none"> <li>a. (1) Personal property;</li> <li>(2) Awnings, carpeting, household appliances, outdoor antennas and outdoor equipment whether or not attached to buildings; and</li> <li>(3) Structures that are not buildings; at actual cash value at the time of loss but not more than the amount required to repair or replace.</li> <li>b. Buildings under Coverage A or B at replacement cost without deduction for depreciation, subject to the following:             <ol style="list-style-type: none"> <li>(1) If at the time of loss, the amount of insurance in this policy on the damaged building is 80% or more of the full replacement cost of the building immediately before the loss, we will pay the cost to repair or replace after application of deductible and without deduction for depreciation, but not more than the least of the following amounts:                 <ol style="list-style-type: none"> <li>(a) the limit of liability under this policy that applies to the building;</li> <li>(b) the replacement cost of that part of the building damaged for like construction and use on the same premises; or</li> <li>(c) the necessary amount actually spent to repair or replace the damaged building;</li> </ol> </li> <li>(2) If, at the time of loss, the amount of insurance in this policy on the damaged building is less than 80% of the full replacement cost of the building immediately before the loss, we will pay the greater of the following amounts, but not</li> </ol> </li> </ol>	

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<p>more than the limit of liability under this policy that applies to the building:</p> <p>(a) the actual cash value of that part of the building damaged; or</p> <p>(b) that proportion of the cost to repair or replace, after application of deductible and without deduction for depreciation, that part of the building damaged, which the total amount of insurance in this policy on the damaged building bears to 80% of the replacement cost of the building.</p> <p>(3) To determine the amount of insurance required to equal 80% of the full replacement cost of the building immediately before the loss, do not include the value of:</p> <p>(a) excavations, foundations, piers or any supports which are below the undersurface of the lowest basement floor,</p> <p>(b) those supports in (a) above which are below the surface of the ground inside the foundation walls, if there is no basement; and</p> <p>(c) underground flues, pipes, wiring and drains.</p> <p>(4) We will pay no more than the actual cash value of the damage unless:</p> <p>(a) actual repair or replacement is complete; or</p> <p>(b) the cost to repair or replace the damage is both:</p> <p>(i) less than 5% of the amount of insurance in this policy on the building; and</p> <p>(ii) less than \$2500.</p> <p>(5) You may disregard the replacement cost loss settlement provisions and make claim under this policy for loss or damage to buildings on an actual cash value basis. You may then make claim within 180 days after loss for any additional liability on a replacement cost basis.</p> <p>6. <b>Loss to a Pair or Set.</b> In case of loss to a pair or set we may elect to:</p> <p>a. repair or replace any part to restore the pair or set to its value before the loss; or</p> <p>b. pay the difference between actual cash value of the property before and after the loss.</p> <p>7. <b>Glass Replacement.</b> Loss for damage to glass caused by a Peril Insured Against will be settled on the basis of replacement with safety glazing materials when required by ordinance or law.</p> <p>8. <b>Appraisal.</b> If you and we fail to agree on the amount of loss, either may demand an appraisal of the loss. In this event, each party will choose a competent appraiser within 20 days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within 15 days, you or we may request that</p>	<p>the choice be made by a judge of a court of record in the state where the Described Location is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss.</p> <p>Each party will:</p> <p>a. pay its own appraiser; and</p> <p>b. bear the other expenses of the appraisal and umpire equally.</p> <p>9. <b>Other Insurance.</b> If property covered by this policy is also covered by other fire insurance, we will pay only the proportion of a loss caused by any peril insured against under this policy that the limit of liability applying under this policy bears to the total amount of fire insurance covering the property.</p> <p>10. <b>Subrogation.</b> You may waive in writing before a loss all rights of recovery against any person. If not waived, we may require an assignment of rights of recovery for a loss to the extent that payment is made by us.</p> <p>If an assignment is sought, the person insured must sign and deliver all related papers and cooperate with us.</p> <p>11. <b>Suit Against Us.</b> No action can be brought unless the policy provisions have been complied with and the action is started within one year after the date of loss.</p> <p>12. <b>Our Option.</b> If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may repair or replace any part of the damaged property with like property.</p> <p>13. <b>Loss Payment.</b> We will adjust all losses with you. We will pay you unless some other person is named in the policy or is legally entitled to receive payment. Loss will be payable 60 days after we receive your proof of loss and:</p> <p>a. reach an agreement with you;</p> <p>b. there is an entry of a final judgment; or</p> <p>c. there is a filing of an appraisal award with us.</p> <p>14. <b>Abandonment of Property.</b> We need not accept any property abandoned by you.</p> <p>15. <b>Mortgage Clause.</b> The word "mortgagee" includes trustee. If a mortgagee is named in this policy, any loss payable under Coverage A or B will be paid to the mortgagee and you, as interests appear. If more than one mortgagee is named, the order of payment will be the same as the order of precedence of the mortgages.</p> <p>If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:</p> <p>a. notifies us of any change in ownership, occupancy or substantial change in risk of which the mortgagee is aware;</p>	<p>b. pays any premium due under this policy on demand if you have neglected to pay the premium; and</p> <p>c. submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so. Policy conditions relating to Appraisal, Suit Against Us and Loss Payment apply to the mortgagee.</p> <p>If we decide to cancel or not to renew this policy, the mortgagee will be notified at least 10 days before the date cancellation or nonrenewal takes effect.</p> <p>If we pay the mortgagee for any loss and deny payment to you:</p> <p>a. we are subrogated to all the rights of the mortgagee granted under the mortgage on the property; or</p> <p>b. at our option, we may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, we will receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.</p> <p>Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.</p> <p>16. <b>No Benefit to Bailee.</b> We will not recognize any assignment or grant any coverage that benefits a person or organization holding, storing or moving property for a fee regardless of any other provision of this policy.</p> <p>17. <b>Cancellation.</b></p> <p>a. You may cancel this policy at any time by returning it to us or by letting us know in writing of the date cancellation is to take effect.</p> <p>b. We may cancel this policy only for the reasons stated below by letting you know in writing of the date cancellation takes effect. This cancellation notice may be delivered to you, or mailed to you at your mailing address shown in the Declarations.</p> <p>Proof of mailing shall be sufficient proof of notice.</p> <p>(1) When you have not paid the premium, we may cancel at any time by letting you know at least 10 days before the date cancellation takes effect.</p> <p>(2) When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason by letting you know at least 10 days before the date cancellation takes effect.</p> <p>(3) When this policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel:</p> <p>(a) if there has been a material misrepresentation of fact which if known to us would have caused us not to issue the policy; or</p> <p>(b) if the risk has changed substantially since the policy was issued.</p>
<p>This can be done by letting you know at least 30 days before the date cancellation takes effect.</p> <p>(4) When this policy is written for a period of more than one year, we may cancel for any reason at anniversary by letting you know at least 30 days before the date cancellation takes effect.</p> <p>c. When this policy is cancelled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata.</p> <p>d. If the return premium is not refunded with the notice of cancellation or when this policy is returned to us, we will refund it within a reasonable time after the date cancellation takes effect.</p> <p>18. <b>Non-Renewal.</b> We may elect not to renew this policy. We may do so by delivering to you, or mailing to you at your mailing address shown in the Declarations, written notice at least 30 days before the expiration date of this policy. Proof of mailing will be sufficient proof of notice.</p> <p>19. <b>Liberalization Clause.</b> If we make a change which broadens coverage under this edition of our policy without additional premium charge, that charge will automatically apply to your insurance as of the date we implement the change in your state, provided that this implementation date falls within 60 days prior to or during the policy period stated in the Declarations.</p> <p>This Liberalization Clause does not apply to changes implemented through introduction of a subsequent edition of our policy.</p> <p>20. <b>Waiver or Change of Policy Provisions.</b> A waiver or change of a provision of this policy must be in writing by us to be valid. Our request for an appraisal or examination will not waive any of our rights.</p> <p>21. <b>Assignment.</b> Assignment of this policy will not be valid unless we give our written consent.</p> <p>22. <b>Death.</b> If you die, we insure:</p> <p>a. your legal representatives but only with respect to the property of the deceased covered under the policy at the time of death;</p> <p>b. with respect to your property, the person having proper temporary custody of the property until appointment and qualification of a legal representative.</p> <p>23. <b>Nuclear Hazard Clause.</b></p> <p>a. "Nuclear Hazard" means any nuclear reaction, radiation, or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these.</p> <p>b. Loss caused by the nuclear hazard will not be considered loss caused by fire, explosion, or smoke, whether these perils are specifically named in or otherwise included within the Perils Insured Against.</p> <p>c. This policy does not apply to loss caused directly or indirectly by nuclear hazard, except that direct loss by fire resulting from the nuclear hazard is covered.</p>	<p>b. pays any premium due under this policy on demand if you have neglected to pay the premium; and</p> <p>c. submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so. Policy conditions relating to Appraisal, Suit Against Us and Loss Payment apply to the mortgagee.</p> <p>If we decide to cancel or not to renew this policy, the mortgagee will be notified at least 10 days before the date cancellation or nonrenewal takes effect.</p> <p>If we pay the mortgagee for any loss and deny payment to you:</p> <p>a. we are subrogated to all the rights of the mortgagee granted under the mortgage on the property; or</p> <p>b. at our option, we may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, we will receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.</p> <p>Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.</p> <p>16. <b>No Benefit to Bailee.</b> We will not recognize any assignment or grant any coverage that benefits a person or organization holding, storing or moving property for a fee regardless of any other provision of this policy.</p> <p>17. <b>Cancellation.</b></p> <p>a. You may cancel this policy at any time by returning it to us or by letting us know in writing of the date cancellation is to take effect.</p> <p>b. We may cancel this policy only for the reasons stated below by letting you know in writing of the date cancellation takes effect. This cancellation notice may be delivered to you, or mailed to you at your mailing address shown in the Declarations.</p> <p>Proof of mailing shall be sufficient proof of notice.</p> <p>(1) When you have not paid the premium, we may cancel at any time by letting you know at least 10 days before the date cancellation takes effect.</p> <p>(2) When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason by letting you know at least 10 days before the date cancellation takes effect.</p> <p>(3) When this policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel:</p> <p>(a) if there has been a material misrepresentation of fact which if known to us would have caused us not to issue the policy; or</p> <p>(b) if the risk has changed substantially since the policy was issued.</p>	<p>This can be done by letting you know at least 30 days before the date cancellation takes effect.</p> <p>(4) When this policy is written for a period of more than one year, we may cancel for any reason at anniversary by letting you know at least 30 days before the date cancellation takes effect.</p> <p>c. When this policy is cancelled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata.</p> <p>d. If the return premium is not refunded with the notice of cancellation or when this policy is returned to us, we will refund it within a reasonable time after the date cancellation takes effect.</p> <p>18. <b>Non-Renewal.</b> We may elect not to renew this policy. We may do so by delivering to you, or mailing to you at your mailing address shown in the Declarations, written notice at least 30 days before the expiration date of this policy. Proof of mailing will be sufficient proof of notice.</p> <p>19. <b>Liberalization Clause.</b> If we make a change which broadens coverage under this edition of our policy without additional premium charge, that charge will automatically apply to your insurance as of the date we implement the change in your state, provided that this implementation date falls within 60 days prior to or during the policy period stated in the Declarations.</p> <p>This Liberalization Clause does not apply to changes implemented through introduction of a subsequent edition of our policy.</p> <p>20. <b>Waiver or Change of Policy Provisions.</b> A waiver or change of a provision of this policy must be in writing by us to be valid. Our request for an appraisal or examination will not waive any of our rights.</p> <p>21. <b>Assignment.</b> Assignment of this policy will not be valid unless we give our written consent.</p> <p>22. <b>Death.</b> If you die, we insure:</p> <p>a. your legal representatives but only with respect to the property of the deceased covered under the policy at the time of death;</p> <p>b. with respect to your property, the person having proper temporary custody of the property until appointment and qualification of a legal representative.</p> <p>23. <b>Nuclear Hazard Clause.</b></p> <p>a. "Nuclear Hazard" means any nuclear reaction, radiation, or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these.</p> <p>b. Loss caused by the nuclear hazard will not be considered loss caused by fire, explosion, or smoke, whether these perils are specifically named in or otherwise included within the Perils Insured Against.</p> <p>c. This policy does not apply to loss caused directly or indirectly by nuclear hazard, except that direct loss by fire resulting from the nuclear hazard is covered.</p>



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DP-3-POL (Ed. 1.0)

24. **Recovered Property.** If you or we recover any property for which we have made payment under this policy, you or we will notify the other of the recovery. At your option, the property will be returned to or retained by you or it will become our property. If the recovered property is returned to or retained by you, the loss payment will be adjusted based on the amount you received for the recovered property.
25. **Volcanic Eruption Period.** One or more volcanic eruptions that occur within a 72-hour period will be considered as one volcanic eruption.

In Witness Whereof, the Company has caused this policy to be executed and attested, but this policy shall not be valid unless countersigned on the Declarations page by a duly authorized agent of the Company.



President



Secretary

# Pacific Specialty Insurance Company GEORGIA DWELLING FIRE ENDORSEMENTS

(3) Is not an intentional act committed to protect life or property.

In the event either optional Comprehensive Personal Liability Coverage (endorsement PO1) or optional Owners, Landlords & Tenants Liability Coverage (endorsement PO2) is applied to the policy, this **Intentional Loss Exclusion** is applied to the liability coverage endorsement, and supersedes and replaces any exclusion in the endorsement relating to intentional losses to the contrary.

**Concealment or Fraud.**

The **Concealment or Fraud** provisions of your policy, found in the **CONDITIONS** section, item 3, are hereby replaced with the following.

3. **Concealment or Fraud.** No recovery will be allowed under the policy if, whether discovered before or after a loss, you misrepresent, omit, conceal facts, or make incorrect statements meeting one of the following conditions.
  - a. Are fraudulent.
  - b. Are material either to the acceptance of the risk or to the hazard assumed by us.
  - c. If the true facts had been known to us as required by the application for the policy, we would not in good faith have either issued the policy or would not have issued the policy in as large an amount or at the premium rate as applied for or would not have provided coverage with respect to the hazard resulting in the loss.

All other terms and conditions of the policy remain unchanged. This includes all endorsements.

**ENDORSEMENT No. PM2 (Ed. 1)  
Animal Liability Exclusion**

This endorsement changes your policy. Please read it carefully.

It is understood and agreed that your policy is amended as follows.

**LIABILITY COVERAGE**

We shall not pay any sum that the insured shall become legally obligated to pay as damages because of bodily injury or property damage caused by or originating from any animal owned by, or in the care of, custody or control of the insured, or any member of the insured's family or household.

**MEDICAL PAYMENT COVERAGE**

We shall not pay any medical expenses at any time, to persons while on the insured's premises, with or without the permission of the insured, or while elsewhere, if such medical expense is caused by or results from any bodily injury caused by, or resulting from any animal owned by, or in the care of, custody or control of the insured, or any member of the insured's family or household.

All other terms and conditions of the policy remain unchanged.

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**ATTENTION**

This booklet contains endorsements that are applicable to your policy only if the endorsement number appears on your Declarations page. Not all endorsements are necessarily applicable to your policy. Review your Declarations page to see which ones apply.

Please read carefully. When applicable, the endorsement will change your Dwelling policy.

**ENDORSEMENT No. PM1-GA-DP (Ed. 1)  
Georgia Amendatory Endorsement for DP-1 and DP-3 Policies**

This endorsement changes your policy. Please read it carefully.

This endorsement is mandatory. It applies to all DP-1 and DP-3 policies issued in Georgia.

**Intentional Loss Exclusion.**

The **Intentional Loss** provisions of your policy, found in the **GENERAL EXCLUSIONS** section, are hereby replaced with the following.

**Intentional Loss**, meaning any loss arising out of any act that meets all of the following criteria.

- (1) Committed by or at the direction of you or any person or organization named as an additional insured.
- (2) Committed with the intent to cause a loss.

**ENDORSEMENT No. PM3 (Ed. 1)  
Occupancy Endorsement  
(Primary Residence Only)**

This endorsement changes your policy. Please read it carefully.

It is a condition of this policy that any vacancy or unoccupancy of the described dwelling after the inception date of this policy must be reported to the Company. The terms "vacant" or "unoccupied" mean that you have not slept overnight in the dwelling for a period of sixty (60) consecutive days.

It is understood and agreed that the Company shall not be liable for loss occurring while a described dwelling that is intended for occupancy by the owner as a primary residence is vacant or unoccupied beyond a period of sixty consecutive days. However, coverage remains in effect during this period under Perils 1A (Fire or Lightning), 3 (Windstorm or Hail), 7 (Smoke) and 8 (Volcanic Eruption).

All other terms and conditions of this policy remain unchanged.

**ENDORSEMENT No. PM4 (Ed. 1)  
Satellite Dish Exclusion**

This endorsement changes your policy. Please read it carefully.

This policy does not provide any coverage loss or damage to a satellite dish, antennas, or their components, including mounting hardware.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM5 (Ed. 1)  
Roof for Fire and Lightning Only  
Endorsement**

It is agreed that the roof on your Dwelling is only covered for losses caused by fire and lightning. It is further agreed that there is no coverage for interior damage if such damage is due to the failure of the roof, unless such failure is caused by fire or lightning.

**ENDORSEMENT No. PM6 (Ed. 1)  
Water Damage Exclusion for Plumbing**

It is agreed that the insured dwelling's plumbing system is constructed, in whole or in part, from material other than copper, galvanized steel or polyvinyl chloride (PVC). This does not include any of the following.

- a) Plumbing outside the dwelling.
- b) Drain pipes.
- c) Sprinkler irrigation systems.
- d) Gas pipes.

In the event a claim is made resulting from the failure of the dwelling's plumbing system, including the failure of polybutylene (PB) or other plastic plumbing, no coverage will be afforded under this policy.

**ENDORSEMENT No. PM7 (Ed. 1)  
Copper Plumbing Agreement**

It is agreed that the insured dwelling's plumbing system is constructed from copper plumbing. This does not include plumbing outside the dwelling, drain pipes, sprinkler irrigation systems, or gas pipes.

In the event a claim is made resulting from a non-copper plumbing system failure, no coverage will be afforded under this policy.

**ENDORSEMENT No. PM9-GA (Ed. 1)  
Mold Limitation Endorsement**

**THIS ENDORSEMENT CHANGES YOUR POLICY.  
PLEASE READ IT CAREFULLY.**

**LIMITED COVERAGE FOR MOLD POLLUTANTS.**

This policy does not provide coverage for any loss, damage, cost, claim, expense, bodily injury, property damage, medical payments or any other coverage under this policy arising from or in any way involving, directly or indirectly,

- a. Mold.
  - b. Fungi.
  - c. Mildew
  - d. Spores.
  - e. Wet or dry rot.
  - f. Bacteria.
  - g. Protists.
  - h. A chemical, matter, or a compound produced or released by such mold, fungi, mildew, spores, wet or dry rot, bacteria, protists.
  - i. Any other similar organism, strain or derivative.
- These coverages are subject to all of the terms of the policy, except as amended by this endorsement.

**LIMITED WET ROT, DRY ROT, BACTERIA, FUNGI,  
AND PROTISTS COVERAGES**

**Definitions.**

**1. Mold Pollutants:**

- a. Wet rot.
- b. Dry rot.
- c. A bacterium.
- d. A fungus, including mildew or mold.
- e. A protist.
- f. A chemical, matter, or a compound produced or released by such wet rot, dry rot, bacterium, fungus, or protist.

**2. Remediation:**

- a. Any remediation of mold, including the cost or expense to:
  - (1) Remove the mold from covered property or to repair, restore or replace that property.
  - (2) Contain, treat, detoxify, neutralize or dispose of or in any way respond to or assess the effect of the mold.
- b. The cost of any necessary testing or monitoring of air or property to confirm the type, absence, presence or level of mold, whether performed

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prior to, during or after removal, repair, restoration or replacement of covered property.

**I. PROPERTY COVERAGES.**

**A. Insuring Agreement.**

We pay for direct physical loss to property covered under Coverages A, B, C, or, if provided by this policy, the Incidental Property Coverage for improvements caused by **mold pollutants** when the presence of any **mold pollutants**, whether collectively or any one item, is the direct result of any covered peril. All reasonable means must be used to save and preserve the property at and after the time of loss.

However, all consequential damage and subsequent cost arising from **mold pollutants** and its **remediation**, meaning any loss caused directly or indirectly by **mold pollutants** regardless of any other cause or event contributing concurrently or in any sequence to the loss, will be subject to the Aggregate Property Limit (herein "APL") of this endorsement unless the proximate covered cause of loss is the peril of fire or lightning. This coverage does not otherwise increase any coverage limits shown in the declarations of this policy.

**B. Property Exclusions.**

This coverage does not apply to damage caused by or consisting of **mold pollutants** that results directly or indirectly from the following:

1. Discharge or overflow.
  - a. Caused by continuous or repeated seepage or leakage, unless hidden or unknown to the insured.
  - b. From a sump, sump pump, or related equipment.
  - c. That comes from off the insured premises.
  - d. Caused by freezing while the residence is vacant, unoccupied, or under construction and unoccupied, unless you have taken reasonable care to:
    - (1) Maintain heat in the dwelling.
    - (2) Shut off the liquid supply and drain the system, heater, or domestic appliance.
2. A peril that is not covered under the terms of this policy.

**C. Limits of Liability.**

**Aggregate Property Limit.**

The APL of this endorsement is the most we pay for **remediation** regardless of the number of occurrences, claims or assessments made, or locations insured under this policy. The APL of this endorsement is the most that we pay for each consecutive annual policy period and for any remaining period of less than twelve months, beginning with the inception date of this policy as shown on the declarations. If, however, the policy period is extended for an additional period of less than twelve months, this additional period will be considered part of the preceding

period for the purpose of determining the APL of this endorsement.

The APL is the greater of \$5,000 or 5% of the Coverage A (Dwelling) limit, and is subject to a per-occurrence deductible of \$250. Restoration of Limits under How Much We Pay For Loss Or Claim does not apply.

**II. COVERAGE L LIABILITY COVERAGE.**

**A. Insuring Agreement.**

Subject to the Aggregate Liability Limit (herein "ALL") of this endorsement, we pay for bodily injury or property damage that results from ingestion of inhalation of, physical contact with, or exposure to **mold pollutants**.

Except for claims adjustment expense and any litigation costs incurred thereunder, any coverage provided under these Incidental Liability Coverages for bodily injury, property damage, damages, or legal fees arising from ingestion of, inhalation of, physical contact with, or exposure to **mold pollutants** is subject to the ALL of this endorsement.

**C. Limits of Liability.**

**Aggregate Liability Limit.**

The ALL of this endorsement, as shown on the declarations, is the most we pay for loss for each occurrence covered under this endorsement. This applies regardless of the number of:

- a. Persons insured under this policy.
  - b. Parties who sustain injury or damage.
  - c. Claims made or suits brought.
- Subject to the ALL of this endorsement, the amount shown on the declarations per person for Coverage M is the most we pay for all medical expenses payable for bodily injury to one person as the result of one occurrence covered under this endorsement.

Any per occurrence limit shown on the declarations for Coverage M does not apply with respect to this endorsement. Payment under Coverage M will not be deemed as an admission of liability under Coverage L.

Our total limit of liability in any one policy year will not exceed the ALL of this endorsement, regardless of the number of:

- a. Occurrences.
- b. Insureds.
- c. Claims made or suits brought.
- d. Persons injured.
- e. Assessments made.

However, this ALL does not apply to coverage provided under Claims and Defense Cost under the Incidental Liability Coverages.

The ALL of this endorsement, is the most that we pay for each consecutive annual policy period and for any remaining period of less than twelve months, beginning with the inception date of this policy, as shown on the declarations. If, however, the policy period is extended for an

additional period of less than twelve months, this additional period will be considered part of the preceding period for the purpose of determining the ALL of this endorsement.

The ALL is \$50,000. Restoration of Limits under How Much We Pay For Loss Or Claim does not apply.

**ENDORSEMENT No. PM11 (Ed. 2)  
Increased Deductible For Loss or Damage Caused by Tenants**

**This endorsement changes your policy. Please read it carefully.**

It is understood and agreed that if a loss occurs due to an insured peril which is caused by a deliberate act, or is a result of the abuse of the property by a present or past tenant of the property, then that loss is considered to be a "Tenant Caused Loss."

We will only be liable for that portion of a Tenant Caused Loss that exceeds \$2,500.00, up to the limits of the policy as stated on the policy declarations page. However, if a policy deductible of \$5,000.00 is stated on the policy declarations page, then we will only be liable for that portion of a Tenant Caused Loss that exceeds \$5,000.00, up to the limits of the policy as stated on the policy declarations page.

This endorsement does not extend or expand the perils insured under this policy.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM12 (Ed. 1)  
Windstorm or Hail Deductible**

**The Windstorm or Hail Deductible is 2% of the Coverage A limit**, unless a higher percentage has otherwise been noted on the policy declarations page and a credit has been applied to the premium.

The following is added to the deductible provisions of this policy:

**Windstorm or Hail Deductible** – We pay only that part of the loss caused directly or indirectly by windstorm or hail which is more than the deductible amount shown in this endorsement, or on the policy declarations page, if greater than 2% of the Coverage A limit. The deductible amount is the percent shown in this endorsement, or on the policy declarations page if greater than 2% of the Coverage A limit, of the limit that applies to Coverage A.

The deductible applies per occurrence, and separately at each covered location. Only one deductible applies at each location.

The deductible applies regardless of other causes or events that contribute to or aggravate the loss, whether such causes or events occur before, at the same time as, or after the loss caused by windstorm or hail.

All other terms, conditions and exclusions of this policy remain unchanged.

**ENDORSEMENT No. PM18 (Ed. 1)  
Trampoline Exclusion**

**This endorsement changes your policy. Please read it carefully.**

This policy does not provide any coverage for any:

- a. loss,
  - b. damage,
  - c. cost,
  - d. claim,
  - e. expense,
  - f. "bodily injury,"
  - g. "property damage," or
  - h. medical payments
- arising from or in any way involving, directly or indirectly, a trampoline, regardless of cause.

We shall have no duty to investigate, defend, or indemnify any claim or "suit" seeking such damages.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM19 (Ed. 1)  
Swimming Pool Diving Board and Slide Exclusion**

**This endorsement changes your policy. Please read it carefully.**

This policy does not provide any coverage for any:

- a. loss,
  - b. damage,
  - c. cost,
  - d. claim,
  - e. "bodily injury,"
  - f. "property damage," or
  - g. medical payments
- arising from or in any way involving, directly or indirectly, a swimming pool diving board, slide or similar structure, regardless of cause.

We shall have no duty to investigate, defend, or indemnify any claim or "suit" seeking such damages.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PO1 (Ed. 1)  
Comprehensive Personal Liability Coverage**

**This endorsement changes your policy. Please read it carefully.**

**AGREEMENT**

We will provide the insurance described in this policy in return for the premium and compliance with all applicable provisions of this policy.

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<p><b>DEFINITIONS</b></p> <p>Throughout this policy, "you" and "your" refer to the named insured shown in the Declarations and the spouse if a resident of the same household, and "we", "us" and "our" refer to the company providing this insurance. In addition, certain words and phrases are defined as follows:</p> <ol style="list-style-type: none"> <li>1. <b>"Bodily injury"</b> means bodily harm, sickness or disease, including required care, loss of services and death resulting therefrom.</li> <li>2. <b>"Business"</b> includes trade, profession or occupation.</li> <li>3. <b>"Insured"</b> means you and the following residents of your household:             <ol style="list-style-type: none"> <li>a. your relative</li> <li>b. any other person under the age of 21 who is in the care of any person named above</li> <li>c. with respect to animals or watercraft to which this policy applies, any person or organization legally responsible for these animals or watercraft which are owned by you or any person included in 3a or 3b. A person or organization using or having custody of these animals or watercraft in the course of any <b>business</b>, or without the permission of the owner is not an <b>insured</b>.</li> </ol> </li> <li>4. <b>"Insured location"</b> means the following:             <ol style="list-style-type: none"> <li>a. the <b>residence premises</b>;</li> <li>b. the part of any other premises, other structures and grounds, used by you as a residence and which is shown in the Declarations or which is acquired by you during the policy period for your use as a residence;</li> <li>c. any premises used by you in connection with the premises included in 4a or 4b;</li> <li>d. any part of a premises not owned by any <b>insured</b> but where any <b>insured</b> is temporarily residing;</li> <li>e. vacant land owned by or rented to any <b>insured</b> other than farm land;</li> <li>f. land owned by or rented to any <b>insured</b> on which a one or two family dwelling is being constructed as a residence for any <b>insured</b>; individual or family cemetery plots or burial vaults of any <b>insured</b>;</li> <li>g. any part of a premises occasionally rented to any <b>insured</b> for other than business purposes.</li> </ol> </li> <li>5. <b>"Motor vehicles"</b> means the following:             <ol style="list-style-type: none"> <li>a. a motorized land vehicle designed for travel on public roads or subject to motor vehicle registration. A motorized land vehicle in dead storage on an <b>insured location</b> is not a <b>motor vehicle</b>;</li> <li>b. a trailer or semitrailer designed for travel on public roads and subject to motor vehicle registration. A motorized land vehicle in dead storage on an <b>insured location</b> is not a <b>motor vehicle</b>;</li> <li>c. a motorized golf cart, snowmobile or other motorized land vehicle owned by any <b>insured</b> and designed for recreational use off public roads, while off an <b>insured location</b>. A motorized golf cart while used for golfing purposes is not a <b>motor vehicle</b>.</li> </ol> </li> </ol>	<ol style="list-style-type: none"> <li>6. <b>"Property damage"</b> means physical injury to or destruction of tangible property, including loss of use of this property.</li> <li>7. <b>"Residence employee"</b> means an employee of any insured who performs duties in connection with the maintenance or use of the <b>residence premises</b>, including household or domestic services, or who performs duties elsewhere of a similar nature not in connection with the <b>business</b> of any <b>insured</b>.</li> <li>8. <b>"Residence premises"</b> means the one to four family dwelling, other structures and grounds or that part of any other building where you reside and which is shown as the "Covered Properties" in the Declarations.</li> </ol> <p style="text-align: center;"><b>LIABILITY COVERAGES</b></p> <p><b>COVERAGE L – PERSONAL LIABILITY</b> If a claim is made or a suit is brought against any <b>insured</b> for damages because of <b>bodily injury</b> or <b>property damage</b> to which this coverage applies, we will do the following:</p> <ol style="list-style-type: none"> <li>a. pay up to our limit of liability for the damages for which the insured is legally liable; and</li> <li>b. provide a defense at our expense by counsel of our choice. We may make any investigation and settle any claim or suit that we decide is appropriate. Our obligation to defend any claim or suit ends when the amount we pay for damages resulting from the occurrence equals our limit of liability.</li> </ol> <p>Damages include prejudgment interest awarded against the <b>insured</b>.</p> <p><b>COVERAGE M – MEDICAL PAYMENTS TO OTHERS</b> We will pay the necessary medical expenses incurred or medically ascertained within three years from the date of an accident causing <b>bodily injury</b>. Medical expenses means reasonable charges for medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, prosthetic devices and funeral services. This coverage does not apply to you or regular residents of your household other than <b>residence employees</b>. As to others, this coverage applies only as follows:</p> <ol style="list-style-type: none"> <li>a. to a person on the <b>insured location</b> with the permission of any <b>insured</b>; or</li> <li>b. to a person off the <b>insured location</b>, if the <b>bodily injury</b> meets the following conditions:             <ol style="list-style-type: none"> <li>(1) arises out of a condition of the <b>insured location</b> or the ways immediately adjoining;</li> <li>(2) is caused by the activities of any <b>insured</b>;</li> <li>(3) is caused by a <b>residence employee</b> in the course of the <b>residence employee's</b> employment by any <b>insured</b>; or</li> <li>(4) is caused by an animal owned by or in the care of any <b>insured</b>.</li> </ol> </li> </ol> <p style="text-align: center;"><b>EXCLUSIONS</b></p> <ol style="list-style-type: none"> <li>1. <b>Coverage L and Coverage M</b> do not apply to <b>bodily injury</b> or <b>property damage</b> as follows:             <ol style="list-style-type: none"> <li>a. which is expected or intended by the <b>insured</b>;</li> </ol> </li> </ol>
<ol style="list-style-type: none"> <li>b. arising out of <b>business</b> pursuits of any <b>insured</b> or the rental or holding for rental of any part of any premises by any <b>insured</b>. This exclusion does not apply to the following:             <ol style="list-style-type: none"> <li>(1) activities which are ordinarily incident to <b>nonbusiness</b> pursuits; or</li> <li>(2) the rental or holding for rental of a residence of yours, as follows:                 <ol style="list-style-type: none"> <li>(a) on an occasional basis for the exclusive use as a residence;</li> <li>(b) in part, unless intended for use as a residence by more than two roomers or boarders; or</li> <li>(c) in part, as an office, school, studio or private garage</li> </ol> </li> </ol> </li> <li>c. arising out of the rendering or failing to render professional services; arising out of any premises owned by or rented to any <b>insured</b> which is not an <b>insured location</b>;</li> <li>e. arising out of the ownership, maintenance, use, loading or unloading of the following:             <ol style="list-style-type: none"> <li>(1) an aircraft</li> <li>(2) a <b>motor vehicle</b> owned or operated by, or rented or loaned to any <b>insured</b>; or</li> <li>(3) a watercraft, as follows:                 <ol style="list-style-type: none"> <li>(a) owned by or rented to any <b>insured</b> if the watercraft has inboard or inboard-outdrive motor power of more than 50 horsepower or is a sailing vessel, with or without auxiliary power, 26 feet or more in overall length; or</li> <li>(b) powered by one or more outboard motors with more than 25 total horsepower, owned by any <b>insured</b> at the inception of this policy. In you report in writing to us within 45 days after acquisition an intention to insure any outboard motors acquired prior to the policy period, coverage will apply.</li> </ol> </li> </ol> </li> <li>f. caused directly or indirectly by war, including undeclared war, civil war, insurrection, rebellion, revolution, warlike act by a military force or military personnel, destruction or seizure or use for a military purpose and including any consequence of any of these. Discharge of a nuclear weapon shall be deemed a warlike act even if accidental.</li> </ol>	<ol style="list-style-type: none"> <li>b. an occurrence, unless excluded elsewhere in this policy.</li> <li>c. <b>property damage</b> to property owned by the <b>insured</b>;</li> <li>d. <b>property damage</b> to property rented to, occupied or used by or in the care of the <b>insured</b>. This exclusion does not apply to <b>property damage</b> caused by fire, smoke or explosion;</li> <li>e. <b>bodily injury</b> to any person eligible to receive any benefits required to be provided or voluntarily provided by the <b>insured</b> under any worker's or workmen's compensation, non-occupational disability, or occupational disease law; or</li> <li>f. <b>bodily injury</b> or <b>property damage</b> for which any <b>insured</b> under this policy is also an <b>insured</b> under a nuclear energy liability policy or would be an <b>insured</b> but for the exhaustion of its limit of liability. A nuclear energy liability policy is a policy issued by:             <ol style="list-style-type: none"> <li>(1) American Nuclear Insurers;</li> <li>(2) Mutual Atomic Energy Liability Underwriters; or</li> <li>(3) Nuclear Insurance Association of Canada.</li> </ol> </li> <li>3. <b>Coverage M</b> does not apply to <b>bodily injury</b> as follows:             <ol style="list-style-type: none"> <li>a. to any person while on the <b>insured location</b> because <b>business</b> pursuits are conducted or professional services are rendered on the <b>insured location</b>;</li> <li>b. to a <b>residence employee</b> if it occurs off the <b>insured location</b> and does not arise out of or in the course of the <b>residence employee's</b> employment by any <b>insured</b>;</li> <li>c. to any person, eligible to receive any benefits required to be provided or voluntarily under any worker's or workmen's compensation, non-occupational disability or occupational disease law;</li> <li>d. from any nuclear reaction, radiation or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these.</li> </ol> </li> </ol> <p style="text-align: center;"><b>ADDITIONAL COVERAGES</b></p> <p>We cover the following in addition to the limits of liability.</p> <ol style="list-style-type: none"> <li>1. <b>Claim Expenses.</b> We pay:             <ol style="list-style-type: none"> <li>a. expenses incurred by us and costs taxed against any <b>insured</b> in any suit we defend;</li> <li>b. premiums on bonds required in a suit defended by us, but not for bonds amounts greater than the limit of liability for Coverage L. We are not obligated to apply for or furnish any bond;</li> <li>c. reasonable expenses incurred by any <b>insured</b> at our request, including actual loss of earnings (but not loss of other income) up to \$50 per day for assisting us in the investigations or defense of any claim or suit;</li> <li>d. interest on the entire judgment which accrues after entry of the judgment and before we pay for or tender, or deposit in court that part of the</li> </ol> </li> </ol>

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2. **First Aid Expenses.** We will pay expenses for first aid to others incurred by any **insured** for **bodily injury** covered under this policy. We will not pay for first aid to you or any other **insured**.
3. **Damage to Property of Others.** We will pay up to \$250 per occurrence for **property damage** to property of others caused by any **insured**. We will not pay for **property damage**:
  - a. caused intentionally by any **insured** who is 13 years of age or older;
  - b. to property owned by or rented to any **insured** a tenant of any **insured**, or a resident in your household; or
  - c. arising out of the following:
    - (1) **business** pursuits,
    - (2) any act or omission in connection with a premises owned, rented or controlled by any **insured**, other than the **insured** location; or
    - (3) the ownership, maintenance or use of a motor vehicle, aircraft or watercraft.

**CONDITIONS**

1. **Limit of Liability.** Regardless of the number of **insureds**, claims made or persons injured, our total liability for Coverage L stated in this policy for all damages resulting from any one occurrence shall not exceed the limit of liability for Coverage L stated in the Declarations. All **bodily injury** and **property damage** resulting from any one accident or from continuous or repeated exposure to substantially the same general conditions shall be considered to be the result of one occurrence. Our total liability under Coverage M for all medical expense payable for **bodily injury** to one person as the result of one accident shall not exceed the limit of liability for Coverage M stated in the Declarations.
2. **Severability of Insurance.** This insurance applies separately to each **insured**. This condition shall not increase our limit of liability for any one occurrence.
3. **Duties After Loss.** In case of an accident or occurrence, the **insured** shall perform the following duties that apply. You shall cooperate with us in seeing that the following duties are performed:
  - a. give written notice to our agent or us as soon as practicable, which sets forth the following:
    - (1) the identity of the policy and **insured**;
    - (2) reasonably available information on the time, place and circumstances of the accident or occurrence; and
  - b. forward to us every notice, demand, summons or other process relating to the accident or occurrence;
  - c. at our request, assist in the following:
    - (1) making settlement;
    - (2) the enforcement of any right of contribution or indemnity against any person or organization who may be liable to any **insured**;
    - (3) the conduct of suits and attend hearings and trials.

4. **Duties of an Injured Person-Coverage M – Medical Payments to Others.** The injured person or someone acting on behalf of the injured person shall:
  - a. give us written proof of claim, under oath if required, as soon as practicable;
  - b. execute authorization to allow us to obtain copies of medical reports and record; and
  - c. the injured person shall submit to physical examination by a physician selected by us when and as often as we reasonably require.
5. **Payment of Claim-Coverage M – Medical Payment to Others.** Payment under this coverage is not an admission of liability by any **insured** or us.
6. **Suit Against Us.** No action shall be brought against us unless there has been compliance with the policy provisions. No one shall have any right to join us as a party to any action against any **insured**. Further, no action with respect to Coverage L shall be brought against us until the obligation of the **insured** has been determined by final judgment or agreement signed by us.
7. **Bankruptcy of any Insured.** Bankruptcy or insolvency of any **insured** shall not relieve us of any of our obligations under this policy.
8. **Other Insurance-Coverage L – Personal Liability.** This insurance is excess over any other valid and collectible insurance except insurance written specifically to cover as excess over the limits of liability that apply in this policy.
9. **Policy Period.** This policy applies only to **bodily injury** or **property damage** that occurs during the policy period.
10. **Subrogation.** Any **insured** may waive in writing before a loss all rights of recovery against any person, if not waived, we may require an assignment of rights of recovery for a loss to the extent that payment is made by us. If an assignment is sought, any **insured** shall sign and deliver all related papers and cooperate with us in any reasonable manner. Subrogation does not apply to Medical Payments to Others or Damage to Property of Others.

**ENDORSEMENT NO. PO2 (Ed. 1)**

**Owners, Landlords & Tenants Liability Coverage**

**This endorsement changes your policy. Please read it carefully.**

For an additional premium, with this endorsement, the Company agrees to provide the coverage indicated

herein. The premium and applicable limits of liability are as stated on the policy declarations and in this endorsement. All other terms and conditions of the policy remain unchanged.

**LIABILITY COVERAGE.**  
We will pay on behalf of the insured all sums that the insured shall become legally obligated to pay as damages to which this insurance applies because of either **bodily injury** or **property damage** (collectively referred to as "loss").

This coverage exists when the "loss" is caused by an occurrence that arises out of the ownership, maintenance, or use of the insured premises. This includes all necessary or incidental operations of the premises. We shall have the right and duty to defend any suit against the insured seeking damages on account of such "loss." This duty exists even if any of the allegations of the suit are groundless, false or fraudulent. We may investigate and settle any claim or suit as we deem expedient. We shall not be obligated to pay any claim or judgment, or to defend any suit, after the applicable limit of our liability has been exhausted.

**Exclusions.**

The following apply to both liability and medical payments coverage.

1. "Loss" that arises out of the "use" of any of the following:
  - a. Automobile.
  - b. Aircraft.
  - c. Watercraft.

This does not apply to the parking of an automobile on the insured premises, if such automobile is not owned by or rented or loaned to any **insured**. This also does not apply to watercraft while ashore on the insured premises.
2. "Loss" that arises out of the following:
  - a. The "use" of any mobile equipment while being used in any prearranged or organized racing, speed or demolition contest or in any stunting activity or in practice or preparation for any such contest or activity.
  - b. The operation or use of any snowmobile or trailer designed for use therewith.
  3. "Loss" that arises out of and in the course of the transportation of mobile equipment by an automobile owned or operated by or rented or loaned to any **insured**.
  4. "Loss" that results from the selling, serving or giving of alcoholic beverage in any of the following circumstances:
    - a. In violation of any statute, ordinance or regulation.
    - b. To a minor.
    - c. To a person under the influence of alcohol.
    - d. Which causes or contributes to the intoxicating of any person, if the named insured is a person or organization engaged in the business of manufacturing, distributing, selling or serving alcoholic beverages or if not so engaged, is an owner or lessor of premises used for such purposes, but only part a. of this exclusion

applies when the named insured is such an owner or lessor.

The following apply to liability coverage.

1. Liability assumed by the insured under any contract or agreement except an incidental contract. With respect to "loss" occurring while work performed by the named insured is in progress, this exclusion does not apply to a warranty that such work will be done in a workmanlike manner.
2. "Loss" arising out of the discharge, dispersal, release or escape ("discharge") of the following into or upon land, the atmosphere or any water course or body of water:
  - a. Smoke.
  - b. Vapors.
  - c. Soot.
  - d. Fumes.
  - e. Acids.
  - f. Alkalils.
  - g. Toxic chemicals.
  - h. Liquids or gases.
  - i. Waste materials or other irritants.
  - j. Contaminants.
  - k. Pollutants.
3. This exclusion does not apply if such "discharge" is sudden and accidental.
4. Any obligation stemming from the following:
  - a. Workers' compensation law.
  - b. Unemployment compensation law.
  - c. Disability benefits law.
  - d. Any similar law.
5. Bodily injury to any employee of the insured arising in the course of his employment. This includes any obligation of the insured to indemnify another because of damages arising out of such injury. This exclusion does not apply to liability assumed by the insured under an incidental contract.
6. Property damage to the following:
  - a. Property owned, occupied or rented to the insured.
  - b. Property used by the insured.
  - c. Property in the care, custody or control of the insured. This includes property over which the insured exercises physical control for any purpose. This does not apply with respect to liability under a written sidetrack agreement or property damage (other than OT elevators) arising out of the use of an elevator at the insured premises.
7. Property damage to premises alienated by the named insured arising out of such premises or any part thereof:
  - a. Loss of use of tangible property that has not been physically injured or destroyed resulting from the following:
    1. A delay in or lack of performance by or on behalf of the named insured of any contract or agreement.
    2. The failure of the named insured's products to meet the level of performance, quality, fitness or durability warranted or represented by the named insured. This includes work performed by or on behalf of

# Pacific Specialty Insurance Company GEORGIA DWELLING FIRE ENDORSEMENTS

<p>the named insured. This exclusion does not apply to loss of use of other tangible property resulting from the sudden and accidental physical injury to or destruction of the named insured's products after such products or work have been put to use by any person or organization other than an insured. This includes work performed by or on behalf of the named insured.</p> <p>8. Property damage to the named insured's products arising out of such products.</p> <p>9. Property damage to work performed by or on behalf of the named insured arising out of the work or out of materials, parts or equipment furnished in connection therewith.</p> <p>10. "Loss" included within the completed operations hazard or the products hazard.</p> <p>11. "Loss" arising out of operations on any premises other than the insured premises, or to liability assumed by the insured under any contract or agreement relating to such premises.</p> <p>12. "Loss" arising out of the following to a building or other structure by the named insured.</p> <ol style="list-style-type: none"> <li>a. Alteration.</li> <li>b. Movement.</li> <li>c. New construction.</li> <li>d. Demolition.</li> </ol>	<p>substantially the same general conditions shall be considered as arising out of one occurrence.</p> <p><b>COVERAGE E – PREMISES MEDICAL PAYMENTS.</b> We will pay to or for each person who sustains bodily injury caused by accident all reasonable medical expenses incurred within one year from the date of the accident on account of such injury. This is provided such injury arises out of a condition on the insured premises or operations with respect to which the named insured is afforded coverage for bodily injury liability under this policy.</p> <p><b>Exclusions.</b> The following apply to medical payments coverage. 1. "Loss" that is included within the completed operations hazard or the products hazard. 2. "Loss" that arises out of operations performed for the named insured by independent contractors other than for maintenance and repair of the insured premises, or structural alterations at such premises which do not involve changing the size of or moving buildings or other structures. 3. "Loss" to the named insured, any partner therein, any tenant or other person regularly residing on the insured premises or any employee of any of the foregoing if the bodily injury arises out of and in the course of his employment therewith. 4. "Loss" to any other tenant if the bodily injury occurs on that part of the insured premises rented from the named insured. This includes any employee of such a tenant if the bodily injury occurs on the tenant's part of the insured premises and arises out of and in the course of his employment for the tenant. 5. "Loss" to any person while engaged in maintenance and repair of the insured premises or alteration, demolition or new construction at such premises. 6. "Loss" to any person if any benefits for such bodily injury are payable or required to be provided under any workers' compensation, employment compensation or disability benefits law, or under any similar law. 7. "Loss" to any person practicing, instructing or participating in any of the following contests, unless a premium charge is entered for sport activities in the policy with respect to Premises Medical Payments Coverage (PMPC). a. Physical training. b. Sport. c. Athletic activity.</p> <p>This insurance also does not apply to any medical expense for services by the named insured, any employee thereof or any person or organization under contract to the named insured to provide such services.</p> <p><b>Limits of Liability.</b> The limit of liability for PMPC stated in the schedule as applicable to "each person" is the limit of our liability for all medical expense for bodily injury to any one person as the result of any accident. Our total liability under PMPC for all medical expense for bodily injury to two or more</p>	<p>persons as the result of any one accident shall not exceed the limit of liability stated in the schedule as applicable to "each accident".</p> <p>When more than one medical payments coverage afforded by this policy applies to the loss, we shall not be liable for more than the amount of the highest applicable limit of liability.</p> <p><b>DEFINITIONS.</b> The following items shall have the following meanings.</p> <p><b>Automobile.</b> A land motor vehicle, trailer or semitrailer designed for travel on public roads, including any attached machinery or apparatus, but does not include mobile equipment.</p> <p><b>Bodily injury.</b> Sickness or disease sustained by any person which occurs during the policy period, including death at any time resulting in the injury.</p> <p><b>Completed operations hazard.</b> "Loss" arising out of operations or reliance upon a representation or warranty made at any time with respect thereto, if the "loss" occurs after such operations have been completed or abandoned and occurs away from premises owned by or rented to the named insured.</p> <p><b>Operations.</b> Materials, parts or equipment furnished in connection with the operation. Operations shall be deemed completed at the earliest of the following times. 1. When all operations to be performed by or on behalf of the named insured under the contract have been completed. 2. When all operations to be performed by or on behalf of the named insured at the site of the operations have been completed. 3. When the portion of the work out of which the "loss" arises has been put to its intended use by any person or organization other than another contractor or subcontractor engaged in performing operations for a principal as a part of the same project.</p> <p>Operations which may require further service or maintenance work, or correction, repair or replacement because of any defect or deficiency, but which are otherwise complete, shall be deemed completed.</p> <p>The <b>completed operations hazard</b> does not include "loss" arising out of the following. 1. Operations in connection with the transportation of property, unless the "loss" arises out of a condition in or on the vehicle created by the loading or unloading of the vehicle. 2. The existence of tools, uninstalled equipment or abandoned or unused material. 3. Operation for which the classification stated in the policy or in our manual specifies "including completed operations."</p> <p><b>Elevator.</b> Any hoisting or lowering device to connect floors or landings, whether or not in service, and all</p>
<p><b>PERSONS INSURED.</b> Each of the following is an insured under this insurance to the extent set forth below. 1. If the named insured is an individual, the person so designated but only with respect to the conduct of a business of which he is the sole proprietor. This includes the spouse of the named insured with respect to the conduct of such a business. 2. If the named insured is a partnership or joint venture, the partnership or joint venture so designated and any partner or member thereof but only with respect to his liability as such. 3. If the named insured is other than an individual, partnership or joint venture, the organization so designated and any executive officer, director or stockholder thereof while acting within the scope of his duties as such. 4. Any person (other than an employee of the named insured) or organization while acting as real estate manager for the named insured.</p> <p>This insurance does not apply to "loss" arising out of the conduct of any partnership or joint venture of which the insured is a partner or member and which is not designated in this policy as named insured.</p> <p><b>Limits of Liability.</b> Our bodily injury and property damage liability is limited. The limit of liability stated in the declarations as applicable to "each occurrence" is the total limit of our liability for all damages because of "loss" as a result of any one occurrence.</p> <p>For the purpose of determining the limit of our liability, all "loss" arising out of continuous or repeated exposure to</p>	<p>appliances thereof. This includes any car, platform, shaft, hoistway, stairway, runway, power equipment and machinery. This does not include any automobile servicing hoist. This also does not include a hoist without a platform outside a building if without mechanical power or if not attached to building walls. This also does not include a hoist or material hoist used in alteration, construction or demolition operations. This also does not include an inclined conveyor used exclusively for carrying property or a dumbwaiter used exclusively for carrying property and having a compartment height not exceeding four feet.</p> <p><b>Incidental contract.</b> Any of the following when in writing. 1. Lease of premises. 2. Easement agreement, except in connection with construction or demolition operations on or adjacent to a railroad. 3. Undertaking to indemnify a municipality required by municipal ordinance, except in connection with work for the municipality. 4. Sidetrack agreement. 5. Elevator maintenance agreement.</p> <p><b>Insured.</b> Any person or organization qualifying as an insured in the "persons insured" provision of the applicable insurance coverage. The insurance afforded applies separately to each insured against whom claim is made or suit is brought, except with respect to the limits of our liability.</p> <p><b>Insured premises.</b> All of the following. 1. The premises designated in the declarations. 2. Premises alienated by the named insured (other than premises constructed for sale by the named insured), if possession has been relinquished to others. 3. Premises acquired by the named insured when we have been notified within 30 days after such acquisition, including the ways immediately adjoining such premises on land.</p> <p><b>Medical expense.</b> Expenses for necessary medical, surgical, x-ray and dental services, including prosthetic devices and necessary ambulance, hospital, professional nursing and funeral services.</p> <p><b>Mobile equipment.</b> A land vehicle, including any attached machinery or apparatus, whether or not self-propelled that meets any of the following. 1. Not subject to motor vehicle registration. 2. Maintained for use exclusively on premises owned by or rented to the named insured, including the ways immediately adjoining. 3. Designed for use principally on public roads. 4. Designed or maintained for the sole purpose of affording mobility to equipment of the following types forming an integral part of or permanently attached to such vehicle. a. Power cranes. b. Shovels, loaders, diggers and drills. c. Concrete mixers (other than the mix-in-transit type). d. Graders, scrapers, rollers and other road construction or repair equipment.</p>	<p>apartments, garages, porches, balconies, etc., which are otherwise complete, shall be deemed completed.</p> <p>The <b>completed operations hazard</b> does not include "loss" arising out of the following. 1. Operations in connection with the transportation of property, unless the "loss" arises out of a condition in or on the vehicle created by the loading or unloading of the vehicle. 2. The existence of tools, uninstalled equipment or abandoned or unused material. 3. Operation for which the classification stated in the policy or in our manual specifies "including completed operations."</p> <p><b>Elevator.</b> Any hoisting or lowering device to connect floors or landings, whether or not in service, and all</p>

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<p>e. Air compressors, pumps and generators, including spraying, welding and building cleaning equipment.</p> <p>f. Geophysical exploration and well servicing equipment.</p> <p><b>Named insured.</b> The person or organization so named in the declarations of this policy.</p> <p><b>Named insured's products.</b> Goods or products manufactured, sold, handled or distributed by the named insured. This includes trading under the named insured's name. This also includes any container of such product, other than a vehicle. However, "named insured's products" does not include a vending machine or any property other than such container, rented or located for use of others but not sold.</p> <p><b>Occurrence.</b> An accident, including continuous or repeated exposure to conditions that result in unexpected or unintended loss.</p> <p><b>Policy territory.</b></p> <ol style="list-style-type: none"> <li>the United States of America, its territories or possessions, or Canada;</li> <li>international waters or air space, provided the "loss" does not occur in the course of travel or transportation to or from any other country, state or nation, or anywhere in the world with respect to damages because of "loss" arising out of a product which was sold for use or consumption within the territory described in paragraph 1. above, provided the original suit for such damages is brought within such territory.</li> <li> <ol style="list-style-type: none"> <li>In the event of an occurrence, written notice containing particulars sufficient to identify the insured shall be given to us or our authorized agent. This includes reasonably obtainable information with respect to the time, place and circumstances of the occurrence. This also includes the names and addresses of the injured and of available witnesses. This information shall be provided to us or our agent as soon as practicable.</li> <li>If claim is made or suit is brought against the insured, the insured shall immediately forward to us every demand, notice, summons or other process received by him or his representative.</li> <li>The insured shall cooperate with us. Upon our request, the insured shall assist in making settlements and in the conduct of suits. The insured shall also assist in enforcing any right of contribution or indemnity against any person or organization who may be liable to the insured because of a covered loss. The insured shall attend hearings and trials. The insured shall assist in securing and giving evidence and obtaining the attendance of witnesses. The insured shall not, except at his own cost, voluntarily make any payment, assume any obligation or incur any expense other than for first aid to others at the time of accident.</li> </ol> </li> </ol> <p><b>Supplemental Payments.</b> We will pay the following, in addition to the applicable limit of liability.</p> <ol style="list-style-type: none"> <li>All expenses incurred by us. All costs taxed against the insured in any suit defended by us, and all interest on the entire amount of any judgment therein which accrues after entry of the judgment and before we have paid or tendered or deposited in court that part of the judgment which does not exceed the limit of our liability thereon.</li> <li>Premiums on appeal bonds required in any such suit. Premiums on bonds to release attachments in any such suit arising out of the use of any vehicle to</li> </ol>	<p>which this policy applies. Not to exceed \$250 per bail bond. However, we shall have no obligation to apply for or furnish any such bonds.</p> <ol style="list-style-type: none"> <li>Expenses incurred by the insured for first aid to others at the time of an accident for bodily injury to which this policy applies.</li> <li>Reasonable expenses incurred by the insured at our request in assisting us in the investigation or defense of any claim or suit, including actual loss of earnings not to exceed \$25 per day.</li> </ol> <p><b>CONDITIONS</b></p> <ol style="list-style-type: none"> <li><b>Inspection.</b> We shall be permitted, but not obligated, to inspect the named insured's property and operations at any time. No such inspection or report shall constitute a determination or warranty that the named insured's property or operations are safe or healthful, or are in compliance with any law, rule or regulation.</li> <li><b>Financial Responsibility Laws.</b> When this policy is certified as proof of financial responsibility under the provisions of a motor vehicle financial responsibility law, the coverage provided by this policy shall comply with the provisions of such law to the extent required. The insured agrees to reimburse us for any payment made by us which it should not have been obligated to make under the terms of this policy except for the agreement contained in the paragraph, <b>Insured's Duties in the Event of Occurrence, Claim or Suit.</b></li> <li> <ol style="list-style-type: none"> <li>In the event of an occurrence, written notice containing particulars sufficient to identify the insured shall be given to us or our authorized agent. This includes reasonably obtainable information with respect to the time, place and circumstances of the occurrence. This also includes the names and addresses of the injured and of available witnesses. This information shall be provided to us or our agent as soon as practicable.</li> <li>If claim is made or suit is brought against the insured, the insured shall immediately forward to us every demand, notice, summons or other process received by him or his representative.</li> <li>The insured shall cooperate with us. Upon our request, the insured shall assist in making settlements and in the conduct of suits. The insured shall also assist in enforcing any right of contribution or indemnity against any person or organization who may be liable to the insured because of a covered loss. The insured shall attend hearings and trials. The insured shall assist in securing and giving evidence and obtaining the attendance of witnesses. The insured shall not, except at his own cost, voluntarily make any payment, assume any obligation or incur any expense other than for first aid to others at the time of accident.</li> </ol> </li> </ol> <p><b>Action Against Company.</b> No action can be brought unless all of the provisions of this policy have been complied with. Also, the amount of the insured's obligations to pay shall have been finally determined either by judgment against the insured after actual trial or by written agreement of the insured, the claimant and us.</p>
<p><b>Products hazard.</b> Includes "loss" arising out of the named insured's products or reliance upon a representation or warranty made at any time with respect to the product. However, "products hazard" is only present if the "loss" occurs away from premises owned by or rented to the named insured and after physical possession of such products has been relinquished to others.</p> <p><b>Property damage.</b> Physical injury to or destruction of tangible property which occurs during the policy period, including the loss of use of the property. This also includes the loss of use of tangible property that has not been physically injured or destroyed, provided such loss of use occurs during the policy period.</p>	<p>Any person or organization or the legal representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recover under this policy. This recovery is subject to the extent of the insurance afforded by this policy. No person or organization shall have any right under this policy to join the insured's liability, nor shall we be impleaded by the insured or his legal representative. Bankruptcy or insolvency of the insured or of the insured's estate shall not relieve us of any of our obligations hereunder.</p> <p><b>Other Insurance.</b> The insurance afforded by this policy is primary insurance, except when stated to apply in excess of or contingent upon the absence of other insurance. When this insurance is primary, the amount of our liability shall not be reduced by the existence of other insurance.</p> <p>When both this insurance and other insurance apply to the loss on the same basis, whether primary, excess or contingent, we shall not be liable under this policy for a greater proportion of the loss than that stated in the applicable contribution provision below.</p> <ol style="list-style-type: none"> <li>Contribution by Equal Shares. If contribution by equal shares is provided for by all applicable insurance, we shall not be liable for a greater proportion of loss than would be payable if each insurer contributes an equal share until the share of each insurer equals the lowest applicable limit of liability under any one policy or the full amount of the loss is paid. If any amount of loss remains unpaid, the remaining insurers then continue to contribute equal shares of the remaining amount of the loss until each such insurer has paid its limit in full or the full amount of the loss is paid.</li> <li>Contribution by limits. If contribution by equal shares is not provided for, we shall not be liable for a greater proportion of such loss than the applicable limit of liability under this policy for such loss bears to the total applicable limit of liability of all valid and collectible insurance against such loss.</li> </ol> <p><b>Changes.</b> Notice to any agent or knowledge possessed by any agent or by any other person shall not effect a waiver or a change in any part of this policy or estop us from asserting any right under the terms of this policy. The terms of this policy cannot be waived or changed, except by endorsement issued to form a part of this policy.</p> <p><b>Medical Reports - Proof and Payment of Claim.</b> As soon as practicable the injured person or someone on his behalf shall give us written proof of claim. This shall be under oath, if required. An authorization enabling us to obtain medical reports and copies of records shall be executed at our request. The injured person shall submit to physical examination by physicians selected by us when and as often as we may reasonably require. We may pay the injured person or any person or organization rendering the services and the payment shall reduce the amount payable hereunder for such injury.</p>
<p><b>Definitions.</b></p> <p><b>Hazardous properties.</b> Radioactive, toxic or explosive properties.</p> <p><b>Nuclear material.</b> Source material, special nuclear material or by product material, as defined in the AEA.</p> <p><b>ENDORSEMENT NO. PO3 (Ed. 1)</b></p> <p><b>Theft Coverage for Full-Time Owner-Occupied Dwellings</b></p> <p><b>This endorsement changes your policy. Please read it carefully.</b></p> <p>In order for the coverage specified below to apply, the dwelling must be occupied on a full-time basis by the owner of the dwelling.</p> <p>Under PERILS INSURED AGAINST, the following named peril will be added.</p> <ol style="list-style-type: none"> <li><b>Theft</b>, including attempted theft and loss of property from the described location when it is likely that the property has been stolen.</li> </ol> <p>This peril does not include loss caused by theft, if any of the following are true.</p> <ol style="list-style-type: none"> <li>Committed by any of the following. <ol style="list-style-type: none"> <li>An <b>insured</b>.</li> <li>A tenant of the described location.</li> <li>An employee of a tenant or resident of a tenant's household.</li> </ol> </li> <li>In or to a dwelling under construction, or of materials and supplies for use in the construction until the dwelling is completed and occupied.</li> <li>While the described location is rented to other than an insured, any of the following. <ol style="list-style-type: none"> <li>Gold, goldware, silver, silverware, pewterware, platinum, coins and metals.</li> <li>Passports, tickets and stamps.</li> </ol> </li> </ol>	<p>Payment hereunder shall not constitute an admission of liability of any person by us.</p> <p><b>NUCLEAR LIABILITY EXCLUSION.</b></p> <p>In addition to the Nuclear Hazard Clause contained in the policy, this policy does not provide any of the coverage detailed in this endorsement for any "loss" that meets either condition below.</p> <ol style="list-style-type: none"> <li>When an insured under this policy is also an insured under a nuclear energy liability policy. This includes when an insured would be an insured under any such policy but for its termination upon exhaustion of its limit of liability.</li> <li>When "loss" results from the hazardous properties of nuclear material that is required to have financial protection by the Atomic Energy Act of 1954 and its amendments (AEA). This includes when the insured is or had this policy not been issued would be entitled to indemnity from the United States of America (USA), or any agency thereof, under any agreement entered into by the USA, or any agency thereof.</li> </ol>

**Pacific Specialty Insurance Company  
GEORGIA DWELLING FIRE ENDORSEMENTS**

- (3) Jewelry, watches, furs, precious and semiprecious stones.

**Special Limits of Liability**

These limits do not increase the Coverage C limit of liability. The special limit for each following numbered category is the total limit for each loss for all property in that numbered category.

1. \$100 on passports, tickets and stamps.
2. \$500 on trailers not used with watercraft.
3. \$500 on jewelry, watches, furs, precious and semiprecious stones.
4. \$500 on silverware, goldware, pewter and platinum, including:
  - a. Plateware, flatware, hollowware, tea sets, trays, trophies, and the like.
  - b. Other utilitarian items made of or including silver, gold, pewter or platinum.
5. \$500 on firearms.
6. \$200 on property used at any time or in any manner for any **business** purpose.
7. \$500 on computers, electronic data processing equipment and facsimile machines.
8. \$500 on antiques, fine arts, paintings and similar items of rarity, antiquity or irreplaceability. Memorabilia, souvenirs, collectibles of every kind, including but not limited to baseball and other card collections and similar articles whose age or collectible demand contributes to their value.
9. \$500 on rugs, carpets, or other woven or knit floor covering or other wall hangings.
10. \$500 on all photographic and video equipment, including but not limited to cameras, dark room equipment, video recorders, players, editors, and related equipment.
11. \$500 on all glassware and crystal, including:
  - a. Decanters, goblets, tea sets, trays, trophies and the like.
  - b. Other utilitarian items made of or including crystal.

This peril does not include loss caused by theft that occurs away from the described location, including but not limited to property within a vehicle, watercraft, trailer, or camper.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. P04 (Ed. 1)  
Extended Replacement Cost Coverage**

**THIS ENDORSEMENT AMENDS YOUR POLICY.  
PLEASE READ IT CAREFULLY.**

In the event of a covered loss to your home, we will pay to repair or replace the damaged or destroyed dwelling with like or equivalent construction, up to 20% over the policy's limits of liability. Your policy will specify whether you must actually repair or replace the damaged or destroyed dwelling in order to recover extended replacement costs. The amount of recovery will be reduced by any deductible you have agreed to pay.

To be eligible to recover extended replacement cost coverage, you must insure the dwelling to its full

replacement cost at the time the policy is issued, with possible periodic increases in the amount of coverage to adjust for inflation. You must also notify us about any alterations that increase the value of the insured dwelling by a certain amount (see your policy for that amount).

All other terms and conditions remain unchanged.

**ENDORSEMENT No. P05 (Ed. 1)  
Replacement Cost Coverage for Personal Property**

It is agreed that, for the additional premium noted on the declarations of this policy, that the loss settlement provisions of the policy relating to losses of personal property covered under Coverage C of the policy are to be settled on a replacement cost basis and in accordance with the following provisions:

1. "Replacement cost" means the cost to repair or replace the property with new property of equivalent kind and quality to the extent practical, without deduction for depreciation.
2. The replacement cost terms set forth in this endorsement apply to the following covered property:
  - a. Coverage C – Personal Property;
  - b. appliances and window air conditioners;
  - c. carpets and window coverings;
  - d. awnings and canopies; and
  - e. antennas.
3. The replacement cost terms set forth in this endorsement do not apply to the following property:
  - a. articles of art or rarity that cannot be duplicated;
  - b. memorabilia, souvenirs, collector's items, and similar items whose age or history contribute to its value;
  - c. items not maintained in good or workable condition; or
  - d. items that are outdated or obsolete and are stored or not being used.
4. Under the Conditions of the policy, loss settlement terms, item 5 in the DP-1 policy and item 5a in the DP-3 policy, are deleted and replaced by the following with respect to the property that is subject to the terms of this endorsement:
 

**Loss Settlement.** Subject to the terms show in the Conditions – Loss Settlement portion of this policy and the terms of this endorsement, we settle losses according to the Replacement Cost Terms. If the Replacement Cost Terms do not apply, we settle losses according to the Actual Cash Value Terms.

  - a. Replacement Cost Terms
    - (1) We pay the smallest of the following amounts for each covered item:
      - (a) the replacement cost of the property as defined in this endorsement;
      - (b) the amount computed after any special limitation in this policy has been applied to the loss, or
      - (c) for loss to property covered under Coverage C, subject to the Coverage C limit.
    - (2) When the replacement cost for each occurrence is more than \$500, we do not pay for more than the actual cash value of

the loss until actual repair or replacement is completed. You may make a claim for the actual cash value amount of the loss before repairs are made or replacement is completed. A claim for any additional amount payable under this provision must be made within six months after the loss.

- b. Actual Cash Value Terms – Actual cash value includes a deduction for depreciation, however caused.
  - (1) The Actual Cash Value Terms apply to all property not subject to the Replacement Value Terms.
  - (2) The smaller of the following amounts is used in applying the terms under our limit:
    - (a) the cost to repair or replace the property with materials of like kind and quality to the extent practical; or
    - (b) the actual cash value of the property at the time of loss.
6. The coverage provided by this endorsement does not increase our limit. All other terms, conditions and exclusions of the policy apply.

**ENDORSEMENT No. P012 (Ed. 1)  
Windstorm or Hail Exclusion**

**THIS ENDORSEMENT MODIFIES INSURANCE PROVIDED UNDER THIS POLICY.**

The following exclusion is added:

We do not cover loss resulting directly or indirectly from windstorm or hail. We will cover fire and explosion losses which are the result of windstorm or hail.

**POLICY SERVICE**  
NOTE: You MUST refer to your policy number when asking for information.

**PACIFIC SPECIALTY INSURANCE COMPANY**

P. O. Box 40  
Anaheim, CA 92815-0040  
(714) 998-2190  
(800) 303-5000  
(714) 998-3158 Fax  
  
3601 Haven Avenue  
Menlo Park, CA 94025-1010  
(650) 780-4800  
(800) 828-3003

**FOR REPORTING OF CLAIMS:**  
Please Call:  
**800-962-1172**

**POLICY NUMBER MUST ACCOMPANY CLAIM REPORT AND ALL CORRESPONDENCE**



## Practice Quiz #3

1. Theft of part of a completed building is covered by the Special Dwelling Form. ( ) True ( ) False
2. Both the Broad and Special dwelling Forms cover damage caused by discharge or overflow of water on the same basis. ( ) True ( ) False
3. An insured may select all or any combination of Dwelling Coverages A, B, and C, and any amount of insurance may be written above minimum requirements. ( ) True ( ) False
4. All Dwelling Forms have the same five coverages (A, B, C, D, and E). ( ) True ( ) False
5. Which of the following risks in NOT eligible for coverage on a Dwelling Form?
  - ( ) A. A permanently-stationed mobile home
  - ( ) B. A three-family house, partially used by the owner-occupant as a barber shop.
  - ( ) C. A small six-unit apartment building.
  - ( ) D. A large private home at which rooms are rented to three boarders.



## 2. Personal Liability

Protection against legal liability arising in connection with personal, non-business activities both on and off insured premises. Coverage is extended to the named insured, relatives of the named insured who reside in the named insured's home, and injuries caused by pets (e.g., a dog bite).

### Forms of Protection Against Loss

Your customers own property and engage in activities that expose them to loss. Some occurrences causing loss happen on a regular basis, some happen infrequently, some are possible but have not happened yet, some could not happen. By analyzing and identifying the frequency and severity of such risks, the customers' exposure to loss can be reduced or covered.

Insurance is not the only form of protection. In **prevention**, property or procedures are modified to eliminate any possibility of loss. Giving up skydiving eliminates your liability of falling on someone, not to mention the consequences that fall would have on your own health.

In **reduction**, measures are taken to minimize the extent of loss, even if the possibility of loss cannot be entirely eliminated. A smoke alarm may not stop a fire in your home and snow tires may not stop your car from skidding, but both reduce the seriousness of accidents that might occur. The insurance company sometimes sends pamphlets and brochures to its customers to advise them on reducing loss.

In **retention**, the customer decides to retain those risks that are relatively inexpensive. When deciding not to carry collision coverage on an older car, the customer is retaining risk. Any losses resulting from damage to the car will come out of the customer's pocket. The customer might retain only part of that risk by carrying collision coverage but with a deductible.

Some exposures cannot be eliminated or retained, and the risk must be **transferred** to an insurer. Without insurance few families could afford the property or liability risks of owning a car, a home, a boat, or any other valuable personal property. In some cases the customer does not have a choice. Auto registration is not permitted without insurance, and banks require insurance on automobiles and homes that they finance.

Insurance solutions should only be suggested when there is a clear understanding of the customer's situation. Obviously the final decision about what insurance to purchase rests with the customer. But in many cases that customer is looking to you for advice. That is what an analysis of the customer's risks provides—a sound basis for recommending a program of insurance.

Certain risks must be protected against because the loss would cause severe suffering. These risks call for **essential coverages**. Auto coverages required by law and mortgage coverage are in this category. Some risks may result in considerable loss which might jeopardize the financial condition of the customer. These call for **desirable coverages**. Other risks may have only a remote chance of occurring or may cause only a financial inconvenience. These risks call for **optional coverages** — insurance that would be nice to have but only if the customer's budget permits.

Insurance packages today have been designed to meet the varied needs of most individuals. In many cases your customer's needs for essential, desirable, and optional coverages are available in those packaged policies which can then be customized through the use of deductibles and endorsements. Analyzing the needs of the customer and selecting the appropriate coverages and loss control measures is the first step to providing value-added service for your customers.

## What Does Insurance Protect Against?

We said that insurance offers protection against the risk of financial loss. In this section we will look at the **causes** of such loss and the **kinds** of loss that can result. We will also define some frequently used insurance terms.

There are three major kinds of financial loss:

1. Property loss
2. Loss of health and earning capacity
3. Liability loss

Let's look at each a little more closely.

Property losses can involve tangible property, which includes real property and physical property, and intangible property. **Real property** is land and buildings, while **physical property** includes possessions and items found inside those buildings. Tangible property is easy to identify; these are assets that clearly exist and have value for the owner. **Intangible property** includes such things as copyrights, patents, or the right to use something—things that cannot be touched or seen but that still have a definite value for the owner.

Consider the following accident to see the kinds of property loss that can result:

A house that is owned by Mrs. Jones and rented to the Smith family burns to the ground. Most of the furniture is owned by Mrs. Jones, while the rest of the items in the home belong to the Smiths. All are destroyed in the fire.

In this accident, Mrs. Jones has experienced a loss to her real property—the house itself. She has also suffered a loss to her physical property—the furniture burned in the fire. The Smiths too suffered a loss to their physical property—their personal possessions—and a loss to their intangible property—the right to occupy the space they rented in the home. And the property loss goes beyond this. Mrs. Jones will lose future income—her revenues will stop because the Smiths will no longer pay rent and her expenses will increase if she decides to rebuild the house.

A **direct loss** results when the property comes into direct contact with the cause of the loss. An **indirect loss** results as a consequence of the direct loss. In the above example, the direct loss is the loss of the home, the physical property, and the right to occupy the rental space, all of which resulted directly from the fire. The indirect loss is the loss of net income that Mrs. Jones will experience as a consequence of the fire.

What then are property losses? As you can see, the answer is not as simple and straightforward as you would expect. **Property losses** include the obvious loss to the property itself, but also the loss of future income resulting from the loss of that property. That loss of income may result from decreased revenues or from increased expenses to repair or replace the damaged property.

**Loss of health and earning capacity** is the second kind of financial loss. Disability, unemployment, retirement, and death all have the potential of eliminating sources of income and draining a family's bank account. There are many forms of protection against the loss of health or earning capacity, including life and health insurance, unemployment and disability compensation, financial services (such as individual retirement accounts), and specific coverages in personal lines products.

The third category is **liability loss**. Such a loss results when the individual is found legally liable for the consequences of acts or omissions resulting in damages or losses to other parties. Financial

losses that result can include legal fees, court costs, fines, the amount of judgments awarded by the court, the costs of out-of-court settlements, and the long-term effect that a lawsuit might have on the person's reputation and earning capacity. Negligence is the most common reason for a liability lawsuit where the defendant is charged with failing to exercise proper care in protecting others.

### **Property Loss**

- ◆ Loss of property itself
- ◆ Loss of income from property

### **Loss of Health or Earning Capacity**

- a. Disability
- b. Unemployment
- c. Retirement
- d. Death

### **Liability Loss**

- ◆ If legally liable for the consequences of certain acts or omissions

The chart above summarizes the kinds of financial loss that insurance protects against. Your goal in developing a sound insurance program for your customers is to provide protection in each of these areas. As we examine various personal lines products, you will see how coverages have been included to cover potential losses in each of these areas.

### **Personal Liability Coverages**

Where property coverage protects the insured's home and property, **liability coverage** provides protection when other persons claim the insured damaged their property or caused them bodily injury. The amount the insurance company will pay depends on the amount of coverage your customer selects. This amount is again shown under the Limit of Liability column on the declaration page.

Personal liability coverage applies when the insured is obligated by law to assume responsibility for an action that caused property damage or bodily injury to another party. Liability coverage does not cover damage to the insured's own property—only that of visitors, neighbors, or others in some way affected by the actions of the insured. Two examples will help illustrate personal liability coverage:

This coverage applies for the well-known confrontation between the family dog and the mail carrier. The claim will be paid if the dog bite occurs on the insured property or if the actual biting occurs after a chase down the street.

The insured is burning leaves on his property when a gust of wind sends the fire out of control. His fence and the neighbor's tool shed are damaged in the fire. In this accident only the neighbor's shed is covered by the Personal Liability coverage. The fence will be covered by the Other Structures coverage of his policy under Property Coverages.

Medical payments to others coverage pays for medical expenses of people other than the insured, when those expenses are due to an accident caused in some way by the insured. This coverage provides a way of maintaining neighborly relations without having to prove who is legally responsible for the accident. Medical payments coverage applies to accidents happening on the insured location or off that location if the accident is caused by the insured family and even the pet.

A neighbor's child breaks her arm when she falls from a sliding board in the insured's backyard. The medical expenses resulting from that accident will be covered, regardless of who was to blame for the accident

The insured's liability coverage is thus automatically extended to many locations beyond the insured premises.

As was true with property coverages, there are certain additional payments in the liability section of the homeowner's policy. These payments are made over and above the limits shown on the declaration page.

- ♦ To pay for minor damage to the property of others without regard for legal liability For example, this provides payment for accidentally throwing an object through the neighbor's window.
- ♦ To defend a claim or lawsuit against the insured but only as long as the limit of liability has not been used up in paying settlements or judgments.
- ♦ To pay premiums on appeal bonds when a judgment has gone against the insured and the judgment is appealed. Also to pay premiums on attachment bonds which guarantees payment of the original judgment if the home or property is sold.
- ♦ To reimburse the insured for wages or salary lost when attending hearings or trials at the insurer's request.
- ♦ To reimburse the insured for providing first-aid expenses at the scene of the accident.

## Practice Quiz #4

Review the following example of a Personal Liability policy then complete the following Practice Quiz to test your understanding of basic Personal Liability insurance terms and concepts.

When you have finished, check your answers in the answer book. If possible, it may be advantageous to discuss these exercises with more experienced people in your agency.

1. Insured Location includes an individual or family cemetery plot or burial vault of an insured.  
( ) True ( ) False
2. Coverage L and M apply to bodily injury, personal injury, or property damage which is a foreseeable result of an intention or criminal act of any insured. ( ) True ( ) False
3. The total liability under Coverage L for all damages resulting from any one occurrence will not be more than the limit as shown in the Declarations regardless of the number of insureds, claims made or persons injured. ( ) True ( ) False
4. Bankruptcy of any Insured relieves the company of its obligations under the Personal Liability policy. ( ) True ( ) False
5. In the event of death of the insured, the policy continues in force for at least 90 days.  
( ) True ( ) False

**Pacific Specialty Insurance Company  
COMPREHENSIVE PERSONAL LIABILITY POLICY**

CPL-PL (Ed. 1.1)

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**AGREEMENT**

We will provide the insurance described in this policy in return for the premium and compliance with all applicable provisions of this policy.

This policy is a contract between the insureds named on the Declarations and the Company named on the Declarations.

**DEFINITIONS**

In this policy, “**you**” and “**your**” refer to the “**named insured**” shown in the Declarations and the spouse if a resident of the same household. “**we**,” “**us**” and “**our**” refer to the Company providing this insurance. In addition, certain words and phrases are defined as follows:

1. “**Bodily Injury**” means bodily harm, sickness or disease, including required care, loss of services and death that results.
2. “**Business**” includes trade, profession or occupation. Home day care services to a person or persons other than “**insureds**” for which monetary or other compensation for such services is received in that enterprise, is a business.
3. “**Insured**” means:
  - a. The Named Insured shown in the Declarations.
  - b. **You** and residents of **your** household who are:
    - (1) **your relatives**
    - (2) other persons under the age of 21 and in the care of any person named above.
4. “**Insured location**” means:
  - a. the **residence premises**;
  - b. the part of other premises, other structures and grounds used by **you** as a residence and:
    - (1) which is shown in the Declarations; or
    - (2) which is acquired by **you** during the policy period for **your** use as a residence;
  - c. any premises used by **you** in connection with the premises included in 4a or 4b above;
  - d. any part of a premises;
  - e. (1) not owned by an **insured**; and
  - (2) where an **insured** is temporarily residing;
- e. vacant land, other than farm land, owned by or rented to an **insured**;
- f. land owned by or rented to an **insured** on which a one to four family dwelling is being built as a residence for an **insured**;
- g. individual or family cemetery plots or burial vaults of an **insured**; or

h. any part of a premise occasionally rented to an **insured** for other than **business** use.

5. “**Occurrence**” means:
 

- a. With respect to **bodily injury** and **property damage**, an accident, including continuous or repeated exposure to substantially the same general harmful conditions, which results, during the policy period, in:
  - (1) **bodily injury**; or
  - (2) **property damage**;
- b. With respect to **personal injury**, the commission, during the policy period, of an offense described in the definition of **personal injury**, which results in injury (including humiliation), other than **bodily injury** or **property damage**; or
- c. Any combination of a. and b. above in a single event or series of related events.

6. “**Personal injury**” means injury other than **bodily injury** or **property damage**, arising out of one or more of the following offenses committed during the policy period:
 

- a. false arrest, detention, or imprisonment;
- b. malicious prosecution;
- c. wrongful entry or eviction or other invasion of the right of privacy;
- d. oral or written publication of material which slanders or libels a person or organization.

7. “**Property damage**” means physical injury to, destruction of, or loss of use of tangible property.

8. “**Residence employee**” means:
 

- a. an employee of an **insured** whose duties are related to the maintenance or use of the **residence premises**, including household or domestic services; or
- b. one who performs similar duties elsewhere not related to the **business** of an **insured**.

9. “**Residence premises**” means:
 

- a. the one family dwelling, other structures, and grounds; or
- b. that part of any other building where **you** reside and which is shown as the **residence premises** in the Declarations.

**Residence premises** also means a two, three or four family dwelling where **you** reside in at least one of the family units and which is shown as the **residence premises** in the Declarations.

10. “**Relative**” means a person related to **you** by blood, marriage or adoption, including a ward or foster child.

**LIABILITY COVERAGES**

**COVERAGE L – PERSONAL LIABILITY**

If a claim is made or a suit is brought against an **insured** for damages because of **bodily injury**, **personal injury** or **property damage** caused by an **occurrence** to which this coverage applies, we will pay up to our limit of liability for the damages for which the **insured** is legally liable. Damages include prejudgment interest awarded against the **insured** on that part of the judgment we pay.

2. provide a defense at our expense by counsel of our choice, even if the suit is groundless, false or fraudulent. We may investigate and settle any claim

or suit that we decide is appropriate. Our duty to settle or defend ends when the amount we pay for damages resulting from the **occurrence** equals our limit of liability.

Coverage L does not apply to any suit brought in or judgment rendered by any court outside the United States of America, its territories and possessions, or Canada, or to any action on such judgment.

**COVERAGE M – MEDICAL PAYMENTS TO OTHERS**

We will pay the necessary medical expenses that are incurred or medically ascertained within three years from the date of an accident causing **bodily injury**. Medical expenses means reasonable charges for medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, prosthetic devices and funeral services. This coverage does not apply to **you** or regular residents of any part of the premises except **residence employees**. As to others, this coverage applies only:

1. to a person on the **insured location** with the permission of an **insured**; or
2. to a person off the **insured location**, if the **bodily injury**:
  - a. arises out of a condition on the **insured location** or the ways immediately adjoining;
  - b. is caused by the activities of an **insured**;
  - c. is caused by a **residence employee** in the course of the **residence employee’s** employment by an **insured**; or
  - d. is caused by an animal owned by or in the care of an **insured**.

**EXCLUSIONS**

1. Coverage L – Personal Liability and Coverage M – Medical Payments to Others do not apply:

- a. To **bodily injury**, **personal injury**, or **property damage** which is a foreseeable result of an intentional or criminal act of any **insured** or which is in fact intended by any **insured**.
- b. To **bodily injury**, **personal injury**, or **property damage**:
  - (1) arising out of or in connection with a **business** engaged in by any **insured**. This exclusion applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed or implied to be provided because of the nature of the **business**;
  - (2) arising out of the rental or holding for rental of any part of any premises by any **insured**. This exclusion does not apply to the rental or holding for rental of an **insured location**:
    - (a) on an occasional basis if used only as a residence;
    - (b) in part for use only as a residence, unless a single family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or
    - (c) in part, as an office, school, studio or private garage.

c. To **bodily injury**, **personal injury** or **property damage** arising out of the rendering of or failure to render professional services.

d. To **bodily injury**, **personal injury** or **property damage** arising out of a premises:
 

- (1) owned by any **insured**;
- (2) rented to any **insured**;
- (3) rented to others by any **insured**; that is not an **insured location**.

e. To **bodily injury** or **property damage** arising out of:
 

- (1) the ownership, maintenance, any use, loading or unloading of motor vehicles or all other motorized land conveyances, including trailers, owned or operated by or rented or loaned to any **insured**;
- (2) the entrustment by any **insured** of a motor vehicle or any other motorized land conveyance to any person; or
- (3) vicarious liability, whether or not statutorily imposed, for the actions of a child or minor using a conveyance excluded in paragraph (1) or (2) above.

This exclusion does not apply to:

- (1) a trailer not towed by or carried on a motorized land conveyance.
- (2) a motorized land conveyance designed for recreational use off public roads, not subject to motor vehicle registration and:
  - (a) not owned by any **insured**; or
  - (b) owned by any **insured** and on an **insured location**.
- (3) a motorized golf cart when used to play golf on a golf course.
- (4) a vehicle or conveyance not subject to motor vehicle registration which is:
  - (a) not designed for use on public roads, and
  - (i) used to service any **insured’s** residence;
  - (ii) designed for assisting the handicapped; or
  - (b) in dead storage on an **insured location**.

f. To **bodily injury** or **property damage** arising out of:
 

- (1) the ownership, maintenance, any use, loading or unloading wherever located of a watercraft described below;
- (2) the entrustment by any **insured** of a watercraft described below to any person; or
- (3) vicarious liability, whether or not statutorily imposed, for the actions of a child or minor using a watercraft described below.

Watercraft:

- (1) with inboard or inboard-outdrive motor power owned by any **insured**;
- (2) with inboard or inboard-outdrive motor power of more than 25 horsepower rented to any **insured**;
- (3) that are sailing vessels, with or without auxiliary power, 26 feet or more in length, owned by or rented to any **insured**;

# Pacific Specialty Insurance Company COMPREHENSIVE PERSONAL LIABILITY POLICY

<p>(4) powered by one or more outboard motors with more than 25 total horse power, if the outboard is owned by any <b>insured</b>; or</p> <p>(5) designated as an airboat, air cushion, jet ski or similar type of craft.</p> <p>This exclusion does not apply while the watercraft is stored.</p> <p>9. To <b>bodily injury</b> or <b>property damage</b> arising out of:</p> <p>(1) the ownership, maintenance, any use, loading or unloading of an aircraft;</p> <p>(2) the entitlement by any <b>insured</b> or an aircraft to any person;</p> <p>(3) vicarious liability, whether or not statutorily imposed, for the actions of a child or minor using an aircraft.</p> <p>An aircraft means any contrivance used or designed for flight, except model or hobby aircraft not used or designed to carry people or cargo.</p> <p>h. To any injury or damage caused directly or indirectly by war, including undeclared war, civil war, insurrection, rebellion, revolution, warlike act by a military force or military personnel, destruction or seizure or use for a military purpose, and including any consequence of any of these. Discharge of a nuclear weapon will be deemed a warlike act even if accidental.</p> <p>i. To <b>bodily injury</b> or <b>personal injury</b> which arises out of the transmission of a communicable disease by any <b>insured</b>. This includes the transmission of the immune deficiency syndrome (A.I.D.S.) virus by any means.</p> <p>j. To <b>bodily injury</b> or <b>personal injury</b> arising out of sexual molestation, corporal punishment or physical or mental abuse.</p> <p>k. To <b>bodily injury</b> or <b>personal injury</b> arising out of the use, sale, manufacture, delivery, transfer or possession by any person of a Controlled Substance(s) as defined by the Federal Food and Drug Law at 21 U.S.C.A. Sections 811 and 812. Controlled Substances include but are not limited to cocaine, LSD, marijuana and all narcotic drugs. However, this exclusion does not apply to the legitimate use of prescription drugs by a person following the orders of a licensed physician.</p> <p>l. To <b>bodily injury</b> or <b>property damage</b> or <b>expense</b> arising out of the existence or control of the hazardous properties of lead, irrespective of the form or source of such lead. This exclusion applies, but is not limited to the following:</p> <p>(1) To liability assumed under any contract or agreement;</p> <p>(2) To any obligation to pay or indemnify any person, organization, or governmental agency for any portion of the injury, damage, or <b>expense</b>; and</p> <p>(3) To any supervision, instructions, recommendations, requests, warranties or warnings, or advice given or which should have been given regarding the existence or control of the radon.</p>	<p>have been given regarding the existence or control of the lead.</p> <p>When used in this exclusion:</p> <p>(1) <b>"Control"</b> includes, but is not limited to, testing, monitoring, abatement, clean up, removal, containment, treatment or disposal.</p> <p>(2) <b>"Expense"</b> includes any expense, fine, penalty, or assessment.</p> <p>(3) <b>"Form"</b> means anything containing lead, including, but not limited to air, water, earth, dust, paint, plumbing solder, and pipes and fixtures.</p> <p>m. To <b>bodily injury</b> or <b>property damage</b> or <b>expense</b> arising out of:</p> <p>(1) inhaling, ingesting, or prolonged physical exposure to asbestos, or goods or products containing asbestos; or</p> <p>(2) The use of asbestos in construction or manufacturing any goods, products or structure; or</p> <p>(3) The removal of asbestos from any goods, products, or structure; or</p> <p>(4) The manufacture, transportation, storage, or disposal of asbestos or goods or products containing asbestos.</p> <p>When used in this exclusion, <b>expense</b> includes any expense, fine, penalty, or assessment.</p> <p>n. To <b>bodily injury</b> or <b>property damage</b> arising out of:</p> <p>(1) assault and battery committed by or at the direction of any <b>insured</b>; or</p> <p>(2) the failure of any <b>insured</b> to suppress or prevent assault and battery.</p> <p>o. To <b>bodily injury</b> or <b>property damage</b> caused by any animal, at any premises, at any time.</p> <p>p. (1) To <b>bodily injury</b> or <b>property damage</b> which would not have occurred in whole or part but for the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of <b>pollutants</b> at any time.</p> <p>(2) To any loss, cost or <b>expense</b> arising out of any:</p> <p>(a) request, demand or order that any <b>insured</b> or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of <b>pollutants</b>; or</p> <p>(b) claim or suit by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing or in any way responding to, or assessing the effects of <b>pollutants</b>.</p> <p>When used in this exclusion:</p> <p>(1) <b>"pollutants"</b> means any solid, liquid, gaseous, or thermal irritant or contaminant including smoke, vapor, soot, fumes, acid, alkalis, chemicals and waste. Waste includes material to be recycled, reconditioned or reclaimed.</p>	<p>(2) <b>"expense"</b> includes any expense, fine, penalty or assessment.</p> <p>q. To <b>bodily injury</b> or <b>property damage</b> or <b>expense</b> arising from or caused by exposure to the existence of harmful levels or frequencies of electromagnetic radiation, irrespective of whether such electromagnetic radiation:</p> <p>(1) is naturally occurring or artificially created,</p> <p>(2) acted or is said to have acted in any sequence or combination with any other cause or causes of injury or damage, or other cause or causes of injury or damage.</p> <p>When used in this exclusion, <b>expense</b> includes any expense, fine, penalty, or assessment.</p> <p>r. To <b>bodily injury</b> or <b>property damage</b> or <b>expense</b> arising out of the existence or control of the hazardous properties of radon, irrespective of the source of such radon. This exclusion applies, but is not limited to the following:</p> <p>(1) To liability assumed under any contract or agreement;</p> <p>(2) To any obligation to pay or indemnify any person, organization, or governmental agency for any portion of the injury, damage, or <b>expense</b>; and</p> <p>(3) To any supervision, instructions, recommendations, requests, warranties or warnings, or advice given or which should have been given regarding the existence or control of the radon.</p> <p>When used in this exclusion:</p> <p>(1) <b>"Control"</b> includes, but is not limited to testing, monitoring, abatement, clean up, removal, containment, treatment or disposal.</p> <p>(2) <b>"Expense"</b> includes any expense, fine, penalty, or assessment.</p> <p>Exclusions d., e., f., and g., do not apply to <b>bodily injury</b> to a <b>residence employee</b> arising out and in the course of the <b>residence employee's</b> employment by any <b>insured</b>.</p> <p>2. <b>Coverage L - Personal Liability</b>, does not apply:</p> <p>a. To liability:</p> <p>(1) for any loss assessment charged against you as a member of an association, corporation or community of property owners;</p> <p>(2) under any contract or agreement.</p> <p>However, this exclusion does not apply to written contracts:</p> <p>(a) that directly relate to the ownership, maintenance or use of an <b>insured location</b>; or</p> <p>(b) where the liability of others is assumed by any <b>insured</b> prior to an <b>occurrence</b> unless excluded in (1) above or elsewhere in this policy.</p> <p>b. To <b>property damage</b> to property owned by any <b>insured</b>.</p>
<p>c. To <b>property damage</b> to property rented to, occupied or used by or in the care of any <b>insured</b>. This exclusion does not apply to <b>property damage</b> caused by fire, smoke or explosion.</p> <p>d. To <b>bodily injury</b> to any person eligible to receive any benefits:</p> <p>(1) voluntarily provided; or</p> <p>(2) required to be provided;</p> <p>(1) worker's compensation law; or</p> <p>(2) non-occupational disability law; or</p> <p>(3) occupational disease law.</p> <p>e. To <b>bodily injury</b> or <b>property damage</b> for which any <b>insured</b> under this policy:</p> <p>(1) is also an <b>insured</b> under a nuclear energy liability policy; or</p> <p>(2) would be an <b>insured</b> under that policy but for the exhaustion of its limit of liability.</p> <p>A nuclear energy liability policy is one issued by:</p> <p>(1) American Nuclear Insurers;</p> <p>(2) Mutual Atomic Energy Liability Underwriters;</p> <p>(3) Nuclear Insurance Association of Canada; or</p> <p>of any of their successors.</p> <p>f. To <b>bodily injury</b> or <b>personal injury</b> to you or any <b>insured</b> within the meaning of part a. of <b>insured</b> as defined.</p> <p>g. To <b>personal injury</b>:</p> <p>(1) arising out of oral or written publication of material, if done by or at the direction of any <b>insured</b> with knowledge of its falsity;</p> <p>(2) arising out of oral or written publication of material whose first publication took place before the beginning of the policy period;</p> <p>(3) arising out of violation of a penal statute or ordinance committed by or with the consent of any <b>insured</b>; or</p> <p>(a) for which any <b>insured</b> has assumed liability in a contract or agreement.</p> <p>3. <b>Coverage M - Medical Payments to Others</b>, does not apply to <b>bodily injury</b>:</p> <p>a. To a <b>residence employee</b> if the <b>bodily injury</b>; <b>residence employee's</b> employment by any <b>insured</b>:</p> <p>(1) does not arise out of or in the course of the <b>residence employee's</b> employment by any <b>insured</b>;</p> <p>(2) occurs off the <b>insured location</b>; and</p> <p>(3) does not arise out of or in the course of the <b>residence employee's</b> employment by any <b>insured</b>.</p> <p>b. To any person eligible to receive benefits:</p> <p>(1) voluntarily provided; or</p> <p>(2) required to be provided;</p> <p>under any:</p> <p>(1) worker's compensation law; or</p> <p>(2) non-occupational disability law; or</p> <p>(3) occupational disease law.</p> <p>c. From any:</p> <p>(1) nuclear reaction;</p> <p>(2) nuclear radiation; or</p> <p>(3) radioactive contamination;</p> <p>all whether controlled or uncontrolled or however caused; or</p> <p>(4) any consequence of any of these.</p> <p>d. To any person, other than a <b>residence employee</b> of any <b>insured</b>, regularly residing on any part of the <b>insured location</b>.</p>	<p>(2) <b>"expense"</b> includes any expense, fine, penalty or assessment.</p> <p>q. To <b>bodily injury</b> or <b>property damage</b> or <b>expense</b> arising from or caused by exposure to the existence of harmful levels or frequencies of electromagnetic radiation, irrespective of whether such electromagnetic radiation:</p> <p>(1) is naturally occurring or artificially created,</p> <p>(2) acted or is said to have acted in any sequence or combination with any other cause or causes of injury or damage, or other cause or causes of injury or damage.</p> <p>When used in this exclusion, <b>expense</b> includes any expense, fine, penalty, or assessment.</p> <p>r. To <b>bodily injury</b> or <b>property damage</b> or <b>expense</b> arising out of the existence or control of the hazardous properties of radon, irrespective of the source of such radon. This exclusion applies, but is not limited to the following:</p> <p>(1) To liability assumed under any contract or agreement;</p> <p>(2) To any obligation to pay or indemnify any person, organization, or governmental agency for any portion of the injury, damage, or <b>expense</b>; and</p> <p>(3) To any supervision, instructions, recommendations, requests, warranties or warnings, or advice given or which should have been given regarding the existence or control of the radon.</p> <p>When used in this exclusion:</p> <p>(1) <b>"Control"</b> includes, but is not limited to testing, monitoring, abatement, clean up, removal, containment, treatment or disposal.</p> <p>(2) <b>"Expense"</b> includes any expense, fine, penalty, or assessment.</p> <p>Exclusions d., e., f., and g., do not apply to <b>bodily injury</b> to a <b>residence employee</b> arising out and in the course of the <b>residence employee's</b> employment by any <b>insured</b>.</p> <p>2. <b>Coverage L - Personal Liability</b>, does not apply:</p> <p>a. To liability:</p> <p>(1) for any loss assessment charged against you as a member of an association, corporation or community of property owners;</p> <p>(2) under any contract or agreement.</p> <p>However, this exclusion does not apply to written contracts:</p> <p>(a) that directly relate to the ownership, maintenance or use of an <b>insured location</b>; or</p> <p>(b) where the liability of others is assumed by any <b>insured</b> prior to an <b>occurrence</b> unless excluded in (1) above or elsewhere in this policy.</p> <p>b. To <b>property damage</b> to property owned by any <b>insured</b>.</p>	<p>(2) <b>"expense"</b> includes any expense, fine, penalty or assessment.</p> <p>q. To <b>bodily injury</b> or <b>property damage</b> or <b>expense</b> arising from or caused by exposure to the existence of harmful levels or frequencies of electromagnetic radiation, irrespective of whether such electromagnetic radiation:</p> <p>(1) is naturally occurring or artificially created,</p> <p>(2) acted or is said to have acted in any sequence or combination with any other cause or causes of injury or damage, or other cause or causes of injury or damage.</p> <p>When used in this exclusion, <b>expense</b> includes any expense, fine, penalty, or assessment.</p> <p>r. To <b>bodily injury</b> or <b>property damage</b> or <b>expense</b> arising out of the existence or control of the hazardous properties of radon, irrespective of the source of such radon. This exclusion applies, but is not limited to the following:</p> <p>(1) To liability assumed under any contract or agreement;</p> <p>(2) To any obligation to pay or indemnify any person, organization, or governmental agency for any portion of the injury, damage, or <b>expense</b>; and</p> <p>(3) To any supervision, instructions, recommendations, requests, warranties or warnings, or advice given or which should have been given regarding the existence or control of the radon.</p> <p>When used in this exclusion:</p> <p>(1) <b>"Control"</b> includes, but is not limited to testing, monitoring, abatement, clean up, removal, containment, treatment or disposal.</p> <p>(2) <b>"Expense"</b> includes any expense, fine, penalty, or assessment.</p> <p>Exclusions d., e., f., and g., do not apply to <b>bodily injury</b> to a <b>residence employee</b> arising out and in the course of the <b>residence employee's</b> employment by any <b>insured</b>.</p> <p>2. <b>Coverage L - Personal Liability</b>, does not apply:</p> <p>a. To liability:</p> <p>(1) for any loss assessment charged against you as a member of an association, corporation or community of property owners;</p> <p>(2) under any contract or agreement.</p> <p>However, this exclusion does not apply to written contracts:</p> <p>(a) that directly relate to the ownership, maintenance or use of an <b>insured location</b>; or</p> <p>(b) where the liability of others is assumed by any <b>insured</b> prior to an <b>occurrence</b> unless excluded in (1) above or elsewhere in this policy.</p> <p>b. To <b>property damage</b> to property owned by any <b>insured</b>.</p>

**Pacific Specialty Insurance Company  
COMPREHENSIVE PERSONAL LIABILITY POLICY**

CPL-PL (Ed. 1)

**ADDITIONAL COVERAGES**

**We** cover the following in addition to the limits of liability:

1. Claim Expenses. **We** pay:
  - a. expenses **we** incur and costs taxed against an **insured** in any suit **we** defend;
  - b. premiums on bonds required in a suit **we** defend, but not for bond and amounts more than the limit of liability for Coverage L. **We** need not apply for or furnish any bond;
  - c. reasonable expenses incurred by an **insured** at **our** request, including actual loss of earnings (but not loss of other income) up to \$50 per day, for assisting **us** in the investigation or defense of a claim or suit;
  - d. interest on the entire judgment which accrues after entry of the judgment and before **we** pay or tender or deposit in court that part of the judgment which does not exceed the limit of liability that applies.
2. First Aid Expenses. **We** will pay expenses for first aid to others incurred by an **insured** for **bodily injury** covered under this policy. **We** will not pay for first aid to **you** or any other **insured**.
3. Damage to Property of Others. **We** will pay, at replacement cost, up to \$500 per occurrence for **property damage** to property of others caused by an **insured**.
 

**We** will not pay for **property damage**:

  - a. caused intentionally by any **insured** who is 13 years of age or older;
  - b. to property owned by any **insured**;
  - c. to property owned by or rented to a tenant of any **insured** or a resident in your household; or arising out of:
  - (1) a **business** engaged in by any **insured**;
  - (2) any act or omission in connection with a premises owned, rented or controlled by any **insured**, other than the **insured** location; or
  - (3) the ownership, maintenance or use of aircraft, watercraft or motor vehicles or all other motorized land conveyances.

This exclusion does not apply to a motorized land conveyance designed for recreational use off public roads, not subject to motor vehicle registration and not owned by an **insured**.

- deductible amount applies to all damages because of:
- (a) **bodily injury**;
  - (b) **personal injury**;
  - (c) **property damage**; or
  - (d) any combination of **bodily injury**, **personal injury**, or **property damage** as the result of any one occurrence, regardless of the number of persons or organizations who sustain damages because of that occurrence.
- The terms of this insurance, including those with respect to:
- (a) **our** right and duty to defend any suits seeking those damages; and
  - (b) **your** Duties After Loss apply irrespective of the application of the deductible amount. **We** may pay any part or all of the deductible amount to effect settlement of any claim or suit and, upon notification of the action taken, **you** shall promptly reimburse **us** for such part of the deductible amount as has been paid by **us**.
- (3) All **bodily injury** or **property damage** resulting from any one accident or from continuous or repeated exposure to substantially the same general harmful conditions shall be considered to be the result of one occurrence. All **personal injury** resulting from any one offense or series of related offenses shall be considered to be the result of one occurrence.

2. Severability of Insurance. This insurance applies separately to each **insured**. This condition will not increase our limit of liability for any one occurrence.
3. Duties After Loss. In case of an accident or occurrence, the **insured** will perform the following duties that apply. **You** will help **us** by seeing that these duties are performed:
  - a. give written notice to **us** or **our** agent as soon as is practical, which sets forth:
    - (1) the identity of the policy and **insured**;
    - (2) reasonably available information on the time, place and circumstances of the accident or occurrence; and
    - (3) names and addresses of any claimants and witnesses.
  - b. promptly forward to **us** every notice, demand, summons or other process relating to the accident or occurrence.
  - c. at **our** request, help **us**:
    - (1) to make settlement;
    - (2) to enforce any right of contribution or indemnity against any person or organization who may be liable to any **insured**;

- (3) with the conduct of suits and attend hearings and trials;

- (4) to secure and give evidence and obtain the attendance of witnesses;

- d. under the coverage – **Damage to Property of Others** – submit to **us** within 60 days after the loss, a sworn statement of loss and show the damaged property. If in the **insured**'s control, the **insured** will not, except at the **insured**'s own cost, voluntarily make payment, assume obligation or incur expense other than for first aid to others at the time of the **bodily injury**.

4. Duties of an Injured Person – Coverage M – Medical Payments to Others. The injured person or someone acting for the injured person will:
  - a. give **us** written proof of claim, under oath if required, as soon as is practical;
  - b. authorize **us** to obtain copies of medical reports and records.

The injured person will submit to physical examination by a doctor of **our** choice when and as often as **we** reasonably require.

5. Payment of Claim – Coverage M – Medical Payments to Others. Payment under this coverage is not an admission of liability by any **insured** or **us** Suit Against **us**. No action can be brought against **us** unless there has been compliance with the policy provisions. No one will have any right to join **us** as a party to any action against any **insured**.

Also, no action with respect to Coverage L can be brought against **us** until the obligation of any **insured** has been determined by final judgment or agreement signed by **us**.

7. Bankruptcy of any **insured**. Bankruptcy or insolvency of any **insured** or **insured**'s estate will not relieve **us** of our obligations under this policy.

8. Other Insurance – Coverage L – Personal Liability. This insurance is excess over other valid and collectible insurance except insurance written specifically to cover as excess over the limits of liability that apply in this policy.

9. Policy Period. This policy applies only to:
  - a. **bodily injury** which occurs during the policy period;
  - b. **property damage** which occurs during the policy period; or
  - c. offenses described in the definition of **personal injury** which are committed during the policy period.

10. Subrogation. Any **insured** may waive in writing before a loss all rights of recovery against any person. If not waived, **we** may require an assignment of rights of recovery for a loss to the extent that payment is made by **us**.

If an assignment is sought, any **insured** must sign and deliver all related papers and cooperate with **us**.

Subrogation does not apply to **Medical Payments to Others** or **Damage to Property of Others**.

11. Assignment. If a property to which this policy applies, is sold, transferred or assigned, either voluntarily or involuntarily, this policy shall in no manner extend to such purchaser, transferee or assignee. In the event of **your** death during the period of insurance, this policy shall continue in force for the benefit of your legal representative for sixty (60) days from noon on the date of such death, but in no event shall the period of this policy be extended.

12. Cancellation.
  - a. **You** may cancel this policy by mailing to **us** written notice stating when thereafter the cancellation shall be effective.
  - b. **We** may cancel this policy by mailing **you** at the address shown in this policy written notice stating when, not less than 30 days thereafter, such cancellation shall become effective.

The mailing of notice aforesaid shall be sufficient proof of notice. The effective date and hour stated in the notice shall be the end of the policy period. Delivery of such written notice either by **you** or by **us** shall be the equivalent of mailing.

If **you** cancel, earned premium shall be computed in accordance with the customary short rate table and procedure. If **we** cancel, earned premium shall be calculated pro rata. Premium adjustment may be made either at the time cancellation is afforded or as soon as practicable after cancellation becomes effective, but payment or tender of unearned premium is not a condition of cancellation.

13. Changes. This policy contains all the agreements between **you** and **us** regarding the insurance afforded. This policy's terms can be amended or waived only by endorsement issued by **us** and made a part of this policy.
14. Representations. By acceptance of this policy, **you** agree that the statements in the Declarations are **your** agreements and representations, that this policy is issued in reliance upon the truth of such representations, and that this policy contains all agreements existing between **us** and **you** relating to this insurance.

**Our** President and Secretary have signed this policy as witness to its provisions, but this policy shall not be valid unless also signed by a duly authorized representative of **us**.

**PACIFIC SPECIALTY INSURANCE COMPANY**

  
President

  
Secretary



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**ATTENTION**

**This booklet contains endorsements that are applicable to your policy only if the endorsement number appears on your Declarations page. Not all endorsements are necessarily applicable to your policy. Review your Declarations page to see which ones apply.**

**Please read carefully. When applicable, the endorsement will change your policy.**

**Endorsement No. LM1-GA (Ed. 1)**  
**Georgia Policy Amendatory Endorsement**

**This endorsement changes the policy. Please read it carefully.**

The following provision is added to your policy.

**Exclusions.**

Exclusion a. is replaced with the following:  
a. To **bodily injury, personal injury, or property damage** which is a foreseeable result of an intentional or criminal act of any **insured** or which in fact intended by any **insured**. However, this exclusion does not apply to "bodily injury" or "property damage" that arises out of the use of reasonable force to protect people or property.

Exclusion j. is replaced with the following:  
j. To **bodily injury or personal injury** arising out of the use, sale, manufacture, delivery, transfer or possession by any person of a Controlled Substance(s) as defined by the Federal Food and Drug Law at 21 U.S.C.A. Sections 811 and 812. Controlled Substances include but are not limited to cocaine, LSD, marijuana and all narcotic drugs. However, this exclusion does not apply to the legitimate use of prescription drugs by a person following the orders of a licensed physician. In addition, this exclusion does not apply if an insured did not have knowledge of the involvement of the Controlled Substance.

Exclusion l. is replaced with the following:  
l. To **bodily injury or property damage** or **expense** arising out of the existence or **control** of the

hazardous properties of lead, irrespective of the form or source of such lead. This exclusion applies, but is not limited to the following:

- (1) To liability assumed under any contract or agreement;
- (2) To any obligation to pay or indemnify any person, organization, or governmental agency for any portion of the injury, damage, or **expense**; and
- (3) To any supervision, instructions, recommendations, requests, warranties or representations (express or implied), warnings, or advice given or which should have been given regarding the existence or control of the lead.

When used in this exclusion:

- (1) **"Control"** includes, but is not limited to, testing, monitoring, abatement, clean up, removal, containment, treatment or disposal.
- (2) **"Expense"** includes any expense, fine, penalty, or assessment.
- (3) **"Form"** means anything containing lead, including, but not limited to air, water, earth, dust, paint, plumbing solder, and pipes and fixtures.

However, this exclusion does not apply to owner-occupied dwellings.

Exclusion m. is replaced with the following:

- To **bodily injury or property damage** or **expense** arising out of:
- (1) Inhaling, ingesting, or prolonged physical exposure to asbestos, or goods or products containing asbestos; or
  - (2) The use of asbestos in construction or manufacturing any goods, products or structure; or
  - (3) The removal of asbestos from any goods, products, or structure; or
  - (4) The manufacture, transportation, storage, or disposal of asbestos or goods or products containing asbestos.

When used in this exclusion, **expense** includes any expense, fine, penalty or assessment. However, this exclusion does not apply to owner-occupied dwellings.

It is hereby agreed that Exclusion p. is deleted.

All other terms and conditions of this policy remain unchanged.

**Endorsement No. LM3 (Ed. 1)**  
**Home Day Care Business Exclusion**

**This endorsement changes the policy. Please read it carefully.**

If an **insured** regularly provides home day care services to a person or persons other than the **insureds** and receives monetary or other compensation for such services, that enterprise is a **business**. Mutual exchange of home day care services, however, is not considered compensation. The rendering of home day care services by an **insured** to a relative of an **insured** is not

considered a **business**. Therefore, with respect to a home day care enterprise, which is considered to be a "business", this policy does not provide coverage because a **business** of an **insured** is excluded under Exclusion 1.b. (1).

This endorsement does not constitute a reduction of coverage.

**Endorsement No. LM4 (Ed. 1)**  
**Personal Injury Exclusion**

**This endorsement changes the policy. Please read it carefully.**

It is agreed that **Coverage L** does not apply to **personal injury**, as defined in your policy. In your policy, **Coverage L** is **Personal Liability**.

All other terms and conditions of this policy remain unchanged.

**Endorsement No. LM11 (Ed. 1)**  
**Subsidence Exclusion**

**This endorsement changes the policy. Please read it carefully.**

It is agreed that **Coverage L** and **Coverage M** in your policy do not apply to **property damage** caused by, resulting from, contributed to or aggravated by **subsidence**. In your policy, **Coverage L** is **Personal Liability** and **Coverage M** is **Medical Payments to Others**. "Subsidence" is defined as any earth movement, including but not limited to earth sinking, earth rising, or earth shifting.

All other terms and conditions of this policy remain unchanged.

**Endorsement No. LM16-GA (Ed. 1)**  
**Mold Liability Limitation**

**This endorsement changes the policy. Please read it carefully.**

This policy does not provide coverage for any loss, damage, cost, claim, expense, bodily injury, property damage, medical payments or any other coverage under this policy arising from or in any way involving, directly or indirectly:

- a. Mold.
- b. Fungi.
- c. Mildew.
- d. Spores.
- e. Wet or dry rot.
- f. Bacteria.
- g. Protists.
- h. A chemical, matter, or a compound produced or released by such mold, fungi, mildew, spores, wet or dry rot, bacteria, protists.
- i. Any other similar organism, strain or derivative.

These coverages are subject to all of the terms of the policy, except as amended by this endorsement.

**LIMITED WET ROT, DRY ROT, BACTERIA, FUNGI, AND PROTISTS COVERAGES**

**Definitions.**

**1. Mold Pollutants:**

- a. Wet rot.
- b. Dry rot.
- c. A bacterium.
- d. A fungus, including mildew or mold.
- e. A protist.
- f. A chemical, matter, or a compound produced or released by such wet rot, dry rot, bacterium, fungus, or protist.
- g. Any other similar organism, strain or derivative.

**2. Remediation:**

- a. Any remediation of mold, including the cost or expense to:
  - (1) Remove the mold from covered property or to repair, restore or replace that property.
  - (2) Contain, treat, detoxify, neutralize or dispose of in any way respond to or assess the effect of the mold.
- b. The cost of any necessary testing or monitoring of air or property to confirm the type, absence, presence or level of mold, whether performed prior to, during or after removal, repair, restoration or replacement of covered property.

**COVERAGE L LIABILITY COVERAGES.**  
**COVERAGE M MEDICAL EXPENSES COVERAGE.**

**A. Insuring Agreement.**

Subject to the Aggregate Liability Limit (herein "ALL") of this endorsement, we pay for **bodily injury or property damage** that results from ingestion of, inhalation of, physical contact with, or exposure to **mold pollutants**.

B. Except for claims adjustment expense and any litigation costs incurred thereunder, any coverage provided under these coverages for **bodily injury property damage**, damages, or legal fees arising from ingestion of, inhalation of, physical contact with, or exposure to **mold pollutants** is subject to the ALL of this endorsement.

**C. Limits of Liability.**

**Aggregate Liability Limit.**

The ALL of this endorsement, as shown on the declarations, is the most we pay for loss for each occurrence covered under this endorsement. This applies regardless of the number of:

- a. Persons insured under this policy.
- b. Parties who sustain injury or damage.
- c. Claims made or suits brought.

**Pacific Specialty Insurance Company  
 GEORGIA COMPREHENSIVE PERSONAL LIABILITY ENDORSEMENTS**

GA-CPL-END (Ed.2.0)

Subject to the ALL of this endorsement, the amount shown on the declarations per person for Coverage M is the most we pay for all medical expenses payable for **bodily injury** to one person as the result of one occurrence covered under this endorsement.

Any per occurrence limit shown on the declarations for Coverage M does not apply with respect to this endorsement. Payment under Coverage M will not be deemed as an admission of liability under Coverage L.

Our total limit of liability in any one policy year will not exceed the ALL of this endorsement, regardless of the number of:

- a. Occurrences,
- b. Insureds,
- c. Claims made or suits brought,
- d. Persons injured,
- e. Assessments made.

However, this ALL does not apply to coverage provided under Claims and Defense Cost under the Incidental Liability Coverages.

The ALL of this endorsement, is the most that we pay for each consecutive annual policy period and for any remaining period of less than twelve months, beginning with the inception date of this policy as shown on the declarations. If, however, the policy period is extended for an additional period of less than twelve months, this additional period will be considered part of the preceding period for the purpose of determining the ALL of this endorsement.

The ALL is the lesser of \$50,000 or the limit of liability of Coverage L shown on the Declarations Page.

**ENDORSEMENT No. PM18 (Ed. 1)  
 Trampoline Exclusion**

**This endorsement changes the policy, please read it carefully.**

This policy does not provide any coverage for any:

- a. loss,
  - b. damage,
  - c. cost,
  - d. claim,
  - e. expense,
  - f. "bodily injury,"
  - g. "property damage," or
  - h. medical payments
- arising from or in any way involving, directly or indirectly, a trampoline, regardless of cause.

**We shall have no duty to investigate, defend, or indemnify any claim or "suit" seeking such damages.**

All other terms and conditions of the policy remain

unchanged.

**ENDORSEMENT No. PM19 (Ed. 1)  
 Swimming Pool Diving Board and Slide Exclusion**

**This endorsement changes the policy, please read it carefully.**

This policy does not provide any coverage for any:

- a. loss,
  - b. damage,
  - c. cost,
  - d. claim,
  - e. "bodily injury,"
  - f. "property damage," or
  - g. medical payments
- arising from or in any way involving, directly or indirectly, a swimming pool diving board, slide or similar structure, regardless of cause.

**We shall have no duty to investigate, defend, or indemnify any claim or "suit" seeking such damages.**

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. LO1 (Ed. 1)  
 Premises Liability (Non-Owner Occupied Dwelling)**

**This endorsement changes the policy. Please read it carefully.**

For the premium charged, the premises shown below are included in the definition of **insured location**.

Exclusion 1 b (2) does not apply to the premises as scheduled.

All other provisions of this policy apply.

**ENDORSEMENT No. LO5 (Ed.1)  
 Animal Liability Coverage**

**This endorsement changes your policy. Please read it carefully.**

For the additional premium charged, it is hereby agreed that Exclusion o. is deleted.

The maximum limit of liability for this coverage is shown on the declarations page. This is not additional insurance and does not increase the limit of liability for Coverage L or Coverage M.

All other terms and conditions of this policy apply.

**POLICY SERVICE**

NOTE: You **MUST** refer to your policy number when asking for information.

**PACIFIC SPECIALTY  
 INSURANCE COMPANY**

P. O. Box 40  
 Anaheim, CA 92815-0040  
 (714) 998-2190  
 (800) 303-5000  
 (714) 998-3158 Fax

3601 Haven Avenue  
 Menlo Park, CA 94025-1010  
 (650) 780-4800  
 (800) 828-3003

**FOR REPORTING OF CLAIMS:**

Please Call:  
**800-962-1172**

**POLICY NUMBER MUST ACCOMPANY  
 CLAIM REPORT AND ALL  
 CORRESPONDENCE**

## 3. Homeowner's (HO Forms)

### Policy Choices - read your policy very carefully

While each insurance company prepares its own contracts, most sell policies that are similar. The form number on a typical policy usually includes one of these labels:

#### HO-2 & HO-4 The Broad Form

These policies list EVERY covered peril. The policy will not pay for any peril not listed!

#### HO-3 The Special Form

The HO-3 is the most common homeowner's policy today. Instead of listing the perils it does cover, the HO-3 policy lists the perils it does not cover. The policy will pay when the building damage is caused by any peril (subject to limitations in the policy) that is not on the list of exclusions. The HO-3 coverage for contents (personal property rather than the structure) is identical to the HO-2.

#### HO-4 Tenant (or "renters insurance") The Broad Form

The HO-4 policy insures the contents of your rented home but not the building itself. It lists every covered peril.

#### HO-5 Comprehensive Form

The HO-5 covers most types of damage except earthquakes, wars and floods.

#### HO-6 Condominium

The HO-6 policy insures your condo contents and only the portion of the building you own (such as the interior walls) independent of other owners.

Know what part of the building your insurance covers and compare it to the parts covered by the condo association - make sure the gaps are filled.

#### Typical exclusions for the HO-2, -3, -4, -5 and -6 forms

Typical exclusions include earthquake, flood, water damage (sewer backup or a basement leak), power failure off your premises, poor home maintenance, war collapse, nuclear hazard, intentional acts of an insured, laws and ordinance enforcement (such as building codes). Be sure to review your policy's exclusions and limitations so that you know what is not covered. You can usually purchase additional coverage for most items that are excluded under the policy.

#### HO-8 Market Value

The HO-8 policy insures the structure based on its "market value." If your house burns down, the policy will pay no more than it would have sold for on the day before the fire.



Pacific Specialty Insurance Company  
**GEORGIA HOMEOWNERS POLICY**

GA-HO3-POL (Ed. 2.0)

<p>manuscripts, personal records, passports, tickets and stamps. This dollar limit applies to these categories regardless of the medium (such as paper or computer software) on which the material exists. This limit includes cost to research, replace or re-store the information from the lost or damaged material.</p> <p>5. \$500 on watercraft, including their trailers, furnishings, equipment and outboard engines or motors.</p> <p>6. \$500 on trailers not used with watercraft.</p> <p>7. \$500 on grave markers.</p> <p>8. \$500 for loss by theft of jewelry, watches, furs, precious and semi-precious stones.</p> <p>9. \$500 for loss by theft of silverware, goldware, pewter, and platinum, including:</p> <ol style="list-style-type: none"> <li>Silver or gold-plated ware, flatware, hollowware, tea sets, trays, trophies and the like.</li> <li>Other utilitarian items made of or including silver, gold, pewter or platinum.</li> </ol> <p>10. \$500 for loss by theft of firearms.</p> <p>11. \$500 on computers and electronic data processing equipment.</p> <p>12. \$500 on antiques, fine arts, paintings and similar items of rarity, antiquity or irreplaceability, memorabilia, souvenirs, collectible items of every kind, including but not limited to baseball and other card collections and similar articles whose age or collectible demand contributes to their value.</p> <p>13. \$500 on loss by theft of rugs, carpets, or other woven or knit floor coverings or wall hanging.</p> <p>14. \$500 on all photographic and video equipment, including but not limited to cameras, dark room equipment, video recorders, players, editors, and related equipment.</p> <p>15. \$500 on all glassware and crystal, including:</p> <ol style="list-style-type: none"> <li>Decanters, goblets, tea sets, trays, trophies and the like.</li> <li>Other utilitarian items made of or including crystal.</li> </ol> <p>16. \$500 for loss to electronic apparatus, while not in or upon a motor vehicle or other motorized land conveyance, if the electronic apparatus is designed to be operated solely by power from the electrical system of the vehicle or conveyance. Electronic apparatus includes:</p> <ol style="list-style-type: none"> <li>Accessories or antennas;</li> <li>Any device or instrument for the transmitting, recording, receiving or reproduction of sound or picture; or</li> <li>Tapes, wires, records, discs or other media for use with any electronic apparatus.</li> </ol> <p>17. \$1,000 on musical instruments.</p> <p>18. \$2,000 on tools.</p> <p><b>Property Not Covered.</b> We do not cover:</p> <ol style="list-style-type: none"> <li>Articles separately described and specifically <b>insured</b> in this or any other insurance.</li> <li>Animals, birds or fish;</li> <li>Motor vehicles or all other motorized land conveyances. This includes:</li> </ol>	<p>a. Their equipment and accessories; or</p> <p>b. Electronic apparatus that is designed to be operated solely by power from the electrical system of motor vehicles or all other motorized land conveyances. Electronic apparatus includes:</p> <ol style="list-style-type: none"> <li>Accessories or antennas;</li> <li>Any device or instrument for the transmitting, recording, receiving or reproduction of sound or picture; or</li> <li>Tapes, wires, records, discs or other media for use with any electronic apparatus.</li> </ol> <p>The exclusion of property described in 3.a. and 3.b. above applies only while the property is in or upon the vehicle or conveyance.</p> <p>We do cover vehicles or conveyances not subject to motor vehicle registration which are:</p> <ol style="list-style-type: none"> <li>Used to service an <b>insured's</b> residence; or</li> <li>Designed for assisting the handicapped.</li> </ol> <p>5. Aircraft and parts;</p> <p>6. Property of roomers, boarders and other tenants, except property of roomers and boarders related to an <b>insured</b>;</p> <p>7. Property in an apartment regularly rented or held for rental to others by an <b>insured</b>;</p> <p>8. Property rented or held for rental to others off the <b>residence premises</b>;</p> <p>9. <b>Business</b> data, including such data stored in:</p> <ol style="list-style-type: none"> <li>Books of account, drawings or other paper records; or</li> <li>Electronic data processing tapes, wires, records, discs or other software media; containing information or data. But, we do cover the cost of blank or unexposed records and media.</li> </ol> <p>10. Credit cards or fund transfer cards except as provided in Additional Coverages 6;</p> <p>11. <b>Business</b> property in storage or held as a sample or for sale or delivery after the sale;</p> <p>12. <b>Business</b> property pertaining to a <b>business</b> actually conducted on the <b>residence premises</b>;</p> <p>13. <b>Business</b> property away from the <b>residence premises</b>;</p> <p>14. Farm personal property.</p> <p><b>COVERAGE D – Loss Of Use</b>  The limit of liability for Coverage D is the total limit for all the following coverages, subject to the limit of liability set out on the declarations page.</p> <ol style="list-style-type: none"> <li>If a loss covered under this Section makes that part of the <b>residence premises</b> where you reside uninhabitable, we cover:</li> </ol> <p><b>Additional Living Expense</b>, meaning any necessary increase in living expenses incurred by you so that your household can maintain its normal standard of living. Payment shall be for the shortest time required to repair or replace the damage or, if you permanently relocate, the shortest time required for your household to settle elsewhere.</p>	<p>2. If a civil authority prohibits you from use of the <b>residence premises</b> as a result of direct damage to neighboring premises by a Peril <b>Insured</b> Against in this policy, we cover the Additional Living Expense loss as provided under 1. above for a period not exceeding two weeks during which use is prohibited.</p> <p>The periods of time under 1. and 2. above are not limited by expiration of this policy.</p> <p>We do not cover loss or expense due to cancellation of a lease or agreement.</p> <p><b>ADDITIONAL COVERAGES</b></p> <ol style="list-style-type: none"> <li><b>Debris Removal.</b> We will pay your reasonable expense for the removal of: <ol style="list-style-type: none"> <li>Debris of covered property if a Peril <b>Insured</b> Against causes the loss; or</li> <li>Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.</li> </ol> This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit of liability is available for debris removal expense.</li> </ol> <p>We will also pay your reasonable expense for the removal of fallen trees from the <b>residence premises</b> if:</p> <ol style="list-style-type: none"> <li>Coverage is not afforded under Additional Coverages 3. Trees, Shrubs and Other Plants for the peril causing the loss; or</li> <li>The tree is not covered by this policy, provided the tree damages covered property and a Peril <b>Insured</b> Against under Coverage C causes the tree to fall. Our limit of liability for this coverage will not be more than \$500 in the aggregate for any one loss.</li> </ol> <p><b>Reasonable Repairs.</b> We will pay the reasonable cost incurred by you for necessary repairs made solely to protect covered property from further damage provided coverage is afforded for the peril that has caused the loss which is then apparent. We will not pay for repairs of damage caused by an excluded or non-covered peril. We will not pay for repairs made as a preventative measure prior to an actual loss by a covered peril. This coverage does not increase the limit of liability applying to the property being repaired.</p> <ol style="list-style-type: none"> <li><b>Trees, Shrubs and Other Plants.</b> We cover trees, shrubs, plants or lawns on the <b>residence premises</b>, for loss caused by the following Perils <b>Insured</b> Against: Fire or lightning, Explosion, Riot or Civil Commotion, Aircraft, Vehicles not owned or operated by a resident of the <b>residence premises</b>, Vandalism or malicious mischief or Theft.</li> </ol>	<p>The limit of liability for this coverage shall not exceed 5% of the limit of liability that applies to the dwelling for all trees, shrubs, plants and lawns nor more than \$500 for any one tree, shrub or plant. We do not cover property grown for <b>business</b> purposes. This coverage is additional insurance.</p> <p><b>Fire Department Service Charge.</b> We will pay up to \$250 for your liability assumed by contract or agreement for fire department charges incurred when the fire department is called to save or protect covered property from a Peril <b>Insured</b> Against. We do not cover fire department service charges if the property is located within the limits of the city, municipality or protection district furnishing the fire department response. This coverage is additional insurance. No deductible applies to this coverage.</p> <p><b>Property Removed.</b> We insure covered property while being removed from a premises endangered by a Peril <b>Insured</b> Against and for no more than 30 days while removed is covered for direct loss from any cause. This coverage does not change the limit of liability applying to the property being removed.</p> <p><b>Credit Card, Fund Transfer Card, Forgery and Counterfeit Money.</b></p> <ol style="list-style-type: none"> <li>The legal obligation of an <b>insured</b> to pay because of the theft or unauthorized use of credit cards issued to or registered in an <b>insured's</b> name;</li> <li>Loss resulting from theft or unauthorized use of a fund transfer card used for deposit, withdrawal or transfer of funds, issued to or registered in an <b>insured's</b> name;</li> <li>Loss to an <b>insured</b> caused by forgery or alteration of any check or negotiable instrument; and</li> <li>Loss to an <b>insured</b> through acceptance in good faith of counterfeit United States or Canadian paper currency.</li> </ol> <p>We do not cover use by a resident of your household, a person who has been entrusted with the credit card or fund transfer card or any person if <b>insured</b> has not complied with all terms and conditions under which the credit card is issued.</p> <p>We do not cover loss arising out of <b>business</b> pursuits or dishonesty of an <b>insured</b>.</p> <p>All loss resulting from a series of acts committed by any one person or in which any one person is concerned or implicated is considered to be one loss.</p> <p>No deductible applies to this coverage.</p> <p>Defense:</p> <ol style="list-style-type: none"> <li>We may undertake any investigation and settle any claim or suit that we decide is appropriate. Our obligation to defend any claim or suit ends when the amount we pay for the loss equals our limit of liability.</li> <li>If a suit is brought against an <b>insured</b> for liability under the Credit Card or Fund Transfer Card</li> </ol>
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# Pacific Specialty Insurance Company GEORGIA HOMEOWNERS POLICY

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<p>coverage, we will provide a defense at our expense by counsel of our choice.</p> <p>c. We have the option to defend at our expense an <b>insured</b> or an <b>insured's</b> bank against any suit for the enforcement of payment under the Foreclosure coverage.</p> <p>7. <b>Collapse.</b> We insure for direct physical loss to covered property involving collapse of a building or any part of a building caused only by one or more of the following:</p> <ol style="list-style-type: none"> <li>a. Perils Insured Against in Coverage C – Personal Property. These perils apply to covered building and personal property for loss <b>insured</b> by this Additional Coverage 7, Collapse:</li> <li>b. Hidden decay;</li> <li>c. Hidden insect or vermin damage;</li> <li>d. Weight of contents, equipment, animals, or people;</li> <li>e. Weight of rain which collects on a roof, or</li> <li>f. Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation.</li> </ol> <p>Loss to an awning, fence, patio, pavement, swimming pool, underground pipe, flue, drain, cesspool, septic tank, foundation, retaining wall, bulkhead, pier, wharf or dock is not included under Items b, c, d, e, and f unless the loss is a direct result of the collapse of a building.</p> <p>Collapse does not include settling, cracking, shrinking, bulging or expansion.</p> <p>8. This coverage does not increase the limit of liability applying to the damaged covered property.</p> <p><b>Inflation Guard.</b> The limits of liability shown in the declarations for Coverage A-Dwelling, Coverage B-Other Structures, Coverage C-Personal Property and Coverage D-Loss of Use may be increased by .25% of the amounts shown in the declarations at the end of each month after the effective date.</p> <p>In no event will the limits of liability be reduced to less than those shown in the policy or most recent premium billing notice, whichever is greater. Payment of the renewal premium will constitute your acceptance of the revised limit of liability.</p> <p>9. <b>Loss Assessment.</b> We will pay up to \$1000, or a higher limit if specified on your policy declarations page for loss assessments, for your share of any loss assessment charged during the policy period against all unit owners by a corporation or association of property owners. This only applies when the assessment is made as a result of each direct loss to the property, owned by all members collectively, caused by a <b>Peril Insured Against</b> under Coverage A – Dwelling, other than earthquake or land shock waves or tremors before, during or after a volcanic eruption. This coverage applies only to loss assessments charged against you as owner or tenant of the <b>residence premises</b>.</p>	<p>We do not cover loss assessments charged against you or a corporation or association of property owners by any governmental body.</p> <p>10. <b>Limited Section I – Property Coverages for Home Day Care Business.</b> If an <b>insured</b> regularly provides home day care services to a person or persons other than <b>insureds</b> and receives monetary or other compensation for such services, that enterprise is a <b>business</b> pursuit. Mutual exchange of home day care services, however, is not considered compensation. The rendering of home day care services by an <b>insured</b> to a relative of an <b>insured</b> is not considered a <b>business</b> pursuit.</p> <p>With respect to home day care enterprise that is considered to be a <b>business</b> pursuit, this policy:</p> <ol style="list-style-type: none"> <li>a. Does not provide Section I – Liability Coverage;</li> <li>b. Does not provide Section I – Coverage B coverage where other structures are used in whole or in part for <b>business</b>;</li> <li>c. Limits coverage for property used for a home day care enterprise because Coverage C – Special Limits of Liability impose limits on property used at any time for any <b>business</b> purpose.</li> </ol> <p><b>SECTION I – PERILS INSURED AGAINST COVERAGE A – DWELLING and COVERAGE B – OTHER STRUCTURES</b></p> <p>We insure for direct physical loss to the property described in Coverages A and B except damage caused by:</p> <ol style="list-style-type: none"> <li>1. Collapse, other than as provided in Additional Coverage 7;</li> <li>2. Freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance, or by discharge, leakage or overflow from within the system or appliance caused by freezing. This exclusion applies only while the dwelling is <b>vacant, unoccupied</b> or being constructed unless you have used reasonable care to:             <ol style="list-style-type: none"> <li>a. Maintain heat in the building, or</li> <li>b. Shut off the water supply and drain the system and appliances of water;</li> </ol> </li> <li>3. Freezing, thawing, pressure or weight of water or ice, whether driven by wind or not, to a:             <ol style="list-style-type: none"> <li>a. Fence, pavement, patio or swimming pool;</li> <li>b. Foundation, retaining wall or bulkhead; or</li> <li>c. Pier, wharf or dock;</li> </ol> </li> <li>4. Theft in or to a dwelling under construction or of materials and supplies for use in the construction until the dwelling is finished and occupied;</li> <li>5. Vandalism and malicious mischief or breakage of glass and safety glazing materials if the dwelling has been <b>vacant</b> for more than 30 consecutive days immediately before the loss. A dwelling being constructed is not considered <b>vacant</b>;</li> <li>6. Continuous or repeated seepage or leakage of water from within a plumbing, heating, air conditioning or</li> </ol>
<p>automatic fire protective sprinkler system or from within a household appliance;</p> <p>7. Any of the following:             <ol style="list-style-type: none"> <li>a. Wear and tear, electrolysis, marring, deterioration;</li> <li>b. Inherent vice, latent defect, mechanical breakdown;</li> <li>c. Rust or other corrosion, mold, wet or dry rot;</li> <li>d. Smog, smoke from agricultural smudging or industrial operations;</li> <li>e. Settling, cracking, shrinking, bulging or expansion of pavements, patios, foundations, walls, floors, roofs or ceilings;</li> <li>f. Insects or animals;</li> <li>g. Discharge, dispersal, seepage, migration, release or escape of pollutants unless the discharge, dispersal, seepage, migration, release or escape is itself caused by a Peril Insured Against under Coverage C of this Policy.</li> </ol> <p>Pollutant means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.</p> <p>8. Losses excluded under Section I – Exclusions.</p> </p>	<p>automatic fire protective sprinkler system or from within a household appliance;</p> <p>7. Any of the following:             <ol style="list-style-type: none"> <li>a. Wear and tear, electrolysis, marring, deterioration;</li> <li>b. Inherent vice, latent defect, mechanical breakdown;</li> <li>c. Rust or other corrosion, mold, wet or dry rot;</li> <li>d. Smog, smoke from agricultural smudging or industrial operations;</li> <li>e. Settling, cracking, shrinking, bulging or expansion of pavements, patios, foundations, walls, floors, roofs or ceilings;</li> <li>f. Insects or animals;</li> <li>g. Discharge, dispersal, seepage, migration, release or escape of pollutants unless the discharge, dispersal, seepage, migration, release or escape is itself caused by a Peril Insured Against under Coverage C of this Policy.</li> </ol> <p>Pollutant means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.</p> <p>8. Losses excluded under Section I – Exclusions.</p> </p>
<p><b>COVERAGE C – PERSONAL PROPERTY</b></p> <p>We insure for direct physical loss to property described in Coverage C caused by a peril listed below unless the loss is excluded in Section I – Exclusions.</p> <ol style="list-style-type: none"> <li>1. <b>Fire or lightning.</b></li> <li>2. <b>Windstorm or hail.</b> This peril does not include loss to the property contained in a building caused by rain, snow, sleet, sand or dust unless the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand or dust enters through this opening.</li> <li>3. <b>Explosion.</b></li> <li>4. <b>Riot or civil commotion.</b></li> <li>5. <b>Aircraft, including self-propelled missiles and spacecraft.</b></li> <li>6. <b>Vehicles.</b> This peril does not include loss caused to a fence, driveway or walk caused by a vehicle owned or operated by a resident of the <b>residence premises</b>.</li> <li>7. <b>Smoke.</b> meaning sudden and accidental damage from smoke. This peril does not include loss caused by smoke from agricultural smudging or industrial operations.</li> <li>8. <b>Vandalism or malicious mischief.</b> This peril does not include loss to property on the <b>residence premises</b> if the dwelling has been <b>vacant</b> or <b>unoccupied</b> for more than 30 consecutive days immediately before the loss.</li> <li>9. <b>Theft.</b> including attempted theft and loss of property from the <b>residence premises</b> when it is likely that the property has been stolen. This peril does not include loss caused by theft:             <ol style="list-style-type: none"> <li>a. Committed by:                 <ol style="list-style-type: none"> <li>(1) An <b>insured</b>;</li> <li>(2) A tenant of the <b>residence premises</b>; or</li> </ol> </li> </ol> </li> </ol>	<p>automatic fire protective sprinkler system or from within a household appliance;</p> <p>7. Any of the following:             <ol style="list-style-type: none"> <li>a. Wear and tear, electrolysis, marring, deterioration;</li> <li>b. Inherent vice, latent defect, mechanical breakdown;</li> <li>c. Rust or other corrosion, mold, wet or dry rot;</li> <li>d. Smog, smoke from agricultural smudging or industrial operations;</li> <li>e. Settling, cracking, shrinking, bulging or expansion of pavements, patios, foundations, walls, floors, roofs or ceilings;</li> <li>f. Insects or animals;</li> <li>g. Discharge, dispersal, seepage, migration, release or escape of pollutants unless the discharge, dispersal, seepage, migration, release or escape is itself caused by a Peril Insured Against under Coverage C of this Policy.</li> </ol> <p>Pollutant means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.</p> <p>8. Losses excluded under Section I – Exclusions.</p> </p>
<ol style="list-style-type: none"> <li>10. <b>Falling objects.</b> This peril does not include loss to property contained in a building unless the roof or an exterior wall of the building is first damaged by a falling object. Damage to the falling object itself is not included.</li> <li>11. <b>Weight of ice, snow or sleet</b> which causes damage to property contained in a building.</li> <li>12. <b>Accidental discharge or overflow of water or steam</b> from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system or from within a household appliance.             <ol style="list-style-type: none"> <li>a. This peril does not include loss:                 <ol style="list-style-type: none"> <li>(1) To the appliance from which the water or steam escaped;</li> <li>(2) Caused by or resulting from freezing, except as provided in the peril of freezing below;</li> <li>(3) On the <b>residence premises</b> caused by accidental discharge or overflow which occurs off the <b>residence premises</b>;</li> <li>(4) If the dwelling has been <b>vacant</b> for more than 30 consecutive days immediately before the loss.</li> </ol> </li> </ol> </li> <li>13. <b>Sudden and accidental tearing apart, cracking, burning or bulging</b> of a steam or hot water heating system, an air conditioning or automatic fire protective sprinkler system, or an appliance for heating water. We do not cover loss caused by or resulting from freezing under this peril.</li> <li>14. <b>Freezing</b> of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance.             <ol style="list-style-type: none"> <li>a. This peril does not include loss on the <b>residence premises</b> while the dwelling is <b>unoccupied</b>, unless you have used reasonable care to:                 <ol style="list-style-type: none"> <li>(1) Maintain heat in the building; or</li> <li>(2) Shut off the water supply and drain the system and appliances of water.</li> </ol> </li> </ol> </li> <li>15. <b>Sudden and accidental damage from artificially generated electrical current.</b> This peril does not</li> </ol>	<ol style="list-style-type: none"> <li>10. <b>Falling objects.</b> This peril does not include loss to property contained in a building unless the roof or an exterior wall of the building is first damaged by a falling object. Damage to the falling object itself is not included.</li> <li>11. <b>Weight of ice, snow or sleet</b> which causes damage to property contained in a building.</li> <li>12. <b>Accidental discharge or overflow of water or steam</b> from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system or from within a household appliance.             <ol style="list-style-type: none"> <li>a. This peril does not include loss:                 <ol style="list-style-type: none"> <li>(1) To the appliance from which the water or steam escaped;</li> <li>(2) Caused by or resulting from freezing, except as provided in the peril of freezing below;</li> <li>(3) On the <b>residence premises</b> caused by accidental discharge or overflow which occurs off the <b>residence premises</b>;</li> <li>(4) If the dwelling has been <b>vacant</b> for more than 30 consecutive days immediately before the loss.</li> </ol> </li> </ol> </li> <li>13. <b>Sudden and accidental tearing apart, cracking, burning or bulging</b> of a steam or hot water heating system, an air conditioning or automatic fire protective sprinkler system, or an appliance for heating water. We do not cover loss caused by or resulting from freezing under this peril.</li> <li>14. <b>Freezing</b> of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance.             <ol style="list-style-type: none"> <li>a. This peril does not include loss on the <b>residence premises</b> while the dwelling is <b>unoccupied</b>, unless you have used reasonable care to:                 <ol style="list-style-type: none"> <li>(1) Maintain heat in the building; or</li> <li>(2) Shut off the water supply and drain the system and appliances of water.</li> </ol> </li> </ol> </li> <li>15. <b>Sudden and accidental damage from artificially generated electrical current.</b> This peril does not</li> </ol>

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<p>include devices that contain a tube, transistor or similar electronic component.</p> <p>16. <b>Volcanic Eruption</b>, other than loss caused by earthquake, land shock waves or tremors.</p>	<p>Direct loss by fire, explosion or theft resulting from water damage is covered.</p> <p><b>Power Interruption</b>, meaning the interruption of power or other utility service if the interruption takes place away from the <b>residence premises</b>. If a Peril Insured Against ensues on the <b>residence premises</b>, we will pay only for loss caused by the ensuing peril.</p> <p><b>Neglect</b>, meaning neglect of any <b>insured</b> to use all reasonable means to save and preserve property at and after the time of a loss.</p> <p><b>War</b>, including undeclared war, civil war, insurrection, rebellion, revolution, warlike act by a military force or military personnel, destruction or seizure or use for a military purpose, and including any consequence of any of these. Discharge of a nuclear weapon will be deemed a warlike act even if accidental.</p> <p><b>Nuclear Hazard</b>, to the extent set forth in the Nuclear Hazard Clause of Section 1 – Conditions.</p> <p><b>Intentional Loss</b>, meaning any loss arising out of any act committed:</p> <ol style="list-style-type: none"> <li>(1) By or at the direction of an <b>insured</b>, and</li> <li>(2) With the intent to cause a loss.</li> </ol> <p>We do not insure for loss to property described in Coverages A and B caused by any of the following. However, any ensuing loss to property described in Coverages A and B not excluded or excepted in this policy is covered.</p> <p><b>Weather conditions</b>, including rainfall. However, this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in paragraph 1. above to produce the loss;</p> <p><b>Acts or decisions</b>, including the failure to act or decide, of any person, group, organization or governmental body;</p> <p><b>Faulty, inadequate or defective</b>:</p> <ol style="list-style-type: none"> <li>(1) Planning, zoning, development surveying, siting;</li> <li>(2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;</li> <li>(3) Materials used in repair, construction, renovation or remodeling, or</li> <li>(4) Maintenance;</li> </ol> <p>of part or all of any property whether on or off the <b>residence premises</b>.</p> <p><b>Pipes; Pipes including Concrete Slabs Enclosing Pipes</b>. We do not insure the cost of tearing out, repair and/or replacing any pipes, including concrete slabs enclosing pipes.</p> <p>We do not cover any loss, resulting directly or indirectly from destruction, or <b>property damage</b> done to your <b>insured</b> property, by you or your family member including anyone having a financial interest in your <b>insured</b> property if the destruction or <b>property damage</b> is done with malicious intent which is</p>	<p>expected or intended to cause <b>property damage</b> destruction.</p> <p><b>SECTION 1 – CONDITIONS</b></p> <p>1. <b>Insurable Interest and Limit of Liability</b>. Even if more than one person has an insurable interest in the property covered, we will not be liable:</p> <ol style="list-style-type: none"> <li>To any <b>insured</b> for more than the amount of the <b>insured</b>'s interest at the time of loss; or</li> <li>For more than the applicable limit of liability, whichever is less.</li> </ol> <p>2. <b>Your Duties After Loss</b>. In case of a loss to which this insurance may apply, you must see that the following duties are performed:</p> <ol style="list-style-type: none"> <li>Give immediate notice to us and in case of theft also to the police. In case of loss under the Credit Card or Fund Transfer Card coverage, we also notify the credit card or fund transfer card company;</li> <li>Protect the property from further damage, make reasonable and necessary repairs required to protect the property and keep an accurate record of repair expenditures;</li> <li>As often as we reasonably require: <ol style="list-style-type: none"> <li>(1) Exhibit the damaged property;</li> <li>(2) Provide us with records and documents we request and permit us to make copies; and</li> <li>(3) Submit to examination under oath and subscribe the same;</li> </ol> </li> <li>Submit to us within 60 days after we request, your signed, sworn proof of loss which sets forth, to the best of your knowledge and belief: <ol style="list-style-type: none"> <li>(1) The time and cause of loss;</li> <li>(2) Interest of the <b>insured</b> and all others in the property involved and all encumbrances on the property;</li> <li>(3) Other insurance which may cover the loss;</li> <li>(4) Changes in title or occupancy of the property during the term of the policy;</li> <li>(5) Specifications of any damaged building and detailed estimates for repair of the damage;</li> <li>(6) An inventory of damaged personal property described in 2.c.;</li> <li>(7) Receipts for additional living expenses incurred;</li> <li>(8) Evidence or affidavit supporting a claim under the Credit Card, Fund Transfer Card, Forgery and Counterfeit Money coverage stating the amount and cause of loss.</li> </ol> </li> <li>Prepare an inventory of damaged personal property showing in detail, the quantity, description, <b>actual cash value</b> and amount of loss. Attach to the inventory all bills, receipts and related documents that justify the figures in the inventory;</li> </ol> <p>3. <b>Loss Settlement</b>. Covered property losses are settled as follows:</p> <ol style="list-style-type: none"> <li>Personal property;</li> <li>Awnings, carpeting, domestic appliances, outdoor antennas and outdoor equipment, whether or not attached to buildings;</li> </ol>	<p>(3) Structures that are not buildings; and</p> <p>(4) The entire roofing system of any building or covered other structures</p> <p>at <b>actual cash value</b> at the time of loss but not exceeding the amount required to repair or replace.</p> <p>Buildings under Coverage A or B at replacement cost without deduction for depreciation, subject to the following:</p> <ol style="list-style-type: none"> <li>If, at the time of loss, the amount of insurance in this policy on the damaged building is 80% or more of the full replacement cost of the building immediately before the loss, we will pay the cost of repair or replacement, after application of the deductible and, without deduction for depreciation, but not exceeding the smallest of the following amounts: <ol style="list-style-type: none"> <li>The limit of liability under this policy that applying to the building;</li> <li>The replacement cost of that part of the building damaged for equivalent construction and use on the same premises; or</li> <li>The amount actually and necessarily spent to repair or replace the damaged building.</li> </ol> </li> <li>If, at the time of loss, the amount of insurance in this policy on the damaged building is less than 80% of the full replacement cost of the building immediately prior to the loss, we will pay the larger of the following amounts, but not exceeding the limit of liability under this policy applying to the building: <ol style="list-style-type: none"> <li>The <b>actual cash value</b> of that part of the building damaged; or</li> <li>That proportion of the cost to repair or replace, without deduction for depreciation, of that part of the building damaged, which the total amount of insurance in this policy on the damaged building bears to 80% of the replacement cost of the building.</li> </ol> </li> <li>In determining the amount of insurance required to equal 80% of the full replacement cost of the building immediately prior to the loss, you shall disregard the value of excavations, foundations, piers and other supports which are below the undersurface of the lowest basement floor or, where there is no basement, which are below the surface of the ground inside the foundation walls, and underground flues, pipes, wiring and drains.</li> <li>When the cost to repair or replace the damage is more than \$1000 or more than 5% of the amount of insurance in this policy on the building, whichever is less, we will pay no more than the <b>ac-</b></li> </ol>
<p><b>SECTION 1 – EXCLUSIONS</b></p> <p>1. We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss.</p> <ol style="list-style-type: none"> <li><b>Ordinance or Law</b>, meaning any ordinance or law: <ol style="list-style-type: none"> <li>(1) Requiring or regulating the construction, demolition, remodeling, renovation or repair of property including removal of any resulting debris;</li> <li>(2) The requirements of which result in a loss in value to property;</li> <li>(3) Requiring any <b>insured</b> or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants; or</li> <li>(4) Requiring asbestos testing or abatement.</li> </ol> </li> </ol> <p>Pollutant means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.</p> <p>This exclusion applies whether or not the property has been physically damaged.</p> <p><b>Earth movement</b>, meaning any loss caused by, contributed to or aggravated by earthquake, including land shock waves or tremors before, during or after a volcanic eruption; landslide; mine subsidence; mudflow; earth sinking, rising or shifting; unless direct loss:</p> <ol style="list-style-type: none"> <li>(1) By fire;</li> <li>(2) By explosion other than the explosion of a volcano; or</li> <li>(3) To glass or safety glazing material which is part of a building, storm door or storm window by breakage;</li> </ol> <p>ensues and then we will pay only for the ensuing loss.</p> <p>This exclusion does not apply to loss by theft.</p> <p><b>Water Damage</b>, meaning any loss caused by, resulting from, contributed to or aggravated by:</p> <ol style="list-style-type: none"> <li>(1) Flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these, whether or not driven by wind;</li> <li>(2) Water which backs up through sewers or drains; or</li> <li>(3) Water below the surface of the ground, including water which exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure.</li> </ol>	<p>explosion or intended to cause <b>property damage</b> destruction.</p> <p><b>SECTION 1 – CONDITIONS</b></p> <p>1. <b>Insurable Interest and Limit of Liability</b>. Even if more than one person has an insurable interest in the property covered, we will not be liable:</p> <ol style="list-style-type: none"> <li>To any <b>insured</b> for more than the amount of the <b>insured</b>'s interest at the time of loss; or</li> <li>For more than the applicable limit of liability, whichever is less.</li> </ol> <p>2. <b>Your Duties After Loss</b>. In case of a loss to which this insurance may apply, you must see that the following duties are performed:</p> <ol style="list-style-type: none"> <li>Give immediate notice to us and in case of theft also to the police. In case of loss under the Credit Card or Fund Transfer Card coverage, we also notify the credit card or fund transfer card company;</li> <li>Protect the property from further damage, make reasonable and necessary repairs required to protect the property and keep an accurate record of repair expenditures;</li> <li>As often as we reasonably require: <ol style="list-style-type: none"> <li>(1) Exhibit the damaged property;</li> <li>(2) Provide us with records and documents we request and permit us to make copies; and</li> <li>(3) Submit to examination under oath and subscribe the same;</li> </ol> </li> <li>Submit to us within 60 days after we request, your signed, sworn proof of loss which sets forth, to the best of your knowledge and belief: <ol style="list-style-type: none"> <li>(1) The time and cause of loss;</li> <li>(2) Interest of the <b>insured</b> and all others in the property involved and all encumbrances on the property;</li> <li>(3) Other insurance which may cover the loss;</li> <li>(4) Changes in title or occupancy of the property during the term of the policy;</li> <li>(5) Specifications of any damaged building and detailed estimates for repair of the damage;</li> <li>(6) An inventory of damaged personal property described in 2.c.;</li> <li>(7) Receipts for additional living expenses incurred;</li> <li>(8) Evidence or affidavit supporting a claim under the Credit Card, Fund Transfer Card, Forgery and Counterfeit Money coverage stating the amount and cause of loss.</li> </ol> </li> <li>Prepare an inventory of damaged personal property showing in detail, the quantity, description, <b>actual cash value</b> and amount of loss. Attach to the inventory all bills, receipts and related documents that justify the figures in the inventory;</li> </ol> <p>3. <b>Loss Settlement</b>. 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- actual cash value** of the damage until actual repair or replacement is completed.
- (5) You may disregard the replacement cost loss settlement provisions and make claim under this policy for loss or damage to buildings on an **actual cash value** basis and then make claim within 180 days after loss for any additional liability on a replacement cost basis.
4. **Loss to a Pair or Set.** In case of loss to a pair or set we may elect to:
- Repair or replace any part to restore the pair or set to its value before the loss; or
  - Pay the difference between **actual cash value** of the property before and after the loss.
5. **Glass Replacement.** Loss for damage to glass caused by a Peril Insured Against will be settled on the basis of replacement with safety glazing materials when required by ordinance or law.
6. **Appraisal.** If you and we fail to agree on the amount of a covered loss or any portion of a covered loss, either one can demand that the amount of the covered loss be set by appraisal. In this event, each party will choose a competent and impartial appraiser within 20 days after receiving a written request from the other. The two appraisers will choose a competent and impartial umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the state where the **residence premises** is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss.
- Each party will:
- Pay its own appraiser; and
  - Bear the other expenses of the appraisal and umpire equally.
- In no event shall appraisal be invoked if we fail to agree on what portion of the claim, if any, is covered by the policy.
7. **Other Insurance.** This insurance is excess over any other valid and collectible insurance except insurance written specifically to cover an excess over the limits of liability that apply in this policy.
8. **Suit Against Us.** No action shall be brought unless there has been compliance with the policy provisions and the action is started within one year after the date of loss or damage.
9. **Our Option.** If we give you written notice within 30 days after we receive your signed sworn proof of loss, we may repair or replace any part of the **property damaged** with equivalent property.
10. **Loss Payment.** We will adjust all losses with you. We will pay you unless some other person is named

- In the policy or is legally entitled to receive payment. Loss will be payable 30 days after we receive your proof of loss and:
- Reoccur an agreement with you; or
  - There is an entry of a final judgment; or
  - here is a filing of an appraisal award with us.
11. **Abandonment of Property.** We need not accept any property abandoned by an **insured**.
12. **Mortgage Clause.** The word "mortgage" includes trustee.
- If a mortgage is named in this policy, any loss payable under Coverage A or B shall be paid to the mortgagee and you, as interests appear. If more than one mortgagee is named, the order of payment shall be the same as the order of precedence of the mortgages.
- If we deny your claim, that denial shall not apply to a valid claim of the mortgagee, if the mortgagee:
- Notifies us of any change in ownership, occupancy or substantial change in risk of which the mortgagee is aware;
  - Pays any premium due under this policy prior to cancellation/expiration if you have neglected to pay the premium; and
  - Submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so. Policy conditions relating to Appraisal, Suit Against Us and Loss Payment apply to the mortgagee.
- If the policy is cancelled or not renewed by us, the mortgagee shall be notified at least 10 days before the date cancellation or non-renewal takes effect.
- If we pay the mortgagee for any loss and deny payment to you:
- We are subrogated to all the rights of the mortgagee granted under the mortgage on the property; or
  - At our option, we may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, we shall receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.
- Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.
13. **No Benefit to Bailee.** We will not recognize any assignment or grant any coverage for the benefit of any person or organization holding, storing or transporting property for a fee regardless of any other provision of this policy.
14. **Nuclear Hazard Clause.**
- "**Nuclear Hazard**" means any nuclear reaction, radiation, or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these.

- b. Loss caused by the **nuclear hazard** shall not be considered loss caused by fire, explosion, or smoke, whether these perils are specifically named in or otherwise included within the Perils Insured Against in Section I.
- c. This policy does not apply under Section I to loss caused directly or indirectly by **nuclear hazard**, except that direct loss by fire resulting from the **nuclear hazard** is covered.
15. **Volcanic Eruption Period.** One or more volcanic eruptions that occur within a 72-hour period will be considered as one volcanic eruption.
16. **Loss Deductible Clause.** With respect to loss to property covered under this policy, the deductible shall apply separately to each **occurrence**.
17. **Recovered Property.** If you or we recover any property for which we have made payment under this policy, you or we will notify the other of the recovery. At your option, the property will be returned to or retained by you or it will become our property. If the recovered property is returned to or retained by you, the loss payment will be adjusted based on the amount you received for the recovered property.

### SECTION II – LIABILITY COVERAGES

#### COVERAGE E – Personal Liability

If a claim is made or a suit is brought against an **insured** for damages because of **bodily injury** or **property damage** caused by an **occurrence** to which this coverage applies, we will:

- Pay up to our limit of liability for the damages for which the **insured** is legally liable; and
  - Provide a defense at our expense by counsel of our choice, even if the allegations are groundless, false or fraudulent. We may make any investigation and settle any claim or suit that we decide is appropriate.
- Our obligation to defend any claim or suit ends when the amount we pay for damages resulting from the **occurrence** equals our limit of liability.

#### COVERAGE F – Medical Payments To Others

We will pay the necessary medical expenses that are incurred or medically ascertained within three years from the date of an accident causing **bodily injury**. Medical expenses means reasonable charges for medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, prosthetic devices and funeral services. This coverage does not apply to you or regular residents of your household except **residence employees**. As to others, this coverage applies only:

- To a person on the **insured location** with the permission of an **insured**; or
- To a person off the **insured location**, if the **bodily injury**:
  - Arises out of a condition in the **insured location** or the ways immediately adjoining;
  - Is caused by the activities of an **insured**;
  - Is caused by a **residence employee** in the course of the **residence employee's** employment by an **insured**; or

- d. Is caused by an animal owned by or in the care of an **insured**.

### SECTION II – EXCLUSIONS

#### 1. Coverage E – Personal Liability and Coverage F – Medical Payments to Others do not apply to bodily injury or property damage:

- Which is expected or intended by an **insured**;
  - Arising out of the **business** pursuits of any **insured** including the rental or holding for rental of any part of any premises by any **insured**. This exclusion does not apply to:
    - Activities which are usual to non-**business** pursuits;
    - The rental or holding for rental of any **insured location**:
      - On an occasional basis if used only as a residence;
      - In part for use only as a residence, unless a single family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or
      - In part, as an office, school, studio or private garage;
    - Arising out of the rendering or failing to render professional services;
    - Arising out of a premises:
      - Owned by any **insured**;
      - Rented to any **insured**; or
      - Rented to others by any **insured**; that is not an **insured location**;
    - Arising out of:
      - Ownership, maintenance, use, loading or unloading of motor vehicles or all other motorized land conveyances, including any trailers, owned or operated by or rented or loaned to any **insured**;
      - Entrustment by any **insured** of a motor vehicle or any other motorized land conveyance to any person; or
      - Vicarious parental liability imposed by the statute for the actions of a child or minor using a conveyance excluded in paragraph (1) or (2) above.
- This exclusion does not apply to:**
- (1) A trailer not towed by or carried on a motorized land conveyance;
  - (2) A motorized land conveyance designed for recreational use off public roads, not subject to motor vehicle registration and:
    - Not owned by an **insured**; or
    - Owned by an **insured**, but only on an **insured location**;
  - (3) A motorized golf cart when used to play golf on a golf course;
  - (4) A motorized land conveyance designed for assisting handicapped or for the maintenance of an **insured location** which is:
    - Not designed for travel on public roads; and



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<p>(b) Not subject to motor vehicle registration;</p> <p>f. Arising out of:</p> <ol style="list-style-type: none"> <li>(1) The ownership, maintenance, use, loading or unloading of any watercraft, whether owned, rented or borrowed;</li> <li>(2) The entrustment by any <b>insured</b> of a watercraft to any person; or</li> <li>(3) Vicarious parental liability imposed by statute for the actions of a child or minor using any watercraft;</li> </ol> <p>g. Arising out of:</p> <ol style="list-style-type: none"> <li>(1) The ownership, maintenance, use, loading or unloading of an aircraft;</li> <li>(2) The entrustment by any <b>insured</b> of an aircraft to any person;</li> <li>(3) Vicarious parental liability imposed by statute for the actions of a child or minor using an aircraft.</li> </ol> <p>An aircraft means any contrivance used or designed for flight, except model or hobby aircraft not used or designed to carry people or cargo; Caused directly or indirectly by war, including undeclared war, civil war, insurrection, rebellion, revolution, warlike act by a military force or military personnel, destruction or seizure or use for a military purpose, and including any consequence of any of these. Discharge of a nuclear weapon will be deemed a warlike act even if accidental;</p> <p>i. Arising out of <b>Earth movement</b>. <b>Earth movement</b> includes any loss caused by, resulting from, contributed to, or aggravated by earthquake, including land shockwaves or tremors before, during or after a volcanic eruption, landslide, wind subsidence, mudflow, earth sinking, rising or shifting; or erosion; a volcanic blast or airborne shockwaves; ash, dust, or particulate matter, or lava flow. However, we insure ensuing direct loss due to fire or explosion unless another exclusion applies;</p> <p>j. Arising out of the transmission of disease by an <b>insured</b> through sexual contact;</p> <p>k. Arising out of sexual molestation, physical or mental abuse committed with an intent to cause harm;</p> <p>l. Arising out of assault, battery or any criminal acts by an <b>insured</b> or carried out at the instruction of an <b>insured</b>;</p> <p>m. Arising out of any contamination and/or pollution;</p> <p>This policy does not insure any loss, damage or expense, whether arising or resulting out of a liability, alleged liability, defense of the <b>insured</b>, or otherwise, caused by, resulting from, contributed to or made worse by:</p> <ol style="list-style-type: none"> <li>(1) Actual, alleged or threatened release, discharge, escape or dispersal of "pollutant(s)" (as defined hereinafter), all whether direct or indirect, proximate or remote, sudden, accidental or gradual;</li> </ol>	<p>(2) Any increase in loss, damage or expense arising out of the enforcement, direction or request of any governmental or civil authority regulating the test for, monitoring, prevention, control, removal, tearing down, demolition, disposal, treatment, decontamination, clean-up, containment, detoxification or neutralizing of "pollutant(s)", or the restoration, construction or replacement of property contaminated by a "pollutant(s)";</p> <p>(3) The clean-up or the removal of debris of "pollutant(s)"; or</p> <p>(4) Any fines, penalties, exemplary damages, punitive damages, or any other damages, awards or settlements adjudged against an <b>insured</b> by any civil or judicial body or board of arbitration, nor any sums which an <b>insured</b> shall voluntarily agree to pay to any third party(ies), nor any legal fees or other costs of defense of legal actions, claims, or proceedings and appeals therefrom.</p> <p>For the purpose of this insurance, "pollutant(s)" means any solid, liquid, gaseous or thermal irritant or contaminant substance, including but not limited to any smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste (whether recycled, reconditioned or reclaimed).</p> <p>Exclusions d, e, f, and g, do not apply to <b>bodily injury</b> to any <b>residence employee</b> arising out of and in the course of the <b>residence employee's</b> employment by an <b>insured</b>.</p> <p><b>Coverage E – Personal Liability</b> does not apply to:</p> <ol style="list-style-type: none"> <li>a. Liability: <ol style="list-style-type: none"> <li>(1) For your share of any loss assessment charged against all members of an association of property owners;</li> <li>(2) Under any other contract or agreement except those written contracts directly relating to the maintenance of the <b>insured location</b> not excluded in (1) above or elsewhere on this policy;</li> </ol> </li> <li>b. <b>Property damage</b> to property owned by any <b>insured</b>;</li> <li>c. <b>Property damage</b> to property rented to, occupied or used by or in the care of any <b>insured</b>. This exclusion does not apply to <b>property damage</b> caused by fire, smoke or explosion;</li> <li>d. <b>Bodily injury</b> to any person eligible to receive any benefits: <ol style="list-style-type: none"> <li>(1) Required to be provided; or</li> <li>(2) Voluntarily provided;</li> </ol> </li> <li>e. <b>Bodily injury</b> or <b>property damage</b> for which any <b>insured</b> under this policy: <ol style="list-style-type: none"> <li>(1) Is also any <b>insured</b> under a nuclear energy liability policy; or</li> </ol> </li> </ol>	<p>(2) Would be <b>insured</b> but for its termination upon exhaustion of its limit of liability.</p> <p>A nuclear energy liability policy is a policy issued by:</p> <ol style="list-style-type: none"> <li>(1) American Nuclear Insurers;</li> <li>(2) Mutual Atomic Energy Liability Underwriters;</li> <li>(3) Nuclear Insurance Association of Canada; or any of their successors;</li> </ol> <p><b>Bodily injury</b> to you and any <b>insured</b> within the meaning of part a, or b, of Definition 3 "insured" or</p> <p>g. Punitive or exemplary damages, regardless of any other provision of this policy.</p> <p><b>Coverage F – Medical Payments to Others</b>, does not apply to <b>bodily injury</b>:</p> <ol style="list-style-type: none"> <li>a. To a <b>residence employee</b> if the <b>bodily injury</b>: <ol style="list-style-type: none"> <li>(1) Occurs off the <b>insured location</b>, and</li> <li>(2) Does not arise out of or in the course of the <b>residence employee's</b> employment by any <b>insured</b>;</li> </ol> </li> <li>b. To any person eligible to receive benefits: <ol style="list-style-type: none"> <li>(1) Required to be provided; or</li> <li>(2) Voluntarily provided;</li> </ol> </li> <li>c. From any: <ol style="list-style-type: none"> <li>(1) Workers' or workmen's compensation law;</li> <li>(2) Non-occupational disability law; or</li> <li>(3) Occupational disease law;</li> </ol> </li> </ol> <p>d. From any: <ol style="list-style-type: none"> <li>(1) Nuclear reaction;</li> <li>(2) Nuclear radiation; or</li> <li>(3) Radioactive contamination;</li> </ol> </p> <p>e. all whether controlled or uncontrolled or how-ever caused; or</p> <p>(4) Any consequence of any of these; or</p> <p>To any person other than a <b>residence employee</b> of an <b>insured</b>, regularly residing on any part of the <b>insured location</b>.</p>	<p><b>SECTION II – ADDITIONAL COVERAGES</b></p> <p>We cover the following in addition to the limits of liability:</p> <ol style="list-style-type: none"> <li>1. <b>Claim Expenses</b>. We pay: <ol style="list-style-type: none"> <li>a. Expenses incurred by us and costs taxed against an <b>insured</b> in any suit we defend;</li> <li>b. Premiums on bonds required in a suit defended by us, but not for bond amounts greater than the limit of liability for Coverage E. We are not obligated to apply for or furnish any bond;</li> <li>c. Reasonable expenses incurred by an <b>insured</b> at our request, including actual loss of earnings (but not loss of other income) up to \$50 per day, for assisting us in the investigation or defense of any claim or suit;</li> <li>d. Interest on the entire judgment which accrues after entry of the judgment and before we pay or tender, or deposit in court that part of the judgment which does not exceed the limit of liability that applies;</li> <li>e. Prejudgment interest awarded against the <b>insured</b> on that part of the judgment we pay. If we make an offer to pay the applicable limit of</li> </ol> </li> </ol>
<p>liability, we will not pay any prejudgment interest based on that period of time after the offer.</p> <p><b>First Aid Expenses</b>. We will pay expenses for first aid to others incurred by an <b>insured</b> <b>bodily injury</b> covered under this policy. We will not pay for first aid to you or any other <b>insured</b>.</p> <p><b>Damage to Property of Others</b>. We will pay on a replacement cost basis up to \$500 per occurrence for <b>property damage</b> to property of others caused by an <b>insured</b>.</p> <p>We will not pay for <b>property damage</b>:</p> <ol style="list-style-type: none"> <li>To the extent of any amount recoverable under Section 1 of this policy;</li> <li>Caused intentionally by an <b>insured</b>;</li> <li>To property owned by or rented to an <b>insured</b>, a tenant of an <b>insured</b> or a resident in your household; or</li> <li>Arising out of: <ol style="list-style-type: none"> <li>(1) <b>Business</b> pursuits;</li> <li>(2) Any act or omission in connection with a premises owned, rented or controlled by an <b>insured</b>, other than the <b>insured location</b>; or</li> <li>(3) The ownership, maintenance, or use of aircraft, watercraft or motor vehicles or all other motorized land conveyances.</li> </ol> </li> </ol> <p><b>Loss Assessment</b>. We will pay up to \$1000 for your share of any loss assessment charged during the policy period against all unit owners by a corporation or association of property owners, when the assessment is made as a result of:</p> <ol style="list-style-type: none"> <li>a. Each <b>occurrence</b> to which Section II of this policy would apply;</li> <li>b. Liability for each act of a director, officer or trustee in the capacity as a director, officer or trustee, provided: <ol style="list-style-type: none"> <li>(1) The director, officer or trustee is elected by the members of a corporation or association of property owners; and</li> <li>(2) The director, officer or trustee serves without deriving any income from the exercise of duties which are solely on behalf of a corporation or association of property owners.</li> </ol> </li> </ol> <p>This coverage applies only to loss assessments charged against you as owner or tenant of the <b>residence premises</b>.</p> <p>We do not cover loss assessments charged against you or a corporation or association of property owners by any governmental body.</p> <p>Section II – Coverage E – Personal Liability Exclusion 2.a.(1) does not apply to this coverage.</p>	<p><b>SECTION II – CONDITIONS</b></p> <p>1. <b>Limit of Liability</b>. Regardless of the number of <b>insured</b>, claims made or persons injured, our total liability under Coverage E stated in this policy for all damages resulting from any one <b>occurrence</b> shall</p>	<p>liability, we will not pay any prejudgment interest based on that period of time after the offer.</p> <p><b>First Aid Expenses</b>. We will pay expenses for first aid to others incurred by an <b>insured</b> <b>bodily injury</b> covered under this policy. We will not pay for first aid to you or any other <b>insured</b>.</p> <p><b>Damage to Property of Others</b>. We will pay on a replacement cost basis up to \$500 per occurrence for <b>property damage</b> to property of others caused by an <b>insured</b>.</p> <p>We will not pay for <b>property damage</b>:</p> <ol style="list-style-type: none"> <li>To the extent of any amount recoverable under Section 1 of this policy;</li> <li>Caused intentionally by an <b>insured</b>;</li> <li>To property owned by or rented to an <b>insured</b>, a tenant of an <b>insured</b> or a resident in your household; or</li> <li>Arising out of: <ol style="list-style-type: none"> <li>(1) <b>Business</b> pursuits;</li> <li>(2) Any act or omission in connection with a premises owned, rented or controlled by an <b>insured</b>, other than the <b>insured location</b>; or</li> <li>(3) The ownership, maintenance, or use of aircraft, watercraft or motor vehicles or all other motorized land conveyances.</li> </ol> </li> </ol> <p><b>Loss Assessment</b>. We will pay up to \$1000 for your share of any loss assessment charged during the policy period against all unit owners by a corporation or association of property owners, when the assessment is made as a result of:</p> <ol style="list-style-type: none"> <li>a. Each <b>occurrence</b> to which Section II of this policy would apply;</li> <li>b. Liability for each act of a director, officer or trustee in the capacity as a director, officer or trustee, provided: <ol style="list-style-type: none"> <li>(1) The director, officer or trustee is elected by the members of a corporation or association of property owners; and</li> <li>(2) The director, officer or trustee serves without deriving any income from the exercise of duties which are solely on behalf of a corporation or association of property owners.</li> </ol> </li> </ol> <p>This coverage applies only to loss assessments charged against you as owner or tenant of the <b>residence premises</b>.</p> <p>We do not cover loss assessments charged against you or a corporation or association of property owners by any governmental body.</p> <p>Section II – Coverage E – Personal Liability Exclusion 2.a.(1) does not apply to this coverage.</p>	<p>liability, we will not pay any prejudgment interest based on that period of time after the offer.</p> <p><b>First Aid Expenses</b>. We will pay expenses for first aid to others incurred by an <b>insured</b> <b>bodily injury</b> covered under this policy. We will not pay for first aid to you or any other <b>insured</b>.</p> <p><b>Damage to Property of Others</b>. We will pay on a replacement cost basis up to \$500 per occurrence for <b>property damage</b> to property of others caused by an <b>insured</b>.</p> <p>We will not pay for <b>property damage</b>:</p> <ol style="list-style-type: none"> <li>To the extent of any amount recoverable under Section 1 of this policy;</li> <li>Caused intentionally by an <b>insured</b>;</li> <li>To property owned by or rented to an <b>insured</b>, a tenant of an <b>insured</b> or a resident in your household; or</li> <li>Arising out of: <ol style="list-style-type: none"> <li>(1) <b>Business</b> pursuits;</li> <li>(2) Any act or omission in connection with a premises owned, rented or controlled by an <b>insured</b>, other than the <b>insured location</b>; or</li> <li>(3) The ownership, maintenance, or use of aircraft, watercraft or motor vehicles or all other motorized land conveyances.</li> </ol> </li> </ol> <p><b>Loss Assessment</b>. We will pay up to \$1000 for your share of any loss assessment charged during the policy period against all unit owners by a corporation or association of property owners, when the assessment is made as a result of:</p> <ol style="list-style-type: none"> <li>a. Each <b>occurrence</b> to which Section II of this policy would apply;</li> <li>b. Liability for each act of a director, officer or trustee in the capacity as a director, officer or trustee, provided: <ol style="list-style-type: none"> <li>(1) The director, officer or trustee is elected by the members of a corporation or association of property owners; and</li> <li>(2) The director, officer or trustee serves without deriving any income from the exercise of duties which are solely on behalf of a corporation or association of property owners.</li> </ol> </li> </ol> <p>This coverage applies only to loss assessments charged against you as owner or tenant of the <b>residence premises</b>.</p> <p>We do not cover loss assessments charged against you or a corporation or association of property owners by any governmental body.</p> <p>Section II – Coverage E – Personal Liability Exclusion 2.a.(1) does not apply to this coverage.</p>

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not exceed the limit of liability for Coverage E stated in the Declarations.

5. **Severability of Insurance.** This insurance applies separately to each **insured**. This condition shall not increase our limit of liability for any one **occurrence**.
6. **Duties After Loss.** In case of an accident or **occurrence**, the **insured** shall perform the following duties that apply. You shall cooperate with us in seeing that these duties are performed:
  - a. Give written notice to us or our agent as soon as practicable, which sets forth:
    - (1) The identity of the policy and **insured**;
    - (2) Reasonably available information on the time, place and circumstances of the accident or **occurrence**; and
    - (3) Names and addresses of any claimants and witnesses;
  - b. Promptly forward to us every notice, demand, summons or other process relating to the accident or **occurrence**;
  - c. At our request, assist us in:
    - (1) Making settlement;
    - (2) The enforcement of any right of contribution or indemnity against any person or organization who may be liable to an **insured**;
    - (3) The conduct of suits and attend hearings and trials;
    - (4) Securing and giving evidence and obtaining the attendance of witnesses;
  - d. Under the coverage – Damage to Property of Others – submit to us within 60 days after the loss, a sworn statement of loss and exhibit the damaged property, if within the **insured's** control;
  - e. The **insured** shall not, except at the **insured's** own cost, voluntarily make payment, assume any obligation or incur expense other than for first aid to others at the time of the **bodily injury**;
7. **Duties of an Injured Person – Coverage F – Medical Payments to Others.**  
The injured person or someone acting for the injured person will:
  - a. Give us written proof of claim, under oath if required, as soon as is practicable;
  - b. Execute authorization to allow us to obtain copies of medical reports and records; and
  - c. The injured person shall submit to physical examination by a physician selected by us when and as often as we reasonably require.
8. **Payments to Others – Coverage F – Medical Payments to Others.** Payment under this coverage is not an admission of liability by an **insured** or us.
9. **Suit Against Us.** No action shall be brought against us unless there has been compliance with the policy provisions. No one shall have any right to join us as

a party to any action against an **insured**. Further, no action with respect to Coverage E shall be brought against us until the obligation of the **insured** has been determined by final judgment or agreement signed by us.

10. **Bankruptcy of an Insured.** Bankruptcy or insolvency of an **insured** shall not relieve us of any of our obligations under this policy.
11. **Other Insurance – Coverage E – Personal Liability.** This insurance is excess over any other valid and collectible insurance except insurance written specifically to cover an excess over the limits of liability that apply in this policy.
12. **As often as we reasonably require:**
  - a. Provide us with records and documents we request and permit us to make copies; and
  - b. Submit to examination under oath and subscribe the same.

**SECTION I AND II – CONDITIONS**

1. **Policy Period.** The effective time of this policy is 12:01 A.M. standard date shown in the Declarations. With our consent, this policy may be renewed for successive policy periods if the renewal premium for rules and forms then in effect is paid and accepted before the end of the current policy period.

This policy applies only to loss under Section I or **bodily injury** or **property damage** under Section II, which occurs during the policy period.

13. **Concealment or Fraud.** The entire policy will be void if whether before or after a loss, an **insured** has:
  - a. Intentionally concealed or misrepresented any material fact or circumstance;
  - b. Engaged in fraudulent conduct; or
  - c. Made false statements;
 relating to this insurance or any claim thereunder.

14. **Liberalization Clause.** If we adopt any revision which would broaden the coverage under this policy without additional premium within 60 days prior to or during the policy period, the broadened coverage will immediately apply to this policy.

15. **Waiver or Change of Policy Provisions.** A waiver or change of a provision of this policy must be in writing by us to be valid. Our request for an appraisal or examination shall not waive any of our rights.

16. **Cancellation.**  
a. You may cancel this policy at any time by returning it to us or notifying us in writing of the date cancellation is to take effect.  
b. We may cancel this policy only for the reasons stated below by notifying you in writing of the date cancellation takes effect. This cancellation notice may be delivered to you or mailed to you at your mailing address shown in the Declarations.

Proof of mailing shall be sufficient proof of notice.

(1) When you have not paid the premium, whether payable to us or to our agent or under any finance or credit plan, we may cancel at any time by notifying you at least 10 days before the date cancellation takes effect.

(2) When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason by notifying you at least 10 days before the date cancellation takes effect.

(3) When this policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel if there has been:

- (a) Conviction of a crime having as one of its necessary elements an act increasing the hazards insured against; or
  - (b) Discovery of fraud or material misrepresentation; or
  - (c) Discovery of grossly negligent acts or omissions substantially increasing any of the hazards insured against; or
  - (d) Physical changes in the property insured against which result in the property becoming uninsurable.
- This can be done by notifying you at least 30 days before the date cancellation takes effect.

(4) When this policy is written for a period longer than one year, we may cancel for any reason at anniversary by notifying you at least 45 days before the date cancellation takes effect.

c. When this policy is cancelled, the premium for the period from the date of cancellation to the expiration date will be refunded *pro rata*.

d. If, when we cancel this policy, the return premium is not refunded with the notice of cancellation, we will refund it within 25 days after the date cancellation takes effect. However, our failure to refund the premium will not affect the cancellation. If, when you cancel this policy, the return premium is not refunded when this policy is returned to us, we will refund it within a reasonable time after the date cancellation takes effect.

17. **Non-Renewal.** We may elect not to renew this policy. We may do so by delivering to you or mailing to you at your mailing address shown in the Declarations, written notice at least 45 days before the expiration date of this policy. Proof of mailing shall be sufficient proof of notice.

18. **Assignment.** Assignment of this policy will not be valid unless we give our written consent.

19. **Subrogation.** An **insured** may waive in writing before a loss all rights of recovery against any person. If not waived, we may require an assignment of rights of recovery for a loss to the extent that payment is made by us.

If an assignment is sought, an **insured** shall sign and deliver all related papers and cooperate with us in any reasonable manner.

Subrogation does not apply under Section II to Medical Payments to Others or Damage to Property of Others.

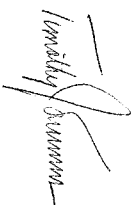
20. **Death.** If any person named in the Declarations or the spouse, if a resident of the same household, dies:

- a. We insure the legal representative of the deceased but only with respect to the premises and property of the deceased covered under the policy at the time of death;
- b. **Insured** also includes:
  - (1) Any member of your household who is an **insured** at the time of your death, but only while a resident of the **residence premises**; and
  - (2) With respect to your property, the person having proper temporary custody of the property until appointment and qualification of a legal representative.

21. **Conformity to Statutes.** If the provision of this policy are in conflict with the statutes of the state in which the **residence premises** is located, the provisions are amended to conform to such statutes.



Michael J. McGraw  
PRESIDENT



Timothy J. Summers  
SECRETARY

# Pacific Specialty Insurance Company GEORGIA PROPERTY ENDORSEMENTS

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## ENDORSEMENT No. PM1-GA-HO (Ed. 1) Georgia Amendatory Endorsement for HO-3, HO-4, and HO-6 Policies

### THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.

This endorsement is mandatory. It applies to all HO-3, HO-4, and HO-6 policies issued in Georgia.

also covered by other insurance, we will pay only the proportion of the loss that the limit of liability that applies under this policy bears to the total amount of insurance covering the loss.

Concealment or Fraud.

The **Concealment or Fraud** provisions of your policy, found in the **SECTION I & II CONDITIONS** section, item 2, are hereby replaced with the following:

2. **Concealment or Fraud.** No recovery will be allowed under the policy if, whether discovered before or after a loss, **you** misrepresent, omit, conceal facts, or make incorrect statements meeting one of the following conditions.
  - a. Are fraudulent.
  - b. Are material either to the acceptance of the risk or to the hazard assumed by us.
  - c. If the true facts had been known to us as required by the application for the policy, we would not in good faith have either issued the policy or would not have issued the policy in as large an amount or at the premium rate as applied for or would not have provided coverage with respect to the hazard resulting in the loss.

Cancellation

The **Cancellation** provision of your policy, found in the **SECTION I & II CONDITIONS** section, item 5, is hereby replaced with the following:

5. **Cancellation.**
  - a. **You** may cancel this policy at any time by returning it to **us** or notifying **us** in writing of the date cancellation is to take effect.
    - 1) If only **your** interest is affected by the cancellation of this policy, cancellation will become effective on:
      - a) the date on which **we** receive either the returned policy or **your** written request for cancellation; or
      - b) the date specified in **your** written request for cancellation; whichever is later. **We** can waive the requirement that **you** provide **us** with a future date of cancellation by giving **you** written confirmation of the date and time of cancellation.
    - 2) If this policy cannot be cancelled unless notice is given to a governmental agency, mortgagee, or other third party, **we** will mail or deliver the required notice to the third party's address of record at least ten days before cancellation is effective. Cancellation will become effective:
      - a) ten days after **our** notice is mailed or delivered; or
      - b) on the date specified in **your** written request for cancellation; whichever is later.

- b. **We** may cancel this policy only for the reasons stated below by notifying **you** in writing of the date cancellation takes effect. This cancellation notice may be delivered to **you** or mailed to **you** at **your** mailing address shown in the Declarations. Proof of mailing shall be sufficient proof of notice. **Our** notice will include the reason(s) for cancellation.
  - (1) When **you** have not paid the premium, whether payable to **us** or to **our** agent or under any finance or credit plan, **we** may cancel at any time by notifying **you** at least 10 days before the date cancellation takes effect.
  - (2) When this policy has been in effect for less than 60 days and is not a renewal with **us**, **we** may cancel for any reason by notifying **you** at least 10 days before the date cancellation takes effect.
  - (3) When this policy has been in effect for 60 days or more, or at any time if it is a renewal with **us**, **we** may cancel if there has been:
    - (a) Conviction of a crime having as one of its necessary elements an act increasing the hazards insured against; or
    - (b) Discovery of fraud or material misrepresentation; or
    - (c) Discovery of grossly negligent acts or omissions substantially increasing any of the hazards insured against; or
    - (d) Physical changes in the property insured against which result in the property becoming uninsurable. This can be done by notifying **you** at least 30 days before the date cancellation takes effect.
  - (4) When this policy is written for a period longer than one year, **we** may cancel for any reason at anniversary by notifying **you** at least 45 days before the date cancellation takes effect.

- c. When this policy is cancelled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata. It will be refunded to **you** with the cancellation notice or sent to **you** or **your** authorized agent on or before the policy expiration date.

Non-Renewal

The **Non-Renewal** provision of your policy, found in the **SECTION I & II CONDITIONS** section, item 6, is hereby replaced with the following:

6. **Non-Renewal.** **We** may elect not to renew this policy. **We** may do so by delivering to **you** or mailing to **you** at **your** mailing address shown in the Declarations, written notice at least 45 days before the expiration date of this policy. Proof of

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mailing shall be sufficient proof of notice. "Our" notice will include the reason(s) non-renewal.  
Suit Against Us

**The Suit Against Us** provision of your policy, found in the **SECTION I & II CONDITIONS** section, item 6, is hereby replaced with the following.

8. **Suit Against Us.** No action shall be brought unless there has been compliance with the policy provisions and the action is started within two years after the date of loss or damage.

All other terms and conditions of the policy remain unchanged. This includes all endorsements.

**ENDORSEMENT No. PM2 (Ed. 1)  
Animal Liability Exclusion**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

It is understood and agreed that your policy is amended as follows.

1. **LIABILITY COVERAGE**

We shall not pay any sum that the insured shall become legally obligated to pay as damages because of bodily injury or property damage caused by or originating from any animal owned by, or in the care of, custody or control of the insured, or any member of the insured's family or household.

2. **MEDICAL PAYMENT COVERAGE**

We shall not pay any medical expenses at any time, to persons while on the insured's premises, with or without the permission of the insured, or while elsewhere, if such medical expense is caused by or results from any bodily injury caused by, or resulting from any animal owned by, or in the care of, custody or control of the insured, or any member of the insured's family or household.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM3 (Ed. 1)  
Occupancy Endorsement  
(Primary Residence Only)**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

It is a condition of this policy that any vacancy or unoccupancy of the described dwelling after the inception date of this policy must be reported to the Company. The terms "vacant" or "unoccupied" mean that you have not slept overnight in the dwelling for a period of sixty (60) consecutive days.

It is understood and agreed that the Company shall not be liable for loss occurring while a described dwelling that is

intended for occupancy by the owner as a primary residence is vacant or unoccupied beyond a period of sixty consecutive days. However, coverage remains in effect during this period under Perils 1A (Fire or Lightning), 3 (Windstorm or Hail), 7 (Smoke) and 8 (Volcanic Eruption).

All other terms and conditions of this policy remain unchanged.

**ENDORSEMENT No. PM4 (Ed. 1)  
Satellite Dish Exclusion**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

This policy does not provide any coverage loss or damage to a satellite dish, antennas, or their components, including mounting hardware.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM5 (Ed. 1)  
Roof for Fire and Lightning Only  
Endorsement**

It is agreed that the roof on your Dwelling is only covered for losses caused by fire and lightning. It is further agreed that there is no coverage for interior damage if such damage is due to the failure of the roof, unless such failure is caused by fire or lightning.

**ENDORSEMENT No. PM6 (Ed. 2)  
Water Damage Exclusion for Plumbing**

It is agreed that the insured dwelling's plumbing system is constructed, in whole or in part, from material other than copper, or galvanized steel or polyvinyl chloride (PVC), chemically cross-linked polyethylene. This does not include any of the following.

- a) Plumbing outside the dwelling.
- b) Drain pipes.
- c) Sprinkler irrigation systems.
- d) Gas pipes.

In the event a claim is made resulting from the failure of the dwelling's plumbing system, including the failure of polybutylene (PB) or other

plastic plumbing, no coverage will be afforded under this policy.

**ENDORSEMENT No. PM7 (Ed. 1)  
Copper Plumbing Agreement**

It is agreed that the insured dwelling's plumbing system is constructed from copper plumbing. This does not include plumbing outside the dwelling, drain pipes, sprinkler irrigation systems, or gas pipes.

In the event a claim is made resulting from a non-copper plumbing system failure, no coverage will be afforded under this policy.

**ENDORSEMENT No. PM9-GA (Ed. 1)  
Mold Limitation Endorsement**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

**LIMITED COVERAGE FOR MOLD POLLUTANTS.**

This policy does not provide coverage for any loss, damage, cost, claim, expense, bodily injury, property damage, medical payments or any other coverage under this policy arising from or in any way involving, directly or indirectly:

- a. Mold.
- b. Fungi.
- c. Mildew.
- d. Spores.
- e. Wet or dry rot.
- f. Bacteria.
- g. Protists.
- h. A chemical, matter, or a compound produced or released by such mold, fungi, mildew, spores, wet or dry rot, bacteria, protists.
- i. Any other similar organism, strain or derivative.

These coverages are subject to all of the terms of the policy, except as amended by this endorsement.

**LIMITED WET ROT, DRY ROT, BACTERIA, FUNGI, AND PROTIST'S COVERAGES**

**Definitions.**

1. **Mold Pollutants:**

- a. Wet rot.
- b. Dry rot.
- c. A bacterium.
- d. A fungus, including mildew or mold.
- e. A protist.
- f. A chemical, matter, or a compound produced or released by such wet rot, dry rot, bacterium, fungus, or protist.
- g. Any other similar organism, strain or derivative.

2. **Remediation:**

- a. Any remediation of mold, including the cost or expense to:
  - (1) remove the mold from covered property or to repair, restore or replace that property.
  - (2) contain, treat, detoxify, neutralize or dispose of or in any way respond to or assess the effect of the mold.
- b. The cost of any necessary testing or monitoring of air or property to confirm the type, absence, presence or level of mold, whether performed prior to, during or after removal, repair, restoration or replacement of covered property.

1. **PROPERTY COVERAGES.**

A. **Insuring Agreement**

We pay for direct physical loss to property covered under Coverages A, B, C, or, if provided by this policy, the Incidental Property Coverage for improvements caused by **mold pollutants** when the presence of any **mold pollutants**, whether collectively or any one item, is the direct result of any covered peril. All reasonable means must be used to save and preserve the property at and after the time of loss.

However, all consequential damage and subsequent cost arising from **mold pollutants** and its **remediation**, meaning any loss caused directly or indirectly by **mold pollutants** regardless of any other cause or event contributing concurrently or in any sequence to the loss, will be subject to the Aggregate Property Limit (herein "APL") of this endorsement unless the proximate covered cause of loss is the peril of fire or lightning.

This coverage does not otherwise increase any coverage limits shown in the declarations of this policy.

B. **Property Exclusions.**

1. This coverage does not apply to damage caused by or consisting of **mold pollutants** that results directly or indirectly from the following.
  - a. Discharge or overflow.
  - b. Caused by continuous or repeated seepage or leakage unless hidden or unknown to the insured.
  - c. From a sump, sump pump, or related equipment.
  - d. That comes from off the insured premises.
  - e. Caused by freezing while the residence is vacant, unoccupied, or under construction and

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unoccupied, unless you have taken reasonable care to:

- (1) Maintain heat in the dwelling.
- (2) Shut off the liquid supply and drain the system, heater, or domestic appliance.

2. A peril that is not covered under the terms of this policy.

**C. Limits of Liability.**

**Aggregate Property Limit.**  
The APL of this endorsement is the most we pay for **remediation** regardless of the number of occurrences, claims or assessments made, or locations insured under this policy. The APL of this endorsement is the most that we pay for each consecutive annual policy period and for any remaining period of less than twelve months, beginning with the inception date of this policy as shown on the declarations. If however, the policy period is extended for an additional period of less than twelve months, this additional period will be considered part of the preceding period for the purpose of determining the APL of this endorsement.

The APL is the greater of \$5,000 or 5% of the Coverage A (Dwelling) limit, and is subject to a per-occurrence deductible of \$250. Restoration of Limits under How Much We Pay For Loss Or Claim does not apply.

**II. COVERAGE L LIABILITY COVERAGE.**  
**COVERAGE M MEDICAL EXPENSES COVERAGE.**

**A. Insuring Agreement.**

Subject to the Aggregate Liability Limit (herein "ALL") of this endorsement, we pay for bodily injury or property damage that results from ingestion of, inhalation of, physical contact with, or exposure to  **mold pollutants**.

**B.** Except for claims adjustment expense and any litigation costs incurred thereunder, any coverage provided under these Incidental Liability Coverages for bodily injury, property damage, damages, or legal fees arising from ingestion of, inhalation of, physical contact with, or exposure to  **mold pollutants** is subject to the ALL of this endorsement.

**C. Limits of Liability.**

**Aggregate Liability Limit.**  
The ALL of this endorsement, as shown on the declarations, is the most we pay for loss for each occurrence covered under this endorsement. This applies regardless of the number of:

- a. Persons insured under this policy.
- b. Parties who sustain injury or damage.
- c. Claims made or suits brought.

Subject to the ALL of this endorsement, the amount shown on the declarations per person for Coverage M is the most we pay for all medical expenses payable for bodily injury to one person as the result of one occurrence covered under this endorsement.

Any per occurrence limit shown on the declarations for Coverage M does not apply with respect to this endorsement. Payment under Coverage M will not be deemed an admission of liability under Coverage L.

Our total limit of liability in any one policy year will not exceed the ALL of this endorsement, regardless of the number of:

- a. Occurrences.
- b. Insureds.
- c. Claims made or suits brought.
- d. Persons injured.
- e. Assessments made.

However, this ALL does not apply to coverage provided under Claims and Defense Cost under the Incidental Liability Coverages.

The ALL of this endorsement, is the most that we pay for each consecutive annual policy period and for any remaining period of less than twelve months, beginning with the inception date of this policy as shown on the declarations. If however, the policy period is extended for an additional period of less than twelve months, this additional period will be considered part of the preceding period for the purpose of determining the ALL of this endorsement.

The ALL is \$50,000. Restoration of Limits under How Much We Pay For Loss Or Claim does not apply.

**ENDORSEMENT No. PM11 (Ed. 2)**  
**Increased Deductible For Loss or Damage Caused by Tenants**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

It is understood and agreed that if a loss occurs due to an insured peril which is caused by a deliberate act, or is a result of the abuse of the property by a present or past tenant of the property, then that loss is considered to be a "Tenant Caused Loss."

We will only be liable for that portion of a Tenant Caused Loss that exceeds \$2,500.00, up to the limits of the policy as stated on the policy declarations page. However, if a policy deductible of \$5,000.00 is stated on the policy declarations page, then we will only be liable for that portion of a Tenant Caused Loss that exceeds \$5,000.00, up to the limits of the policy as stated on the policy declarations page.

This endorsement does not extend or expand the perils insured under this policy.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM18 (Ed. 1)**  
**Trampoline Exclusion**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

This policy does not provide any coverage for any:

- a. loss,
  - b. damage,
  - c. cost,
  - d. claim,
  - e. expense,
  - f. "bodily injury,"
  - g. "property damage," or
  - h. medical payments
- arising from or in any way involving, directly or indirectly, a trampoline, regardless of cause.

We shall have no duty to investigate, defend, or indemnify any claim or "suit" seeking such damages.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM19 (Ed. 1)**  
**Swimming Pool Diving Board and Slide Exclusion**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

This policy does not provide any coverage for any:

- a. loss,
  - b. damage,
  - c. cost,
  - d. claim,
  - e. "bodily injury,"
  - f. "property damage," or
  - g. medical payments
- arising from or in any way involving, directly or indirectly, a swimming pool diving board, slide or similar structure, regardless of cause.

We shall have no duty to investigate, defend, or indemnify any claim or "suit" seeking such damages.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM20 (Ed. 1)**  
**Inflation Guard**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

The limit of liability shown on the Declarations page of the policy for the insured dwelling (Coverage A) may be increased by 0.25% of the amount shown on the Declarations page at the end of each month after the

effective date of the policy. If no change has been made on a monthly basis, the Coverage A limit may be increased by 3.00% of the amount shown on the Declarations page in the event a notice offering to renew the policy for another annual term is issued.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM21 (Ed. 1)**  
**Unit-Owners Rental to Others**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

For an additional premium, this coverage applies while the "residence premises" is regularly rented or held for rental to others.

**SECTION I**

Under Coverage C – Personal Property, Property Not Covered, Item 6, is deleted and replaced by the following:

6. Property contained in an apartment, other than the "residence premises," regularly rented or held for rental by others by an "insured";

In the peril of Theft Exclusion C, "from that part of a "residence premises" rented by an "insured" to other than an "insured," is deleted.

We do not cover loss caused by theft from the "residence premises" of:

- a. Money, bank notes, bullion, gold, goldware, gold-plated ware, silver, silverware, silver-plated ware, pewterware, platinum, coins and medals;
- b. Securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, personal records, passports, tickets and stamps regardless of the medium (such as paper or computer software) on which the material exists, or jewelry, watches, furs, precious and semiprecious stones.

**SECTION II**

Exclusion 1.c. of Coverage E – Personal Liability and Coverage F – Medical Payments to Others is deleted and replaced by the following:

- C. Arising out of the rental or holding for rental any part of any premises by an "insured." This exclusion does not apply to the rental or holding for rental of the "residence premises";

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM22 (Ed. 1)**  
**Preferred Tier Endorsement**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

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This endorsement is applied to all Preferred Tier policies. Placement in the Preferred Tier is reflected on the policy Declarations page. This endorsement enhances some of the Section I (Property) coverage afforded by your policy. Please read it carefully.

### Section I – Coverage C (Personal Property)

The Special Limits of Liability in the policy are doubled, unless otherwise increased through the purchase of additional optional coverage. The Special Limits are increased as follows:

1. Special Limits of \$100 in the policy are increased to \$200.
2. Special Limits of \$250 in the policy are increased to \$500.
3. Special Limits of \$500 in the policy are increased to \$1,000.
4. Special Limits of \$1,000 in the policy are increased to \$2,000, and
5. Special Limits of \$2,000 in the policy are increased to \$4,000.

### Section I – Exclusions

Exclusions 1.a.(1) and 1.a.(2) relating to ordinance or law requirements are deleted. Loss for damage by a Peril Insured Against to covered property, or the building containing the covered property, will be settled on the basis of any ordinance or law that regulates the construction, repair or demolition of the property or building.

### Section I – Conditions

The loss settlement provisions of the policy for Coverage C are changed to provide coverage on a replacement cost basis. Loss of personal property covered under Coverage C of the policy will be settled on a replacement cost basis, and in accordance with the following provisions:

1. "Replacement cost" means the cost to repair or replace the property with new property of equivalent kind and quality to the extent practical, without deduction for depreciation.
2. The replacement cost terms set forth in this endorsement apply to the following covered property:
  - a. Coverage C – Personal Property,
  - b. appliances and window air conditioners,
  - c. carpets and window coverings,
  - d. awnings and canopies and
  - e. antennas.
3. The replacement cost terms set forth in this endorsement do not apply to the following property:
  - a. articles of art or rarity that cannot be duplicated,
  - b. memorabilia, souvenirs, collector's items, and similar items whose age or history contribute to its value,
  - c. items not maintained in good or workable condition, or
  - d. items that are outdated or obsolete and are stored or not being used.

4. **Loss Settlement.** Subject to the terms shown in the Conditions – Loss Settlement portion of this policy and the terms of this endorsement, we settle losses according to the Replacement Cost Terms. If the Replacement Cost Terms do not apply, we settle losses according to the Actual Cash Value Terms.

a. Replacement Cost Terms

(1) We pay the smallest of the following amounts for each covered item:

- (a) the replacement cost of the property as defined in this endorsement;
- (b) the amount computed after any special limitation in this policy has been applied to the loss; or
- (c) for loss to property covered under Coverage C, subject to the Coverage C limit.

(2) When the replacement cost for each occurrence is more than \$500, we do not pay for more than the actual cash value of the loss until actual repair or replacement is completed. You may make a claim for the actual cash value amount of the loss before repairs are made or replacement is completed. A claim for any additional amount payable under this provision must be made within six months after the loss.

b. Actual Cash Value Terms – Actual cash value includes a deduction for depreciation, however caused.

(1) The Actual Cash Value Terms apply to all property not subject to the Replacement Value Terms.

(2) The smaller of the following amounts is used in applying the terms under our limit:

- (a) the cost to repair or replace the property with materials of like kind and quality to the extent practical, or
- (b) the actual cash value of the property at the time of loss.

5. The coverage provided by this endorsement does not increase our limit.

All other terms and conditions of the policy remain unchanged. Please read your policy.

### ENDORSEMENT NO. P04 (Ed. 1) Extended Replacement Cost Coverage

#### THIS ENDORSEMENT AMENDS YOUR POLICY. PLEASE READ IT CAREFULLY.

In the event of a covered loss to your home, we will pay to repair or replace the damaged or destroyed dwelling with like or equivalent construction, up to 20% over the policy's limits of liability. Your policy will specify whether you must actually repair or replace the damaged or destroyed dwelling in order to recover extended replacement costs. The amount of recovery

will be reduced by any deductible you have agreed to pay.

To be eligible to recover extended replacement cost coverage, you must insure the dwelling to its full replacement cost at the time the policy is issued, with possible periodic increases in the amount of coverage to adjust for inflation. You must also notify us about any alterations that increase the value of the insured dwelling by a certain amount (see your policy for that amount).

All other terms and conditions remain unchanged.

### ENDORSEMENT NO. P05-HO (Ed. 1) Replacement Cost Coverage for Personal Property

It is agreed that, for the additional premium noted on the declarations of this policy, that the loss settlement provisions of the policy relating to losses of personal property covered under Coverage C of the policy are to be settled on a replacement cost basis and in accordance with the following provisions:

6. "Replacement cost" means the cost to repair or replace the property with new property of equivalent kind and quality to the extent practical, without deduction for depreciation.

7. The replacement cost terms set forth in this endorsement apply to the following covered property:

- a. Coverage C – Personal Property,
- b. appliances and window air conditioners,
- c. carpets and window coverings,
- d. awnings and canopies, and
- e. antennas.

8. The replacement cost terms set forth in this endorsement do not apply to the following property:

- a. articles of art or rarity that cannot be duplicated;
- b. memorabilia, souvenirs, collector's items, and similar items whose age or history contribute to its value;
- c. items not maintained in good or workable condition, or
- d. items that are outdated or obsolete and are stored or not being used.

9. Under the Section I - Conditions of the policy, loss settlement terms, Item 3, are deleted and replaced by the following with respect to the property that is subject to the terms of this endorsement:

10. **Loss Settlement.** Subject to the terms shown in the Conditions – Loss Settlement portion of this policy and the terms of this endorsement, we settle losses according to the Replacement Cost Terms. If the Replacement Cost Terms do not apply, we settle losses according to the Actual Cash Value Terms.

- a. Replacement Cost Terms
  - (1) We pay the smallest of the following amounts for each covered item:

(a) the replacement cost of the property as defined in this endorsement;

(b) the amount computed after any special limitation in this policy has been applied to the loss; or

(c) for loss to property covered under Coverage C, subject to the Coverage C limit.

(2) When the replacement cost for each occurrence is more than \$500, we do not pay for more than the actual cash value of the loss until actual repair or replacement is completed. You may make a claim for the actual cash value amount of the loss before repairs are made or replacement is completed. A claim for any additional amount payable under this provision must be made within six months after the loss.

b. Actual Cash Value Terms – Actual cash value includes a deduction for depreciation, however caused.

(1) The Actual Cash Value Terms apply to all property not subject to the Replacement Value Terms.

(2) The smaller of the following amounts is used in applying the terms under our limit:

- (a) the cost to repair or replace the property with materials of like kind and quality to the extent practical; or
- (b) the actual cash value of the property at the time of loss.

11. The coverage provided by this endorsement does not increase our limit. All other terms, conditions and exclusions of the policy apply.

### ENDORSEMENT NO. P06 (Ed. 1) Scheduled Personal Property

#### THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.

For an additional premium, we cover the classes of personal property indicated by an amount of insurance. This coverage is subject to the DEFINITIONS, SECTION I – CONDITIONS, SECTIONS I AND II CONDITIONS, and all provisions of this endorsement. The Section I deductible as shown on the Declarations does not apply to this coverage.

#### THE FOLLOWING SCHEDULE OF ITEMS WILL APPEAR ON THE DECLARATIONS:

Class of Personal Property	Amount of Insurance Premium	Premium
1. Each class of property to be listed individually here.	Declared Amount	\$ Charge Insured

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No. List of Individual Items Scheduled for Each Class of Personal Property  
 1 First item scheduled for first class of property.

Value  
 \$ Amount

**ENDORSEMENT No. PO8 (Ed. 2)  
Personal Injury Coverage**

**This endorsement changes your policy. Please read it carefully.**

For an additional premium, under Coverage E – Personal Liability, the definition of “bodily injury” is amended to include personal injury.

- “Personal injury” means injury arising out of one or more of the following offenses.
1. False arrest, detention or imprisonment, or malicious prosecution;
  2. Libel, slander or defamation of character; or
  3. Invasion of privacy, wrongful eviction or wrongful entry.

“Personal injury” does not mean false arrest, false imprisonment, wrongful eviction, wrongful entry, wrongful detention, malicious prosecution, misrepresentation, libel, slander, defamation of character, or invasion of privacy that arises out of:

1. communicable disease; or
2. the actual, alleged, or threatened sexual molestation of a person;

Section II Exclusions do not apply to personal injury. Personal injury does not include any of the following.

1. Liability assumed by the “insured” under any contract or agreement. This does not include any indemnity obligations assumed by the “insured” under a written contract directly relating to the ownership, the maintenance or the use of the premises.
2. Injury caused by a violation of a penal law or ordinance committed by or with the knowledge or consent of an “insured.”
3. Injury sustained by any person as a result of an offense directly or indirectly related to the employment of this person by the “insured.”
4. Injury arising out of or in connection with a “business” engaged in by an “insured.” This exclusion applies, but is not limited to, an act or omission, regardless of its nature or circumstance, involving a service or duty that is rendered, that is promised, that is owed or that is implied to be provided because of the nature of the “business.”
5. Civic or public activities performed for pay by an “insured.”
6. Injury to you or an “insured” within the meaning of part a. or b. of “insured” as defined.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PO9 (Ed. 2)  
Premises Burglary or Fire Alarm System Agreement**

**This endorsement changes your policy. Please read it carefully.**

For a premium credit, we acknowledge the installation of a burglary alarm system or a fire alarm system, or both, approved by us on the **residence premises**. You agree to maintain this system in working order and to notify us promptly of any change made to the system or if it is removed. A fire alarm system includes an automatic sprinkler system.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PO10 (Ed. 1)  
Exclusion of Cosmetic Damage to Hail Resistant Roof**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

The following Section I Exclusion is added to the policy:

We do not cover cosmetic loss or damage to roof coverings caused by the peril of hail.

Cosmetic loss or damage means only that damage that alters the physical appearance of the roof covering, but does not result in damage that allows the penetration of water through the roof covering or does not result in the failure of the roof covering to perform its intended function, to keep out elements over an extended period of time.

We do cover hail damage to roof coverings that results in damage that will allow the penetration of water through the roof covering or that results in the failure of the roof covering to perform its intended function, to keep out elements over an extended period of time.

Roof covering means the roofing material exposed to the weather, the underlayments applied for moisture protection, and all flashings required in the replacement of a roof covering.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PO14 (Ed. 1)  
Limited Animal Liability Coverage**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

For additional premium, this policy provides limited coverage for liability arising from animals. This coverage is limited to the amount of coverage indicated on the policy declarations page. However,

this coverage does not apply, at any time, regardless of cause, to farm animals, or exotic or unusual pets (such as horses, cows, goats, sheep, snakes, etc.) This coverage also does not apply, at any time, regardless of cause, to any of the following dogs:

- i. Pit Bulls;
- j. Doberman Pinsers;
- k. Rottweilers;
- l. German Shepherds;
- m. Chows;
- n. Akitas;
- o. Bull Mastiffs; or
- p. Stafford Shire Terriers.

This coverage is also not extended to any dog that is a mixed breed that includes any of the above, or to any dog known by breed to be vicious or with a previous bite history.

We shall have no duty to defend or indemnify any claim or “suit” seeking such damages excluded herein.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PO16 (Ed. 1)  
Ordinance or Law Coverage**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

For an additional premium, exclusions 1.a.(1) and 1.a.(2) in Section I of your policy, relating to ordinance or law requirements, are deleted. With this endorsement, loss for damage by a Peril Insured Against to covered property, or the building containing the covered property, will be settled on the basis of any ordinance or law that regulates the construction, repair or demolition of this property.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PO17 (Ed. 1)  
Increased Unscheduled Jewelry and Silverware Limits**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

This endorsement changes items 8 and 9 in your Special Limits of Liability (SLL). The SLL’s are in Section I, Coverage C (Personal Property) of your policy.

Items 8 and 9 in the Coverage C SLL are deleted and replaced with the following.

8. \$3,000 for loss by theft of jewelry, watches, furs, precious and semi-precious stones.
9. \$3,000 for loss by theft of silverware, goldware, pewter, and platinum, including:
  - a. Silver or gold-plated ware, plateware, flatware, hollowware, tea sets, trays, trophies and the like;
  - b. Other utilitarian items made of or including silver, gold, pewter or platinum.

No other SLL’s are altered by this endorsement. All other terms and conditions of the policy remain unchanged. Please read your policy.

**ENDORSEMENT No. PO18 (Ed. 1)  
Increased Unscheduled Computer Equipment Limit**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

This endorsement changes item 11 in your Special Limits of Liability (SLL). The SLL’s are in Section I, Coverage C (Personal Property) of your policy.

Item 11 in the Coverage C SLL is deleted and replaced with the following.

11. \$3,000 on computers and electronic data processing equipment.

No other SLL’s are altered by this endorsement.

All other terms and conditions of the policy remain unchanged. Please read your policy.

**ENDORSEMENT No. PO19 (Ed. 1)  
Home Freezer Contents Coverage**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

We will pay up to \$500 for loss to covered property stored in a freezer or refrigerator stored on the insured premises. This coverage is additional insurance. No deductible applies to this coverage.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PO25 (Ed. 1)  
LOSS ASSESSMENT COVERAGE**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

For an additional premium the limit of liability for SECTION I and SECTION II loss assessment will be the amount that appears on the declarations page for this coverage. No deductible will apply.

All other provisions of this policy apply.

**ENDORSEMENT No. PO28 (Ed. 1)  
Increased Unscheduled Property Used in Business (On Premises)**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

This endorsement changes item 2 in your Special Limits of Liability (SLL). The SLL’s are in Section I, Coverage C (Personal Property) of your policy.

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Item 2 in the Coverage C SLL is deleted and replaced with the following:

2. \$3,000 on property on the premises used at any time or in any manner for any business purpose.

No other SLL's are altered by this endorsement.

All other terms and conditions of the policy remain unchanged. Please read your policy.

### ENDORSEMENT NO. PO29 (ED. 1) Scheduled Personal Property Coverage

#### THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.

(The information that identifies the property covered by this endorsement and the corresponding "limits" will be shown on a separate schedule.)

#### PROPERTY COVERAGES

##### PRINCIPAL PROPERTY COVERAGES

"We" cover the classes of personal property for which a "limit" is shown on the schedule that applies to this endorsement. This coverage is subject to all policy "terms" that apply to property coverage unless amended by this endorsement.

#### ADDITIONAL PROPERTY COVERAGES

1. **Newly Acquired Fine Arts** – If fine arts are covered by this endorsement, "we" cover additional fine arts that "you" acquire during the policy period. "You" must provide us with a complete description of each item within 90 days of the date "you" acquire it and pay the additional premium.  
"We" cover these items for their actual cash value. The most that "we" pay for all such items is 25% of the "limit" shown for fine arts.

2. This coverage applies for 90 days from the date "you" acquire the property or until "you" report the newly acquired property to "us", whichever occurs first. This coverage does not extend past the end of the policy period.

##### Newly Acquired Jewelry, Furs, Musical Instruments, and Cameras and Related Equipment

– If jewelry, furs, musical instruments, or cameras and related equipment are covered by this endorsement, "we" cover additional jewelry, furs, musical instruments, or cameras and related equipment that "you" acquire during the policy period. "We" cover only those newly acquired items that belong to a class of property already covered by this endorsement. "You" must provide "us" with a complete description of each item within 30 days of the date "you" acquire it and pay the additional premium.

"We" cover these items for their actual cash value. The most that "we" pay for all such items will be the smaller of the following:

- a. 25% of the "limit" shown for the class of property to which the item belongs; or
- b. \$10,000 for each class.

This coverage applies for 30 days from the date "you" acquire the property or until "you" report the newly acquired property to "us", whichever occurs first. This coverage does not extend past the end of the policy period.

#### PROPERTY NOT COVERED

"We" do not cover:

1. coins or stamps while they are shipped by mail. However, "we" do cover these items when they are shipped by registered mail;
2. coins or stamps while they are in the custody of a common carrier, unless the full value of these items has been declared to the carrier;
3. coins or stamps that are not part of a collection. However, "we" do cover these items if they are individually scheduled;
4. fine arts that are on display at fairs/grounds or at a national or international exposition unless these locations are shown for this coverage; or
5. golfers' equipment that is held for sale.

#### PERILS INSURED AGAINST

The Perils Insured Against provision is deleted and replaced by the following with respect to the property covered by this endorsement:

Except for golf balls, "we" cover direct physical loss to covered property unless the loss is caused by a peril that is excluded. The loss must be due to an external cause.

"We" cover direct physical loss to golf balls caused by fire or burglary.

#### PERILS EXCLUDED

The Exclusions That Apply to Property Coverages are deleted and replaced by the following with respect to the property covered by this endorsement:

1. The following exclusions apply to all covered property.
  - a. "We" do not pay for loss if one or more of the following exclusions apply to the loss, regardless of other causes or events that contribute to or aggravate the loss, whether such causes or events act to produce the loss before, at the same time as, or after the excluded causes or events.
    - 1) **War** – "We" do not pay for loss caused by or that results from war.
 

This means:

      - (a) declared war, undeclared war, civil war, insurrection, rebellion, or revolution;

(b) a warlike act by a military force or by military personnel;

(c) the destruction, seizure, or use of the property for a military purpose;

(d) the discharge of a nuclear weapon even if it is accidental.

2) **Civil Authority** – "We" do not pay for loss that results from order of civil authority. This means:

- (a) seizure or destruction under quarantine or customs regulations;
- (b) risks of contraband or illegal transportation or trade; or
- (c) confiscation or destruction by order of a government or public authority.

"We" do pay for loss which results from acts of a civil authority to prevent the spread of fire.

3) **Nuclear Hazard** – "We" do not pay for loss which results from nuclear reaction, nuclear radiation, or radioactive contamination (whether controlled or uncontrolled; whether caused by, contributed to, or aggravated by a peril insured against; and whether caused by natural, accidental, or artificial means). Loss caused by nuclear hazard is not considered loss caused by fire, explosion, or smoke. Direct loss by fire resulting from the nuclear hazard is covered.

b. "We" do not pay for a loss that results from and which is confined to the following perils:

- 1) normal wear and tear of covered property;
- 2) gradual deterioration of covered property;
- 3) hidden or latent defect of covered property;
- 4) a quality, fault, or weakness in covered property that causes it to damage or destroy itself; or
- 5) insect or vermin damage to covered property.

2. The following additional exclusions apply only to the indicated classes of property.

- a. **Bicycles** – "We" do not pay for loss caused by or that results from:
  - 1) corrosion or rust; or
  - 2) the actual work on or handling of the bicycles or a process to repair, adjust, service, or maintain them.

b. **Coins or Stamps** – "We" do not pay for loss caused by or that result from:

- 1) the mysterious disappearance of individual coins or stamps from a collection. "We" do cover loss caused by this peril if the item is:
  - a) described on the schedule; or
  - b) mounted in a volume and if the page to which the item is attached is also missing;

2) theft from an unattended vehicle. "We" do cover theft from an unattended

vehicle while the coins or stamps are being shipped as registered mail;

3) dampness;

4) extremes of temperature;

5) fading, creasing, scratching, denting, tearing, or thinning;

6) transfer of colors; or

7) the handling of or working on the coins or stamps.

c. **Fine Arts** – "We" do not pay for loss or damage caused by or that results from:

- 1) a process to repair, retouch, restore, adjust, service, or maintain the covered fine arts. If a fire or explosion results, however, "we" do cover the loss caused by the fire or explosion, or
- 2) breakage of art glass windows, statuary, marble, glassware, bric-a-brac, porcelain, or similar fragile items. However, "we" do cover breakage if it is caused by fire, lightning, windstorm, hail, earth movement, sinkhole collapse, volcanic action, flood, explosion, sonic boom, smoke, aircraft, spacecraft, self-propelled missiles, falling objects, vehicles, including an accident to a transporting vehicle, strike, riot, civil commotion, vandalism, theft, attempted theft, sprinkler leakage, weight of ice, sleet or snow, or the collapse of a building or structure.

#### HOW MUCH WE PAY FOR LOSS OR CLAIM

1. With respect to the property covered by this endorsement, the Deductible provision is deleted.
2. With respect to the property covered by this endorsement, the Loss Settlement Terms are deleted and replaced by:

**Loss Settlement Terms** – "We" settle covered property losses as follows:

- a. **Fine Arts** – "We" pay the "limit" shown for each scheduled article which is agreed to be the value of the article. In case of loss to a pair or set, "we" pay the full "limit" of the pair or set as shown on the schedule, and "you" agree to surrender the remaining article or articles of the pair or set to "us".
- b. **Postage Stamps or Rare and Current Coin Collections** – In case of loss or damage to any scheduled item, the amount payable will be determined in accordance with item 2.c. Other Property, below.

When coins or stamps are covered on a blanket basis, "we" pay the cash market value at the time of loss but no more than \$1,000 on any unscheduled coin collection nor more than \$250 for any one stamp, coin, or individual article or any one pair, strip, block, series sheet, cover frame, or card. "We" will not pay a greater proportion of any loss on blanket property than the "limit" shown on the schedule for the blanket



**Pacific Specialty Insurance Company  
GEORGIA PROPERTY ENDORSEMENTS**

GA-HO3/4/6-END (Ed.3.0)

property bears to the cash market value at the time of loss.

c. **Other Property** – Unless otherwise stated in this endorsement, the value of the covered property is not agreed upon but will be determined at the time of loss or damage. "We" pay the least of the following amounts:

- 1) the actual cash value of the property at the time of loss;
- 2) the amount for which the property could reasonably be expected to be repaired or replaced (to the extent practical) with property substantially identical to the property lost or damaged;
- 3) an amount not greater than the "insured's" interest in the property; or
- 4) the applicable "limit".

3. With respect to the property covered by this endorsement, Loss to a Pair or Set is deleted and replaced by:

**Loss To A Pair Or Set** – In case of a loss to a pair or set, "we" may elect to:

- a. repair or replace any part to restore the pair or set, to its value before the loss; or
- b. pay the difference in the actual cash value of the pair or set just before the loss and the actual cash value just after the loss.

This provision does not apply to fine arts.

4. With respect to the property covered by this endorsement, Loss to Parts is deleted and replaced by:

**Loss To Parts** – If there is a loss to a part of an item that consists of several parts when it is complete, "we" pay only for the value of the lost or damaged part or the cost to repair or replace it.

This provision does not apply to fine arts.  
5. With respect to the property covered by this endorsement, Restoration of Limits is deleted and replaced by:

**Restoration of Limits** – The "limit" under this endorsement will not be reduced, except for a total loss of a scheduled article. If a claim is paid for total loss of a scheduled article, the unearned premium applicable to the lost article will be refunded to "you" or applied to the premium due on articles replacing those on which the claim was paid.

**CONDITIONS APPLICABLE TO PROPERTY COVERAGES ONLY**

The following condition is added with respect to the property covered by this endorsement.

**Territory Where Coverage Applies** –

- a. **Fine Arts** – Coverage applies only while the property is in the United States, its territories or possessions, Canada, or Puerto Rico.
- b. **All Other Property** – Coverage applies while the property is anywhere in the world.

**ENDORSEMENT No. PO33 (Ed.1)**

**Earthquake Coverage for HO-3, HO-4 and HO-6 Policies**

**THIS ENDORSEMENT CHANGES YOUR POLICY  
PLEASE READ IT CAREFULLY.**

For an additional premium, we insure for direct physical loss to property covered under Section 1 caused by earthquake including land shock waves or tremors before, during or after a volcanic eruption.

1. One or more earthquake shocks that occur within a seventy-two (72) hour period constitute a single earthquake.
2. The following is the only deductible that applies to each loss caused by earthquake.

We will pay only that part of the loss which is more than 10% of the total amount of insurance that applies. This deductible will apply separately to loss under Coverage A – Dwelling, Coverage B – Other Structures, and Coverage C – Personal Property. This deductible amount will not be less than \$1000 in any one loss.

**Special Exclusions**

1. We do not cover loss resulting directly or indirectly from flood of any nature or tidal wave, whether caused by, resulting from, contributed to or aggravated by an earthquake.
2. We do not cover loss to exterior masonry veneer. The value of exterior masonry veneer will be deducted before applying the deductible clause. For the purpose of this exclusion, stucco is not considered masonry veneer.

The Section 1 – Earth Movement exclusion does not apply to loss caused by earthquake including land shock waves or tremors before, during, or after a volcanic eruption.

All other provisions of this policy apply.

**ENDORSEMENT No. PO36 (Ed. 1)**

**Earthquake Loss Assessment Coverage**

**THIS ENDORSEMENT CHANGES YOUR POLICY.  
PLEASE READ IT CAREFULLY.**

**Section 1 – Your Property Coverages**

**Your Additional Coverages**

Earthquake Loss Assessment is added as follows:

**Loss Assessment.** We will pay the actual, reasonable and necessary cost for your share of any loss assessment charged against all members of an association of property owners if the assessment is made as a result of direct loss to the property collectively owned by all members caused by an earthquake, or land shock waves or tremors before, during or after a volcanic eruption.

This coverage applies only to assessments made against you as the owner of your premises for earthquake losses which occur during the Policy Period shown on the Declarations Page.

**Section 1**

**Amount of Insurance.**

We will pay up to \$10,000 with respect to any one earthquake loss (One or more earthquake shocks that occur within a seventy-two (72) hour period constitute a single earthquake), regardless of the number of assessments made. No deductible will apply.

A \$500 deductible applies to this coverage.

All other provisions of your policy apply.

**ENDORSEMENT No. PO38 (Ed. 1)**

**Townhouse or Row House Firewall Limit**

**THIS ENDORSEMENT CHANGES YOUR POLICY.  
PLEASE READ IT CAREFULLY.**

A "firewall" is defined as a passive fire protection system that serves as a barrier between individual family units. The firewall must have a fire resistance rating of either one-hour or that meets applicable building codes, whichever is greater.

It is understood and agreed that, as a condition of your policy, a firewall must separate each individual family unit within the building where the insured dwelling is located. If no firewall is present between each unit, all coverage for loss or damage due to fire or smoke is limited to a total of \$50,000. This special limit applies regardless of the total limit or limits stated on the policy declarations page for all coverages that apply to the loss.

All other terms and conditions of the policy remain unchanged.

**POLICY SERVICE**  
**NOTE: You MUST refer to your policy number when asking for information.**

**Pacific Specialty Insurance Company**

P.O. Box 40  
Anaheim, CA 92815-0040  
(714) 998-2190  
(800) 303-5000  
(714) 998-3158 Fax

3601 Haven Avenue  
Menlo Park, CA 94025-1010  
(650) 780-4800  
(800) 828-3003

**FOR REPORTING OF CLAIMS:**  
Please Call:

**800-962-1172**

**POLICY NUMBER MUST ACCOMPANY  
CLAIM REPORT AND ALL  
CORRESPONDENCE**

**Pacific Specialty Insurance Company  
GEORGIA UNIT-OWNERS POLICY**

GA-H06-POL (Ed. 2.0)

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3. "Business" includes trade, profession or occupation.	4
4. "Insured" means you or residents of your household who are:	4
a. Your relatives; or	4
b. Other persons under the age of 21 and in the care of any person named above.	4
c. With respect to animals or watercraft to which this policy applies, any person or organization legally responsible for these animals or watercraft which are owned by you or any person included in 4a or 4b above. A person or organization using or having custody of these animals or watercraft in the course of any business or without consent of the owner is not an insured.	4
d. With respect to any vehicle to which this policy applies:	4
(1) Persons while engaged in your employ or that of any person included in 4a or 4b above; or	4
(2) Other persons using the vehicle on an insured location with your consent.	4
5. "Insured location" means:	4
a. The residence premises:	4
b. The part of other premises, other structures and grounds used by you as a residence; and	4
(1) Which is shown in the Declarations; or	4
(2) Which is acquired by you during the policy period for your use as a residence;	4
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6. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions, which results, during the policy period, in:	4
a. Bodily injury; or	4
b. Property damage.	4
7. "Property damage" means physical injury to, destruction of, or loss of use of tangible property.	4
8. "Residence employee" means:	4
a. An employee of an insured whose duties are related to the maintenance or use of the residence premises, including household or domestic services; or	4
b. One who performs similar duties elsewhere not related to the business of an insured.	4
9. "Residence premises" means the unit where you reside shown as the residence premises in the Declarations.	4

SECTION I - PROPERTY COVERAGES	
COVERAGE A - Dwellings	
We cover:	
1. The alterations, appliances, fixtures and improvements which are part of the building contained within the residence premises;	
2. Items of real property which pertain exclusively to the residence premises;	
3. Property which is your insurance responsibility under a corporation or association of property owners agreement; or	
4. Structures owned solely by you, other than the residence premises, at the location of the residence premises.	
This coverage does not apply to land, including land on which the residence premises, real property or structures are located.	
We do not cover:	
1. Structures used in whole or in part for business purposes; or	
2. Structures rented or held for rental to any person not a tenant of the residence premises, unless used solely as a private garage.	
COVERAGE C - Personal Property	
We cover personal property owned or used by an insured while it is anywhere in the world. At your request, we will cover personal property owned by:	
1. Others while the property is on the part of the residence premises occupied by an insured;	
2. A guest or a residence employee, while the property is in any residence occupied by an insured.	
Our limit of liability for personal property usually located at an insured's residence, other than the residence premises, is 10% of the limit of liability for Coverage C, or \$1000, whichever is greater. Personal property in a newly acquired principal residence is not subject to this limitation for the 30 days from the time you begin to move the property there.	
Special Limits of Liability. These limits do not increase the Coverage C limit of liability. The special limit for each following numbered category is the total limit for each loss for all property in that numbered category.	
1. \$100 on money, numismatic property, bank notes, silverware, gold other than goldware, silver other than silverware, platinum, coins and medals	
2. \$500 on property, on the residence premises, used at any time or in any manner for any business purpose	
3. \$250 on property, away from the residence premises, used at any time or in any manner for any business purpose	
4. \$500 on securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, personal records, passports, tickets and stamps. This dollar limit applies to these categories regardless of the medium (such as paper or computer software) on which the material exists. This limit includes cost to research, replace or restore the information from the lost or damaged material.	

# Pacific Specialty Insurance Company GEORGIA UNIT-OWNERS POLICY

<p>5. \$500 on watercraft, including their trailers, furnishings, equipment and outboard engines or motors.</p> <p>6. \$500 on trailers not used with watercraft.</p> <p>7. \$500 on grave markers.</p> <p>8. \$500 for loss by theft of jewelry, watches, furs, precious and semi-precious stones.</p> <p>9. \$500 for loss by theft of silverware, goldware, pewter, and platinum, including:</p> <ol style="list-style-type: none"> <li>a. Silver or gold-plated ware, plateware, flatware, hollowware, tea sets, trays, trophies and the like;</li> <li>b. Other utilitarian items made of or including silver, gold, pewter or platinum.</li> </ol> <p>10. \$500 for loss by theft of firearms.</p> <p>11. \$500 on computers and electronic data processing equipment.</p> <p>12. \$500 on antiques, fine arts, paintings and similar items of rarity, antiquity or irreplaceability, memorabilia, souvenirs, collectible items of every kind, including but not limited to baseball and other card collections and similar articles whose age or collectible demand contributes to their value.</p> <p>13. \$500 on loss by theft of rugs, carpets, or other woven or knit floor coverings or wall hanging.</p> <p>14. \$500 on all photographic and video equipment, including but not limited to cameras, dark room equipment, video recorders, players, editors, and related equipment.</p> <p>15. \$500 on all glassware and crystal, including:</p> <ol style="list-style-type: none"> <li>a. Decanters, goblets, tea sets, trays, trophies and the like;</li> <li>b. Other utilitarian items made of or including crystal.</li> </ol> <p>16. \$500 for loss to electronic apparatus, while not in or upon a motor vehicle or other motorized land conveyance, if the electronic apparatus is designed to be operated solely by power from the electrical system of the vehicle or conveyance. Electronic apparatus includes:</p> <ol style="list-style-type: none"> <li>a. Accessories or antennas;</li> <li>b. Any device or instrument for the transmitting, recording, receiving or reproduction of sound or picture; or</li> <li>c. Tapes, wires, records, discs or other media for use with any electronic apparatus.</li> </ol> <p>17. \$1,000 on musical instruments.</p> <p>18. \$2,000 on tools.</p> <p><b>Property Not Covered.</b> We do not cover:</p> <ol style="list-style-type: none"> <li>1. Articles separately described and specifically insured in this or other insurance;</li> <li>2. Animals, birds or fish;</li> <li>3. Motor vehicles or all other motorized land conveyances. This includes:             <ol style="list-style-type: none"> <li>a. Their equipment and accessories; or</li> <li>b. Electronic apparatus that is designed to be operated solely by power from the electrical system of motor vehicles or all other motorized land conveyances. Electronic apparatus includes:                 <ol style="list-style-type: none"> <li>(1) Accessories or antennas;</li> <li>(2) Any device or instrument for the transmitting, recording, receiving or reproduction of sound or picture; or</li> </ol> </li> </ol> </li> </ol>	<p>(3) Tapes, wires, records, discs or other media for use with any electronic apparatus.</p> <p>The exclusion of property described in 3.a. and 3.b. above applies only while the property is in or upon the vehicle or conveyance.</p> <p>We do cover vehicles or conveyances not subject to motor vehicle registration which are:</p> <ol style="list-style-type: none"> <li>a. Used to service an insured's residence; or</li> <li>b. Designed for assisting the handicapped;</li> </ol> <p>Aircraft and parts. Aircraft means any contrivance used or designed for flight, except model or hobby aircraft not used or designed to carry people or cargo;</p> <p>Property of roomers, boarders and other tenants, except property of roomers and boarders related to an insured;</p> <p>Property in an apartment regularly rented or held for rental to other by an insured;</p> <p>Property rented or held for rental to others off the "residence premises;"</p> <p><b>Business data</b>, including such data stored in:</p> <ol style="list-style-type: none"> <li>a. Books of account, drawings or other paper records; or</li> <li>b. Electronic data processing tapes, wires, records, discs or other software media.</li> </ol> <p>However, we do cover the cost of blank recording or storage media, and of pre-recorded computer programs available on the retail market; or</p> <p>Credit cards or fund transfer cards except as provided in Additional Coverages 6.</p> <p><b>COVERAGE D – Loss of Use</b></p> <p>The limit of liability for Coverage D is the total limit for all the coverages that follow.</p> <ol style="list-style-type: none"> <li>1. If a loss by a Peril Insured Against under this policy to covered property or the building containing the property, makes the <b>residence premises</b> not fit to live in, we cover, at your choice, either of the following. However, if the <b>residence premises</b> is not your principal place of residence, we will not provide the option under paragraph b. below.             <ol style="list-style-type: none"> <li>a. Additional Living Expense, meaning any necessary increase in living expenses incurred by you so that your household can maintain its normal standard of living; or</li> <li>b. Fair Rental Value, meaning the fair rental value of that part of the <b>residence premises</b> where you reside less any expenses that do not continue while the premises is not fit to live in.</li> </ol> </li> </ol> <p>Payment under a. or b. will be for the shortest time required to repair or replace the damage or, if you permanently relocate, the shortest time required for your household to settle elsewhere.</p> <ol style="list-style-type: none"> <li>2. If a loss covered under this Section makes that part of the <b>residence premises</b> rented to others or held for rental by you less any expenses that do not continue while the premises is not fit to live in. Payment will be for the shortest time required to repair or replace that part of the premises rented or held for rental.</li> <li>3. <b>residence premises</b> as a result of direct damage to</li> </ol>	<p>neighboring premises by a Peril Insured Against in this policy, we cover the Additional Living Expense and Fair Rental Value loss as provided under 1. and 2. above for no more than two weeks.</p> <p>The periods of time under 1., 2. and 3. above are not limited by the expiration of this policy.</p> <p>We do not cover loss or expense due to cancellation of a lease or agreement.</p> <p><b>ADDITIONAL COVERAGES</b></p> <ol style="list-style-type: none"> <li>1. <b>Debris Removal.</b> We will pay your reasonable expense for the removal of:             <ol style="list-style-type: none"> <li>a. Debris of covered property if a Peril Insured Against that applies to the damaged property causes the loss; or</li> <li>b. Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.</li> </ol> </li> </ol> <p>This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit of liability is available for debris removal expense. We will also pay your reasonable expense, up to \$500, for the removal from the <b>residence premises</b> of:</p> <ol style="list-style-type: none"> <li>a. Your tree(s) felled by the peril of Windstorm or Hail;</li> <li>b. Your tree(s) felled by the peril of Weight of Ice, Snow or Sleet; or</li> <li>c. A neighbor's tree(s) felled by a Peril Insured Against under Coverage C;</li> </ol> <p>provided the tree(s) damages a covered structure.</p> <p>The \$500 limit is the most we will pay in any one loss regardless of the number of fallen trees.</p> <ol style="list-style-type: none"> <li>2. <b>Reasonable Repairs.</b> In the event that covered property is damaged by an applicable Peril Insured Against, we will pay the reasonable cost incurred by you for necessary measures taken solely to protect against further damage. If the measures taken involve repair to other damaged property, we will pay for those measures only if that property is covered under this policy and the damage to that property is caused by an applicable Peril Insured Against.</li> </ol> <p>This coverage:</p> <ol style="list-style-type: none"> <li>a. Does not increase the limit of liability that applies to the covered property;</li> <li>b. Does not relieve you of your duties, in case of a loss to covered property, as set forth in SECTION 1 – CONDITION 2.d.</li> </ol> <ol style="list-style-type: none"> <li>3. <b>Trees, Shrubs and Other Plants.</b> We cover trees, shrubs, plants or lawns, on the <b>residence premises</b>, for loss caused by the following Perils Insured Against: Fire or lightning, Explosion, Riot or civil commotion, Aircraft, Vehicles not owned or operated by a resident of the <b>residence premises</b>, Vandalism or malicious mischief or Theft.</li> </ol> <p>We will pay up to 10% of the limit of liability that applies to Coverage C for all trees, shrubs, plants or lawns. No more than \$500 of this limit will be available for any one tree, shrub or plant. We do not cover property grown for <b>business</b> purposes.</p> <p>This coverage is additional insurance.</p>
<p>4. <b>Fire Department Service Charge.</b> We will pay up to \$500 for your liability assumed by contract or agreement for fire department charges incurred when the fire department is called to save or protect covered property from a Peril Insured Against. We do not cover fire department service charges if the property is located within the limits of the city, municipality or protection district furnishing the fire department response.</p> <p>This coverage is additional insurance. No deductible applies to this coverage.</p> <ol style="list-style-type: none"> <li>5. <b>Property Removed.</b> We insure covered property against direct loss from any cause while being removed from a premises endangered by a Peril Insured Against and for no more than 30 days while removed. This coverage does not change the limit of liability that applies to the property being removed.</li> </ol> <ol style="list-style-type: none"> <li>6. <b>Credit Card, Fund Transfer Card, Forgery and Counterfeit Money.</b> We will pay up to \$500 for:             <ol style="list-style-type: none"> <li>a. The legal obligation of an insured to pay credit cards issued to or registered in an insured's name;</li> <li>b. Loss resulting from theft or unauthorized use of a fund transfer card used for deposit, withdrawal or transfer of funds, issued to or registered in an insured's name;</li> <li>c. Loss to an insured caused by forgery or alteration of any check or negotiable instrument; and</li> <li>d. Loss to an insured through acceptance in good faith of counterfeit United States or Canadian paper currency.</li> </ol> </li> </ol> <p>We do not cover use of a credit card or fund transfer card:</p> <ol style="list-style-type: none"> <li>a. By a resident of your household;</li> <li>b. By a person who has been entrusted with either type of card; or</li> <li>c. If an insured has not complied with all terms and conditions under which the cards are issued.</li> </ol> <p>All loss resulting from a series of acts committed by any one person or in which any one person is concerned or implicated is considered to be one loss.</p> <p>We do not cover loss arising out of <b>business</b> use or dishonesty of an insured.</p> <p>This coverage is additional insurance. No deductible applies to this coverage.</p> <p>Defense:</p> <ol style="list-style-type: none"> <li>a. That we investigate and settle any claim or suit that we decide is appropriate. Our duty to defend a claim or suit ends when the amount we pay for the loss equals our limit of liability.</li> <li>b. If a suit is brought against an insured for liability under the Credit Card or Fund Transfer Card coverage, we will provide a defense at our expense by counsel of our choice.</li> <li>c. We have the option to defend at our expense an insured or an insured's bank against any suit for the enforcement of payment under the Forgery coverage.</li> </ol>	<p>4. neighboring premises by a Peril Insured Against in this policy, we cover the Additional Living Expense and Fair Rental Value loss as provided under 1. and 2. above for no more than two weeks.</p> <p>The periods of time under 1., 2. and 3. above are not limited by the expiration of this policy.</p> <p>We do not cover loss or expense due to cancellation of a lease or agreement.</p> <p><b>ADDITIONAL COVERAGES</b></p> <ol style="list-style-type: none"> <li>1. <b>Debris Removal.</b> We will pay your reasonable expense for the removal of:             <ol style="list-style-type: none"> <li>a. Debris of covered property if a Peril Insured Against that applies to the damaged property causes the loss; or</li> <li>b. Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.</li> </ol> </li> </ol> <p>This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit of liability is available for debris removal expense. We will also pay your reasonable expense, up to \$500, for the removal from the <b>residence premises</b> of:</p> <ol style="list-style-type: none"> <li>a. Your tree(s) felled by the peril of Windstorm or Hail;</li> <li>b. Your tree(s) felled by the peril of Weight of Ice, Snow or Sleet; or</li> <li>c. A neighbor's tree(s) felled by a Peril Insured Against under Coverage C;</li> </ol> <p>provided the tree(s) damages a covered structure.</p> <p>The \$500 limit is the most we will pay in any one loss regardless of the number of fallen trees.</p> <ol style="list-style-type: none"> <li>2. <b>Reasonable Repairs.</b> In the event that covered property is damaged by an applicable Peril Insured Against, we will pay the reasonable cost incurred by you for necessary measures taken solely to protect against further damage. If the measures taken involve repair to other damaged property, we will pay for those measures only if that property is covered under this policy and the damage to that property is caused by an applicable Peril Insured Against.</li> </ol> <p>This coverage:</p> <ol style="list-style-type: none"> <li>a. Does not increase the limit of liability that applies to the covered property;</li> <li>b. Does not relieve you of your duties, in case of a loss to covered property, as set forth in SECTION 1 – CONDITION 2.d.</li> </ol> <ol style="list-style-type: none"> <li>3. <b>Trees, Shrubs and Other Plants.</b> We cover trees, shrubs, plants or lawns, on the <b>residence premises</b>, for loss caused by the following Perils Insured Against: Fire or lightning, Explosion, Riot or civil commotion, Aircraft, Vehicles not owned or operated by a resident of the <b>residence premises</b>, Vandalism or malicious mischief or Theft.</li> </ol> <p>We will pay up to 10% of the limit of liability that applies to Coverage C for all trees, shrubs, plants or lawns. No more than \$500 of this limit will be available for any one tree, shrub or plant. We do not cover property grown for <b>business</b> purposes.</p> <p>This coverage is additional insurance.</p>	<p>4. <b>Fire Department Service Charge.</b> We will pay up to \$500 for your liability assumed by contract or agreement for fire department charges incurred when the fire department is called to save or protect covered property from a Peril Insured Against. We do not cover fire department service charges if the property is located within the limits of the city, municipality or protection district furnishing the fire department response.</p> <p>This coverage is additional insurance. No deductible applies to this coverage.</p> <ol style="list-style-type: none"> <li>5. <b>Property Removed.</b> We insure covered property against direct loss from any cause while being removed from a premises endangered by a Peril Insured Against and for no more than 30 days while removed. This coverage does not change the limit of liability that applies to the property being removed.</li> </ol> <ol style="list-style-type: none"> <li>6. <b>Credit Card, Fund Transfer Card, Forgery and Counterfeit Money.</b> We will pay up to \$500 for:             <ol style="list-style-type: none"> <li>a. The legal obligation of an insured to pay credit cards issued to or registered in an insured's name;</li> <li>b. Loss resulting from theft or unauthorized use of a fund transfer card used for deposit, withdrawal or transfer of funds, issued to or registered in an insured's name;</li> <li>c. Loss to an insured caused by forgery or alteration of any check or negotiable instrument; and</li> <li>d. Loss to an insured through acceptance in good faith of counterfeit United States or Canadian paper currency.</li> </ol> </li> </ol> <p>We do not cover use of a credit card or fund transfer card:</p> <ol style="list-style-type: none"> <li>a. By a resident of your household;</li> <li>b. By a person who has been entrusted with either type of card; or</li> <li>c. If an insured has not complied with all terms and conditions under which the cards are issued.</li> </ol> <p>All loss resulting from a series of acts committed by any one person or in which any one person is concerned or implicated is considered to be one loss.</p> <p>We do not cover loss arising out of <b>business</b> use or dishonesty of an insured.</p> <p>This coverage is additional insurance. No deductible applies to this coverage.</p> <p>Defense:</p> <ol style="list-style-type: none"> <li>a. That we investigate and settle any claim or suit that we decide is appropriate. Our duty to defend a claim or suit ends when the amount we pay for the loss equals our limit of liability.</li> <li>b. If a suit is brought against an insured for liability under the Credit Card or Fund Transfer Card coverage, we will provide a defense at our expense by counsel of our choice.</li> <li>c. We have the option to defend at our expense an insured or an insured's bank against any suit for the enforcement of payment under the Forgery coverage.</li> </ol>

**Pacific Specialty Insurance Company  
GEORGIA UNIT-OWNERS POLICY**

GA-H06-POL (Ed.2.0)

<p><b>7. Loss Assessment.</b> We will pay up to \$1000 for your share of any loss assessment charged during the policy period against you by a corporation or association of property owners, when the assessment is made as a result of direct loss to the property, owned by all members collectively, caused by a Peril Insured Against under COVERAGE A - DWELLING, other than earthquake or land shock waves or tremors before, during or after a volcanic eruption.</p> <p>This coverage applies only to loss assessments charged against you as owner or tenant of the <b>residence premises.</b></p> <p>We do not cover loss assessments charged against you or a corporation or association of property owners by any governmental body.</p> <p>The limit of \$1000 is the most we will pay with respect to any one loss, regardless of the number of assessments.</p> <p><b>Condition 1, Policy Period, under SECTIONS I and II CONDITIONS, does not apply to this coverage.</b></p> <p><b>Collapse.</b> We insure for direct physical loss to covered property involving collapse of a building or any part of a building caused only by one or more of the following:</p> <ol style="list-style-type: none"> <li>a. Perils Insured Against in COVERAGE C - PERSONAL PROPERTY. These perils apply to covered building and personal property for loss insured by this additional coverage.</li> <li>b. Hidden decay.</li> <li>c. Hidden insect or vermin damage.</li> <li>d. Weight of contents, equipment, animals or people.</li> <li>e. Weight of rain which collects on the roof, or</li> <li>f. Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation.</li> </ol> <p>Loss to an awning, fence, patio, pavement, swimming pool, underground pipe, flue, drain, cesspool, septic tank, foundation, retaining wall, bulkhead, pier, wharf or dock is not included under items <b>b, c, d, e, and f</b>, unless the loss is a direct result of the collapse of a building.</p> <p>Collapse does not include settling, cracking, shrinking, bulging or expansion.</p> <p>This coverage does not increase the limit of liability applying to the damaged covered property.</p> <p><b>9. Glass or Safety Glazing Material</b> We cover:</p> <ol style="list-style-type: none"> <li>a. The breakage of glass or safety glazing material which is part of a building, storm door or storm window, and covered under Coverage A, and</li> <li>b. Damage to covered property by glass or safety glazing material which is part of a building, storm door or storm window.</li> </ol> <p>This coverage does not include loss on the <b>residence premises</b> for more than 30 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant.</p> <p>Loss for damage to glass will be settled on the basis of replacement with safety glazing materials when required by ordinance or law.</p>	<p>This coverage does not increase the limit of liability that applies to the damaged property.</p> <p style="text-align: center;"><b>SECTION I – PERILS INSURED AGAINST</b></p> <p>We insure for direct physical loss to the property described in Coverages A and C caused by a peril listed below unless the loss is excluded in SECTION I – EXCLUSIONS.</p> <ol style="list-style-type: none"> <li>1. <b>Fire or lightning.</b></li> <li>2. <b>Windstorm or hail.</b></li> </ol> <p>This peril does not include loss to the inside of a building or the property contained in a building caused by rain, snow, sleet, sand or dust unless the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand or dust enters through this opening.</p> <p>This peril includes loss to watercraft and their trailers, furnishings, equipment, and outboard motors, only while inside a fully enclosed building.</p> <ol style="list-style-type: none"> <li>3. <b>Explosion.</b></li> <li>4. <b>Riot or civil commotion.</b></li> <li>5. <b>Aircraft,</b> including self-propelled missiles and spacecraft.</li> <li>6. <b>Vehicles.</b></li> </ol> <p>This peril does not include loss to a fence, driveway or walk caused by a vehicle owned or operated by a resident of the <b>residence premises.</b></p> <p><b>Smoke,</b> meaning sudden and accidental damage from smoke.</p> <p>This peril does not include loss caused by smoke from agricultural smudging or industrial operations.</p> <p><b>Vandalism or malicious mischief.</b></p> <p>This peril does not include loss to property on the <b>residence premises</b> if the dwelling has been vacant for more than 30 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant.</p> <p><b>Theft,</b> including attempted theft and loss of property from a known place when it is likely that the property has been stolen.</p> <p>This peril does not include loss caused by theft:</p> <ol style="list-style-type: none"> <li>a. Committed by an <b>insured.</b></li> <li>b. In or to a dwelling under construction, or of materials and supplies for use in the construction until the dwelling is finished and occupied; or</li> <li>c. From that part of a <b>residence premises</b> rented by an <b>insured</b> to other than an <b>insured.</b></li> </ol> <p>This peril does not include loss caused by theft that occurs off the <b>residence premises</b> of:</p> <ol style="list-style-type: none"> <li>a. Property while at any other residence owned by, rented to, or occupied by an <b>insured</b>, except while an <b>insured</b> is temporarily living there.</li> <li>b. Property of a student who is an <b>insured</b> is covered while at a residence away from home if the student has been there at any time during the 45 days immediately before the loss.</li> </ol> <p>Watercraft, and their furnishings, equipment and outboard engines or motors; or</p> <ol style="list-style-type: none"> <li>b. Trailers and campers.</li> <li>c. Our maximum liability for loss caused by theft is \$3,000.</li> </ol>
<ol style="list-style-type: none"> <li>10. <b>Falling objects.</b></li> </ol> <p>This peril does not include loss to the inside of a building or property contained in the building unless the roof or an outside wall of the building is the first damaged by a falling object. Damage to the falling object itself is not included.</p> <ol style="list-style-type: none"> <li>11. <b>Weight of ice, snow or sleet</b> which causes damage to the property contained in a building.</li> </ol> <p>This peril does not include loss to an awning, fence, patio, pavement, swimming pool, foundation, retaining wall, bulkhead, pier, wharf or dock.</p> <ol style="list-style-type: none"> <li>12. <b>Accidental discharge or overflow of water or steam</b> from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system or from within a household appliance. We also pay for tearing out and replacing any part of the building which is covered under Coverage A and on the <b>residence premises</b>, if necessary to repair the system or appliance from which the water or steam escaped.</li> </ol> <p>This peril does not include loss:</p> <ol style="list-style-type: none"> <li>a. On the <b>residence premises</b>, if the dwelling has been vacant for more than 30 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant;</li> <li>b. To the system or appliance from which the water or steam escaped;</li> <li>c. Caused by or resulting from freezing except as provided in the peril of freezing below; or</li> <li>d. On the <b>residence premises</b> caused by accidental discharge or overflow which occurs away from the building where the <b>residence premises</b> is located.</li> </ol> <p>In this peril, a plumbing system does not include a sump, sump pump or related equipment.</p> <ol style="list-style-type: none"> <li>13. <b>Sudden and accidental tearing apart, cracking, burning or bulging</b> of a steam or hot water heating system, an air conditioning or automatic fire protective sprinkler system, or an appliance for heating water.</li> </ol> <p>This peril does not include loss caused by or resulting from freezing except as provided in the peril of freezing below.</p> <ol style="list-style-type: none"> <li>14. <b>Freezing</b> of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance.</li> </ol> <p>This peril does not include loss on the <b>residence premises</b> while unoccupied, unless you have used reasonable care to:</p> <ol style="list-style-type: none"> <li>a. Maintain heat in the building; or</li> <li>b. Shut off the water supply and drain the system and appliances of water.</li> </ol> <ol style="list-style-type: none"> <li>15. <b>Sudden and accidental damage from artificially generated electrical current</b></li> </ol> <p>This peril does not include loss to a tube, transistor or similar electronic component.</p> <ol style="list-style-type: none"> <li>16. <b>Volcanic eruption</b> other than loss caused by earthquake, land shock waves or tremors.</li> </ol>	<p>any other cause or event contributing concurrently or in any sequence to the loss.</p> <ol style="list-style-type: none"> <li>1. <b>Ordinance or Law</b>, meaning enforcement of any ordinance or law regulating the construction, repair, or demolition of a building or other structure, including asbestos testing or abatement, unless specifically provided under this policy;</li> <li>2. <b>Earth Movement</b>, meaning earthquake including land shock waves or tremors before, during or after a volcanic eruption, landslide, mine subsidence, mudflow, earth sinking, rising or shifting, unless direct loss by:             <ol style="list-style-type: none"> <li>a. Fire;</li> <li>b. Explosion; or</li> <li>c. Breakage of glass or safety glazing material which is part of a building, storm door or storm window.</li> </ol> </li> </ol> <p>ensues and then we will pay only for the ensuing loss.</p> <p>This exclusion does not apply to loss by theft.</p> <ol style="list-style-type: none"> <li>3. <b>Water Damage</b>, meaning:             <ol style="list-style-type: none"> <li>a. Flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these, whether or not driven by wind;</li> <li>b. Water which backs up through sewers or drains or which overflows from a sump; or</li> <li>c. Water below the surface of the ground, including water which exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure.</li> </ol> </li> </ol> <p>Direct loss by fire, explosion or theft resulting from water damage is covered.</p> <ol style="list-style-type: none"> <li>4. <b>Power Failure</b>, meaning the failure of power or other utility service if the failure takes place off the <b>residence premises</b>. But, if a Peril Insured Against ensues on the <b>residence premises</b>, we will pay only for that ensuing loss.</li> </ol> <ol style="list-style-type: none"> <li>5. <b>Neglect</b>, meaning neglect of the any <b>insured</b> to use all reasonable means to save and preserve property at and after the time of a loss.</li> </ol> <ol style="list-style-type: none"> <li>6. <b>War</b>, including the following and any consequence of any of the following:             <ol style="list-style-type: none"> <li>a. Undeclared war, civil war, insurrection, rebellion, revolution;</li> <li>b. Warfare act by a military force or military personnel; or</li> <li>c. Destruction, seizure or use for a military purpose.</li> </ol> </li> </ol> <p>Discharge of a nuclear weapon will be deemed a warlike act even if accidental.</p> <ol style="list-style-type: none"> <li>7. <b>Nuclear Hazard</b>, to the extent set forth in the Nuclear Hazard Clause of SECTION I – CONDITIONS.</li> </ol> <ol style="list-style-type: none"> <li>8. <b>Intentional Loss</b>, meaning any loss arising out of any act committed:             <ol style="list-style-type: none"> <li>a. By or at the direction of an <b>insured</b>; and</li> <li>b. With the intent to cause a loss.</li> </ol> </li> </ol>
<p style="text-align: center;"><b>SECTION I – EXCLUSIONS</b></p> <p>We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of</p>	<p style="text-align: center;"><b>SECTION I – CONDITIONS</b></p> <ol style="list-style-type: none"> <li>1. Insurable Interest and Limit of Liability. Even if more than one person has an insurable interest in the property covered, we will not be liable in any one loss.</li> </ol>

# Pacific Specialty Insurance Company GEORGIA UNIT-OWNERS POLICY

GA-H06-POL (Ed.2.0)

<p>recovered property is returned to or retained by you, the loss payment will be adjusted based on the amount you received for the recovered property.</p> <p style="text-align: center;"><b>SECTION II – LIABILITY COVERAGES</b></p> <p><b>COVERAGE E – Personal Liability</b> If a claim is made or a suit is brought against an <b>insured</b> for damages because of <b>bodily injury</b> or <b>property damage</b> caused by an <b>occurrence</b> to which this coverage applies, we will:</p> <ol style="list-style-type: none"> <li>1. Pay up to our limit of liability for the damages for which the <b>insured</b> is legally liable. Damages include pre-judgment interest awarded against the <b>insured</b>, and</li> <li>2. Provide a defense at our expense by counsel of our choice, even if the suit is groundless, false or fraudulent. We may investigate and settle any claim or suit that we decide is appropriate. Our duty to settle or defend ends when the amount we pay for damages resulting from the <b>occurrence</b> equals our limit of liability.</li> </ol> <p><b>COVERAGE F – Medical Payments To Others</b> We will pay the necessary medical expenses that are incurred or medically ascertained within three years from the date of an accident causing <b>bodily injury</b>. Medical expenses means reasonable charges for medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, prosthetic devices and funeral services. This coverage does not apply to you or regular residents of your household except "residence employees." As to others, this coverage applies only:</p> <ol style="list-style-type: none"> <li>1. To a person on the <b>insured location</b> with the permission of an <b>insured</b>; or</li> <li>2. To a person off the <b>insured location</b>, if the <b>bodily injury</b>:             <ol style="list-style-type: none"> <li>a. Arises out of a condition on the <b>insured location</b> or the ways immediately adjoining,</li> <li>b. Is caused by the activities of an <b>insured</b>;</li> <li>c. Is caused by a <b>residence employee</b> in the course of the "residence employee's" employment by an <b>insured</b>; or</li> <li>c. Is caused by an animal owned by or in the care of an <b>insured</b>.</li> </ol> </li> </ol>	<p>recovered property is returned to or retained by you, the loss payment will be adjusted based on the amount you received for the recovered property.</p> <p style="text-align: center;"><b>SECTION II – EXCLUSIONS</b></p> <p><b>Coverage E – Personal Liability and Coverage F – Medical Payments To Others</b> do not apply to <b>bodily injury</b> or <b>property damage</b>:</p> <ol style="list-style-type: none"> <li>a. Which is expected or intended by an <b>insured</b>;</li> <li>b. Arising out of or in connection with a <b>business</b> engaged in by any <b>insured</b>. This exclusion applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the <b>business</b>;</li> <li>c. Arising out of the rental or holding for rental of any part of the premises by any <b>insured</b>. This exclusion does not apply to the rental or holding for rental of an <b>insured location</b>.</li> </ol>
<p>If a mortgagee is named in this policy, any loss payable under Coverage A – Dwelling will be paid to the mortgagee and you, as interests appear. If more than one mortgagee is named, the order of payment will be the same as the order of precedence of the mortgages.</p> <p>If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:</p> <ol style="list-style-type: none"> <li>a. Notifies us of any change in ownership, occupancy or substantial change in risk of which the mortgagee is aware;</li> <li>b. Pays any premium due under this policy on demand if you have neglected to pay the premium; and</li> <li>c. Submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so. Policy conditions relating to Appraisal, Suit Against Us and Loss Payment apply to the mortgagee.</li> </ol> <p>If we decide to cancel or not to renew this policy, the mortgagee will be notified at least 10 days before the date cancellation or nonrenewal takes effect. If we pay the mortgagee for any loss and deny payment to you:</p> <ol style="list-style-type: none"> <li>a. We are subrogated to all the rights of the mortgagee granted under the mortgage on the property; or</li> <li>b. At our option, we may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, we will receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.</li> </ol> <p>Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgage's claim.</p> <p><b>13. No Benefit to Bailee.</b> We will not recognize any assignment or grant any coverage that benefits a person or organization holding, storing or moving property for a fee regardless of any other provision of this policy.</p> <p><b>14. Nuclear Hazard Clause.</b></p> <ol style="list-style-type: none"> <li>a. "Nuclear Hazard" means any nuclear reaction, radiation, or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these.</li> <li>b. Loss caused by the nuclear hazard will not be considered loss caused by fire, explosion, or smoke, whether these perils are specifically named in or otherwise included within the Perils Insured Against in Section I.</li> <li>c. This policy does not apply under Section I to loss caused directly or indirectly by nuclear hazard, except that direct loss by fire resulting from the nuclear hazard is covered.</li> </ol> <p><b>15. Volcanic Eruption Period.</b> One or more volcanic eruptions that occur within a 72-hour period will be considered as one volcanic eruption.</p> <p><b>16. Loss Deductible Clause.</b> With respect to loss to property covered under this policy, the deductible shall apply separately to each occurrence.</p> <p><b>17. Recovered Property.</b> If you or we recover any property for which we have made payment under this policy, you or we will notify the other of the recovery. At your option, the property will be returned to or retained by you or it will become our property. If the</p>	<p>8. Repair or replace any part to restore the pair or set to its value before the loss, or</p> <ol style="list-style-type: none"> <li>a. Pay the difference between actual cash value of the property before and after the loss.</li> </ol> <p><b>Glass Replacement.</b> Loss for damage to glass caused by a Peril Insured Against will be settled on the basis of replacement with safety glazing materials when required by ordinance or law.</p> <p><b>6. Appraisal.</b> If you and we fail to agree on the amount of a covered loss or any portion of a covered loss, either one can demand that the amount of the covered loss be set by appraisal. In this event, each party will choose a competent and impartial appraiser within 20 days after receiving a written request from the other. The two appraisers will choose a competent and impartial umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the state where the <b>residence premises</b> is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss.</p> <ol style="list-style-type: none"> <li>a. Each party will:             <ol style="list-style-type: none"> <li>a. Pay its own appraiser, and</li> <li>a. Bear the other expenses of the appraisal and umpire equally.</li> </ol> </li> </ol> <p>In no event shall appraisal be invoked if we fail to agree on what portion of the claim, if any, is covered by the policy.</p> <p><b>7. Other Insurance.</b> If a loss covered by this policy is also covered by other insurance, except insurance in the name of a corporation or association of property owners, we will pay only the proportion of the loss that the limit of liability that applies under this policy bears to the total amount of insurance covering the loss.</p> <p>If at the time of loss, there is other insurance in the name of a corporation or association of property owners covering the same property covered by this policy, this insurance will be excess over the amount recoverable under such other insurance.</p> <p><b>Suit Against Us.</b> No action can be brought unless the policy provisions have been complied with and the action is started within one year after the date of loss.</p> <p><b>9. Our Option.</b> If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may repair or replace any part of the damaged property with like property.</p> <p><b>10. Loss Payment.</b> We will adjust all losses with you. We will pay you unless some other person is named in the policy or is legally entitled to receive payment. Loss will be payable 30 days after we receive your proof of loss and:</p> <ol style="list-style-type: none"> <li>a. Reach an agreement with you;</li> <li>b. There is an entry of final judgment; or</li> <li>c. There is a filing of an appraisal award with us.</li> </ol> <p><b>11. Abandonment of Property.</b> We need not accept any property abandoned by an <b>insured</b>.</p> <p><b>12. Mortgage Clause.</b> The word "mortgagee" includes trustee.</p>
<p>To any <b>insured</b> for more than the amount of the <b>insured's</b> interest at the time of loss, or</p> <ol style="list-style-type: none"> <li>a. For more than the applicable limit of liability.</li> </ol> <p><b>2. Your Duties After Loss.</b> In case of a loss to covered property, you must see that the following are done:</p> <ol style="list-style-type: none"> <li>a. Give prompt notice to us or our agent;</li> <li>b. Notify the police in case of loss by theft;</li> <li>c. Protect the property from further damage. If repairs to the property are required, you must:             <ol style="list-style-type: none"> <li>(1) Make reasonable and necessary repairs to protect the property; and</li> <li>(2) Keep an accurate record of repair expenses;</li> </ol> </li> <li>d. Send to us, within 60 days after our request, your signed, sworn proof of loss which sets forth, to the best of your knowledge and belief:             <ol style="list-style-type: none"> <li>(1) The time and cause of your loss;</li> <li>(2) The interest of the <b>insured</b> and all others in the property involved and all liens on the property;</li> <li>(3) Other insurance which may cover the loss;</li> <li>(4) Changes in title or occupancy of the property during the term of the policy;</li> <li>(5) Specifications of damaged buildings and detailed repair estimates;</li> <li>(6) The inventory of damaged personal property described in 2.e. above;</li> <li>(7) Receipts for additional living expenses incurred and records that support the fair rental value loss; and</li> <li>(8) Evidence or affidavit that supports a claim under the Credit Card, Fund Transfer Card, Forgery and Counterfeit Money coverage, stating the amount and cause of loss.</li> </ol> </li> <li>e. Prepare an inventory of damaged personal property showing the quantity, description, <b>actual cash value</b> and amount of loss. Attach all bills, receipts and related documents that justify the figures in the inventory;</li> <li>f. Notify the credit card or fund transfer card company in case of loss under Credit Card or Fund Transfer Card coverage;</li> <li>g. As often as we reasonably require:             <ol style="list-style-type: none"> <li>(1) Show the damaged property;</li> <li>(2) Provide us with records and documents we request and permit us to make copies; and</li> <li>(3) Submit to examination under oath, while not in the presence of any other <b>insured</b>, and sign the same.</li> </ol> </li> </ol> <p><b>3. Loss Settlement.</b> Covered property losses are settled as follows:</p> <ol style="list-style-type: none"> <li>a. Personal property at actual cash value at the time of loss but not more than the amount required to repair or replace.</li> <li>b. Coverage A – Dwelling:             <ol style="list-style-type: none"> <li>(1) If the damage is repaired or replaced within a reasonable time, at the actual cost to repair or replace;</li> <li>(2) If the damage is not repaired or replaced, at actual cash value but not more than the amount required to repair or replace.</li> </ol> </li> </ol> <p><b>4. Loss to a Pair or Set.</b> In case of loss to a pair or set we may elect to:</p>	<p>1. <b>Coverage E – Personal Liability and Coverage F – Medical Payments To Others</b> do not apply to <b>bodily injury</b> or <b>property damage</b>:</p> <ol style="list-style-type: none"> <li>a. Which is expected or intended by an <b>insured</b>;</li> <li>b. Arising out of or in connection with a <b>business</b> engaged in by any <b>insured</b>. This exclusion applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the <b>business</b>;</li> <li>c. Arising out of the rental or holding for rental of any part of the premises by any <b>insured</b>. This exclusion does not apply to the rental or holding for rental of an <b>insured location</b>.</li> </ol>

## Pacific Specialty Insurance Company GEORGIA UNIT-OWNERS POLICY

GA-H06-FOL (Ed.2.0)

- (1)** On an occasional basis if used only as a residence:
- (2)** In part for use only as a residence, unless a single family unit is intended for use by the occupying family, to lodge more than two roomers or boarders; or
- (3)** In part, as an office, school, studio or private garage.
- d.** Arising out of the rendering of or failure to render professional services:
- e.** Arising out of a premises:
- (1)** Owned by any **insured**;
- (2)** Rented to any **insured**; or
- (3)** Rented to others by any **insured**; that is not any **insured location**;
- f.** Arising out of:
- (1)** The ownership, maintenance, use, loading or unloading of motor vehicles or all other motorized land conveyances, including trailers, owned or operated by or rented or loaned to any **insured**;
- (2)** The entrustment by any **insured** of a motor vehicle or any other motorized land conveyance to any person; or
- (3)** Vicarious liability, whether or not statutorily imposed, for the actions of a child or minor using a conveyance excluded in paragraph **(1)** or **(2)** above.
- This exclusion does not apply to:
- (1)** A trailer not towed by or carried on a motorized land conveyance.
- (2)** A motorized land conveyance designed for recreational use off public roads, not subject to motor vehicle registration and:
- (a)** Not owned by an **insured**; or
- (b)** Owned by any **insured** and on any **insured location**;
- (3)** A motorized golf cart when used to play golf on a golf course.
- (4)** A vehicle or conveyance not subject to motor vehicle registration which is:
- (a)** Used to service any **insured's** residence;
- (b)** Designed for assisting the handicapped; or
- (c)** In dead storage on an **insured location**;
- g.** Arising out of:
- (1)** The ownership, maintenance, use, loading or unloading of a watercraft described below;
- (2)** The entrustment by any **insured** of an excluded watercraft described below to any person; or
- (3)** Vicarious liability, whether or not statutorily imposed, for the actions of a child or minor using an excluded watercraft described below.
- Excluded watercraft are those that are principally designed to be propelled by engine power or electric motor, or are sailing vessels, whether owned by or rented to an **insured**. This exclusion does not apply to watercraft:
- (1)** That are not sailing vessels and are powered by:

- (a)** Inboard or inboard-outdrive engine or motor power of 50 horsepower or less not owned by any **insured**;
- (b)** Inboard or inboard-outdrive engine or motor power of more than 50 horsepower not owned by or rented to any **insured**;
- (c)** One or more outboard engines or motors with 25 total horsepower or less;
- (d)** One or more outboard engines or motors with more than 25 total if the outboard engine or motor is not owned by any **insured**;
- (e)** Outboard engines or motors of more than 25 total horsepower owned by any **insured** if:
- (i)** You acquire them prior to the policy period; and
- (ii)** You declare them at policy inception; or
- (b)** Your intention to insure is reported to us in writing within 45 days after you acquire the outboard engines or motors;
- (ii)** You acquire them during the policy period;
- This coverage applies for the policy period:
- (2)** That are sailing vessels, with or without auxiliary power:
- (a)** Less than 26 feet in overall length;
- (b)** 26 feet or more in overall length, not owned by or rented to any **insured**;
- (3)** That are stored;
- h.** Arising out of:
- (1)** The ownership, maintenance, use, loading or unloading of an aircraft;
- (2)** The entrustment by any **insured** of an aircraft to any person; or
- (3)** Vicarious liability, whether or not statutorily imposed, for the actions of a child or minor using an aircraft.
- An aircraft means any contrivance used or designed for flight, except model or hobby aircraft not used or designed to carry people or cargo.
- i.** Caused directly or indirectly by war, including the following and any consequence of any of the following:
- (1)** Undeclared war, civil war, insurrection, rebellion, revolution;
- (2)** Warlike act by a military force or military personnel;
- (3)** Destruction, seizure or use for a military purpose.
- Discharge of a nuclear weapon will be deemed a warlike act even if accidental.
- j.** Which arises out of the transmission of disease by an **insured** through sexual contact;
- k.** Arising out of sexual molestation, physical, or mental abuse;
- l.** Arising out of assault, battery or any criminal acts by an **insured** or carried out at the instruction of an **insured**;

- m.** Arising out of any contamination and/or pollution.
- This policy does not insure any loss, damage or expense, whether arising or resulting out of a liability, alleged liability, defense of the **insured**, or otherwise, caused by, resulting from, contributed to or made worse by:
- (1)** Actual, alleged or threatened release, discharge, escape or dispersal of "pollutant(s)" (as defined hereinafter), all whether direct or indirect, proximate or remote, sudden, accidental or gradual;
- (2)** Any increase in loss, damage or expense arising out of the enforcement, direction or request of any governmental or civil authority regulating the test for, monitoring, prevention, control, removal, tearing down, demolition, disposal, treatment, decontamination, clean-up, containment, detoxification or neutralizing of "pollutant(s)", or the restoration, construction or replacement of property contaminated by a "pollutant(s)";
- (3)** The clean-up or the removal of debris of "pollutant(s)", or
- (4)** Any fines, penalties, exemplary damages, punitive damages, or any other damages, awards or settlements adjudged against an **insured** by any civil or judicial body or board of arbitration, nor any sums which an **insured** shall voluntarily agree to pay to any third party(ies), nor any legal fees or other costs of defense of legal actions, claims, or proceedings and appeals therefrom.
- For the purpose of this insurance, "pollutant(s)" means any solid, liquid, gaseous or thermal irritant or contaminant substance, including but not limited to any smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste (whether recycled, reconditioned or reclaimed).
- Exclusions **e, f, g,** and **h,** do not apply to **bodily injury to a residence employee** arising out of and in the course of the "residence employee's" employment by an **insured**.
- 2. Coverage E – Personal Liability**, does not apply to:
- a. Liability:**
- (1)** For any loss assessment charged against you as a member of an association, corporation or community of property owners;
- (2)** Under any contract or agreement. However, this exclusion does not apply to written contracts:
- (a)** That directly relate to the ownership, maintenance or use of an **insured location**; or
- (b)** Where the liability of others is assumed by the **insured** prior to an **occurrence**, unless excluded in **(1)** above or elsewhere in this policy;
- b. Property damage** to property owned by any **insured**;

- c. Property damage** to property rented to, occupied or used by or in the care of any **insured**. This exclusion does not apply to **property damage** cause by fire, smoke or explosion;
- d. Bodily injury** to any person eligible to receive any benefits:
- (1)** Voluntarily provided; or
- (2)** Required to be provided; by any **insured** under any;
- (1)** Workers' compensation law;
- (2)** Non-occupational disability law; or
- (3)** Occupational disease law;
- e. Bodily injury or property damage** for which any **insured** under this policy:
- (1)** Is also any **insured** under a nuclear energy liability policy; or
- (2)** Would be **insured** under that policy but for the exhaustion of its limit of liability.
- A nuclear energy liability policy is one issued by:
- (1)** American Nuclear Insurers;
- (2)** Mutual Atomic Energy Liability Underwriters;
- (3)** Nuclear Insurance Association of Canada; or any of their successors; or
- f. Bodily injury to an insured** as defined in part **a.** or **b.** of **insured** as defined
- 3. Coverage F – Medical Payments to Others**, does not apply to **bodily injury**:
- a. To a residence employee** if the **bodily injury**:
- (1)** Does not arise out of or in the course of the "residence employee's" employment by any **insured**;
- b. To any person** eligible to receive benefits:
- (1)** Voluntarily provided; or
- (2)** Required to be provided;
- (1)** Workers' compensation law;
- (2)** Non-occupational disability law; or
- (3)** Occupational disease law;
- From any:
- (1)** Nuclear reaction;
- (2)** Nuclear radiation; or
- (3)** Radioactive contamination; all whether controlled or uncontrolled or however caused; or
- (4)** Any consequence of any of these; or
- c. To any person, other than a residence employee** of any **insured**, regularly residing on any part of the **insured location**.

### SECTION II – ADDITIONAL COVERAGES

- We cover the following in addition to the limits of liability:
- 1. Claim Expenses**. We pay:
- a.** Expenses we incur and costs taxed against an **insured** in any suit we defend;
- b.** Premiums on bonds required in a suit we defend, but not for bond amounts more than the limit of liability for Coverage E. We need not apply for or furnish any bond;
- c.** Reasonable expenses incurred by an **insured** at our request, including actual loss of earnings

**Pacific Specialty Insurance Company  
GEORGIA UNIT-OWNERS POLICY**

<p>Regardless of the number of assessments, the limit of \$1000 is the most we will pay for loss arising out of:</p> <p><b>a.</b> One accident, including continuous or repeated exposure to substantially the same general harmful condition; or</p> <p><b>b.</b> A covered act of a director, officer or trustee, an act involving more than one director, officer or trustee is considered to be a single act.</p> <p>The following do not apply to this coverage:</p> <p><b>a.</b> Section II – Coverage E – Personal Liability Exclusion 2.a.(1);</p> <p><b>b.</b> Condition 1 – Policy Period, under SECTIONS I AND II CONDITIONS.</p>	<p>loss, a sworn statement of loss and show the damaged property, if in the <b>insured's</b> control. The <b>insured</b> will not, except at the <b>insured's</b> own cost, voluntarily make payment, assume obligation or incur expense other than for first aid to others at the time of the <b>bodily injury</b>.</p> <p><b>4. Duties of an Injured Person – Coverage F – Medical Payments to Others.</b> The injured person or someone acting for the injured person will:</p> <p><b>a.</b> Give us written proof of claim, under oath if required, as soon as is practical; and</p> <p><b>b.</b> Authorize us to obtain copies of medical reports and records.</p> <p>The injured person will submit to a physical exam by a doctor of our choice when and as often as we reasonably require.</p> <p><b>5. Payment of Claim – Coverage F – Medical Payments to Others.</b> Payment under this coverage is not an admission of liability by an <b>insured</b> or us.</p> <p><b>6. Suit Against Us.</b> No action can be brought against us unless there has been compliance with the policy provisions.</p> <p>No one will have the right to join us as a party to any action against an <b>insured</b>. Also, no action with respect to Coverage E can be brought against us until the obligation of the <b>insured</b> has been determined by final judgment or agreement signed by us.</p> <p><b>7. Bankruptcy of an Insured.</b> Bankruptcy or insolvency of an <b>insured</b> will not relieve us of our obligations under this policy.</p> <p><b>8. Other Insurance – Coverage E – Personal Liability.</b> This insurance is excess over other valid and collectible insurance except insurance written specifically to cover as excess over the limits of liability that apply in this policy.</p>	<p><b>SECTION II – CONDITIONS</b></p> <p><b>1. Limit of Liability.</b> Our total liability under Coverage E for all damages resulting from any one <b>occurrence</b> will not be more than the limit of liability for Coverage E as shown in the Declarations. This limit is the same regardless of the number of <b>insureds</b>, claims made or persons injured. All <b>bodily injury</b> and <b>property damage</b> resulting from any one accident or from continuous or repeated exposure to substantially the same general harmful conditions shall be considered to be the result of one <b>occurrence</b>.</p> <p>Our total liability under Coverage F for all medical expense payable for <b>bodily injury</b> to one person as the result of one accident will not be more than the limit of liability for Coverage F as shown in the Declarations.</p> <p><b>2. Severability of Insurance.</b> This insurance applies separately to each <b>insured</b>. This condition will not increase our limit of liability for any one <b>occurrence</b>.</p> <p><b>Duties After Loss.</b> In case of an accident or <b>occurrence</b> the <b>insured</b> will perform the following duties that apply. You will help us by seeing that these duties are performed:</p> <p><b>a.</b> Give written notice to us or our agent as soon as is practical, which sets forth:</p> <p>(1) The identity of the policy and the <b>insured</b>;</p> <p>(2) Reasonably available information on the time, place and circumstances of the accident or <b>occurrence</b>; and</p> <p>(3) Names and addresses of any claimants and witnesses.</p> <p><b>b.</b> Promptly forward to us every notice, demand, summons or other process relating to the accident or <b>occurrence</b>;</p> <p><b>c.</b> At our request, help us:</p> <p>(1) To make settlement;</p> <p>(2) To enforce any right of contribution or indemnity against any person or organization who may be liable to an <b>insured</b>;</p> <p>(3) With the conduct of suits and attend hearings and trials;</p> <p>(4) To secure and give evidence and obtain the attendance of witnesses;</p> <p><b>d.</b> Under the coverage – Damage to Property of Others – submit to us within 60 days after the</p>
<p>(but not loss of other income) up to \$50 per day, for assisting us in the investigation or defense of a claim or suit;</p> <p><b>d.</b> After entry of the judgment and before we pay or tender, or deposit in court that part of the judgment which does not exceed the limit of liability that applies.</p> <p><b>2. First Aid Expenses.</b> We will pay expenses for first aid to others incurred by an <b>insured</b> for <b>bodily injury</b> covered under this policy. We will not pay for first aid to you or any other <b>insured</b>.</p> <p><b>3. Damage to Property of Others.</b> We will pay, at replacement cost, up to \$500 per <b>occurrence</b> for <b>property damage</b> to property of others caused by an <b>insured</b>.</p> <p>We will not pay for <b>property damage</b>:</p> <p><b>a.</b> To the extent of any amount recoverable under Section I of this policy;</p> <p><b>b.</b> Caused intentionally by an <b>insured</b> who is 13 years of age or older;</p> <p><b>c.</b> To property owned by an <b>insured</b>;</p> <p><b>d.</b> <b>Insured</b> or a resident in your household; or</p> <p><b>e.</b> Arising out of:</p> <p>(1) A <b>business</b> engaged in by an <b>insured</b>;</p> <p>(2) Any act or omission in connection with a premises owned, rented or controlled by an <b>insured</b>, other than the <b>insured location</b>, or</p> <p>(3) The ownership, maintenance, or use of aircraft, watercraft or motor vehicles or all other motorized land conveyances.</p> <p>This exclusion does not apply to a motorized land conveyance designed for recreational use off public roads, not subject to motor vehicle registration and not owned by an <b>insured</b>.</p> <p><b>4. Loss Assessment.</b> We will pay up to \$1000 for your share of any loss assessment charged during the policy period against you by a corporation or association of property owners, when the assessment is made as a result of:</p> <p><b>a. Bodily injury or property damage</b> not excluded under Section II of this policy; or</p> <p><b>b.</b> Liability for an act of a director, officer or trustee in the capacity as a director, officer or trustee, provided:</p> <p>(1) The director, officer or trustee is elected by the members of a corporation or association of property owners; and</p> <p>(2) The director, officer or trustee serves without deriving any income from the exercise of duties which are solely on behalf of a corporation or association of property owners.</p> <p>This coverage applies only to loss assessments charged against you as owner or tenant of the <b>residence premises</b>.</p> <p>We do not cover loss assessments charged against you or a corporation or association of property owners by any governmental body.</p>	<p><b>SECTION I AND II – CONDITIONS</b></p> <p><b>1. Policy Period.</b> The effective time of this policy is 12:01 A.M. standard time at the <b>residence premises</b> on the effective date shown in the Declarations. With our consent, this policy may be renewed for successive policy periods if the renewal premium for rules and forms then in effect is paid and accepted before the end of the current policy period.</p> <p>This policy applies only to loss under Section I or <b>bodily injury or property damage</b> in Section II, which occurs during the policy period.</p> <p><b>2. Concealment or Fraud.</b></p> <p><b>a.</b> Under Section I – Property Coverages, with respect to all <b>insureds</b> covered under this policy, we do not provide coverage if, whether before or after a loss, one or more <b>insureds</b> have:</p> <p>(1) Intentionally concealed or misrepresented any material fact or circumstance;</p> <p>(2) Engaged in fraudulent conduct; or</p> <p>(3) Made false statements; relating to this insurance.</p>	<p><b>Under Section II – Liability Coverages, we do not provide coverage to one or more insureds who, whether before or after a loss, have:</b></p> <p>(1) Intentionally concealed or misrepresented any material fact or circumstance;</p> <p>(2) Engaged in fraudulent conduct; or</p> <p>(3) Made false statements; relating to this insurance.</p> <p><b>3. Liberalization Clause.</b> If we make a change which broadens coverage under this edition of our policy without additional premium charge, that change will automatically apply to your insurance as of the date we implement the change in your state, provided that this implementation date falls within 60 days prior to or during the policy period stated in the Declarations. This Liberalization Clause does not apply to changes implemented through introduction of a subsequent edition of our policy.</p> <p><b>4. Waiver or Change of Policy Provisions.</b> A waiver or change of a provision of this policy must be in writing by us to be valid. Our request for an appraisal or examination will not waive any of our rights.</p> <p><b>5. Cancellation.</b></p> <p><b>a.</b> You may cancel this policy at any time by returning it to us or by letting us know in writing of the date cancellation is to take effect.</p> <p><b>b.</b> We may cancel this policy only for the reasons stated below by letting you know in writing of the date cancellation takes effect. This cancellation notice may be delivered to you, or mailed to you at your mailing address shown in the Declarations. Proof of mailing will be sufficient proof of notice.</p> <p>(1) When you have not paid the premium, we may cancel at any time by letting you know at least 10 days before the date cancellation takes effect.</p> <p>(2) When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason by letting you know at least 10 days before the date cancellation takes effect.</p> <p>(3) When this policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel:</p> <p>(a) If there has been a material misrepresentation of fact which if known to us would have caused us not to issue the policy; or</p> <p>(b) If the risk has changed substantially since the policy was issued.</p> <p>This can be done by letting you know at least 30 days before the date cancellation takes effect.</p> <p>(4) When this policy is written for a period of more than one year, we may cancel for any reason at the anniversary by letting you know at least 30 days before the date cancellation takes effect.</p> <p><b>c.</b> When this policy is cancelled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata.</p> <p><b>d.</b> If the return premium is not refunded with the notice of cancellation or when this policy is</p>
<p><b>b.</b> Under Section II – Liability Coverages, we do not provide coverage to one or more <b>insureds</b> who, whether before or after a loss, have:</p> <p>(1) Intentionally concealed or misrepresented any material fact or circumstance;</p> <p>(2) Engaged in fraudulent conduct; or</p> <p>(3) Made false statements; relating to this insurance.</p> <p><b>3. Liberalization Clause.</b> If we make a change which broadens coverage under this edition of our policy without additional premium charge, that change will automatically apply to your insurance as of the date we implement the change in your state, provided that this implementation date falls within 60 days prior to or during the policy period stated in the Declarations. This Liberalization Clause does not apply to changes implemented through introduction of a subsequent edition of our policy.</p> <p><b>4. Waiver or Change of Policy Provisions.</b> A waiver or change of a provision of this policy must be in writing by us to be valid. Our request for an appraisal or examination will not waive any of our rights.</p> <p><b>5. Cancellation.</b></p> <p><b>a.</b> You may cancel this policy at any time by returning it to us or by letting us know in writing of the date cancellation is to take effect.</p> <p><b>b.</b> We may cancel this policy only for the reasons stated below by letting you know in writing of the date cancellation takes effect. This cancellation notice may be delivered to you, or mailed to you at your mailing address shown in the Declarations. Proof of mailing will be sufficient proof of notice.</p> <p>(1) When you have not paid the premium, we may cancel at any time by letting you know at least 10 days before the date cancellation takes effect.</p> <p>(2) When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason by letting you know at least 10 days before the date cancellation takes effect.</p> <p>(3) When this policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel:</p> <p>(a) If there has been a material misrepresentation of fact which if known to us would have caused us not to issue the policy; or</p> <p>(b) If the risk has changed substantially since the policy was issued.</p> <p>This can be done by letting you know at least 30 days before the date cancellation takes effect.</p> <p>(4) When this policy is written for a period of more than one year, we may cancel for any reason at the anniversary by letting you know at least 30 days before the date cancellation takes effect.</p> <p><b>c.</b> When this policy is cancelled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata.</p> <p><b>d.</b> If the return premium is not refunded with the notice of cancellation or when this policy is</p>	<p><b>SECTION I AND II – CONDITIONS</b></p> <p><b>1. Policy Period.</b> The effective time of this policy is 12:01 A.M. standard time at the <b>residence premises</b> on the effective date shown in the Declarations. With our consent, this policy may be renewed for successive policy periods if the renewal premium for rules and forms then in effect is paid and accepted before the end of the current policy period.</p> <p>This policy applies only to loss under Section I or <b>bodily injury or property damage</b> in Section II, which occurs during the policy period.</p> <p><b>2. Concealment or Fraud.</b></p> <p><b>a.</b> Under Section I – Property Coverages, with respect to all <b>insureds</b> covered under this policy, we do not provide coverage if, whether before or after a loss, one or more <b>insureds</b> have:</p> <p>(1) Intentionally concealed or misrepresented any material fact or circumstance;</p> <p>(2) Engaged in fraudulent conduct; or</p> <p>(3) Made false statements; relating to this insurance.</p>	<p><b>b.</b> Under Section II – Liability Coverages, we do not provide coverage to one or more <b>insureds</b> who, whether before or after a loss, have:</p> <p>(1) Intentionally concealed or misrepresented any material fact or circumstance;</p> <p>(2) Engaged in fraudulent conduct; or</p> <p>(3) Made false statements; relating to this insurance.</p> <p><b>3. Liberalization Clause.</b> If we make a change which broadens coverage under this edition of our policy without additional premium charge, that change will automatically apply to your insurance as of the date we implement the change in your state, provided that this implementation date falls within 60 days prior to or during the policy period stated in the Declarations. This Liberalization Clause does not apply to changes implemented through introduction of a subsequent edition of our policy.</p> <p><b>4. Waiver or Change of Policy Provisions.</b> A waiver or change of a provision of this policy must be in writing by us to be valid. Our request for an appraisal or examination will not waive any of our rights.</p> <p><b>5. Cancellation.</b></p> <p><b>a.</b> You may cancel this policy at any time by returning it to us or by letting us know in writing of the date cancellation is to take effect.</p> <p><b>b.</b> We may cancel this policy only for the reasons stated below by letting you know in writing of the date cancellation takes effect. This cancellation notice may be delivered to you, or mailed to you at your mailing address shown in the Declarations. Proof of mailing will be sufficient proof of notice.</p> <p>(1) When you have not paid the premium, we may cancel at any time by letting you know at least 10 days before the date cancellation takes effect.</p> <p>(2) When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason by letting you know at least 10 days before the date cancellation takes effect.</p> <p>(3) When this policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel:</p> <p>(a) If there has been a material misrepresentation of fact which if known to us would have caused us not to issue the policy; or</p> <p>(b) If the risk has changed substantially since the policy was issued.</p> <p>This can be done by letting you know at least 30 days before the date cancellation takes effect.</p> <p>(4) When this policy is written for a period of more than one year, we may cancel for any reason at the anniversary by letting you know at least 30 days before the date cancellation takes effect.</p> <p><b>c.</b> When this policy is cancelled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata.</p> <p><b>d.</b> If the return premium is not refunded with the notice of cancellation or when this policy is</p>

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- returned to us, we will refund it within a reasonable time after the date cancellation takes effect.
6. **Nonrenewal.** We may elect not to renew this policy. We may do so by delivering to you, or mailing to you at your mailing address shown in the Declarations, written notice at least 30 days before the expiration date of this policy. Proof of mailing will be sufficient proof of notice.
  7. **Assignment.** Assignment of this policy will not be valid unless we give our written consent.
  8. **Subrogation.** An **insured** may waive in writing before a loss all rights of recovery against any person. If not waived, we may require an assignment of rights of recovery for a loss to the extent that payment is made by us. If an assignment is sought, an **insured** must sign and deliver all related papers and cooperate with us. Subrogation does not apply under Section II to Medical Payments to Others or Damage to Property of Others.
  9. **Death.** If any person named in the Declarations or the spouse, if a resident of the same household, dies:
    - a. We insure the legal representative of the deceased but only with respect to the premises and property of the deceased covered under the policy at the time of death.
    - b. **Insured** includes:
      - (1) Any member of your household who is an **insured** at the time of your death, but only while a resident of the **residence premises**, and
      - (2) With respect to your property, the person having proper temporary custody of the property until appointment and qualification of a legal representative.



Michael J. McGraw  
PRESIDENT



Timothy J. Summers  
SECRETARY



# Pacific Specialty Insurance Company GEORGIA PROPERTY ENDORSEMENTS

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## ENDORSEMENT No. PM1-GA-HO (Ed. 1) Georgia Amendatory Endorsement for HO-3, HO-4, and HO-6 Policies

### THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.

This endorsement is mandatory. It applies to all HO-3, HO-4, and HO-6 policies issued in Georgia.

also covered by other insurance, we will pay only the proportion of the loss that the limit of liability that applies under this policy bears to the total amount of insurance covering the loss.

Concealment or Fraud.

The **Concealment or Fraud** provisions of your policy, found in the **SECTION I & II CONDITIONS** section, item 2, are hereby replaced with the following:

2. **Concealment or Fraud.** No recovery will be allowed under the policy if, whether discovered before or after a loss, **you** misrepresent, omit, conceal facts, or make incorrect statements meeting one of the following conditions.
  - a. Are fraudulent.
  - b. Are material either to the acceptance of the risk or to the hazard assumed by us.
  - c. If the true facts had been known to us as required by the application for the policy, we would not in good faith have either issued the policy or would not have issued the policy in as large an amount or at the premium rate as applied for or would not have provided coverage with respect to the hazard resulting in the loss.

Cancellation

The **Cancellation** provision of your policy, found in the **SECTION I & II CONDITIONS** section, item 5, is hereby replaced with the following:

5. **Cancellation.**
  - a. **You** may cancel this policy at any time by returning it to **us** or notifying **us** in writing of the date cancellation is to take effect.
    - 1) If only **your** interest is affected by the cancellation of this policy, cancellation will become effective on:
      - a) the date on which **we** receive either the returned policy or **your** written request for cancellation; or
      - b) the date specified in **your** written request for cancellation; whichever is later. **We** can waive the requirement that **you** provide **us** with a future date of cancellation by giving **you** written confirmation of the date and time of cancellation.
    - 2) If this policy cannot be cancelled unless notice is given to a governmental agency, mortgagee, or other third party, **we** will mail or deliver the required notice to the third party's address of record at least ten days before cancellation is effective. Cancellation will become effective:
      - a) ten days after **our** notice is mailed or delivered; or
      - b) on the date specified in **your** written request for cancellation; whichever is later.

- b. **We** may cancel this policy only for the reasons stated below by notifying you in writing of the date cancellation takes effect. This cancellation notice may be delivered to **you** or mailed to you at your mailing address shown in the Declarations. Proof of mailing shall be sufficient proof of notice. **Our** notice will include the reason(s) for cancellation.
  - (1) When **you** have not paid the premium, whether payable to **us** or to our agent or under any finance or credit plan, **we** may cancel at any time by notifying you at least 10 days before the date cancellation takes effect.
  - (2) When this policy has been in effect for less than 60 days and is not a renewal with **us**, we may cancel for any reason by notifying you at least 10 days before the date cancellation takes effect.
  - (3) When this policy has been in effect for 60 days or more, or at any time if it is a renewal with **us**, **we** may cancel if there has been:
    - (a) Conviction of a crime having as one of its necessary elements an act increasing the hazards insured against; or
    - (b) Discovery of fraud or material misrepresentation; or
    - (c) Discovery of grossly negligent acts or omissions substantially increasing any of the hazards insured against; or
    - (d) Physical changes in the property insured against which result in the property becoming uninsurable. This can be done by notifying **you** at least 30 days before the date cancellation takes effect.
  - (4) When this policy is written for a period longer than one year, **we** may cancel for any reason at anniversary by notifying you at least 45 days before the date cancellation takes effect.

- c. When this policy is cancelled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata. It will be refunded to **you** with the cancellation notice or sent to **you** or **your** authorized agent on or before the policy expiration date.

Non-Renewal

The **Non-Renewal** provision of your policy, found in the **SECTION I & II CONDITIONS** section, item 6, is hereby replaced with the following:

6. **Non-Renewal.** **We** may elect not to renew this policy. **We** may do so by delivering to you or mailing to **you** at your mailing address shown in the Declarations, written notice at least 45 days before the expiration date of this policy. Proof of

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mailing shall be sufficient proof of notice. "Our" notice will include the reason(s) non-renewal.

Suit Against Us

**The Suit Against Us** provision of your policy, found in the **SECTION I & II CONDITIONS** section, item 6, is hereby replaced with the following.

8. **Suit Against Us.** No action shall be brought unless there has been compliance with the policy provisions and the action is started within two years after the date of loss or damage.

All other terms and conditions of the policy remain unchanged. This includes all endorsements.

**ENDORSEMENT No. PM2 (Ed. 1)  
Animal Liability Exclusion**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

It is understood and agreed that your policy is amended as follows.

1. **LIABILITY COVERAGE**

We shall not pay any sum that the insured shall become legally obligated to pay as damages because of bodily injury or property damage caused by or originating from any animal owned by, or in the care of, custody or control of the insured, or any member of the insured's family or household.

2. **MEDICAL PAYMENT COVERAGE**

We shall not pay any medical expenses at any time, to persons while on the insured's premises, with or without the permission of the insured, or while elsewhere, if such medical expense is caused by or results from any bodily injury caused by, or resulting from any animal owned by, or in the care of, custody or control of the insured, or any member of the insured's family or household.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM3 (Ed. 1)  
Occupancy Endorsement  
(Primary Residence Only)**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

It is a condition of this policy that any vacancy or unoccupancy of the described dwelling after the inception date of this policy must be reported to the Company. The terms "vacant" or "unoccupied" mean that you have not slept overnight in the dwelling for a period of sixty (60) consecutive days.

It is understood and agreed that the Company shall not be liable for loss occurring while a described dwelling that is

intended for occupancy by the owner as a primary residence is vacant or unoccupied beyond a period of sixty consecutive days. However, coverage remains in effect during this period under Perils 1A (Fire or Lightning), 3 (Windstorm or Hail), 7 (Smoke) and 8 (Volcanic Eruption).

All other terms and conditions of this policy remain unchanged.

**ENDORSEMENT No. PM4 (Ed. 1)  
Satellite Dish Exclusion**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

This policy does not provide any coverage loss or damage to a satellite dish, antennas, or their components, including mounting hardware.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM5 (Ed. 1)  
Roof for Fire and Lightning Only  
Endorsement**

It is agreed that the roof on your Dwelling is only covered for losses caused by fire and lightning. It is further agreed that there is no coverage for interior damage if such damage is due to the failure of the roof, unless such failure is caused by fire or lightning.

**ENDORSEMENT No. PM6 (Ed. 2)  
Water Damage Exclusion for Plumbing**

It is agreed that the insured dwelling's plumbing system is constructed, in whole or in part, from material other than copper, or galvanized steel or polyvinyl chloride (PVC), chemically cross-linked polyethylene. This does not include any of the following.

- a) Plumbing outside the dwelling.
- b) Drain pipes.
- c) Sprinkler irrigation systems.
- d) Gas pipes.

In the event a claim is made resulting from the failure of the dwelling's plumbing system, including the failure of polybutylene (PB) or other

plastic plumbing, no coverage will be afforded under this policy.

**ENDORSEMENT No. PM7 (Ed. 1)  
Copper Plumbing Agreement**

It is agreed that the insured dwelling's plumbing system is constructed from copper plumbing. This does not include plumbing outside the dwelling, drain pipes, sprinkler irrigation systems, or gas pipes.

In the event a claim is made resulting from a non-copper plumbing system failure, no coverage will be afforded under this policy.

**ENDORSEMENT No. PM9-GA (Ed. 1)  
Mold Limitation Endorsement**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

**LIMITED COVERAGE FOR MOLD POLLUTANTS.**

This policy does not provide coverage for any loss, damage, cost, claim, expense, bodily injury, property damage, medical payments or any other coverage under this policy arising from or in any way involving, directly or indirectly:

- a. Mold.
- b. Fungi.
- c. Mildew.
- d. Spores.
- e. Wet or dry rot.
- f. Bacteria.
- g. Protists.
- h. A chemical, matter, or a compound produced or released by such mold, fungi, mildew, spores, wet or dry rot, bacteria, protists.
- i. Any other similar organism, strain or derivative.

These coverages are subject to all of the terms of the policy, except as amended by this endorsement.

**LIMITED WET ROT, DRY ROT, BACTERIA, FUNGI, AND PROTIST'S COVERAGES**

**Definitions.**

1. **Mold Pollutants:**

- a. Wet rot.
- b. Dry rot.
- c. A bacterium.
- d. A fungus, including mildew or mold.
- e. A protist.
- f. A chemical, matter, or a compound produced or released by such wet rot, dry rot, bacterium, fungus, or protist.
- g. Any other similar organism, strain or derivative.

2. **Remediation:**

- a. Any remediation of mold, including the cost or expense to:
  - (1) remove the mold from covered property or to repair, restore or replace that property.
  - (2) contain, treat, detoxify, neutralize or dispose of or in any way respond to or assess the effect of the mold.
- b. The cost of any necessary testing or monitoring of air or property to confirm the type, absence, presence or level of mold, whether performed prior to, during or after removal, repair, restoration or replacement of covered property.

1. **PROPERTY COVERAGES.**

A. **Insuring Agreement**

We pay for direct physical loss to property covered under Coverages A, B, C, or, if provided by this policy, the Incidental Property Coverage for improvements caused by **mold pollutants** when the presence of any **mold pollutants**, whether collectively or any one item, is the direct result of any covered peril. All reasonable means must be used to save and preserve the property at and after the time of loss.

However, all consequential damage and subsequent cost arising from **mold pollutants** and its **remediation**, meaning any loss caused directly or indirectly by **mold pollutants** regardless of any other cause or event contributing concurrently or in any sequence to the loss, will be subject to the Aggregate Property Limit (herein "APL") of this endorsement unless the proximate covered cause of loss is the peril of fire or lightning.

This coverage does not otherwise increase any coverage limits shown in the declarations of this policy.

B. **Property Exclusions.**

- This coverage does not apply to damage caused by or consisting of **mold pollutants** that results directly or indirectly from the following.
1. Discharge or overflow.
    - a. Caused by continuous or repeated seepage or leakage unless hidden or unknown to the insured.
    - b. From a sump, sump pump, or related equipment.
    - c. That comes from off the insured premises.
    - d. Caused by freezing while the residence is vacant, unoccupied, or under construction and

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unoccupied, unless you have taken reasonable care to:

- (1) Maintain heat in the dwelling.
- (2) Shut off the liquid supply and drain the system, heater, or domestic appliance.

2. A peril that is not covered under the terms of this policy.

**C. Limits of Liability.**  
**Aggregate Property Limit.**  
 The APL of this endorsement is the most we pay for remediation regardless of the number of occurrences, claims or assessments made, or locations insured under this policy. The APL of this endorsement is the most that we pay for each consecutive annual policy period and for any remaining period of less than twelve months, beginning with the inception date of this policy as shown on the declarations. If however, the policy period is extended for an additional period of less than twelve months, this additional period will be considered part of the preceding period for the purpose of determining the APL of this endorsement.

The APL is the greater of \$5,000 or 5% of the Coverage A (Dwelling) limit, and is subject to a per-occurrence deductible of \$250. Restoration of Limits under How Much We Pay For Loss Or Claim does not apply.

**II. COVERAGE L LIABILITY COVERAGE.**  
**COVERAGE M MEDICAL EXPENSES COVERAGE.**

**A. Insuring Agreement.**  
 Subject to the Aggregate Liability Limit (herein "ALL") of this endorsement, we pay for bodily injury or property damage that results from ingestion of, inhalation of, physical contact with, or exposure to **mold pollutants**.

**B.** Except for claims adjustment expense and any litigation costs incurred thereunder, any coverage provided under these Incidental Liability Coverages for bodily injury, property damage, damages, or legal fees arising from ingestion of, inhalation of, physical contact with, or exposure to **mold pollutants** is subject to the ALL of this endorsement.

**C. Limits of Liability.**  
**Aggregate Liability Limit.**  
 The ALL of this endorsement, as shown on the declarations, is the most we pay for loss for each occurrence covered under this endorsement. This applies regardless of the number of:

- a. Persons insured under this policy.
- b. Parties who sustain injury or damage.
- c. Claims made or suits brought.

Subject to the ALL of this endorsement, the amount shown on the declarations per person for Coverage M is the most we pay for all medical expenses payable for bodily injury to one person as the result of one occurrence covered under this endorsement.

Any per occurrence limit shown on the declarations for Coverage M does not apply with respect to this endorsement. Payment under Coverage M will not be deemed an admission of liability under Coverage L.

Our total limit of liability in any one policy year will not exceed the ALL of this endorsement, regardless of the number of:

- a. Occurrences.
- b. Insureds.
- c. Claims made or suits brought.
- d. Persons injured.
- e. Assessments made.

However, this ALL does not apply to coverage provided under Claims and Defense Cost under the Incidental Liability Coverages.

The ALL of this endorsement, is the most that we pay for each consecutive annual policy period and for any remaining period of less than twelve months, beginning with the inception date of this policy as shown on the declarations. If however, the policy period is extended for an additional period of less than twelve months, this additional period will be considered part of the preceding period for the purpose of determining the ALL of this endorsement.

The ALL is \$50,000. Restoration of Limits under How Much We Pay For Loss Or Claim does not apply.

**ENDORSEMENT No. PM11 (Ed. 2)**  
**Increased Deductible For Loss or Damage Caused by Tenants**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

It is understood and agreed that if a loss occurs due to an insured peril which is caused by a deliberate act, or is a result of the abuse of the property by a present or past tenant of the property, then that loss is considered to be a "Tenant Caused Loss."

We will only be liable for that portion of a Tenant Caused Loss that exceeds \$2,500.00, up to the limits of the policy as stated on the policy declarations page. However, if a policy deductible of \$5,000.00 is stated on the policy declarations page, then we will only be liable for that portion of a Tenant Caused Loss that exceeds \$5,000.00, up to the limits of the policy as stated on the policy declarations page.

This endorsement does not extend or expand the perils insured under this policy.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM18 (Ed. 1)**  
**Trampoline Exclusion**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

This policy does not provide any coverage for any:

- a. loss,
- b. damage,
- c. cost,
- d. claim,
- e. expense,
- f. "bodily injury,"
- g. "property damage," or
- h. medical payments arising from or in any way involving, directly or indirectly, a trampoline, regardless of cause.

We shall have no duty to investigate, defend, or indemnify any claim or "suit" seeking such damages.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM19 (Ed. 1)**  
**Swimming Pool Diving Board and Slide Exclusion**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

This policy does not provide any coverage for any:

- a. loss,
- b. damage,
- c. cost,
- d. claim,
- e. "bodily injury,"
- f. "property damage," or
- g. medical payments arising from or in any way involving, directly or indirectly, a swimming pool diving board, slide or similar structure, regardless of cause.

We shall have no duty to investigate, defend, or indemnify any claim or "suit" seeking such damages.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM20 (Ed. 1)**  
**Inflation Guard**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

The limit of liability shown on the Declarations page of the policy for the insured dwelling (Coverage A) may be increased by 0.25% of the amount shown on the Declarations page at the end of each month after the

effective date of the policy. If no change has been made on a monthly basis, the Coverage A limit may be increased by 3.00% of the amount shown on the Declarations page in the event a notice offering to renew the policy for another annual term is issued.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM21 (Ed. 1)**  
**Unit-Owners Rental to Others**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

For an additional premium, this coverage applies while the "residence premises" is regularly rented or held for rental to others.

**SECTION I**

Under Coverage C – Personal Property, Property Not Covered, Item 6, is deleted and replaced by the following:

6. Property contained in an apartment, other than the "residence premises," regularly rented or held for rental by others by an "insured";

In the peril of Theft Exclusion C, "from that part of a "residence premises" rented by an "insured" to other than an "insured," is deleted.

We do not cover loss caused by theft from the "residence premises" of:

- a. Money, bank notes, bullion, gold, goldware, gold-plated ware, silver, silverware, silver-plated ware, pewterware, platinum, coins and medals;
- b. Securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, personal records, passports, tickets and stamps regardless of the medium (such as paper or computer software) on which the material exists, or jewelry, watches, furs, precious and semiprecious stones.

**SECTION II**

Exclusion 1.c. of Coverage E – Personal Liability and Coverage F – Medical Payments to Others is deleted and replaced by the following:

- C. Arising out of the rental or holding for rental any part of any premises by an "insured." This exclusion does not apply to the rental or holding for rental of the "residence premises";

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM22 (Ed. 1)**  
**Preferred Tier Endorsement**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

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This endorsement is applied to all Preferred Tier policies. Placement in the Preferred Tier is reflected on the policy Declarations page. This endorsement enhances some of the Section I (Property) coverage afforded by your policy. Please read it carefully.

### Section I – Coverage C (Personal Property)

The Special Limits of Liability in the policy are doubled, unless otherwise increased through the purchase of additional optional coverage. The Special Limits are increased as follows:

1. Special Limits of \$100 in the policy are increased to \$200.
2. Special Limits of \$250 in the policy are increased to \$500.
3. Special Limits of \$500 in the policy are increased to \$1,000.
4. Special Limits of \$1,000 in the policy are increased to \$2,000, and
5. Special Limits of \$2,000 in the policy are increased to \$4,000.

### Section I – Exclusions

Exclusions 1.a.(1) and 1.a.(2) relating to ordinance or law requirements are deleted. Loss for damage by a Peril Insured Against to covered property, or the building containing the covered property, will be settled on the basis of any ordinance or law that regulates the construction, repair or demolition of the property or building.

### Section I – Conditions

The loss settlement provisions of the policy for Coverage C are changed to provide coverage on a replacement cost basis. Loss of personal property covered under Coverage C of the policy will be settled on a replacement cost basis, and in accordance with the following provisions:

1. "Replacement cost" means the cost to repair or replace the property with new property of equivalent kind and quality to the extent practical, without deduction for depreciation.
2. The replacement cost terms set forth in this endorsement apply to the following covered property:
  - a. Coverage C – Personal Property,
  - b. appliances and window air conditioners,
  - c. carpets and window coverings,
  - d. awnings and canopies and
  - e. antennas.
3. The replacement cost terms set forth in this endorsement do not apply to the following property:
  - a. articles of art or rarity that cannot be duplicated,
  - b. memorabilia, souvenirs, collector's items, and similar items whose age or history contribute to its value,
  - c. items not maintained in good or workable condition, or
  - d. items that are outdated or obsolete and are stored or not being used.

4. **Loss Settlement.** Subject to the terms shown in the Conditions – Loss Settlement portion of this policy and the terms of this endorsement, we settle losses according to the Replacement Cost Terms. If the Replacement Cost Terms do not apply, we settle losses according to the Actual Cash Value Terms.

a. Replacement Cost Terms

(1) We pay the smallest of the following amounts for each covered item:  
(a) the replacement cost of the property as defined in this endorsement;

(b) the amount computed after any special limitation in this policy has been applied to the loss; or

(c) for loss to property covered under Coverage C, subject to the Coverage C limit.

(2) When the replacement cost for each occurrence is more than \$500, we do not pay for more than the actual cash value of the loss until actual repair or replacement is completed. You may make a claim for the actual cash value amount of the loss before repairs are made or replacement is completed. A claim for any additional amount payable under this provision must be made within six months after the loss.

b. Actual Cash Value Terms – Actual cash value includes a deduction for depreciation, however caused.

(1) The Actual Cash Value Terms apply to all property not subject to the Replacement Value Terms.

(2) The smaller of the following amounts is used in applying the terms under our limit:

(a) the cost to repair or replace the property with materials of like kind and quality to the extent practical, or

(b) the actual cash value of the property at the time of loss.

5. The coverage provided by this endorsement does not increase our limit.

All other terms and conditions of the policy remain unchanged. Please read your policy.

**ENDORSEMENT NO. P04 (Ed. 1)  
Extended Replacement Cost Coverage**

**THIS ENDORSEMENT AMENDS YOUR POLICY.  
PLEASE READ IT CAREFULLY.**

In the event of a covered loss to your home, we will pay to repair or replace the damaged or destroyed dwelling with like or equivalent construction, up to 20% over the policy's limits of liability. Your policy will specify whether you must actually repair or replace the damaged or destroyed dwelling in order to recover extended replacement costs. The amount of recovery

will be reduced by any deductible you have agreed to pay.

To be eligible to recover extended replacement cost coverage, you must insure the dwelling to its full replacement cost at the time the policy is issued, with possible periodic increases in the amount of coverage to adjust for inflation. You must also notify us about any alterations that increase the value of the insured dwelling by a certain amount (see your policy for that amount).

All other terms and conditions remain unchanged.

**ENDORSEMENT NO. P05-HO (Ed. 1)  
Replacement Cost Coverage for Personal Property**

It is agreed that, for the additional premium noted on the declarations of this policy, that the loss settlement provisions of the policy relating to losses of personal property covered under Coverage C of the policy are to be settled on a replacement cost basis and in accordance with the following provisions:

6. "Replacement cost" means the cost to repair or replace the property with new property of equivalent kind and quality to the extent practical, without deduction for depreciation.

7. The replacement cost terms set forth in this endorsement apply to the following covered property:

- a. Coverage C – Personal Property,
- b. appliances and window air conditioners,
- c. carpets and window coverings,
- d. awnings and canopies, and
- e. antennas.

8. The replacement cost terms set forth in this endorsement do not apply to the following property:

- a. articles of art or rarity that cannot be duplicated;
- b. memorabilia, souvenirs, collector's items, and similar items whose age or history contribute to its value;
- c. items not maintained in good or workable condition, or
- d. items that are outdated or obsolete and are stored or not being used.

9. Under the Section I - Conditions of the policy, loss settlement terms, Item 3, are deleted and replaced by the following with respect to the property that is subject to the terms of this endorsement:

10. **Loss Settlement.** Subject to the terms shown in the Conditions – Loss Settlement portion of this policy and the terms of this endorsement, we settle losses according to the Replacement Cost Terms. If the Replacement Cost Terms do not apply, we settle losses according to the Actual Cash Value Terms.

a. Replacement Cost Terms  
(1) We pay the smallest of the following amounts for each covered item:

(a) the replacement cost of the property as defined in this endorsement;

(b) the amount computed after any special limitation in this policy has been applied to the loss; or

(c) for loss to property covered under Coverage C, subject to the Coverage C limit.

(2) When the replacement cost for each occurrence is more than \$500, we do not pay for more than the actual cash value of the loss until actual repair or replacement is completed. You may make a claim for the actual cash value amount of the loss before repairs are made or replacement is completed. A claim for any additional amount payable under this provision must be made within six months after the loss.

b. Actual Cash Value Terms – Actual cash value includes a deduction for depreciation, however caused.

(1) The Actual Cash Value Terms apply to all property not subject to the Replacement Value Terms.

(2) The smaller of the following amounts is used in applying the terms under our limit:

(a) the cost to repair or replace the property with materials of like kind and quality to the extent practical; or

(b) the actual cash value of the property at the time of loss.

11. The coverage provided by this endorsement does not increase our limit. All other terms, conditions and exclusions of the policy apply.

**ENDORSEMENT NO. P06 (Ed. 1)  
Scheduled Personal Property**

**THIS ENDORSEMENT CHANGES YOUR POLICY.  
PLEASE READ IT CAREFULLY.**

For an additional premium, we cover the classes of personal property indicated by an amount of insurance. This coverage is subject to the DEFINITIONS, SECTION I – CONDITIONS, SECTIONS I AND II CONDITIONS, and all provisions of this endorsement. The Section I deductible as shown on the Declarations does not apply to this coverage.

**THE FOLLOWING SCHEDULE OF ITEMS WILL  
APPEAR ON THE DECLARATIONS:**

Class of Personal Property	Amount of Insurance Premium	Premium
1. Each class of property to be listed individually here.	Declared Amount	\$ Charge Insured

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GEORGIA PROPERTY ENDORSEMENTS**

No. List of Individual Items Scheduled for Each Class of Personal Property  
 1 First item scheduled for first class of property.

Value  
 \$ Amount

**ENDORSEMENT No. PO8 (Ed. 2)  
Personal Injury Coverage**

**This endorsement changes your policy. Please read it carefully.**

For an additional premium, under Coverage E – Personal Liability, the definition of “bodily injury” is amended to include personal injury.

- “Personal injury” means injury arising out of one or more of the following offenses.
1. False arrest, detention or imprisonment, or malicious prosecution;
  2. Libel, slander or defamation of character; or
  3. Invasion of privacy, wrongful eviction or wrongful entry.

“Personal injury” does not mean false arrest, false imprisonment, wrongful eviction, wrongful entry, wrongful detention, malicious prosecution, misrepresentation, libel, slander, defamation of character, or invasion of privacy that arises out of:

1. communicable disease; or
2. the actual, alleged, or threatened sexual molestation of a person;

Section II Exclusions do not apply to personal injury. Personal injury does not include any of the following.

1. Liability assumed by the “insured” under any contract or agreement. This does not include any indemnity obligations assumed by the “insured” under a written contract directly relating to the ownership, the maintenance or the use of the premises.
2. Injury caused by a violation of a penal law or ordinance committed by or with the knowledge or consent of an “insured.”
3. Injury sustained by any person as a result of an offense directly or indirectly related to the employment of this person by the “insured.”
4. Injury arising out of or in connection with a “business” engaged in by an “insured.” This exclusion applies, but is not limited to, an act or omission, regardless of its nature or circumstance, involving a service or duty that is rendered, that is promised, that is owed or that is implied to be provided because of the nature of the “business.”
5. Civic or public activities performed for pay by an “insured.”
6. Injury to you or an “insured” within the meaning of part a. or b. of “insured” as defined.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PO9 (Ed. 2)  
Premises Burglary or Fire Alarm System Agreement**

**This endorsement changes your policy. Please read it carefully.**

For a premium credit, we acknowledge the installation of a burglary alarm system or a fire alarm system, or both, approved by us on the **residence premises**. You agree to maintain this system in working order and to notify us promptly of any change made to the system or if it is removed. A fire alarm system includes an automatic sprinkler system.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PO10 (Ed. 1)  
Exclusion of Cosmetic Damage to Hail Resistant Roof**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

The following Section I Exclusion is added to the policy:

We do not cover cosmetic loss or damage to roof coverings caused by the peril of hail.

Cosmetic loss or damage means only that damage that alters the physical appearance of the roof covering, but does not result in damage that allows the penetration of water through the roof covering or does not result in the failure of the roof covering to perform its intended function, to keep out elements over an extended period of time.

We do cover hail damage to roof coverings that results in damage that will allow the penetration of water through the roof covering or that results in the failure of the roof covering to perform its intended function, to keep out elements over an extended period of time.

Roof covering means the roofing material exposed to the weather, the underlayments applied for moisture protection, and all flashings required in the replacement of a roof covering.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PO14 (Ed. 1)  
Limited Animal Liability Coverage**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

For additional premium, this policy provides limited coverage for liability arising from animals. This coverage is limited to the amount of coverage indicated on the policy declarations page. However,

this coverage does not apply, at any time, regardless of cause, to farm animals, or exotic or unusual pets (such as horses, cows, goats, sheep, snakes, etc.) This coverage also does not apply, at any time, regardless of cause, to any of the following dogs:

- i. Pit Bulls;
- j. Doberman Pinsers;
- k. Rottweilers;
- l. German Shepherds;
- m. Chows;
- n. Akitas;
- o. Bull Mastiffs; or
- p. Stafford Shire Terriers.

This coverage is also not extended to any dog that is a mixed breed that includes any of the above, or to any dog known by breed to be vicious or with a previous bite history.

We shall have no duty to defend or indemnify any claim or “suit” seeking such damages excluded herein.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PO16 (Ed. 1)  
Ordinance or Law Coverage**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

For an additional premium, exclusions 1.a.(1) and 1.a.(2) in Section I of your policy, relating to ordinance or law requirements, are deleted. With this endorsement, loss for damage by a Peril Insured Against to covered property, or the building containing the covered property, will be settled on the basis of any ordinance or law that regulates the construction, repair or demolition of this property.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PO17 (Ed. 1)  
Increased Unscheduled Jewelry and Silverware Limits**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

This endorsement changes items 8 and 9 in your Special Limits of Liability (SLL). The SLL’s are in Section I, Coverage C (Personal Property) of your policy.

Items 8 and 9 in the Coverage C SLL are deleted and replaced with the following.

8. \$3,000 for loss by theft of jewelry, watches, furs, precious and semi-precious stones.
9. \$3,000 for loss by theft of silverware, goldware, pewter, and platinum, including:
  - a. Silver or gold-plated ware, plateware, flatware, hollowware, tea sets, trays, trophies and the like;
  - b. Other utilitarian items made of or including silver, gold, pewter or platinum.

No other SLL’s are altered by this endorsement. All other terms and conditions of the policy remain unchanged. Please read your policy.

**ENDORSEMENT No. PO18 (Ed. 1)  
Increased Unscheduled Computer Equipment Limit**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

This endorsement changes item 11 in your Special Limits of Liability (SLL). The SLL’s are in Section I, Coverage C (Personal Property) of your policy.

Item 11 in the Coverage C SLL is deleted and replaced with the following.

11. \$3,000 on computers and electronic data processing equipment.

No other SLL’s are altered by this endorsement.

All other terms and conditions of the policy remain unchanged. Please read your policy.

**ENDORSEMENT No. PO19 (Ed. 1)  
Home Freezer Contents Coverage**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

We will pay up to \$500 for loss to covered property stored in a freezer or refrigerator stored on the insured premises. This coverage is additional insurance. No deductible applies to this coverage.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PO25 (Ed. 1)  
LOSS ASSESSMENT COVERAGE**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

For an additional premium the limit of liability for SECTION I and SECTION II loss assessment will be the amount that appears on the declarations page for this coverage. No deductible will apply.

All other provisions of this policy apply.

**ENDORSEMENT No. PO28 (Ed. 1)  
Increased Unscheduled Property Used in Business (On Premises)**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

This endorsement changes item 2 in your Special Limits of Liability (SLL). The SLL’s are in Section I, Coverage C (Personal Property) of your policy.

# Pacific Specialty Insurance Company GEORGIA PROPERTY ENDORSEMENTS

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Item 2 in the Coverage C SLL is deleted and replaced with the following:

2. \$3,000 on property on the premises used at any time or in any manner for any business purpose.

No other SLL's are altered by this endorsement.

All other terms and conditions of the policy remain unchanged. Please read your policy.

## ENDORSEMENT NO. PO29 (ED. 1) Scheduled Personal Property Coverage

### THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.

(The information that identifies the property covered by this endorsement and the corresponding "limits" will be shown on a separate schedule.)

#### PROPERTY COVERAGES

#### PRINCIPAL PROPERTY COVERAGES

"We" cover the classes of personal property for which a "limit" is shown on the schedule that applies to this endorsement. This coverage is subject to all policy "terms" that apply to property coverage unless amended by this endorsement.

#### ADDITIONAL PROPERTY COVERAGES

1. **Newly Acquired Fine Arts** – If fine arts are covered by this endorsement, "we" cover additional fine arts that "you" acquire during the policy period. "You" must provide us with a complete description of each item within 90 days of the date "you" acquire it and pay the additional premium.
- "We" cover these items for their actual cash value. The most that "we" pay for all such items is 25% of the "limit" shown for fine arts.

2. This coverage applies for 90 days from the date "you" acquire the property or until "you" report the newly acquired property to "us", whichever occurs first. This coverage does not extend past the end of the policy period.

#### **Newly Acquired Jewelry, Furs, Musical Instruments, and Cameras and Related Equipment**

– If jewelry, furs, musical instruments, or cameras and related equipment are covered by this endorsement, "we" cover additional jewelry, furs, musical instruments, or cameras and related equipment that "you" acquire during the policy period. "We" cover only those newly acquired items that belong to a class of property already covered by this endorsement. "You" must provide "us" with a complete description of each item within 30 days of the date "you" acquire it and pay the additional premium.

"We" cover these items for their actual cash value. The most that "we" pay for all such items will be the smaller of the following:

- a. 25% of the "limit" shown for the class of property to which the item belongs; or
- b. \$10,000 for each class.

This coverage applies for 30 days from the date "you" acquire the property or until "you" report the newly acquired property to "us", whichever occurs first. This coverage does not extend past the end of the policy period.

#### PROPERTY NOT COVERED

"We" do not cover:

1. coins or stamps while they are shipped by mail. However, "we" do cover these items when they are shipped by registered mail;
2. coins or stamps while they are in the custody of a common carrier, unless the full value of these items has been declared to the carrier;
3. coins or stamps that are not part of a collection. However, "we" do cover these items if they are individually scheduled;
4. fine arts that are on display at fairs/grounds or at a national or international exposition unless these locations are shown for this coverage; or
5. golfers' equipment that is held for sale.

#### PERILS INSURED AGAINST

The Perils Insured Against provision is deleted and replaced by the following with respect to the property covered by this endorsement:

Except for golf balls, "we" cover direct physical loss to covered property unless the loss is caused by a peril that is excluded. The loss must be due to an external cause.

"We" cover direct physical loss to golf balls caused by fire or burglary.

#### PERILS EXCLUDED

The Exclusions That Apply to Property Coverages are deleted and replaced by the following with respect to the property covered by this endorsement:

1. The following exclusions apply to all covered property.
  - a. "We" do not pay for loss if one or more of the following exclusions apply to the loss, regardless of other causes or events that contribute to or aggravate the loss, whether such causes or events act to produce the loss before, at the same time as, or after the excluded causes or events.
    - 1) **War** – "We" do not pay for loss caused by or that results from war.
 

This means:
 
      - (a) declared war, undeclared war, civil war, insurrection, rebellion, or revolution;

(b) a warlike act by a military force or by military personnel;

(c) the destruction, seizure, or use of the property for a military purpose;

(d) the discharge of a nuclear weapon even if it is accidental.

2) **Civil Authority** – "We" do not pay for loss that results from order of civil authority. This means:

- (a) seizure or destruction under quarantine or customs regulations;
- (b) risks of contraband or illegal transportation or trade; or
- (c) confiscation or destruction by order of a government or public authority.

"We" do pay for loss which results from acts of a civil authority to prevent the spread of fire.

3) **Nuclear Hazard** – "We" do not pay for loss which results from nuclear reaction, nuclear radiation, or radioactive contamination (whether controlled or uncontrolled; whether caused by, contributed to, or aggravated by a peril insured against; and whether caused by natural, accidental, or artificial means).

Loss caused by nuclear hazard is not considered loss caused by fire, explosion, or smoke. Direct loss by fire resulting from the nuclear hazard is covered.

b. "We" do not pay for a loss that results from and which is confined to the following perils:

- 1) normal wear and tear of covered property;
- 2) gradual deterioration of covered property;
- 3) hidden or latent defect of covered property;
- 4) a quality, fault, or weakness in covered property that causes it to damage or destroy itself; or
- 5) insect or vermin damage to covered property.

2. The following additional exclusions apply only to the indicated classes of property.

a. **Bicycles** – "We" do not pay for loss caused by or that results from:

- 1) corrosion or rust; or
- 2) the actual work on or handling of the bicycles or a process to repair, adjust, service, or maintain them.

b. **Coins or Stamps** – "We" do not pay for loss caused by or that result from:

- 1) the mysterious disappearance of individual coins or stamps from a collection. "We" do cover loss caused by this peril if the item is:
  - a) described on the schedule; or
  - b) mounted in a volume and if the page to which the item is attached is also missing;

2) theft from an unattended vehicle. "We" do cover theft from an unattended

vehicle while the coins or stamps are being shipped as registered mail;

3) dampness;

4) extremes of temperature;

5) fading, creasing, scratching, denting, tearing, or thinning;

6) transfer of colors; or

7) the handling of or working on the coins or stamps.

c. **Fine Arts** – "We" do not pay for loss or damage caused by or that results from:

- 1) a process to repair, retouch, restore, adjust, service, or maintain the covered fine arts. If a fire or explosion results, however, "we" do cover the loss caused by the fire or explosion, or
- 2) breakage of art glass windows, statuary, marble, glassware, bric-a-brac, porcelain, or similar fragile items. However, "we" do cover breakage if it is caused by fire, lightning, windstorm, hail, earth movement, sinkhole collapse, volcanic action, flood, explosion, sonic boom, smoke, aircraft, spacecraft, self-propelled missiles, falling objects, vehicles, including an accident to a transporting vehicle, strike, riot, civil commotion, vandalism, theft, attempted theft, sprinkler leakage, weight of ice, sleet or snow, or the collapse of a building or structure.

#### HOW MUCH WE PAY FOR LOSS OR CLAIM

1. With respect to the property covered by this endorsement, the Deductible provision is deleted.
2. With respect to the property covered by this endorsement, the Loss Settlement Terms are deleted and replaced by:

**Loss Settlement Terms** – "We" settle covered property losses as follows:

- a. **Fine Arts** – "We" pay the "limit" shown for each scheduled article which is agreed to be the value of the article. In case of loss to a pair or set, "we" pay the full "limit" of the pair or set as shown on the schedule, and "you" agree to surrender the remaining article or articles of the pair or set to "us".
- b. **Postage Stamps or Rare and Current Coin Collections** – In case of loss or damage to any scheduled item, the amount payable will be determined in accordance with item 2.c. Other Property, below.

When coins or stamps are covered on a blanket basis, "we" pay the cash market value at the time of loss but no more than \$1,000 on any unscheduled coin collection nor more than \$250 for any one stamp, coin, or individual article or any one pair, strip, block, series sheet, cover frame, or card. "We" will not pay a greater proportion of any loss on blanket property than the "limit" shown on the schedule for the blanket

**Pacific Specialty Insurance Company  
GEORGIA PROPERTY ENDORSEMENTS**

property bears to the cash market value at the time of loss.

c. **Other Property** – Unless otherwise stated in this endorsement, the value of the covered property is not agreed upon but will be determined at the time of loss or damage. "We" pay the least of the following amounts:

- 1) the actual cash value of the property at the time of loss;
- 2) the amount for which the property could reasonably be expected to be repaired or replaced (to the extent practical) with property substantially identical to the property lost or damaged;
- 3) an amount not greater than the "insured's" interest in the property; or
- 4) the applicable "limit".

3. With respect to the property covered by this endorsement, Loss to a Pair or Set is deleted and replaced by:

**Loss To A Pair Or Set** – In case of a loss to a pair or set, "we" may elect to:

- a. repair or replace any part to restore the pair or set, to its value before the loss; or
- b. pay the difference in the actual cash value of the pair or set just before the loss and the actual cash value just after the loss.

This provision does not apply to fine arts.

4. With respect to the property covered by this endorsement, Loss to Parts is deleted and replaced by:

**Loss To Parts** – If there is a loss to a part of an item that consists of several parts when it is complete, "we" pay only for the value of the lost or damaged part or the cost to repair or replace it.

This provision does not apply to fine arts.  
5. With respect to the property covered by this endorsement, Restoration of Limits is deleted and replaced by:

**Restoration of Limits** – The "limit" under this endorsement will not be reduced, except for a total loss of a scheduled article. If a claim is paid for total loss of a scheduled article, the unearned premium applicable to the lost article will be refunded to "you" or applied to the premium due on articles replacing those on which the claim was paid.

**CONDITIONS APPLICABLE TO PROPERTY COVERAGES ONLY**

The following condition is added with respect to the property covered by this endorsement.

**Territory Where Coverage Applies** –

- a. **Fine Arts** – Coverage applies only while the property is in the United States, its territories or possessions, Canada, or Puerto Rico.
- b. **All Other Property** – Coverage applies while the property is anywhere in the world.

**ENDORSEMENT No. PO33 (Ed.1)**

**Earthquake Coverage for HO-3, HO-4 and HO-6 Policies**

**THIS ENDORSEMENT CHANGES YOUR POLICY  
PLEASE READ IT CAREFULLY.**

For an additional premium, we insure for direct physical loss to property covered under Section 1 caused by earthquake including land shock waves or tremors before, during or after a volcanic eruption.

1. One or more earthquake shocks that occur within a seventy-two (72) hour period constitute a single earthquake.
2. The following is the only deductible that applies to each loss caused by earthquake.

We will pay only that part of the loss which is more than 10% of the total amount of insurance that applies. This deductible will apply separately to loss under Coverage A – Dwelling, Coverage B – Other Structures, and Coverage C – Personal Property. This deductible amount will not be less than \$1000 in any one loss.

**Special Exclusions**

1. We do not cover loss resulting directly or indirectly from flood of any nature or tidal wave, whether caused by, resulting from, contributed to or aggravated by an earthquake.
2. We do not cover loss to exterior masonry veneer. The value of exterior masonry veneer will be deducted before applying the deductible clause. For the purpose of this exclusion, stucco is not considered masonry veneer.

The Section 1 – Earth Movement exclusion does not apply to loss caused by earthquake including land shock waves or tremors before, during, or after a volcanic eruption.

All other provisions of this policy apply.

**ENDORSEMENT No. PO36 (Ed. 1)**

**Earthquake Loss Assessment Coverage**

**THIS ENDORSEMENT CHANGES YOUR POLICY.  
PLEASE READ IT CAREFULLY.**

**Section I – Your Property Coverages**

**Your Additional Coverages**

Earthquake Loss Assessment is added as follows:

**Loss Assessment.** We will pay the actual, reasonable and necessary cost for your share of any loss assessment charged against all members of an association of property owners if the assessment is made as a result of direct loss to the property collectively owned by all members caused by an earthquake, or land shock waves or tremors before, during or after a volcanic eruption.

This coverage applies only to assessments made against you as the owner of your premises for earthquake losses which occur during the Policy Period shown on the Declarations Page.

**Section I**

**Amount of Insurance.**

We will pay up to \$10,000 with respect to any one earthquake loss (One or more earthquake shocks that occur within a seventy-two (72) hour period constitute a single earthquake), regardless of the number of assessments made. No deductible will apply.

A \$500 deductible applies to this coverage.

All other provisions of your policy apply.

**ENDORSEMENT No. PO38 (Ed. 1)**

**Townhouse or Row House Firewall Limit**

**THIS ENDORSEMENT CHANGES YOUR POLICY.  
PLEASE READ IT CAREFULLY.**

A "firewall" is defined as a passive fire protection system that serves as a barrier between individual family units. The firewall must have a fire resistance rating of either one-hour or that meets applicable building codes, whichever is greater.

It is understood and agreed that, as a condition of your policy, a firewall must separate each individual family unit within the building where the insured dwelling is located. If no firewall is present between each unit, all coverage for loss or damage due to fire or smoke is limited to a total of \$50,000. This special limit applies regardless of the total limit or limits stated on the policy declarations page for all coverages that apply to the loss.

All other terms and conditions of the policy remain unchanged.

**POLICY SERVICE**  
**NOTE: You MUST refer to your policy number when asking for information.**

**Pacific Specialty Insurance Company**

P.O. Box 40  
Anaheim, CA 92815-0040  
(714) 998-2190  
(800) 303-5000  
(714) 998-3158 Fax

3601 Haven Avenue  
Menlo Park, CA 94025-1010  
(650) 780-4800  
(800) 828-3003

**FOR REPORTING OF CLAIMS:**  
Please Call:

**800-962-1172**

**POLICY NUMBER MUST ACCOMPANY  
CLAIM REPORT AND ALL  
CORRESPONDENCE**

## How Homeowners Insurance Works

While rebuilding New Orleans and the Gulf Coast after the horrible devastation of hurricanes Katrina and Rita has relied in part on numerous volunteers, aid agencies and donations from the public, insurance agencies have also played an important role. The numbers involved in this disaster, the worst natural disaster the insurance industry has ever dealt with, are astounding: 1.7 million insurance claims were filed for \$40.6 billion in damages. Approximately 682,000 insured vehicles were damaged or destroyed. Despite the terrible destruction and the long rebuilding process ahead, insurance companies have largely succeeded in their job. Reports indicate that only 2 percent of claims remain in some form of dispute. Though many people found themselves the victims of a poor FEMA response or lacked adequate insurance coverage, millions of others have been able to return to their lives because of the safety net provided by homeowners insurance.

Of course, homeowners insurance isn't just for victims of major disasters. From water damage to vandalism to someone accidentally injuring himself at your home, homeowners insurance has many applications. In this article, you'll find out why you need homeowners insurance, how it works and how to save money on the best policy for you.

### Why Buy Homeowners Insurance?

Given all of the expenses that come with owning a home, it's reasonable to wonder if homeowners insurance is just another seemingly useless expense. The answer is no, it's not useless -- in fact, homeowners insurance is essential. Not only will a good policy save you money in the event that something happens to your home or belongings, an insurance company can also help you with other matters, like making your home more resistant to natural disasters. And though having homeowners insurance isn't required by law, most mortgage lenders require you to have homeowners insurance in order to borrow money from them. If you live in a condominium or co-op, you may also be required by your tenants' association to have homeowners insurance.

Even if you have a relatively new, well maintained house, homeowners insurance can help you in situations that may not be preventable. Say, for example, that you are having a dinner party at your house. A group of guests is gathered on the back patio, and one of the guests trips on a loose tile and breaks his ankle. You, as the homeowner, are potentially liable for the guest's injury. The right homeowners insurance policy should protect you against legal action and pay for the injured man's medical bills.

Now that you know why you need it, let's take a look at what it is you're buying.

### What is Homeowners Insurance?

Different policies exist for renters, owners of mobile homes, people seeking bare bones coverage and those living in homes that are very old, but most homeowners will purchase what is called an **HO-3 policy**. This insurance policy covers your home and its contents against damage and theft, as well as you, the owner, against personal liability if someone is injured while on your property. This coverage also includes damage caused by pets and most major disasters, though floods and earthquakes require separate policies. Homeowners insurance does not cover problems that result from poor maintenance or general wear and tear. A basic homeowners insurance policy should also cover other structures on your property and should provide for living expenses in case you are not able to live at home after a fire or other insured disaster. The amount of coverage provided for each of these items varies depending on the insurer and the type of policy.



One of the first things you need to know about your policy is the **liability limit**. The liability limit determines how much coverage you have should something happen to your home. These limits usually start at \$100,000, but policies can be purchased with much higher limits. Most experts recommend that you have at least \$300,000 to \$500,000 of coverage, depending on the value of your home.

When someone talks about the amount of coverage they have, or their liability limit, they are probably referring to the coverage for their home -- that is, for the amount of money it would cost to rebuild their home given the price of materials and labor in the area. This amount is not the same as the purchase price of your home, which accounts for factors like the value of the land. A quick estimate of your rebuilding cost can be done by multiplying your home's total square footage by the building cost per square foot.

While your liability limit is a reflection of the amount of coverage for your actual home, other structures on your property, such as a garage, are usually covered for 10 percent of that amount. Coverage for personal belongings usually falls somewhere between 50 percent and 70 percent of the amount of coverage on the structure of the home. And, as mentioned earlier, in case you have to live somewhere else because of damage to your home, most plans cover costs of living away from home -- hotel, restaurants/food, etc. -- up to 20 percent of your home's liability limit. Other policies may provide unlimited coverage for living expenses but only for a limited period of time.

Another option you'll probably be asked to consider is **replacement cost** versus **actual cash value**. Here's where you'll really want to consider the contents of your home. Let's say, while you're not a complete luddite, by comparison to most current homeowners, the amount of electronic gadgets in your home is pretty small. You have a television that's almost as old as you are and you wouldn't miss it if it were gone. You also have an inexpensive stereo and the computer you use is an old loaner laptop from work. So which option is right for you? Going with actual cash value would mean that if these items were damaged, you'd get an amount of money equivalent to the current value of those items (accounting for depreciation). The laptop is covered through work; you won't need to replace that. And since you don't really care about the television, you could simply take the money you get and just get a new, cheap stereo. Meanwhile, your neighbor has everything a home theater should have - a plasma TV, a surround sound speaker system, DVD player, etc. in both her living room and the family room. With that kind of equipment, she'd definitely want to consider replacement cost coverage, which pays for a new version of the item that was lost or damaged - there's no accounting for depreciation. Obviously, in the case of electronics, which can depreciate in value rapidly over time, a replacement cost policy can be a big advantage. However, this isn't the only scenario that calls for this option.

Let's go back to your household contents. There are other types of items to consider when making this decision. For example, what about the collection of signed prints you have? And there's also the stamp collection and those original, signed Pearl S. Buck manuscripts. Original pieces of artwork or other costly collectibles can be just as, if not more, valuable than today's pricey electronics. Replacement cost coverage is usually 10 percent more expensive than actual cash value coverage, but under the right circumstances, it's definitely worth the extra coverage.

## Is my Policy Special?

Some homeowners may require a higher liability limit than what comes standard with their policy. Getting a higher limit can sometimes be as simple as paying a higher premium. However, in certain cases a special type of policy might be necessary. For example, an **umbrella or excess liability policy** is a separate policy that pays money to the policyholder after the liability limit on your regular homeowners insurance has been reached. Some umbrella policies defend against things like invasion of privacy, slander and libel. Generally, you have to have \$300,000 in regular coverage before you can get an umbrella policy, and the more coverage you have in your regular policy, the cheaper your umbrella policy will be. An umbrella policy of \$1 million in extra liability protection can cost \$200 to \$350 a year.

Other special policies include a **special personal property floater/endorsement**. This type of policy allows you to insure valuable items individually or together, has no deductible and charges a premium based on what the item is, its worth and where you live. An appraisal or a recent receipt determines the value of the item in question.

Remember that most standard policies do not cover earthquakes or floods. If live in an area prone to these disasters, you'll definitely want to consider special insurance policies that cover earthquakes and/or floods. Many policies do cover other natural disasters such as tornadoes and hurricanes, but it's always best to check with your carrier and, if your area experiences these disasters, consider getting a special policy.

As we have previously discussed, a home is the biggest single investment most of us ever make. Possible loss of that investment requires each homeowner to make an intelligent decision about insurance. In making that decision the homeowner depends on you to help determine risks and to select proper coverages.

The homeowner faces many possible causes of financial loss. Damage to the property to the house itself to the personal property inside, or injury or damage to other people or property are all exposures that can be covered by some form of insurance. Packaged homeowners policies allow the homeowner to cover both property and liability risks in a single policy.

The homeowner's policy is a contract between the insured and the insurance company. It lists the coverages, limits, and premiums selected by the insured, describes what those coverages protect against, and explains through conditions and exclusions when there is coverage and when there is not. There are many options which enable you to customize the policy to the specific needs of your customers.

In this section you will review the different coverages available in the homeowner's policies

You will see some examples that illustrate the insurance terms and concepts presented.

You will see some common sense rules for getting customers and keeping them.

Finally, there will be special emphasis on the customer service skills presented in the video — communicating with the customer via the telephone and the mail.

## Property Coverages in the Homeowners Policy

Most of today's homeowner insurance policies combine several coverages into one package. Some coverages are basic and always included in the policy others are optional and allow the insured to select additional protection for additional premiums. All of the coverages selected, with their limits and premiums, are shown on the declaration page.

**Property coverage** protects the dwelling, other structures on the property, and personal property. The homeowners policy also provides compensation for additional expenses after a loss. Additional payments may also be made for certain stated expenses or losses. Claim payments will not exceed the specified limit of liability for each coverage. Let's take a brief look at each individual property coverage.

**Dwelling coverage** covers the dwelling, structures attached to that dwelling (such as a garage, carport, or breezeway), and fixtures permanently attached to the house (such as a furnace, wood burning stove, plumbing fixtures, built-in air conditioning system, and certain kitchen appliances). As you can see in the example above, the premium for dwelling coverage includes the premiums for most of the other coverages. That premium will depend upon many factors, including the replacement value of the house, its construction, the deductibles selected, and location.

Coverage for **Other Structures** covers those buildings and structures that are on the insured premises but completely separated from the house or connected only with a fence or utility line. Such structures as in-ground swimming pools, fences, detached garages, tool sheds, and gazebos are included here. Structures used on a regular basis for business purposes are not covered by homeowner's policies. A builder who stores lumber and tools in a barn behind his home should cover that barn on a commercial policy.

**Personal property** coverage insures personal property that the insured owns or uses anywhere in the world. Property that is borrowed and damaged by the insured is also covered. Most insurance companies automatically insure furniture and personal possessions at a limit equal to 50% of the amount for which the dwelling is insured, but this amount can be increased for an additional premium.

Personal property coverage is subject to certain exclusions that restrict the limits on certain kinds of property. There are several popular options that increase protection on items not normally covered or covered only up to certain limits. Again, such optional coverages are available for additional premiums.

**Personal property replacement** coverage extends protection to include the actual cost to repair or replace damaged property. Generally depreciation is taken into account when determining a claim payment. With this option in the policy there is no deduction for depreciation.

**Extended theft** coverage insures items or property left in unattended motor vehicles or trailers.

**Jewelry and fur** coverage increases the limit of liability for the loss of jewelry watches, furs, precious and semiprecious stones.

**Silverware** coverage similarly increases the limits for the loss of silverware, silver-plated ware, gold ware, gold-plated ware, and pewter ware.

There are other options that can further customize the basic homeowner's policy to protect the personal property your customer owns or uses.

**Additional expenses coverage** is intended to help compensate the insured for additional living expenses after a loss. This does not cover all living expenses — only those in excess of the ones the insured normally pays.

Suppose a family is forced to live in a motel and eat in restaurants for two weeks after their home is damaged in a fire. Their normal living expenses for that period would be \$500, but they spend \$1200. Additional expenses coverage would reimburse them for the extra \$700 expense because of the damage to their home.

Again, the purpose of this coverage is to return insureds to the financial condition they enjoyed before the loss.

Additional payments are also made for specified expenses or property losses the insured incurs. They provide reimbursement for such things as debris removal, removing property from endangered premises, fire department service charges, and glass breakage. Notice that such payments help to limit damage and the need for insurance company to pay higher claim payments.

Just going with the usual homeowner's package may neglect important coverage that your customers need. If a family's silverware worth \$3500 is stolen, they will be in for a rude awakening if they have only the standard \$1000 coverage. By taking the time to thoroughly determine what property must be protected, you can avoid these unpleasant surprises.

### **Settlement of Property Losses**

The replacement cost is the actual cost of repairing or replacing the home at today's prices. For adequate protection, the amount of dwelling coverage should be based on that replacement cost. It is up to you to keep an eye on your customer's policy — especially when appreciation and improvements constantly push the replacement cost upward. You can obtain a reasonably good estimate of the replacement cost by using construction data from reputable appraisal companies.

Most insurance companies recommend full replacement coverage. This means insuring the dwelling for 100% of its replacement cost and updating that coverage as the replacement cost rises. The insurer will then pay whatever it costs to replace the damaged property or return it to its pre-loss condition—even if that cost exceeds the limit of liability

Suppose our homeowner has kept up with the growing replacement cost of the home and has now upgraded the dwelling coverage from \$120,000 to \$180,000. The damage will cover any damage to the home in full—even if the house is destroyed and costs more than \$180,000 to rebuild.

Your customer may be tempted to save money by underinsuring or buying only the minimum coverage that is required. You can provide value-added service by keeping the homeowner aware of rising replacement costs. When it is time to decide on the amount of property insurance to carry on the home, you should encourage the customer to honestly answer one question — Can I afford to replace my home and possessions at today's prices?

### **Liability Coverages in the Homeowner's Policy**

Where property coverage protects the insured's home and property, **liability coverage** provides protection when other persons claim the insured damaged their property or caused them bodily injury. The amount the insurance company will pay depends on the amount of coverage your customer selects. This amount is again shown under the Limit of Liability column on the declaration page.

**Personal liability coverage** applies when the insured is obligated by law to assume responsibility for an action that caused property damage or bodily injury to another party. Liability coverage does not cover damage to the insured's own property—only that of visitors, neighbors, or others in some way affected by the actions of the insured. Two examples will help illustrate personal liability coverage:

This coverage applies for the well-known confrontation between the family dog and the mail carrier. The claim will be paid if the dog bite occurs on the insured property or if the actual biting occurs after a chase down the street.

The insured is burning leaves on his property when a gust of wind sends the fire out of control. His fence and the neighbor's tool shed are damaged in the fire. In this accident only the neighbor's shed is covered by the Personal Liability coverage. The fence will be covered by the Other Structures coverage of his policy under Property Coverages.

**Medical payments to others coverage** pays for medical expenses of people other than the insured, when those expenses are due to an accident caused in some way by the insured. This coverage provides a way of maintaining neighborly relations without having to prove who is legally responsible for the accident. Medical payments coverage applies to accidents happening on the insured location or off that location if the accident is caused by the insured family and even the pet.

A neighbor's child breaks her arm when she falls from a sliding board in the insured's backyard. The medical expenses resulting from that accident will be covered, regardless of who was to blame for the accident.

The insured's liability coverage is thus automatically extended to many locations beyond the insured premises.

As was true with property coverages, there are certain additional payments in the liability section of the homeowner's policy. These payments are made over and above the limits shown on the declaration page.

- ◆ To pay for minor damage to the property of others without regard for legal liability. For example, this provides payment for accidentally throwing an object through the neighbor's window.
- ◆ To defend a claim or lawsuit against the insured but only as long as the limit of liability has not been used up in paying settlements or judgments.
- ◆ To pay premiums on appeal bonds when a judgment has gone against the insured and the judgment is appealed. Also to pay premiums on attachment bonds which guarantees payment of the original judgment if the home or property is sold.
- ◆ To reimburse the insured for wages or salary lost when attending hearings or trials at the insurer's request.
- ◆ To reimburse the insured for providing first-aid expenses at the scene of the accident.

### **Customizing the Homeowner's Policy**

Determining your customers' insurance needs and "building" the proper homeowner's policy is much like ordering from a menu. In a good restaurant the menu offers a range of courses—something for every taste. In the same way you can offer your customers a range of coverages — protection that meets their needs and circumstances.

Basic policies provide the **specified perils** coverage we discussed in Lesson 1. The house and possessions are covered for losses caused by those perils specifically listed in the policy. Perils not listed are not covered. Usually basic policies cover fire and lightning, windstorm and hail, explosion, riot and civil commotion, damage caused by vehicles or aircraft, smoke damage, vandalism, and theft.

Broader policies cover all losses to the house except those specifically excluded in the policy. All the perils in the basic policy are covered and others are added—rupture of steam or hot water systems, falling objects, weight of ice, snow, or sleet, electrical damage to appliances, water damage from plumbing or heating systems, collapse of buildings, and losses to property being conveyed because of collision or upset of the vehicle carrying that property. This coverage applies to the home or other buildings only. Possessions are still covered only for those perils specified in the policy.

The broadest policies cover damage to the house and possessions on an all risk basis — all perils are covered except those specifically excluded in the policy. These policies add such perils as the escape of oil from heaters or tanks, damage by certain wild animals, and the backup of water caused by the buildup of ice on roof surfaces.

Optional coverages extend protection even further. Earlier in this lesson we mentioned personal property replacement, extended theft, jewelry and fur and silverware coverage that provide extended personal property coverage. Earthquake coverage, flood coverage, and mortgage insurance (which pays the mortgage balance when the insured or spouse dies) are also examples of optional property coverages that protect the house. Optional liability coverage is available for watercraft and snowmobiles, certain business pursuits, personal injury, and the business use of the home. All of these optional coverages extend protection and are available for additional premiums.

The point is this: You have many options to choose from in developing the right homeowner's policy for your customer. The policy that is finally written is a contract between the insurance company and your customer.

It is not like a meal which can be sent back because it is under- or over-cooked. Your customers must understand what they are "ordering" when the policy is written. It's too late to customize the policy to their specific needs after a loss has occurred.

### **Where Do You Fit In?**

We have mentioned several things you can do to protect your customers' interests and to keep them as customers. When new customers begin working with your agency, it is important to learn all you can about them. What are their insurance needs? What property do they own? What possessions might require extended protection? What risks do they face that might expose them to liability losses? You must answer all of these questions when developing a homeowner's policy for your customer.

Once the policy is written, review it carefully so the customer understands what is and isn't covered. Make sure the customer understands his or her obligations in the event of a loss:

- ◆ To notify you or the insurance company as soon as possible after a loss or an accident.
- ◆ To make reasonable and necessary repairs or remove endangered property to prevent further damage.
- ◆ To prepare a detailed inventory of damaged property and assist the insurer in investigating the claim. It is a good idea to keep a current list of personal possessions in a safe place outside the home. Prompt and accurate reporting of missing or damaged articles will speed claim settlements.

Continue to provide value-added service to your customers. Eliminate dangerous gaps in their coverage. Keep an eye on the replacement cost of the home. As inflation and home improvements push this cost up, encourage your customer to carry full replacement coverage. In the event of a total loss, homeowners insurance should provide for the rebuilding of the house exactly as it was before the loss. If the value of personal property exceeds the standard coverage, encourage your customer to purchase optional coverage to fully protect that property.

Eliminate expensive overlaps in premiums. While your customer should not eliminate essential coverages to save a few dollars, there are some safe ways to save money on premiums:

Suggest the use of deductibles. The deductible is the amount the insured agrees to pay if a loss occurs. Deductibles significantly reduce the premium but still protect against large losses.

Some insurance companies offer credits for modernizing older homes.

Encourage your customers to install burglar alarms, fire alarms, fire extinguishers, smoke detectors, and deadbolt locks. Homes with these protective devices may qualify for a premium reduction.

For customers owning more than one dwelling, encourage them to insure all with one company. This is more convenient and may save the customer money

Stress the importance of timely premium payments. State laws require insurance companies to send formal notice of their intent to cancel policies for non-payment of premiums. If the amount of the premium makes payment of a lump sum difficult, discuss various installment plans or payment options to make the premium more manageable.

After you have established a good understanding and a solid working relationship with your customer, you are more likely to rely on telephone or mail contact than face-to-face meetings. This is usually more convenient for the customer, and it allows you to complete a great amount of the detail work that is necessary in collecting premiums and renewing policies.

Telephone or letter correspondence demonstrates your product knowledge and ability to represent the agency. As in personal meetings, such correspondence still allows you to solve problems for your customers and to emphasize the benefits as well as the features of the insurance policy and it allows the customer to receive prompt, courteous, value-added service.

Certain common sense rules apply when working with your customers over the phone or through the mail. If you are not sure of something, get the answer and call the customer back. Accuracy is more important than speed. Your “telephone voice” should be friendly and positive. Timing is very important; because it indicates that you are listening and empathizing with the customer. Interrupting and trying to hurry the conversation along only shows that you don’t care about the customer’s specific needs or problems.

Most agencies have standard letters that are sent to customers. Through these letters you thank the customer for choosing your agency, explain enclosed policies, or ask for renewals. In fact letters are often required by law as written documentation of an oral request. Since customers often retain letters in their files, your written correspondence — perhaps more than your personal meetings or your phone conversations — reinforces the agency’s and your own professionalism. Each contact should be carefully documented to protect the agency, to retain all the information you learn about the customer, and to make it easier to sell the account.

The basis of your agency's business — really of any business — is getting and keeping customers. It is important to look at each customer relationship not only in terms of the initial sale but also in terms of the service and continued interest that keeps the customer satisfied. Personal meetings, telephone contact, and written correspondence all contribute to such a relationship.

### **Why Buy Homeowners Insurance?**

Owners: Protect your house and personal property.

Tenants: Protect your personal property.

Owners and Tenants: Protect yourself against liability for accidents that injure other people or damage property.

### **Homeowners Insurance at a Glance**

Homeowners insurance may pay for repairing or rebuilding your damaged home, temporary shelter if your home is uninhabitable, damage to your home's contents and your personal belongings that are damaged or stolen. It may also cover medical expenses of injured guests, damage to someone else's property and legal fees and court judgments if you are found to be liable. But only if a covered "peril" (see glossary) caused the loss and you did not intentionally cause the loss.

Find What You Need: Insurance companies generally offer many policy choices with varying coverages and exclusions. You can add coverage with endorsements to meet your individual needs.

You could lose your insurance and be forced to shop for another policy as a result of non-payment of premiums, poor home maintenance or too many claims.

Homeowners insurance cost is affected by many factors, including

- The type of policy and amount of coverage chosen by you;
- Additional coverages selected, as well as deductible levels;
- Where you live;
- The type, age, and condition of your home; and
- Credit and claim history.

### **Perils & Policies**

Peril is the word the insurance industry uses for any event that could damage your property.

Most policies have two sets of perils:

- (1) Covered Perils
- (2) Excluded Perils (not covered by your insurance policy)



## Practice Quiz #5

Complete the following questions to test your understanding of the homeowner's insurance lesson.

True or False?

- 1. One of your most important problem-solving functions in working with customers is selecting the proper coverages that protect them from the risks they face.
- 2. The homeowner's policy is a contract between the insured and the insurance company.
- 3. Today's homeowner's policies are actually packages of property and liability coverages that protect insureds from the many risks they face in owning a home.
- 4. The premium for most property coverages is included in the basic premium for dwelling coverage.
- 5. Some optional coverages for personal property are suggested because standard personal property coverage covers such items as jewelry or silverware only to certain limits.
- 6. Additional expense coverage pays most or all of the expenses an insured faces after a loss.
- 7. Additional payments count toward the limits of liability of property and liability coverages.
- 8. The amount of loss payments an insurance company will pay depends on the limits of coverage your customer selects.
- 9. Personal liability coverage applies only when the insured is found to be legally responsible for property damage or bodily injury to another party
- 10. Medical payments coverage applies only when the accident or loss occurs off the insured property
- 11. Some additional payments, which reimburse the insured for expenses or actions taken at the accident, are meant to encourage the insured to limit the amount of damage or injury.
- 12. Coverages selected by the customer are listed on the declaration page.



## Practice Quiz #6

From the following list identify which coverage would apply for each accident described below.

- a) Dwelling coverage
- b) Other Structures coverage
- c) Personal Property coverage
- d) Additional Expenses
- e) Silverware coverage
- f) Extended Theft coverage
- g) Personal Property Replacement coverage
- h) Guaranteed Replacement coverage
- i) Mortgage Insurance
- j) Personal Liability
- k) Medical Payments to Others
- l) Watercraft liability

1. \_\_\_ A pewter tea set worth \$2700 is destroyed in a fire.
2. \_\_\_ The insured family is forced to stay in a motel while their home is rebuilt after the furnace explodes.
3. \_\_\_ During a very cold night, the pipes leading to the bathroom and kitchen freeze and then rupture.
4. \_\_\_ A visitor to the insured's home slips and falls on the icy steps leading to the front door.
5. \_\_\_ The house is burned to the ground. It is completely rebuilt for \$90,000, even though it had only been insured for \$83,000.
6. \_\_\_ A dead tree next to the house is struck by lightning. The surge in electricity burns out the circuits in a television set. A check for the amount to replace the set less depreciation is paid.
7. \_\_\_ The insured dies in an auto accident. The balance of the mortgage is paid to the bank.
8. \_\_\_ Someone breaks into and vandalizes the tool shed located in the back yard away from the house.
9. \_\_\_ As the insured mows the lawn, the mower throws a rock which shatters the back window of the neighbor's station wagon.
10. \_\_\_ The insured locks some packages in the car and continues to shop. A thief breaks into the car and steals the packages.
11. \_\_\_ A neighbor's child is injured while waterskiing from the insured's boat.

# Renter's Insurance

## Why You Need Renters Insurance

What if everything you own was damaged, stolen or destroyed? Would you have the thousands of dollars to replace valuable merchandise, such as your clothes, jewelry, computer, DVD player, television, furniture, and stereo equipment?

If you live in a rented apartment, house or condominium, your landlord's insurance doesn't cover your personal property in the event that it is stolen or damaged as a result of a fire, theft or other unexpected circumstance.

If your building burns to the ground, your landlord isn't responsible for replacing the charred contents of your apartment.

Whether you rent an apartment, own a condominium or have any rental property, you need insurance to protect your belongings. While your landlord and condo association might have insurance, it only protects the building and not its contents.

US statistics show that that renters experience higher rates of property crime, theft, and burglary than people who own their home. According to Boston-based Homesite Insurance Group, renters are in danger of losing their belongings from vandalism, water damage, fire, smoke, electrical surge, ice, snow, and other perils. Despite the risks, many renters don't have renters insurance.

A consumer survey conducted for the Independent Insurance Agents & Brokers of America (IIABA) found that nearly two-thirds of those living in US rental properties are currently risking severe financial loss by going without renters insurance. A national consumer telephone survey asked 1,000 people living in rental properties whether they had renters insurance: 64.4 percent said "no" and 2.2 percent answered "don't know."

The top reason most people don't think about getting renters insurance is the mistaken notion that the landlord will be held responsible for a loss. But as Doug Culkin, executive vice president of the National Apartment Association, explains, "The landlord's insurance covers the building and the infrastructure of that building, whether it is the elevators, the air conditioning, or the structure itself." Culkin notes that coverage does not extend into the homes of the individual residents and the possessions they maintain in their units.

So if your building burns to the ground, your landlord isn't responsible for replacing the charred contents of your apartment. Likewise, if your house guest trips over your ottoman and fractures his arm, your landlord's insurance on the property won't protect you from liability.

Your landlord may be liable for injuries outside of your rental property, common areas such as the lobby or stairs. But once your guest crosses your front door, he or she is your responsibility.

Parents with college-bound children can take some comfort in knowing that students who live on campus are probably covered in terms of their belongings under the college's insurance policy. However, if your kid lives off-campus in an apartment, he or she is probably not covered. You'll want to consider buying renters insurance on his or her behalf.

What about roommates? Even if you're sharing a humble abode with someone else, each person is responsible for getting his or her own policy. You need to get joint renters insurance to protect your personal belongings, especially if your roommate moves out leaving you holding the bag. Animal lovers may want to look into renter's policies that specifically protect them as far as their pets are concerned — say, should your lovable pooch happen to bite one of your houseguests.

When you look at the trade-off — paying a small premium for coverage against the cost of replacing what has taken you years to accumulate — renters insurance makes perfect sense. Here are some tips to help you with the process of selecting renters insurance:

### **Basic coverage**

In general, there's a homeowners insurance policy HO-4 for renters and HO-6 for condo owners, which cover 17 types of perils. Renters insurance also can provide additional protection, such as living expenses assistance, personal liability and medical payments coverage. For instance, if your apartment or condominium becomes uninhabitable due to a fire, burst pipes or any other reason covered by your policy, insurers could pay for the cost of you to live elsewhere while your home is being repaired.

Another way renters insurance protects you is in the area of liability — if someone were to slip and fall on your rented property, and then sue you, renters insurance could cover some or all of your legal obligations and help pay for that person's medical bills. Say you live in a zone that is prone to earthquakes or floods, you could get additional coverage to protect against hazards not covered by basic renters policy.

### **Coverage amount**

To determine how much you need, you first need an idea of the value of your personal possessions. The idea is to buy enough insurance to replace everything in your apartment if it's stolen, damaged or destroyed. The first step is to take inventory — it helps to take pictures or even videotape each room, closets, open drawers, and so on. Better yet, keep receipts for all major items you purchase. Granted, many insurance companies place limits on what they will pay for specific items, so you may end up paying for additional coverage to make sure those items are completely insured. For example, expensive jewelry and valuable artwork are not covered under a standard renters insurance policy; you'll probably need a rider or floater to cover luxury items.

### **Actual cash value vs. replacement cost**

There are two types of coverage: actual cash value or replacement cost. The former is less expensive. Under this type of coverage, your belongings are valued after depreciation. In other words, the insurance company will take into consideration the age and condition of the stolen or damaged property. A replacement cost policy will pay you to replace your property with the same or similar item at the current market price.

Let's say that you bought your 25-inch television set five years ago for \$400; it would be worth less in value today. However, it would cost you that much (or more) to buy a new TV. The insurance company would only pay for what the old one was worth, minus your deductible under a cash value policy. With a replacement policy, an insurer would make an advanced payment to you for the used value of the property, minus your deductible, and then reimburse you the actual price you pay when you replace the property.

Replacement cost coverage, on the other hand, will pay for what it actually costs to replace the items you lost. Usually, you'll have to pay out of your own pocket to replace your damaged items and submit the receipts to the claims adjuster for reimbursement. Even so, you'll still get a bigger chunk of change back than if you bought ACV coverage.

Make sure you also let your agent know about any particularly valuable items you have. Things like jewelry, antiques, and electronics may be covered up to a certain amount, but if you have some items that are unusually expensive, like a diamond ring, you'll probably need to purchase a separate rider. If you don't talk to your agent about an expensive item when you buy the policy, you probably won't be able to recover the loss.

### **Coverage cost**

According to the IIABA, the average cost is about \$12 a month (\$240 a year) for \$30,000 of property coverage or content replacement coverage and \$100,000 of liability coverage. Your premium will depend on a number of factors, including where you live, your deductible, and your insurance company. The higher your deductible, the lower your premium. Some financial experts recommend getting a \$1,000 deductible. If you install protective devices such as fire detectors, burglar alarms and fire extinguishers, you will be able to reduce your premium.

Convinced renters insurance ensures your peace of mind and your prosperity? The best place to start shopping around is by contacting an insurance company you already do business with, such as your auto insurance carrier.

### **The Basics Of Renters Insurance**

You're moving into a new apartment and you have a lot to do: setting up telephone and cable service, letting people know your new address, deciding how to arrange your living room — the last thing you're thinking about is insurance.

If you live in a condominium or rent an apartment, your landlord's or condo association's insurance should cover damages to the building — meaning the structure itself. But such a policy only covers their building and not your belongings. That's why you should have renter's insurance. Regardless of whether you live in a house, condo, or apartment, replacing your stuff or defending yourself against a liability lawsuit can take a big toll on your bank account.

It's a perilous business

Basic home insurance policies generally protect you from the same disasters. Both renters and condo owner policies cover losses to your personal property from 17 types of perils:

- ◆fire or lightning
- ◆windstorm or hail
- ◆explosion
- ◆riot or civil commotion
- ◆aircraft
- ◆vehicles
- ◆smoke
- ◆vandalism or malicious mischief
- ◆theft
- ◆damage by glass or safety-glazing material that is part of a building
- ◆volcanic eruption
- ◆falling objects
- ◆weight of ice, snow, or sleet
- ◆water-related damage from home utilities
- ◆and electrical surge damage.

Sounds like quite a lot, doesn't it? You may notice, however, that floods and earthquakes aren't on the list. If you live in an area prone to those, you'll need to buy a separate policy or a rider on your renter's policy. In some coastal regions, where hurricanes can cause mass destruction, you may also need to buy a separate rider to cover you from windstorm damage.

### **Footing the bill when your home is unlivable**

If your apartment becomes unlivable due to a fire, burst pipes sending water everywhere, or for any other reason that is covered by your policy, renters insurance will cover your "additional living expenses." Generally, that means paying for you to live somewhere else, such as another apartment that is in a similar price range as your original place.

This coverage has a limit of about 30 to 40 percent of the total value of the policy. So, if you're insured for \$100,000 your "additional living expenses" limit will be \$30,000 or \$40,000, depending on your individual policy. Your insurance company will continue to pay while your home is being repaired or rebuilt, or until you permanently relocate. However, sometimes 12 months is the longest an insurance company will continue paying. Other times, you're limited to what the insurance company considers a "reasonable length of time."

### **Additional benefits**

Renters insurance has additional benefits that might not immediately come to mind. For example, if you own a waterbed, a waterbed liability provision is standard in most policies, according to Mike Binns, personal lines underwriting manager for Farmers Insurance Co. If your waterbed bursts and the water ends up in the apartment below yours, renters insurance will cover the damage.

Liability protection is also standard with most renter's policies. This means that if someone in your apartment slips and falls, you're covered for any costs, up to your liability limit. And if this person should choose to sue you, you're covered for what they win in a court judgment up to your policy's limit, along with legal expenses, too, because, according to Binns, your insurance company agrees to defend you under your liability protection provision.

### **What's this going to cost me?**

Just like any other insurance policy, your premium depends on a number of factors: where you live, your deductible, your insurance company, and if you need any additional coverage. However, if you don't need any extra coverage for expensive jewelry or computers, and you shop around, you probably will pay somewhere between \$150 and \$300 per year for coverage, according to Jayna Neagle, a spokesperson for the Insurance Information Institute. That will get you about \$30,000 to \$35,000 worth of coverage for your personal possessions and somewhere between \$100,000 and \$300,000 worth of liability protection.

### **Keeping your premium low**

Renters and condo policies usually cost less than homeowner's policies. While some factors will be out of your control — where you live or what your building's made of — there are still ways to keep your premium low. Increasing your deductible (the amount you pay before your coverage kicks in) is one way to keep your costs down. However, be sure that you'll be able to afford whatever deductible you choose.

If you're thinking about getting a dog, you may want to think twice. Some insurance companies are skittish about writing policies for owners of certain ferocious breeds: Rottweilers, pit bulls, and Doberman pinschers might make getting renters insurance hard, especially if they've bitten people in the past.

## Other Key Issues

- Make a comprehensive list of possessions, including purchase prices, model numbers and serial numbers. It also is a good idea to take photos or video footage of any personal possessions for documentation, making sure it is stored in a secure, off-site location.
- Estimate the value of your personal possessions. This is the amount of insurance you will need to replace the contents of your home if everything were destroyed.
- Research the possibility of purchasing a renters insurance policy together with your roommates. Some policies automatically extend coverage to any resident of a policyholder's household who fits the definition of a "domestic partner." Otherwise, consider carrying separate coverage for each of the adult tenants.
- Install, or have the landlord install, an anti-theft or safety device inside the rental property.

The National Association of Insurance Commissioners (NAIC), headquartered in Kansas City, Missouri, is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and the five U.S. territories. <http://www.naic.org> For more consumer information visit <http://www.insureuonline.org>

## Do You Need Renter's Insurance?

Renter's insurance assures you that you're protected against the damage or loss of personal property when you rent an apartment or house. Your landlord may have insurance that protects the physical building in which you reside, but this insurance will not cover your personal property. In fact, it's not at all uncommon for landlords to require the purchase of renters insurance prior to renting or leasing. This is prudent for both the renter and the landlord, protecting both from the possibility of lawsuit by alleviating each other's respective liability.

In determining whether or not you need renters insurance, the questions you need to ask yourself are:

How much would it cost to replace my belongings if they were damaged or stolen? And can I afford to replace them? Depending on your answer, renters insurance may be an easy choice, providing you with the protection you need. Either way, it's reassuring to have the peace of mind that comes from being protected.

Things to consider before purchasing rental insurance:

**How Much Coverage?** – The amount of renters insurance you choose will have the biggest impact on price of coverage. It is important to insure against all of your property. Remember, you're not just insuring against theft. In the case of a fire, for example, you could lose everything.

**Deductible** – The amount of the deductible premium that you're willing to pay will have a major impact on the premium costs. The higher the deductible, the lower the cost of home renters insurance.

**Actual Cash Value (ACV)** – Type of coverage that will pay for what the item was actually worth at the time of loss. This basic coverage payout is determined by the cost to replace, minus depreciation.

**Replacement Cost** – Type of coverage that will provide for the actual replacement value of the item with no deduction for depreciation. Although replacement cost coverage comes at an additional premium, it's usually worth the relatively small increase in cost.

Here are a few ways to save on renters insurance. Many insurers will offer discounts, if you have some of the following:

- ◆ Monitored fire or burglar alarms
- ◆ Fire extinguishers
- ◆ Sprinkler systems
- ◆ Dead bolts on all exterior doors
- ◆ Auto insurance with that provider

If you own a dog, however, it may add to your premium. Due to liability issues, some insurers won't even offer insurance if certain dog breeds are owned. This discrimination is exclusive to certain larger working dog breeds. It's unfortunate because many of these breeds are good-natured and provide a great deterrent to theft. Yet, in the eye of the insurer, they're a risk. The insurance companies that do offer coverage for these breeds, will often do so at a premium.

**Flood** and **Earthquake** protection is not commonly included on rental insurance policies. If you live in an area where these natural disasters are more common, you may want to purchase an additional rider.

**Liability coverage** is most often a standard feature with renters insurance. This can prove invaluable in case of an accident, such as a slip or fall by a guest. It provides protection against legal claims that you may be obligated to pay, such as injury, sickness and death. It is, however, limited to the amount of liability coverage provided by your policy.

In order to avoid any disputes with your insurance company, it's recommended that you take an inventory of your personal items before purchasing rental insurance. This can be done by video taping or photographing each room of your house. It is important to keep all receipts for any major purchases, as well. The above should be kept offsite, in a fireproof safe or safety deposit box.

## Renters Insurance FAQ

Fortunately, renters insurance is relatively inexpensive. If you're looking for cheap renters insurance, it is not uncommon to see policies with premiums that are less than \$20 a month. And, thanks to the internet, you can get a competitive online renters insurance quote with relative ease. Always make sure to go with a reputable renters insurance company when choosing a policy. This eliminates any surprises should the unfortunate need arise.

Q. I am a renter, not a homeowner. Do I still need insurance?

A. Yes. The same rule of thumb that applies to homeowners applies to renters. If a catastrophe struck tomorrow, could you afford to replace everything you own? Or if you were sued, would you have enough money to pay legal fees and possibly settle the suit? If not, chances are you would benefit from the protection that renters insurance brings.

Renters insurance offers the same general personal property coverage and liability protection as a homeowners policy. So, your camera would be insured while you are on vacation, and you would be covered if your sofa were to crash through the wall of your apartment lobby leaving a gaping hole. In fact, most policies are surprisingly extensive and may include additional living expenses (also called loss-of-use coverage), if you are forced by fire or other damage to live elsewhere. Flood coverage is also available to renters as a separate policy.



Q. Isn't my apartment covered by my landlord's insurance policy?

A. No, the landlord's insurance covers damage to the building and the landlord's property-not your personal property or liability. For instance, if you go out and leave the stove on, and an ensuing fire causes extensive damage to the entire building, you may be held liable to the landlord.

Q. How are prices determined for renters insurance?

A. Renters insurance is surprisingly inexpensive. Nationally, the average cost for a renters policy is \$193 per year, or about \$16 per month. That's because you are not insuring a building. Like all property/casualty policies, the value of your property to be insured and other risk factors are weighed by the insurance company to determine your premium. You may get a discount if you purchase auto insurance and renters insurance from the same company. Your insurance agent or company representative can help you find the best combination of coverage and cost.

Q. I live in an apartment with three roommates. Do we each need a renters policy?

A. Check with your agent or company representative. Usually, it is best if all roommates are on the same policy, although it is possible for each to purchase his or her own coverage. If you do need to "go it alone," you alone receive the security of renters coverage.

Q. Who decides how much my property is worth?

A. State laws may dictate how losses are to be figured, which means the same insurance company may use one method in one state and a different method in another. The common methods are:

Actual Cash Value. The replacement cost of the item minus depreciation. For example, a new television set may cost \$500. But if your 7-year-old TV set gets damaged in a fire, it might have depreciated 50 percent prior to the damage. Therefore, you would be paid \$250 for that set.

Replacement Coverage. The cost of replacing an item without deducting for depreciation, but limited to a maximum dollar amount. Today's cost for a TV set with features similar to the 7-year-old one damaged by fire would determine the amount of compensation. If it still costs \$500 today, that would be the replacement coverage. (It's important to remember that there are limits on this policy and you need to keep up-to-date on your coverage).

Q. How much will I be paid for damage to my personal property?

A. Your policy lists the specific monetary limits for personal property under what is called "Special Limits." Those limits usually are:

- ◆ \$200 for money, bank notes, gold and silver (other than gold ware and silverware), platinum, coins and medals.
- ◆ \$1,000 on securities, accounts, deeds, evidences of debt, letters of credit, notes (other than bank notes), manuscripts, passports, tickets and stamps.
- ◆ \$1,000 on watercraft, including their trailers, furnishings, equipment and outboard motors.
- ◆ \$1,000 on trailers not used for watercraft.
- ◆ \$1,000 for loss by theft of jewelry, watches, furs, precious and semiprecious stones.
- ◆ \$2,000 for loss by theft of firearms.
- ◆ \$2,500 for loss by theft of silverware, silver plated ware, gold ware, gold-plated ware and pewter ware.

- ♦ \$2,500 on property on the resident premises used for business and \$250 on this property damaged or lost away from the premises.

If these limits seem low to you (maybe that engagement ring is worth much more than \$1,000), you may wish to talk to your agent about additional coverage for specific items.

Remember that homeowners and renters insurance is designed to cover general personal possessions, not valuable collections like antiques, jewelry or original art. Insurance companies deliberately limit their coverage of expensive possessions so that household premiums are more affordable to everyone. After all, if they had to cover museum-level art collections under standard homeowners policies, we would all end up paying higher premiums to cover those expensive items.

Q. Does my renters insurance cover my possessions even when I go on vacation?

A. Yes. Renters insurance is a package of insurance coverage that extends to all your possessions no matter where they are. If you take a round-the-world vacation and lose a valuable item, as long as the loss is by a covered event or peril, the location does not matter, you're covered.

The liability component also extends well beyond the boundaries of your home. Should you be found legally at fault for injury or loss to another individual, whether you unfortunately and unintentionally cause a tumble down a San Francisco hill or a fall in an Indiana barn, for example, your homeowners policy likely will cover you.

As in the property section of a homeowner's policy, there are limits and exclusions to personal liability. Your business activities, for example, are not covered under your homeowners policy. You also are not covered for injuries or damage you deliberately cause. Your policy lists specific exclusions and limits.

Q. I work out of my apartment. Are my inventory and business property covered by renters insurance?

A. Within certain limits. Both inventory and business property are covered as personal property used for business purposes. However, like all personal property, there are monetary limits on reimbursement. Whether your home business is your primary occupation or a hobby that nets you a few hundred dollars a year, it is still a business, and you should treat it as such. If you've invested quite a bit in equipment (woodworking tools, for example) and sell the occasional decoy, you should consider whether the personal property limits are sufficient. Click here for information on Home-Based Business Insurance.

Also, keep in mind that the personal liability protection in your homeowners policy does not extend to business liability. Check with your agent concerning your business insurance needs.

Q. Help! I've lost everything! Where do I start?

A. The best place to start after a great loss of property is with an inventory of that property. And the best time to make an inventory is before all is lost. If most of us suddenly found ourselves without anything due to some calamity, we would be hard pressed to know all that we had lost.

When was the last time, for example, that you counted the number of shoes or CDs you own, not to mention furniture, dishes, drapes, and audio/video equipment? How much is it all worth, and where would you start if you had to replace it?

Now is the time to make a list of major house, hold items and possessions. To make the job easier a free home inventory software is available by clicking [www.knowyourstuff.org](http://www.knowyourstuff.org). This software makes creating a home inventory fun and easy. Once you have completed your inventory, it is easy to keep your information up to date. Where possible, it is wise to list the items' serial number, the date and the cost of purchase and the receipt.

Perhaps an even easier way to inventory your home is to use a still or video camera. As you take the video, you also can talk about the items, when you purchased them and how much they cost.

Whatever method you choose, have a copy made. Ask a friend or family member to hold on to it. Store your copy in a safe deposit box. Check with your agent, who may be able to store a copy for you. If the worst happens and your home is destroyed, the inventory will be safe at another location.

Q. Who keeps an eye on the insurance companies?

A. Insurance is a heavily regulated industry. Every state has some sort of department, administration or agency that regulates and monitors every insurer operating within the state's borders. In addition to approving rates, your state's insurance department is involved in all insurance matters on behalf of private citizens and businesses. It also issues operating licenses to insurers and agents, based on their ability to meet the state's requirements for conduct and knowledge about insurance issues.

Your insurance company and agent work closely with your insurance department to make sure you are getting the best and most fair service possible within the state's guidelines. If you ever have difficulty settling a claim, your agent should help resolve the difficulty. You also can contact your state's insurance department, for more information on your options and rights as an insurance consumer.

Q. What do I do when my property is damaged or stolen?

A. Contact your agent or company representative as soon as possible. If there is damage to your home or possessions, make "emergency" repairs to protect yourself and your property from further damage. For example, if some of the windows in your home have been blown out by wind, you may board them up to prevent additional damage. In fact, your policy covers the cost of these emergency measures.

However, before making permanent repairs, call your agent. The insurance company has the right to inspect the property in its damaged condition. They may want to send a claims adjuster or have you get an estimate from an independent contractor.

If your property is stolen, notify the police immediately and call your agent or company representative.

Q. What if I am sued or found responsible for injuring another person?

A. Liability covers bodily injury and property damage to others due to your negligence. The coverage applies to non-auto accidents that occur either at your residence or off the premises. You may owe medical expense payments, such as first aid, to the injured party. Should you be sued as a result of your negligent actions or suspect that you might be sued, contact your agent or company representative immediately.

Q. What should I look for in an insurance company or agent?

A. Agents and companies are there to help you. At the most basic level, any agent or company representative should be able to answer all of your questions about insurance, provide you a thorough assessment of your insurance needs, and offer you a choice of insurance products to meet those needs. Also, any insurance agency or company should provide you with prompt, quality service in the case of a claim.

Just as important is the level of professional confidence and personal comfort you feel with the company representative or agent.

A sometimes overlooked, factor to keep in mind is that there are two kinds of insurance agents and two kinds of insurance companies. There are companies who sell insurance directly to you (i.e. by 800 number or internet) and there are companies who sell insurance through agents. There are also two different kinds of agents: those who represent one insurance company and those who represent more than one insurance company.

Agents offering through their agencies the policies of one insurance company often are referred to as "captive agents." Agents offering through their agencies the policies of more than one insurance company (but limited to companies who sell through independents) are called "independent agents."

### **Eight Loss Scenarios For Renters- Who Pays?**

Fire, water damage, theft, and personal injury lawsuits are common concerns of any homeowner, but the legal and financial burden from a loss of an apartment's contents caused by any of these events can be just as devastating for a renter. But according to the Insurance Research Council, only 24 percent of renters in a 2000 survey had renters insurance. The majority of renters assume that any loss would be covered by the landlord's insurance, which is not true.

Count the obvious items, like furniture, a computer and stereo, and then the less obvious things like clothing and personal effects, and the potential loss quickly adds up.

"Some renters could have from \$20,000 to \$25,000 worth of contents," says Don Griffin, director of personal and business lines at the National Association of Independent Insurers, a trade association for property-casualty insurers.

If faced with such a loss, would you know where to turn or whether your loss would be covered? Here are several scenarios renters may face and their insurance consequences.

**Scenario No. 1:** A fire from another apartment destroys much of your apartment and your belongings. Whose insurance (yours or your landlord's) pays for what?

Your policy would cover the loss of your belongings, minus the deductible. Your policy should also cover your expenses for temporary living quarters and some limited amount of money for emergency supplies and clothing you need until you regain access to the apartment. The landlord's insurance covers the loss he suffered to his building, not your property.

**Scenario No. 2:** You are negligent and leave food on your hot stove, starting a fire. Whose policy pays for what? Are you liable for damage to the apartment?

The loss of your belongings would be covered by your insurance policy. You could be sued by the landlord for damages to the building, in which case your insurer would be expected to defend you in court and pay for any judgment.

**Scenario No. 3:** A pipe accidentally bursts inside the wall and the water destroys your belongings. What does your policy pay for?

Your policy would cover the loss of your belongings. But then your insurance company may try to recover the money it paid to you from the building owner's insurance.

**Scenario No. 4:** Your landlord is negligent in not repairing a plumbing problem you've been reporting, and a pipe bursts. Whose policy do you make a claim on?

Your policy would not be the one to cover your loss in a claim based on the landlord's negligence. You would have to make a claim on the landlord's policy and hope the insurer responds favorably without you having to resort to filing a lawsuit.

**Scenario No. 5:** Someone trips and falls in your apartment and is injured. Does your renters liability pay, or your landlord's?

The claim is made against your liability insurance, which generally is written to cover expenses of from \$3,000 to \$5,000 per event. The injured person would have to sue if they wanted higher compensation.

**Scenario No. 6:** Your dog bites a neighbor. How much liability insurance does your renters insurance provide?

The amount of coverage will depend on the liability limit you purchased, but Griffin suggests coverage in an amount of from \$300,000 to \$500,000 may be needed to protect your assets in a potential lawsuit.

**Scenario No. 7:** Your apartment is broken into and your stereo, television, and some jewelry are stolen. Are you covered?

The loss would be covered subject to the amount of the limits in your policy. Typical amounts are: \$200 for cash; \$1,000 for stock and bond certificates; \$1,000 for personal property; and \$1,000 for jewelry and furs. You can purchase additional coverage for the individual items, a blanket policy, or a combination of both.

**Scenario No. 8:** Your landlord claims you have damaged the apartment and is keeping part of your security deposit. Will the renters insurance cover this loss?

No. The liability created here is part of the contract you signed under your lease agreement with the landlord and is not an insurance issue.



# Pacific Specialty Insurance Company GEORGIA RENTERS (CONTENTS) POLICY

GA-HO-4-POL (Ed.2.0)

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We will provide the insurance described in this policy in return for the premium and compliance with all applicable provisions of this policy.	
<b>AGREEMENT</b>	
<b>DEFINITIONS</b>	
In this policy, "you" and "your" refer to the "named insured" shown in the Declarations and the spouse if a resident of the same household. "We," "us" and "our" refer to the Company providing this insurance. In addition, certain words and phrases are defined as follows:	
1. "Actual cash value" means the replacement cost for like kind and quality less depreciation assessed at the time of loss.	
2. "Bodily injury" means bodily harm, sickness or disease, including required care, loss of services and death that results.	
3. "Business" includes trade, profession or occupation.	
4. "Insured" means you or residents of your household who are:	
a. Your relatives; or	
b. Other persons under the age of 21 and in the care of any person named above.	
Under Section II, <b>insured</b> also means:	
c. With respect to animals or watercraft to which this policy applies, any person or organization legally responsible for these animals or watercraft which are owned by you or any person included in 4a or 4b above. A person or organization using or having custody of these animals or watercraft in the course of any <b>business</b> or without consent of the owner is not an <b>insured</b> ; or	
d. With respect to any vehicle to which this policy applies:	
(1) persons while engaged in your employ or that of any person included in 4a or 4b above; or	
(2) other persons using the vehicle on an <b>insured location</b> with your consent.	
5. "Insured location" means:	
a. <b>The residence premises:</b>	
b. The part of other premises, other structures and grounds used by you as a residence and:	
(1) which is shown in the Declarations, or	
(2) which is acquired by you during the policy period for your use as a residence;	
c. Any premises used by you in connection with a premises in 4a or 4b above;	
d. Any part of a premises:	
(1) not owned by an <b>insured</b> ; and	
(2) where an <b>insured</b> is temporarily residing;	
e. Vacant land, other than farm land, owned by or rented to an <b>insured</b> ;	
f. Land owned or rented to an <b>insured</b> on which a one or two family dwelling is being built as a residence for an <b>insured</b> ;	
g. Individual or family cemetery plots or burial vaults of an <b>insured</b> ; or	
h. Any part of a premises occasionally rented to an <b>insured</b> for other than business use.	
6. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions, which results, during the policy period, in:	
a. <b>bodily injury</b> ; or	
b. <b>property damage</b> .	
7. "Property damage" means physical injury to, destruction of, or loss of use of tangible property.	
8. "Residence employee" means:	
a. an employee of an <b>insured</b> whose duties are related to the maintenance or use of the <b>residence premises</b> , including household or domestic services; or	
b. one who performs similar duties elsewhere not related to the <b>business</b> of an <b>insured</b> .	
9. "Residence premises" means:	
a. the one family dwelling, other structures, and grounds; or	
b. that part of any other building;	

where you reside and which is shown as the "Residence premises" in the Declarations. "Residence premises" also means a two family dwelling where you reside in at least one of the family units and which is shown as the "residence premises" in the Declarations.	
<b>SECTION I – PROPERTY COVERAGES</b>	
<b>COVERAGES C – Personal Property</b>	
We cover personal property owned or used by an <b>insured</b> while it is anywhere in the world. At your request, we will cover personal property owned by:	
1. Others while the property is on the part of the <b>residence premises</b> occupied by an <b>insured</b> ;	
2. A guest or a <b>residence employee</b> , while the property is in any residence occupied by an <b>insured</b> .	
Our limit of liability for personal property usually located at an <b>insured's</b> residence, other than the <b>residence premises</b> , is 10% of the limit of liability for Coverage C, or \$1,000, whichever is greater. Personal property in a newly acquired principal residence is not subject to this limitation for the 30 days from the time you begin to move the property there.	
<b>Special Limits of Liability.</b> These limits do not increase the Coverage C limit of liability. The special limit for each following numbered category is the total limit for each loss for all property in that numbered category.	
1. \$100 on money, numismatic property, bank notes, bullion, gold other than goldware, silver other than silverware, platinum, coins and medals.	
2. \$500 on property, on the <b>residence premises</b> , used at any time or in any manner for any <b>business</b> purpose.	
3. \$250 on property, away from the <b>residence premises</b> , used at any time or in any manner for any <b>business</b> purpose.	
4. \$500 on securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, personal records, passports, tickets and stamps. This dollar limit applies to these categories regardless of the medium (such as paper or computer software) on which the material exists. This limit includes cost to research, replace or restore the information from the lost or damaged material.	
5. \$500 on watercraft, including their trailers, furnishings, equipment and outboard engines or motors.	
6. \$500 on trailers not used with watercraft.	
7. \$500 on grave markers.	
8. \$500 for loss by theft of jewelry, watches, furs, precious and semi-precious stones.	
9. \$500 for loss by theft of silverware, goldware, platinum and platinum, including:	
a. Silver or gold-plated ware, plateware, flatware, holloware, tea sets, trays, trophies and the like;	
b. Other utilitarian items made of or including silver, gold, pewter or platinum.	
10. \$500 for loss by theft of firearms.	
11. \$500 on computers and electronic data processing equipment.	

## Pacific Specialty Insurance Company GEORGIA RENTERS (CONTENTS) POLICY

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<p>12. \$500 on antiques, fine arts, paintings and similar items of rarity, antiquity or irreplaceability, memorabilia, souvenirs, collectible items of every kind, including but not limited to baseball and other card collections and similar articles whose age or collectible demand contributes to their value.</p> <p>13. \$500 on loss by theft of rugs, carpets, or other woven or knit floor coverings or wall hanging.</p> <p>14. \$500 on all photographic and video equipment, including but not limited to cameras, dark room equipment, video recorders, players, editors, and related equipment.</p> <p>15. \$500 on all glassware and crystal, including:</p> <ol style="list-style-type: none"> <li>a. Decanters, goblets, tea sets, trays, trophies and the like;</li> <li>b. Other utilitarian items made of or including crystal.</li> </ol> <p>16. \$500 for loss to electronic apparatus, while not in or upon a motor vehicle or other motorized land conveyance, if the electronic apparatus is designed to be operated solely by power from the electrical system of the vehicle or conveyance. Electronic apparatus includes:</p> <ol style="list-style-type: none"> <li>a. Accessories or antennas;</li> <li>b. Any device or instrument for the transmitting, recording, receiving or reproduction of sound or picture, or</li> <li>c. Tapes, wires, records, discs or other media for use with any electronic apparatus.</li> </ol> <p>17. \$1,000 on musical instruments.</p> <p>18. \$2,000 on tools.</p> <p><b>Property Not Covered.</b> We do not cover:</p> <ol style="list-style-type: none"> <li>1. Articles separately described and specifically insured in this or other insurance;</li> <li>2. Animals, birds or fish;</li> <li>3. Motor vehicles or all other motorized land conveyances. This includes:             <ol style="list-style-type: none"> <li>a. Their equipment and accessories; or</li> <li>b. Electronic apparatus that is designed to be operated solely by power from the electrical system of motor vehicles or all other motorized land conveyances. Electronic apparatus includes:                 <ol style="list-style-type: none"> <li>(1) Accessories or antennas;</li> <li>(2) Any device or instrument for the transmitting, recording, receiving or reproduction of sound or picture, or for use with any electronic apparatus.</li> </ol> </li> </ol> <p>The exclusion of property described in 3.a. and 3.b. above applies only while the property is in or upon the vehicle or conveyance.</p> <p>We do cover vehicles or conveyances not subject to motor vehicle registration which are:</p> <ol style="list-style-type: none"> <li>a. used to service an <b>insured's</b> residence; or</li> <li>b. designed for assisting the handicapped;</li> </ol> <p>4. Aircraft and parts. Aircraft means any contrivance used or designed for flight, except model or hobby aircraft not used or designed to carry people or cargo.</p> <p>5. Property of roomers, boarders and other tenants, except property of roomers and boarders related to an <b>insured</b>;</p> </li></ol>	<p>6. Property in an apartment regularly rented or held for rental to other by an <b>insured</b>;</p> <p>7. Property rented or held for rental to others off the <b>residence premises</b>;</p> <p>8. Business data, including such data stored in:</p> <ol style="list-style-type: none"> <li>a. books of account, drawings or other paper records; or</li> <li>b. electronic data processing tapes, wires, records, discs or other software media; containing business data. But, we do cover the cost of blank or unexposed records and media.</li> </ol> <p>9. Credit cards or fund transfer cards except as provided in Additional Coverages 6.</p> <p><b>COVERAGE D – Loss of Use</b> The limit of liability for Coverage D is the total limit for all the coverages that follow:</p> <ol style="list-style-type: none"> <li>1. If a loss by a Peril Insured Against under this policy covered property or the building containing the property, makes the <b>residence premises</b> not fit to live in, we Cover, at your choice, either of the following. However, if the <b>residence premises</b> is not your principal place of residence, we will not provide the option under paragraph b. below.             <ol style="list-style-type: none"> <li>a. <b>Additional Living Expense</b>, meaning any necessary increase in living expenses incurred by you so that your household can maintain its normal standard of living; or</li> <li>b. <b>Fair Rental Value</b>, meaning the fair rental value of that part of the residence premises where you reside less any expenses that do not continue while the premises is not fit to live in. Payment under a. or b. will be for the shortest time required to repair or replace the damage or, if you permanently relocate, the shortest time required for your household to settle elsewhere.</li> </ol> </li> <li>2. If a loss covered under this Section makes that part of the residence premises rented to others or held for rental by you not fit to live in, we cover the:             <p><b>Fair Rental Value</b>, meaning the fair rental value of that part of the <b>residence premises</b> rented to others or held for rental by you less any expenses that do not continue while the premises is not fit to live in. Payment will be for the shortest time required to repair or replace that part of the premises rented or held for rental.</p> <p>If a civil authority prohibits you from use of the <b>residence premises</b> as a result of direct damage to neighboring premises by a Peril Insured Against in this policy, we cover the Additional Living Expense or Fair Rental Value loss as provided under 1 and 2 above for no more than two weeks.</p> <p>The periods of time under 1, 2 and 3 above are not limited by the expiration of this policy.</p> <p>We do not cover loss or expense due to cancellation of a lease or agreement.</p> <p><b>ADDITIONAL COVERAGES</b></p> <ol style="list-style-type: none"> <li>1. <b>Debris Removal.</b> We will pay your reasonable expense for the removal of:             <ol style="list-style-type: none"> <li>a. debris of covered property if a Peril Insured Against causes the loss; or</li> <li>b. ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.</li> </ol> </li> </ol> </li></ol>	<p>This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit of liability is available for debris removal expense.</p> <p>We will also pay your reasonable expense for the removal of fallen trees from the <b>residence premises</b> if:</p> <ol style="list-style-type: none"> <li>a. coverage is not afforded under Additional Coverages 3, Trees, Shrubs, and Other Plants for the peril causing the loss; or</li> <li>b. the tree is not covered by this policy;</li> </ol> <p>provided the tree damages covered property and a Peril Insured Against under Coverage C causes the tree to fall. Our limit of liability for this coverage will not be more than \$500 in the aggregate for any one loss.</p> <p><b>2. Reasonable Repairs.</b> We will pay the reasonable cost incurred by you for necessary repairs made solely to protect covered property from further damage if a Peril Insured Against causes the loss. This coverage does not increase the limit of liability that applies to the property being repaired.</p> <p><b>3. Trees, Shrubs and Other Plants.</b> We cover trees, shrubs, plants or lawns, on the <b>residence premises</b>, for loss caused by the following Perils Insured Against: Fire or lightning, Explosion, Riot or civil commotion, Aircraft, Vehicles not owned or operated by a resident of the <b>residence premises</b>, Vandalism or malicious mischief or Theft.</p> <p>The limit of liability for this coverage will not be more than 10% of the limit of liability that applies to Coverage C, or more than \$500 for any one tree, shrub or plant. We do not cover property grown for business purposes.</p> <p><b>4. Fire Department Service Charge.</b> We will pay up to \$500 for your liability assumed by contract or agreement for fire department charges incurred when the fire department is called to save or protect covered property from a Peril Insured Against. We do not cover fire department service charges if the property is located within the limits of the city, municipality or protection district furnishing the fire department response.</p> <p>This coverage is additional insurance. No deductible applies to this coverage.</p> <p><b>5. Property Removed.</b> We insure covered property against direct loss from any cause while being removed from a premises endangered by a Peril Insured Against and for no more than 30 days while removed. This coverage does not change the limit of liability that applies to the property being removed.</p> <p><b>6. Counterfeit Fund Transfer Card, Forgery and Credit Card Money.</b> We will pay up to \$500 for:</p> <ol style="list-style-type: none"> <li>a. the legal obligation of an <b>insured</b> to pay because of the theft or unauthorized use of credit cards issued to or registered in an <b>insured's</b> name;</li> <li>b. loss resulting from theft or unauthorized use of a fund transfer card used for deposit, withdrawal</li> </ol>
<p>or transfer of funds, issued to or registered in an <b>insured's</b> name;</p> <p>c. loss to an <b>insured</b> caused by forgery or alteration of any check or negotiable instrument; and</p> <p>d. loss to an <b>insured</b> through acceptance in good faith of counterfeit United States or Canadian paper currency.</p> <p>We do not cover use of a credit card or fund transfer card:</p> <ol style="list-style-type: none"> <li>a. by a resident of your household;</li> <li>b. by a person who has been entrusted with either type of card; or</li> <li>c. if an <b>insured</b> has not complied with all terms and conditions under which the cards are issued.</li> </ol> <p>All loss resulting from a series of acts committed by any one person or in which any one person is concerned or implicated is considered to be one loss.</p> <p>We do not cover loss arising out of <b>business</b> use or dishonesty of an <b>insured</b>.</p> <p>This coverage is additional insurance. No deductible applies to this coverage.</p> <ol style="list-style-type: none"> <li>a. We may investigate and settle any claim or suit that we decide is appropriate. Our duty to defend a claim or suit ends when the amount we pay for the loss equals our limit of liability.</li> <li>b. If a suit is brought against an <b>insured</b> for liability under the Credit Card or Fund Transfer Card coverage, we will provide a defense at our expense by counsel of our choice.</li> <li>c. We have the option to defend at our expense an <b>insured</b> or an <b>insured's</b> bank against any suit for the enforcement of payment under the Forgery coverage.</li> </ol> <p><b>7. Loss Assessment.</b> We will pay up to \$1000 for your share of any loss assessment charged during the policy period against you by a corporation or association of property owners. This only applies when the assessment is made as a result of each direct loss to the property, owned by all members collectively, caused by a Peril Insured Against under Coverage C-Personal Property, other than earthquake or land shock waves or tremors before, during or after a volcanic eruption.</p> <p>This coverage applies only to loss assessments charged against you as owner or tenant of the <b>residence premises</b>.</p> <p>We do not cover loss assessments charged against you or a corporation or association of property owners by any governmental body.</p> <p><b>8. Collapse.</b> We insure for direct physical loss to covered property involving collapse of a building or any part of a building caused only by one or more of the following:</p> <ol style="list-style-type: none"> <li>a. Perils Insured Against in Coverage C-Personal Property. These perils apply to covered building and personal property for loss insured by this additional coverage;</li> <li>b. hidden decay;</li> <li>c. hidden insect or vermin damage;</li> <li>d. weight, or contents, equipment, animals or people;</li> </ol>	<p>8. This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit of liability is available for debris removal expense.</p> <p>We will also pay your reasonable expense for the removal of fallen trees from the <b>residence premises</b> if:</p> <ol style="list-style-type: none"> <li>a. coverage is not afforded under Additional Coverages 3, Trees, Shrubs, and Other Plants for the peril causing the loss; or</li> <li>b. the tree is not covered by this policy;</li> </ol> <p>provided the tree damages covered property and a Peril Insured Against under Coverage C causes the tree to fall. Our limit of liability for this coverage will not be more than \$500 in the aggregate for any one loss.</p> <p><b>2. Reasonable Repairs.</b> We will pay the reasonable cost incurred by you for necessary repairs made solely to protect covered property from further damage if a Peril Insured Against causes the loss. This coverage does not increase the limit of liability that applies to the property being repaired.</p> <p><b>3. Trees, Shrubs and Other Plants.</b> We cover trees, shrubs, plants or lawns, on the <b>residence premises</b>, for loss caused by the following Perils Insured Against: Fire or lightning, Explosion, Riot or civil commotion, Aircraft, Vehicles not owned or operated by a resident of the <b>residence premises</b>, Vandalism or malicious mischief or Theft.</p> <p>The limit of liability for this coverage will not be more than 10% of the limit of liability that applies to Coverage C, or more than \$500 for any one tree, shrub or plant. We do not cover property grown for business purposes.</p> <p><b>4. Fire Department Service Charge.</b> We will pay up to \$500 for your liability assumed by contract or agreement for fire department charges incurred when the fire department is called to save or protect covered property from a Peril Insured Against. We do not cover fire department service charges if the property is located within the limits of the city, municipality or protection district furnishing the fire department response.</p> <p>This coverage is additional insurance. No deductible applies to this coverage.</p> <p><b>5. Property Removed.</b> We insure covered property against direct loss from any cause while being removed from a premises endangered by a Peril Insured Against and for no more than 30 days while removed. This coverage does not change the limit of liability that applies to the property being removed.</p> <p><b>6. Counterfeit Fund Transfer Card, Forgery and Credit Card Money.</b> We will pay up to \$500 for:</p> <ol style="list-style-type: none"> <li>a. the legal obligation of an <b>insured</b> to pay because of the theft or unauthorized use of credit cards issued to or registered in an <b>insured's</b> name;</li> <li>b. loss resulting from theft or unauthorized use of a fund transfer card used for deposit, withdrawal</li> </ol>	<p>8. This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit of liability is available for debris removal expense.</p> <p>We will also pay your reasonable expense for the removal of fallen trees from the <b>residence premises</b> if:</p> <ol style="list-style-type: none"> <li>a. coverage is not afforded under Additional Coverages 3, Trees, Shrubs, and Other Plants for the peril causing the loss; or</li> <li>b. the tree is not covered by this policy;</li> </ol> <p>provided the tree damages covered property and a Peril Insured Against under Coverage C causes the tree to fall. Our limit of liability for this coverage will not be more than \$500 in the aggregate for any one loss.</p> <p><b>2. Reasonable Repairs.</b> We will pay the reasonable cost incurred by you for necessary repairs made solely to protect covered property from further damage if a Peril Insured Against causes the loss. This coverage does not increase the limit of liability that applies to the property being repaired.</p> <p><b>3. Trees, Shrubs and Other Plants.</b> We cover trees, shrubs, plants or lawns, on the <b>residence premises</b>, for loss caused by the following Perils Insured Against: Fire or lightning, Explosion, Riot or civil commotion, Aircraft, Vehicles not owned or operated by a resident of the <b>residence premises</b>, Vandalism or malicious mischief or Theft.</p> <p>The limit of liability for this coverage will not be more than 10% of the limit of liability that applies to Coverage C, or more than \$500 for any one tree, shrub or plant. We do not cover property grown for business purposes.</p> <p><b>4. Fire Department Service Charge.</b> We will pay up to \$500 for your liability assumed by contract or agreement for fire department charges incurred when the fire department is called to save or protect covered property from a Peril Insured Against. We do not cover fire department service charges if the property is located within the limits of the city, municipality or protection district furnishing the fire department response.</p> <p>This coverage is additional insurance. No deductible applies to this coverage.</p> <p><b>5. Property Removed.</b> We insure covered property against direct loss from any cause while being removed from a premises endangered by a Peril Insured Against and for no more than 30 days while removed. This coverage does not change the limit of liability that applies to the property being removed.</p> <p><b>6. Counterfeit Fund Transfer Card, Forgery and Credit Card Money.</b> We will pay up to \$500 for:</p> <ol style="list-style-type: none"> <li>a. the legal obligation of an <b>insured</b> to pay because of the theft or unauthorized use of credit cards issued to or registered in an <b>insured's</b> name;</li> <li>b. loss resulting from theft or unauthorized use of a fund transfer card used for deposit, withdrawal</li> </ol>

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- e. weight of rain which collects on the roof; or
  - f. use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation.
- Loss to an awning, fence, patio, pavement, swimming pool, underground pipe, flue, drain, cesspool, septic tank, foundation, retaining wall, bulkhead, pier, wharf or dock is not included under items b, c, d, e, and f unless the loss is a direct result of the collapse of a building.
- Collapse does not include settling, cracking, shrinking, bulging or expansion.
- This coverage does not increase the limit of liability applying to the damaged covered property.

9. **Building Additions and Alterations.** We cover under Coverage C the building improvements or installations, made or acquired at your expense, to that part of the **residence premises** used exclusively by you. The limit of liability for this coverage will not be more than 10% of the limit of liability that applies to Coverage C.
- This coverage is additional insurance.

## SECTION I – PERILS INSURED AGAINST

We insure for direct physical loss to the property described in Coverage C caused by a peril listed below unless the loss is excluded in Section I-Exclusions.

1. **Fire or lightning.**
2. **Windstorm or hail.**  
This peril does not include loss to the property contained in a building caused by rain, snow, sleet, sand or dust unless the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand or dust enters through this opening.  
This peril includes loss to watercraft and their trailers, furnishings, equipment, and onboard motors, only while inside a fully enclosed building.
3. **Explosion.**
4. **Riot or civil commotion.**
5. **Aircraft,** including self-propelled missiles and spacecraft.
6. **Vehicles,** meaning sudden and accidental damage from smoke.
7. **Smoke,** meaning sudden and accidental damage from agricultural smudging or industrial operations.
8. **Vandalism or malicious mischief.**  
This peril does not include loss to property on the **residence premises** for more than 30 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant.
9. **Burglary.** Burglary means that we cover personal property only when:
  - a. it is within the insured location;
  - b. the insured location is forcibly entered; and
  - c. there exists evidence of such forcible entry.
 Any loss by burglary must be immediately reported to the police. The coverage is subject to the limit shown under Coverage C – Contents. Any reference

10. **Breakage of glass or safety glazing material** which is part of a building, storm door or storm window, and covered as Building Additions and Alterations. This peril does not include loss on the **residence premises** if the residence has been vacant for more than 30 consecutive days immediately before the loss.
11. **Falling objects.**  
This peril does not include loss to the property contained in the building unless the roof or an outside wall of the building is the first damaged by a falling object. Damage to the falling object itself is not included.
12. **Weight of ice, snow or sleet** which causes damage to the property contained in a building.
13. **Accidental discharge or overflow of water or steam** from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system or from within a household appliance. This peril does not include loss:
  - a. to the system or appliance from which the water or steam escaped;
  - b. caused by or resulting from freezing except as provided in the peril of freezing below; or
  - c. on the **residence premises** caused by accidental discharge or overflow which occurs away from the building where the **residence premises** is located.
14. **Sudden and accidental tearing apart, cracking, burning or bulging** of a steam or hot water heating system, an air conditioning or automatic fire protective sprinkler system, or an appliance for heating water.  
This peril does not include loss caused by or resulting from freezing except as provided in the peril of freezing below.
15. **Freezing** of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance.  
This peril does not include loss on the **residence premises** while unoccupied, unless you have used reasonable care to:
  - a. maintain heat in the building; or
  - b. shut off the water supply and drain the system and appliances of water.
16. **Sudden and accidental damage from artificially generated electrical current.**  
This peril does not include loss to a tube, transistor or similar electronic component.
17. **Volcanic eruption** other than loss caused by earthquake, land shock, waves or tremors.

## SECTION I – EXCLUSIONS

We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss.

1. **Ordinance or Law,** meaning enforcement of any ordinance or law regulating the construction, repair, or demolition of a building or other structure,

- including asbestos testing or abatement, unless specifically provided under this policy.
2. **Earth Movement,** meaning earthquake including land shock, waves or tremors before, during or after a volcanic eruption, landslide, mudflow, earth sinking, rising or shifting; unless direct loss by:
  - a. fire;
  - b. explosion; or
  - c. breakage of glass or safety glazing material which is part of a building, storm door or storm window.
 ensues and then we will pay only for the ensuing loss.
3. This exclusion does not apply to loss by theft.
3. **Water Damage,** meaning:
  - a. flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these, whether or not driven by wind;
  - b. water which backs up through sewers or drains; or
  - c. water below the surface of the ground, including water which exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure.
 Direct loss by fire, explosion or theft resulting from water damage is covered.
4. **Power Failure,** meaning the failure of power or other utility service if the failure takes place off the **residence premises.** But, if a Peril Insured Against ensues on the **residence premises,** we will pay only for that ensuing loss.
5. **Neglect,** meaning neglect of the insured to use all reasonable means to save and preserve property at and after the time of a loss.
6. **War,** including undeclared war, civil war, insurrection, rebellion, revolution, warlike act by a military force or military personnel, destruction or seizure or use for a military purpose, and including any consequence of any of these. Discharge of a nuclear weapon will be deemed a warlike act even if accidental.
7. **Nuclear Hazard,** to the extent set forth in the Nuclear Hazard Clause of Section I-Conditions.
8. **Intentional Loss,** meaning any loss arising out of any act committed:
  - a. by or at the direction of an **insured;** and
  - b. with the intent to cause a loss.

## SECTION I – CONDITIONS

1. **Insurable Interest and Limit of Liability.** Even if more than one person has an insurable interest in the property covered, we will not be liable in any one loss:
  - a. to any **insured** for more than the amount of the **insured's** interest at the time of loss; or
  - b. for more than the applicable limit of liability.
2. **Your Duties After Loss.** In case of a loss to covered property, you must see that the following are done:
  - a. give prompt notice to us or our agent;
  - b. notify the police in case of loss by theft;
  - c. (1) protect the property from further damage; make reasonable and necessary repairs to protect the property; and

- (3) keep an accurate record of repair expenses;
- d. send to us, within 60 days after our request, your signed, sworn proof of loss which sets forth, to the best of your knowledge and belief:
  - (1) the time and cause of your loss;
  - (2) the interest of the **insured** and all others in the property involved and all liens on the property;
  - (3) other insurance which may cover the loss;
  - (4) changes in title or occupancy of the property during the term of the policy;
  - (5) specifications of damaged buildings and detailed repair estimates;
  - (6) the inventory of damaged personal property described in 2a above;
  - (7) receipts for additional living expenses incurred and records that support the fair rental value loss; and
  - (8) evidence or affidavit that supports a claim under the Credit Card, Fund Transfer Card, Forgery and Counterfeit Money coverage, stating the amount and cause of loss.
- e. prepare an inventory of damaged personal property showing the quantity, description, actual cash value and amount of loss. Attach all bills, receipts and related documents that justify the figures in the inventory.
- f. notify the credit card or fund transfer card company in case of loss under Credit Card or Fund Transfer Card coverage.
- g. as often as we reasonably require:
  - (1) show the damaged property;
  - (2) provide us with records and documents we request and permit us to make copies; and
  - (3) submit to questions under oath and sign and swear to them.

3. **Loss Settlement.** Covered property losses are settled at actual cash value at the time of loss but not more than the amount required to repair or replace.
4. **Loss to a Pair or Set.** In case of loss to a pair or set we may elect to:
  - a. repair or replace any part to restore the pair or set to its value before the loss; or
  - b. pay the difference between actual cash value of the property before and after the loss.
5. **Glass Replacement.** Loss for damage to glass caused by a Peril Insured Against will be settled on the basis of replacement with safety glazing materials when required by ordinance or law.
6. **Appraisal.** If you and we fail to agree on the amount of a covered loss or any portion of a covered loss, either one can demand that the amount of the covered loss be set by appraisal. In this event, each party will choose a competent and impartial appraiser within 20 days after receiving a written request from the other. The two appraisers will choose a competent and impartial umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the state where the **residence premises** is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree,



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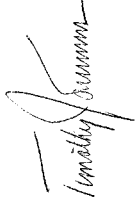
<p>they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss.</p> <p>Each party will:</p> <ol style="list-style-type: none"> <li>a. pay its own appraiser, and bear the other expenses of the appraisal and umpire equally.</li> </ol> <p>In no event shall appraisal be invoked if we fail to agree on what portion of the claim, if any, is covered by the policy.</p> <p><b>7. Other Insurance.</b> If a loss covered by this policy is also covered by other insurance, we will pay only the proportion of the loss that the limit of liability that applies under this policy bears to the total amount of insurance covering the loss.</p> <p><b>8. Suit Against Us.</b> No action can be brought unless the policy provisions have been compiled with and the action is started within one year after the date of loss.</p> <p><b>9. Our Option.</b> If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may repair or replace any part of the damaged property with like property.</p> <p><b>10. Loss Payment.</b> We will adjust all losses with you. We will pay you unless some other person is named in the policy or is legally entitled to receive payment. Loss will be payable 30 days after we receive your proof of loss and:</p> <ol style="list-style-type: none"> <li>a. reach an agreement with you;</li> <li>b. there is an entry of final judgment; or</li> <li>c. there is a filing of an appraisal award with us.</li> </ol> <p><b>11. Abandonment of Property.</b> We need not accept any property abandoned by an <b>insured</b>.</p> <p><b>12. No Benefit to Bailee.</b> We will not recognize any assignment or grant any coverage that benefits a person or organization holding, storing or moving property for a fee regardless of any other provision of this policy.</p> <p><b>13. Nuclear Hazard Clause.</b></p> <ol style="list-style-type: none"> <li>a. "Nuclear Hazard" means any nuclear reaction, radiation, or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these.</li> <li>b. Loss caused by the nuclear hazard will not be considered loss caused by fire, explosion, or smoke, whether these perils are specifically named in or otherwise included within the Perils Insured Against in Section 1.</li> <li>c. This policy clause does not apply under Section 1 to loss caused directly or indirectly by nuclear hazard, except that direct loss by fire resulting from the nuclear hazard is covered.</li> </ol> <p><b>14. Volcanic Eruption Period.</b> One or more volcanic eruptions that occur within a 72-hour period will be considered as one volcanic eruption.</p> <p><b>15. Loss Deductible Clause.</b> With respect to loss to property covered under this policy, the deductible shall apply separately to each occurrence.</p> <p><b>16. Recovered Property.</b> If you or we recover any property for which we have made payment under this policy, you or we will notify the other of the recovery. At your option, the property will be returned to or retained by you or it will become our property. If the recovered property is returned to or retained by you,</p>	<p>the loss payment will be adjusted based on the amount you received for the recovered property.</p> <p style="text-align: center;"><b>SECTION II – LIABILITY COVERAGES</b></p> <p><b>COVERAGE E – Personal Liability</b> If a claim is made or a suit is brought against an <b>insured</b> for damages because of <b>bodily injury</b> or <b>property damage</b> caused by an <b>occurrence</b> to which this coverage applies, we will:</p> <ol style="list-style-type: none"> <li>1. Pay up to our limit of liability for the damages for which the <b>insured</b> is legally liable; and</li> <li>2. Provide a defense at our expense by counsel of our choice, even if the suit is groundless, false or fraudulent, we may investigate and settle any claim or suit that we decide is appropriate. Our duty to settle or defend ends when the amount we pay for damages resulting from the occurrence equals our limit of liability.</li> </ol> <p><b>COVERAGE F – Medical Payments To Others</b> We will pay the necessary medical expenses that are incurred or medically ascertained within three years from the date of an accident causing <b>bodily injury</b>. Medical expenses means reasonable charges for medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, prosthetic devices and funeral services. This coverage does not apply to you or regular residents of your household except <b>residence employees</b>. As to others, this coverage applies only:</p> <ol style="list-style-type: none"> <li>1. To a person on the <b>insured location</b> with the permission of an <b>insured</b>; or</li> <li>2. To a person off the <b>insured location</b>, if the <b>bodily injury</b>:             <ol style="list-style-type: none"> <li>a. arises out of a condition on the <b>insured location</b> or the ways immediately adjoining;</li> <li>b. is caused by the activities of an <b>insured</b>;</li> <li>c. is caused by a residence employee in the course of the residence employee's employment by an <b>insured</b>; or</li> <li>d. is caused by an animal owned by or in the care of an <b>insured</b>.</li> </ol> </li> </ol> <p style="text-align: center;"><b>SECTION II – EXCLUSIONS</b></p> <p><b>1. Coverage E – Personal Liability and Coverage F – Medical Payments to Others</b> do not apply to <b>bodily injury</b> or <b>property damage</b>:</p> <ol style="list-style-type: none"> <li>a. Which is expected or intended by an <b>insured</b>;</li> <li>b. Arising out of business pursuits of any <b>insured</b> or the rental or holding for rental of any part of any premises by any <b>insured</b>.</li> </ol> <p>This exclusion does not apply to:</p> <ol style="list-style-type: none"> <li>(1) activities which are usual to non-business pursuits; or</li> <li>(2) the rental or holding for rental of any <b>insured location</b>:             <ol style="list-style-type: none"> <li>(a) on an occasional basis if used only as a residence;</li> <li>(b) in part for use only as a residence, unless a single family unit intended for use by the occupying family to lodge more than two roomers or boarders; or</li> </ol> </li> </ol>	<p>(c) in part, as an office, school, studio or private garage;</p> <p>Arising out of the rendering of or failure to render professional services;</p> <p>Arising out of a premises owned by any <b>insured</b>; rented to any <b>insured</b>; or rented to others by any <b>insured</b>; that is not an <b>insured location</b>;</p> <ol style="list-style-type: none"> <li>(1) the ownership, maintenance, use, loading or unloading of motor vehicles or all other motorized land conveyances, including trailers, owned or operated by or rented or loaned to any <b>insured</b>;</li> <li>(2) the entrustment by any <b>insured</b> of a motor vehicle or any other motorized land conveyance to any person; or</li> <li>(3) statutorily imposed vicarious parental liability for the actions of a child or minor using a conveyance excluded in paragraph (1) or (2) above.</li> </ol> <p>This exclusion does not apply to:</p> <ol style="list-style-type: none"> <li>(1) a trailer not towed by or carried on a motorized land conveyance.</li> <li>(2) a motorized land conveyance designed for recreational use off public roads, not subject to motor vehicle registration and:</li> </ol> <ol style="list-style-type: none"> <li>(a) not owned by any <b>insured</b>; or</li> <li>(b) owned by any <b>insured</b> and on any <b>insured location</b>.</li> </ol> <ol style="list-style-type: none"> <li>(3) a motorized golf cart when used to play golf on a golf course.</li> <li>(4) a vehicle or conveyance not subject to motor vehicle registration which is:             <ol style="list-style-type: none"> <li>(a) used to service any <b>insured's</b> residence;</li> <li>(b) designed for assisting the handicapped; or</li> <li>(c) in dead storage on any <b>insured location</b>.</li> </ol> </li> </ol> <p>Arising out of:</p> <ol style="list-style-type: none"> <li>(1) the ownership, maintenance, use, loading or unloading of a watercraft described below;</li> <li>(2) watercraft described below to any person; or</li> <li>(3) statutorily imposed vicarious parental liability for the actions of a child or minor using a watercraft described below.</li> </ol> <p>Watercraft:</p> <ol style="list-style-type: none"> <li>(1) with inboard or inboard-outboard motor power owned by any <b>insured</b>;</li> <li>(2) with inboard or inboard-outboard motor power of more than 50 horsepower rented to any <b>insured</b>;</li> <li>(3) that is a sailing vessel, with or without auxiliary power, 26 feet or more in length owned by or rented to any <b>insured</b>; or</li> <li>(4) powered by one of more outboard motors with more than 25 total horsepower; if the outboard motor is owned by an <b>insured</b>. But, outboard motors of more than 25 total</li> </ol>
<p>horsepower are covered for the policy period if:</p> <ol style="list-style-type: none"> <li>(a) you acquire them prior to the policy period and:             <ol style="list-style-type: none"> <li>(i) you declare them at policy inception; or</li> <li>(ii) your intention to insure is reported to us in writing within 45 days after you acquire the outboard motors.</li> </ol> </li> <li>(b) you acquire them during the policy period.</li> </ol> <p>This exclusion does not apply while the watercraft is stored;</p> <p>Arising out of:</p> <ol style="list-style-type: none"> <li>(1) the ownership, maintenance, use, loading or unloading of an aircraft;</li> <li>(2) the entrustment by any <b>insured</b> of an aircraft to any person; or</li> <li>(3) statutorily imposed vicarious parental liability for the actions of a child or minor using an aircraft.</li> </ol> <p>An aircraft means any contrivance used or designed for flight, except model or hobby aircraft not used or designed to carry people or cargo.</p> <p>Caused directly or indirectly by war, including undeclared war, civil war, insurrection, rebellion, revolution, warlike act by a military force or military personnel, destruction or seizure or use for a military purpose, and including any consequence of any of these. Discharge of a nuclear weapon will be deemed a warlike act even if accidental.</p> <p>Arising out of the transmission of disease by an <b>insured</b> through sexual contact;</p> <p>Arising out of sexual molestation, physical or mental abuse;</p> <p>Arising out of assault, battery or any criminal acts by an <b>insured</b> or carried out at the instruction of an <b>insured</b>;</p> <p>Arising out of any contamination and/or pollution;</p> <p>This policy does not insure any loss, damage or expense, whether arising or resulting out of a liability, alleged liability, defense of the <b>insured</b>, or otherwise, caused by, resulting from, contributed to or made worse by:</p> <ol style="list-style-type: none"> <li>(1) actual, alleged or threatened release, discharge, escape or dispersal of "pollutant(s)" (as defined hereinafter), all whether direct or indirect, proximate or remote, sudden, accidental or gradual;</li> <li>(2) any increase in loss, damage or expense arising out of the enforcement, direction or request of any governmental or civil authority regulating the test for, monitoring, prevention, control, removal, tearing down, demolition, disposal, treatment, decontamination, clean-up, containment, detoxification or neutralizing of "pollutant(s)", or the restoration, construction or replacement of property contaminated by a "pollutant(s)".</li> </ol>	<p>(c) in part, as an office, school, studio or private garage;</p> <p>Arising out of the rendering of or failure to render professional services;</p> <p>Arising out of a premises owned by any <b>insured</b>; rented to any <b>insured</b>; or rented to others by any <b>insured</b>; that is not an <b>insured location</b>;</p> <ol style="list-style-type: none"> <li>(1) the ownership, maintenance, use, loading or unloading of motor vehicles or all other motorized land conveyances, including trailers, owned or operated by or rented or loaned to any <b>insured</b>;</li> <li>(2) the entrustment by any <b>insured</b> of a motor vehicle or any other motorized land conveyance to any person; or</li> <li>(3) statutorily imposed vicarious parental liability for the actions of a child or minor using a conveyance excluded in paragraph (1) or (2) above.</li> </ol> <p>This exclusion does not apply to:</p> <ol style="list-style-type: none"> <li>(1) a trailer not towed by or carried on a motorized land conveyance.</li> <li>(2) a motorized land conveyance designed for recreational use off public roads, not subject to motor vehicle registration and:</li> </ol> <ol style="list-style-type: none"> <li>(a) not owned by any <b>insured</b>; or</li> <li>(b) owned by any <b>insured</b> and on any <b>insured location</b>.</li> </ol> <ol style="list-style-type: none"> <li>(3) a motorized golf cart when used to play golf on a golf course.</li> <li>(4) a vehicle or conveyance not subject to motor vehicle registration which is:             <ol style="list-style-type: none"> <li>(a) used to service any <b>insured's</b> residence;</li> <li>(b) designed for assisting the handicapped; or</li> <li>(c) in dead storage on any <b>insured location</b>.</li> </ol> </li> </ol> <p>Arising out of:</p> <ol style="list-style-type: none"> <li>(1) the ownership, maintenance, use, loading or unloading of a watercraft described below;</li> <li>(2) watercraft described below to any person; or</li> <li>(3) statutorily imposed vicarious parental liability for the actions of a child or minor using a watercraft described below.</li> </ol> <p>Watercraft:</p> <ol style="list-style-type: none"> <li>(1) with inboard or inboard-outboard motor power owned by any <b>insured</b>;</li> <li>(2) with inboard or inboard-outboard motor power of more than 50 horsepower rented to any <b>insured</b>;</li> <li>(3) that is a sailing vessel, with or without auxiliary power, 26 feet or more in length owned by or rented to any <b>insured</b>; or</li> <li>(4) powered by one of more outboard motors with more than 25 total horsepower; if the outboard motor is owned by an <b>insured</b>. But, outboard motors of more than 25 total</li> </ol>	<p>horsepower are covered for the policy period if:</p> <ol style="list-style-type: none"> <li>(a) you acquire them prior to the policy period and:             <ol style="list-style-type: none"> <li>(i) you declare them at policy inception; or</li> <li>(ii) your intention to insure is reported to us in writing within 45 days after you acquire the outboard motors.</li> </ol> </li> <li>(b) you acquire them during the policy period.</li> </ol> <p>This exclusion does not apply while the watercraft is stored;</p> <p>Arising out of:</p> <ol style="list-style-type: none"> <li>(1) the ownership, maintenance, use, loading or unloading of an aircraft;</li> <li>(2) the entrustment by any <b>insured</b> of an aircraft to any person; or</li> <li>(3) statutorily imposed vicarious parental liability for the actions of a child or minor using an aircraft.</li> </ol> <p>An aircraft means any contrivance used or designed for flight, except model or hobby aircraft not used or designed to carry people or cargo.</p> <p>Caused directly or indirectly by war, including undeclared war, civil war, insurrection, rebellion, revolution, warlike act by a military force or military personnel, destruction or seizure or use for a military purpose, and including any consequence of any of these. Discharge of a nuclear weapon will be deemed a warlike act even if accidental.</p> <p>Arising out of the transmission of disease by an <b>insured</b> through sexual contact;</p> <p>Arising out of sexual molestation, physical or mental abuse;</p> <p>Arising out of assault, battery or any criminal acts by an <b>insured</b> or carried out at the instruction of an <b>insured</b>;</p> <p>Arising out of any contamination and/or pollution;</p> <p>This policy does not insure any loss, damage or expense, whether arising or resulting out of a liability, alleged liability, defense of the <b>insured</b>, or otherwise, caused by, resulting from, contributed to or made worse by:</p> <ol style="list-style-type: none"> <li>(1) actual, alleged or threatened release, discharge, escape or dispersal of "pollutant(s)" (as defined hereinafter), all whether direct or indirect, proximate or remote, sudden, accidental or gradual;</li> <li>(2) any increase in loss, damage or expense arising out of the enforcement, direction or request of any governmental or civil authority regulating the test for, monitoring, prevention, control, removal, tearing down, demolition, disposal, treatment, decontamination, clean-up, containment, detoxification or neutralizing of "pollutant(s)", or the restoration, construction or replacement of property contaminated by a "pollutant(s)".</li> </ol>

# Pacific Specialty Insurance Company GEORGIA RENTERS (CONTENTS) POLICY

GA-H04-POL (Ed. 2.0)

<p>(3) the clean-up or the removal of debris of "pollutant(s)"; or</p> <p>(4) any fines, penalties, exemplary damages, punitive damages, or any other damages, awards or settlements adjudged against an <b>insured</b> by any civil or judicial body or board of arbitration, nor any sums which an <b>insured</b> shall voluntarily agree to pay to any third party(ies), nor any legal fees or other costs of defense of legal actions, claims, or proceedings and appeals therefrom.</p> <p>For the purpose of this insurance, "pollutant(s)" means any solid, liquid, gaseous or thermal irritant or contaminant substance, including but not limited to any smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste (whether recycled, reconditioned or reclaimed).</p> <p>Exclusions d, e, f, and g do not apply to <b>bodily injury</b> to a <b>residence employee</b> arising out of and in the course of the <b>residence employee's</b> employment by an <b>insured</b>.</p> <p><b>Coverage E – Personal Liability</b>, does not apply to:</p> <p>a. <b>Liability:</b></p> <ol style="list-style-type: none"> <li>(1) for your share of any loss assessment charged against all members of an association, corporation or community of property owners;</li> <li>(2) under any contract or agreement. However, this exclusion does not apply to written contracts;</li> <li>(a) that directly relate to the ownership, maintenance or use of any <b>insured location</b>; or</li> <li>(b) where the liability of others is assumed by any <b>insured</b> prior to an <b>occurrence</b>;</li> </ol> <p>unless excluded in (1) above or elsewhere in this policy;</p> <p><b>Property damage</b> to property owned by any <b>insured</b>:</p> <ol style="list-style-type: none"> <li>b. <b>Property damage</b> to property rented to, occupied or used by or in the care of any <b>insured</b>. This exclusion does not apply to <b>property damage</b> caused by fire, smoke or explosion;</li> <li>d. <b>Bodily Injury</b> to any person eligible to receive any benefits:             <ol style="list-style-type: none"> <li>(1) voluntarily provided; or</li> <li>(2) required to be provided;</li> </ol> </li> <li>e. <b>Bodily Injury</b> to any person eligible to receive any benefits:             <ol style="list-style-type: none"> <li>(1) workers' compensation law;</li> <li>(2) non-occupational disability law; or</li> <li>(3) occupational disease law;</li> </ol> </li> </ol> <p>(1) is also any <b>insured</b> under a nuclear energy liability policy; or</p> <p>(2) would be <b>insured</b> under that policy but for the exhaustion of its limit of liability.</p> <p>A nuclear energy liability policy is one issued by: (1) American Nuclear Insurers, (2) Mutual Atomic Energy Liability Underwriters</p>	<p>(3) Nuclear Insurance Association of Canada; or any of their successors;</p> <p>f. <b>Bodily Injury</b> to you to any <b>insured</b> within the meaning of part a. or b. of "insured" as defined.</p> <p><b>Coverage F – Medical Payments to Others</b>, does not apply to <b>bodily injury</b>:</p> <ol style="list-style-type: none"> <li>a. To a <b>residence employee</b> if the <b>bodily injury</b>:             <ol style="list-style-type: none"> <li>(1) occurs off any <b>insured location</b>; and</li> <li>(2) does not arise out of or in the course of the <b>residence employee's</b> employment by any <b>insured</b>;</li> </ol> </li> <li>b. To any person eligible to receive benefits:             <ol style="list-style-type: none"> <li>(1) voluntarily provided; or</li> <li>(2) required to be provided;</li> </ol> </li> <li>c. From any:             <ol style="list-style-type: none"> <li>(1) workers' compensation law;</li> <li>(2) non-occupational disability law; or</li> <li>(3) occupational disease law;</li> </ol> </li> <li>d. To any person, other than a <b>residence employee</b> of an <b>insured</b>, regularly residing on any part of the <b>insured location</b>.</li> </ol>
<p><b>SECTION II – ADDITIONAL COVERAGES</b></p> <p>We cover the following in addition to the limits of liability:</p> <ol style="list-style-type: none"> <li>1. <b>Claim Expenses</b>. We pay:             <ol style="list-style-type: none"> <li>a. expenses we incur and costs taxed against an <b>insured</b> in any suit we defend;</li> <li>b. premiums on bonds required in a suit we defend, but not for bond amounts more than the limit of liability for Coverage E. We need not apply for or furnish any bond;</li> <li>c. reasonable expenses incurred by an <b>insured</b> at our request, including actual loss of earnings (but not loss of other income) up to \$50 per day, for assisting us in the investigation or defense of a claim or suit;</li> <li>d. interest on the entire judgment which accrues after entry of the judgment and before we pay or tender, or deposit in court that part of the judgment which does not exceed the limit of liability that applies;</li> <li>e. prejudgment interest awarded against the <b>insured</b> on that part of the judgment we pay. If we make an offer to pay the applicable limit of liability, we will not pay any prejudgment interest based on that period of time after the offer.</li> </ol> </li> <li>2. <b>First Aid Expenses</b>. We will pay expenses for first aid to others incurred by an <b>insured</b> for <b>bodily injury</b> covered under this policy. We will not pay for first aid to you or any other <b>insured</b>.</li> <li>3. <b>Damage to Property of Others</b>. We will pay, at replacement cost, up to \$500 per occurrence for property damage to property of others caused by an <b>insured</b>. We will not pay for <b>property damage</b>:</li> </ol>	<ol style="list-style-type: none"> <li>a. to the extent of any amount recoverable under Section I of this policy;</li> <li>b. caused intentionally by an <b>insured</b> who is 13 years of age or older;</li> <li>c. to property owned by an <b>insured</b>;</li> <li>d. to property owned by or rented to a tenant of an <b>insured</b> or a resident in your household; or</li> <li>e. arising out of:             <ol style="list-style-type: none"> <li>(1) <b>business</b> pursuits;</li> <li>(2) any act or omission in connection with a premises owned, rented or controlled by an <b>insured</b>, other than the <b>insured location</b>;</li> <li>or</li> <li>(3) the ownership, maintenance, or use of aircraft, watercraft or motor vehicles or all other motorized land conveyances.</li> </ol> </li> </ol> <p>This exclusion does not apply to a motorized land conveyance designed for recreational use off public roads, not subject to motor vehicle registration and not owned by an <b>insured</b>.</p> <ol style="list-style-type: none"> <li>4. <b>Loss Assessment</b>. We will pay up to \$1000 for your share of any loss assessment charged during the policy period against you by a corporation or association of property owners, when the assessment is made as a result of:             <ol style="list-style-type: none"> <li>a. each <b>occurrence</b> to which Section II of this policy would apply;</li> <li>b. liability for each act of a director, officer or trustee in the capacity as a director, officer or trustee, provided:                 <ol style="list-style-type: none"> <li>(1) the director, officer or trustee is elected by the members of a corporation or association of property owners; and</li> <li>(2) the director, officer or trustee serves without deriving any income from the exercise of duties which are solely on behalf of a corporation or association of property owners.</li> </ol> </li> </ol> <p>This coverage applies only to loss assessments charged against you as owner or tenant of the <b>residence premises</b>.</p> <p>We do not cover loss assessments charged against you or a corporation or association of property owners by any governmental body.</p> <p>Section II – Coverage E – Personal Liability Exclusion 2, a. (1) does not apply to this coverage.</p> </li></ol>
<p><b>SECTION II – CONDITIONS</b></p> <ol style="list-style-type: none"> <li>1. <b>Limit of Liability</b>. Our total liability under Coverage E for all damages resulting from any one <b>occurrence</b> will not be more than the limit of liability for Coverage E as shown in the Declarations. This limit is the same regardless of the number of <b>insureds</b>, claims made or persons injured.</li> <li>Our total liability under Coverage F for all medical expense payable for <b>bodily injury</b> to one person as the result of one accident will not be more than the limit of liability for Coverage F as shown in the Declarations.</li> <li>7. <b>Bankruptcy of an Insured</b>. Bankruptcy or insolvency of an <b>insured</b> will not relieve us of our obligations under this policy.</li> <li>8. <b>Other Insurance – Coverage E – Personal Liability</b>. This insurance is excess over other valid and collectible insurance except insurance written specifically to cover as excess over the limits of liability that apply in this policy.</li> </ol>	<ol style="list-style-type: none"> <li>3. <b>Duties After Loss</b>. In case of an accident or <b>occurrence</b> the <b>insured</b> will perform the following duties that apply. You will help us by seeing that these duties are performed:             <ol style="list-style-type: none"> <li>a. give written notice to us or our agent as soon as is practical, which sets forth:                 <ol style="list-style-type: none"> <li>(1) the identity of the policy and the <b>insured</b>;</li> <li>(2) reasonably available information on the time, place and circumstances of the accident or <b>occurrence</b>; and</li> <li>(3) names and addresses of any claimants and witnesses;</li> </ol> </li> <li>b. promptly forward to us every notice, demand, summons or other process relating to the accident or <b>occurrence</b>;</li> <li>c. at our request, help us:                 <ol style="list-style-type: none"> <li>(1) to make settlement;</li> <li>(2) to enforce any right of contribution or indemnity against any person or organization who may be liable to an <b>insured</b>;</li> <li>(3) with the conduct of suits and attend hearings and trials;</li> <li>(4) to secure and give evidence and obtain the attendance of witnesses;</li> </ol> </li> <li>d. under the coverage – Damage to Property of Others – submit to us within 60 days after the loss, a sworn statement of loss and show the damaged property, if in the <b>insured's</b> control; the <b>insured</b> will not, except at the <b>insured's</b> own cost, voluntarily make payment, assume obligation or incur expense other than for first aid to others at the time of the <b>bodily injury</b>;</li> <li>4. <b>Duties of an Injured Person – Coverage F – Medical Payments to Others</b>. The injured person or someone acting for the injured person will:             <ol style="list-style-type: none"> <li>a. give us written proof of claim, under oath if required, as soon as is practical; and</li> <li>b. authorize us to obtain copies of medical reports and records.</li> </ol> <p>The injured person will submit to a physical exam by a doctor of our choice when and as often as we reasonably require.</p> </li> <li>5. <b>Payment of Claim – Coverage F – Medical Payments to Others</b>. Payment under this coverage is not an admission of liability by an <b>insured</b> or us.</li> <li>6. <b>Suit Against Us</b>. No action can be brought against us unless there has been compliance with the policy provisions. No one will have the right to join us as a party to any action against an <b>insured</b>. Also, no action with respect to Coverage F can be brought against us until the obligation of the <b>insured</b> has been determined by final judgment or agreement signed by us.</li> </ol> </li></ol>

Pacific Specialty Insurance Company  
**GEORGIA RENTERS (CONTENTS) POLICY**



Timothy J. Summers  
 SECRETARY

- know at least 30 days before the date cancellation takes effect.
- c. When this policy is cancelled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata.
  - d. If the return premium is not refunded with the notice of cancellation or when this policy is returned to us, we will refund it within a reasonable time after the date cancellation takes effect.
- 6. Non-Renewal.** We may elect not to renew this policy. We may do so by delivering to you, or mailing to you at your mailing address shown in the Declarations, written notice at least 30 days before the expiration date of this policy. Proof of mailing will be sufficient proof of notice.
- 7. Assignment.** Assignment of this policy will not be valid unless we give our written consent.
- 8. Subrogation.** An **insured** may waive in writing before a loss all rights of recovery against any person. If not waived, we may require an assignment of rights of recovery for a loss to the extent that payment is made by us. If an assignment is sought, an **insured** must sign and deliver all related papers and cooperate with us. Subrogation does not apply under Section II to Medical Payments to Others or Damage to Property of Others.
- 9. Death.** If any person named in the Declarations or the spouse, if a resident of the same household, dies:
- a. we insure the legal representative of the deceased but only with respect to the premises and property of the deceased covered under the policy at the time of death.
  - b. **insured** includes:
    - (1) any member of your household who is an **insured** at the time of your death, but only while a resident of the **residence premises**; and
    - (2) with respect to your property, the person having proper temporary custody of the property until appointment and qualification of a legal representative.



Michael J. McGraw  
 PRESIDENT

- SECTION I AND II - CONDITIONS**
- 1. Policy Period.** The effective time of this policy is 12:01 A.M. standard time at the **residence premises** on the effective date shown in the Declarations. With our consent, this policy may be renewed for successive policy periods if the renewal premium for rules and forms then in effect is paid and accepted before the end of the current policy period. This policy applies only to loss in Section I or **bodily injury or property damage** in Section II, which occurs during the policy period.
- 2. Concealment or Fraud.** We do not provide coverage for an **insured** who has:
- a. intentionally concealed or misrepresented any material fact or circumstance; or
  - b. made false statements or engaged in fraudulent conduct;
- relating to this insurance.
- 3. Liberalization Clause.** If we adopt a revision which would broaden the coverage under this policy without additional premium within 60 days prior to or during the policy period, the broadened coverage will immediately apply to this policy.
- 4. Waiver or Change of Policy Provisions.** A waiver or change of a provision of this policy must be in writing by us to be valid. Our request for an appraisal or examination will not waive any of our rights.
- 5. Cancellation.**
- a. You may cancel this policy at any time by returning it to us or by letting us know in writing of the date cancellation is to take effect. We may cancel this policy only for the reasons stated below by letting you know in writing of the date cancellation takes effect. This cancellation notice may be delivered to you, or mailed to you at your mailing address shown in the Declarations. Proof of mailing will be sufficient proof of notice.
    - (1) When you have not paid the premium, we may cancel at any time by letting you know at least 10 days before the date cancellation takes effect.
    - (2) When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason by letting you know at least 10 days before the date cancellation takes effect.
    - (3) When this policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel:
      - (a) if there has been a material misrepresentation of fact which if known to us would have caused us not to issue the policy; or
      - (b) if the risk has changed substantially since the policy was issued. This can be done by letting you know at least 30 days before the date cancellation takes effect.
    - (4) When this policy is written for a period of more than one year, we may cancel for any reason at the anniversary by letting you

# Pacific Specialty Insurance Company GEORGIA PROPERTY ENDORSEMENTS

GA-HO3#46-END (Ed. 3.0)

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**ENDORSEMENT No. PM1-GA-HO (Ed. 1) Georgia Amendatory Endorsement for HO-3, HO-4, and HO-6 Policies**  
**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

This endorsement is mandatory. It applies to all HO-3, HO-4, and HO-6 policies issued in Georgia.

## DEFINITIONS

The **Bodily Injury** definition found in the **Definitions** section of **your** policy is hereby replaced with the following:

**"Bodily injury"** means bodily harm, sickness or disease, including required care, loss of services and death resulting therefrom. **"Bodily Injury"** does not mean bodily harm, sickness, disease, or death that arises out of the use, sale, manufacture, delivery, transfer, or possession by any person of Controlled Substances as defined by the Federal Food and Drug Law at 21 U.S.C.A. Sections 811 and 812, including any amendments. Controlled Substances include but are not limited to cocaine, LSD, marijuana, and all narcotic or hallucinogenic drugs. However, this does not apply to:

- 1) the legitimate use of prescription drugs by a person following the orders of a licensed physician, or
- 2) an **insured** who has no knowledge of the involvement with a Controlled Substance.

Intentional Loss Exclusion.

The **Intentional Loss** provisions of your policy, found in the **SECTION I EXCLUSIONS** and **SECTION II EXCLUSIONS** sections, are hereby replaced with the following:

**Intentional Loss**, meaning any loss arising out of any act that meets all of the following criteria:

- (1) Committed by or at the direction of **you** or any person or organization named as an additional insured.
- (2) Committed with the intent to cause a loss.
- (3) Is not an intentional act committed to protect life or property.
- (4) With respect to Section I Exclusions only, it is not an intentional act where the **insured** is a victim of family violence.

### SECTION II - EXCLUSIONS

Contamination and/or Pollution Exclusion.

The **Contamination and/or pollution** provisions of your policy, found in the **SECTION II Exclusions** section, are hereby deleted.

**Punitive Damages Exclusion.**

The **Punitive Damages Exclusion** provisions of your policy, found in the **SECTION II Exclusions** section, are hereby deleted.

### SECTION I - CONDITIONS

Other Insurance.

The **Other Insurance** provisions of your policy, found in the **SECTION I - CONDITIONS** section are hereby replaced with the following:

**Other Insurance.** If a loss covered by this policy is

also covered by other insurance, we will pay only the proportion of the loss that the limit of liability that applies under this policy bears to the total amount of insurance covering the loss.

Concealment or Fraud.

The **Concealment or Fraud** provisions of your policy, found in the **SECTION I & II CONDITIONS** section, item 2, are hereby replaced with the following:

2. **Concealment or Fraud.** No recovery will be allowed under the policy if, whether discovered before or after a loss, **you** misrepresent, omit, conceal facts, or make incorrect statements meeting one of the following conditions.
  - a. Are fraudulent.
  - b. Are material either to the acceptance of the risk or to the hazard assumed by us.
  - c. If the true facts had been known to us as required by the application for the policy, we would not in good faith have either issued the policy or would not have issued the policy in as large an amount or at the premium rate as applied for or would not have provided coverage with respect to the hazard resulting in the loss.

Cancellation

The **Cancellation** provision of your policy, found in the **SECTION I & II CONDITIONS** section, item 5, is hereby replaced with the following:

5. **Cancellation.**
  - a. **You** may cancel this policy at any time by returning it to **us** or notifying us in writing of the date cancellation is to take effect.
  - 1) If only **your** interest is affected by the cancellation of this policy, cancellation will become effective on:
    - a) the date on which **we** receive either the returned policy or **your** written request for cancellation, or
    - b) the date specified in **your** written request for cancellation, whichever is later. **We** can waive the requirement that **you** provide **us** with a future date of cancellation by giving **you** written confirmation of the date and time of cancellation.
  - 2) If this policy cannot be cancelled unless notice is given to a governmental agency, mortgagee, or other third party, **we** will mail or deliver the required notice to the third party's address of record at least ten days before cancellation is effective. Cancellation will become effective:
    - a) ten days after **our** notice is mailed or delivered; or
    - b) on the date specified in **your** written request for cancellation, whichever is later.

b. **We** may cancel this policy only for the reasons stated below by notifying **you** in writing of the date cancellation takes effect. This cancellation notice may be delivered to **you** or mailed to you at your mailing address shown in the Declarations. Proof of mailing shall be sufficient proof of notice. **Our** notice will include the reason(s) for cancellation.

- (1) When **you** have not paid the premium, whether payable to **us** or to our agent or under any finance or credit plan, we may cancel at any time by notifying you at least 10 days before the date cancellation takes effect.
- (2) When this policy has been in effect for less than 60 days and is not a renewal with **us**, we may cancel for any reason by notifying you at least 10 days before the date cancellation takes effect.
- (3) When this policy has been in effect for 60 days or more, or at any time if it is a renewal with **us**, **we** may cancel if there has been:
  - (a) Conviction of a crime having as one of its necessary elements an act increasing the hazards insured against; or
  - (b) Discovery of fraud or material misrepresentation; or
  - (c) Discovery of grossly negligent acts or omissions substantially increasing any of the hazards insured against; or
  - (d) Physical changes in the property insured against which result in the property becoming uninsurable. This can be done by notifying **you** at least 30 days before the date cancellation takes effect.
- (4) When this policy is written for a period longer than one year, **we** may cancel for any reason at anniversary by notifying you at least 45 days before the date cancellation takes effect.
- (c) When this policy is cancelled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata. It will be refunded to **you** with the cancellation notice or sent to **you** or **your** authorized agent on or before the policy expiration date.

Non-Renewal

The **Non-Renewal** provision of your policy, found in the **SECTION I & II CONDITIONS** section, item 6, is hereby replaced with the following:

6. **Non-Renewal.** **We** may elect not to renew this policy. **We** may do so by delivering to you or mailing to **you** at your mailing address shown in the Declarations, written notice at least 45 days before the expiration date of this policy. Proof of

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mailing shall be sufficient proof of notice. "Our" notice will include the reason(s) non-renewal.

Suit Against Us

The **Suit Against Us** provision of your policy, found in the **SECTION I & II CONDITIONS** section, item 6, is hereby replaced with the following.

- Suit Against Us.** No action shall be brought unless there has been compliance with the policy provisions and the action is started within two years after the date of loss or damage.

All other terms and conditions of the policy remain unchanged. This includes all endorsements.

**ENDORSEMENT No. PM2 (Ed. 1)  
Animal Liability Exclusion**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

It is understood and agreed that your policy is amended as follows.

**LIABILITY COVERAGE**

- We shall not pay any sum that the insured shall become legally obligated to pay as damages because of bodily injury or property damage caused by or originating from any animal owned by, or in the care of, custody or control of the insured, or any member of the insured's family or household.
  - MEDICAL PAYMENT COVERAGE**  
We shall not pay any medical expenses at any time, to persons while on the insured's premises, with or without the permission of the insured, or while elsewhere, if such medical expense is caused by or results from any bodily injury caused by, or resulting from any animal owned by, or in the care of, custody or control of the insured, or any member of the insured's family or household.
- All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM3 (Ed. 1)  
Occupancy Endorsement  
(Primary Residence Only)**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

It is a condition of this policy that any vacancy or unoccupancy of the described dwelling after the inception date of this policy must be reported to the Company. The terms "vacant" or "unoccupied" mean that you have not slept overnight in the dwelling for a period of sixty (60) consecutive days.

It is understood and agreed that the Company shall not be liable for loss occurring while a described dwelling that is

intended for occupancy by the owner as a primary residence is vacant or unoccupied beyond a period of sixty consecutive days. However, coverage remains in effect during this period under Perils 1A (Fire or Lightning), 3 (Windstorm or Hail), 7 (Smoke) and 8 (Volcanic Eruption).

All other terms and conditions of this policy remain unchanged.

**ENDORSEMENT No. PM4 (Ed. 1)  
Satellite Dish Exclusion**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

This policy does not provide any coverage loss or damage to a satellite dish, antennas, or their components, including mounting hardware.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PM5 (Ed. 1)  
Roof for Fire and Lightning Only  
Endorsement**

It is agreed that the roof on your Dwelling is only covered for losses caused by fire and lightning. It is further agreed that there is no coverage for interior damage if such damage is due to the failure of the roof, unless such failure is caused by fire or lightning.

**ENDORSEMENT No. PM6 (Ed. 2)  
Water Damage Exclusion for Plumbing**

It is agreed that the insured dwelling's plumbing system is constructed, in whole or in part, from material other than copper, or galvanized steel or polyvinyl chloride (PVC), chemically cross-linked polyethylene. This does not include any of the following.

- Plumbing outside the dwelling.
- Drain pipes.
- Sprinkler irrigation systems.
- Gas pipes.

In the event a claim is made resulting from the failure of the dwelling's plumbing system, including the failure of polybutylene (PB) or other

plastic plumbing, no coverage will be afforded under this policy.

**ENDORSEMENT No. PM7 (Ed. 1)  
Copper Plumbing Agreement**

It is agreed that the insured dwelling's plumbing system is constructed from copper plumbing. This does not include plumbing outside the dwelling, drain pipes, sprinkler irrigation systems, or gas pipes.

In the event a claim is made resulting from a non-copper plumbing system failure, no coverage will be afforded under this policy.

**ENDORSEMENT No. PM9-GA (Ed. 1)  
Mold Limitation Endorsement**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

**LIMITED COVERAGE FOR MOLD POLLUTANTS.**

This policy does not provide coverage for any loss, damage, cost, claim, expense, bodily injury, property damage, medical payments or any other coverage under this policy arising from or in any way involving, directly or indirectly,

- Mold.
- Fungi.
- Mildew.
- Spores.
- Wet or dry rot.
- Bacteria.
- Protists.
- A chemical, matter, or a compound produced or released by such mold, fungi, mildew, spores, wet or dry rot, bacteria, protists.
- Any other similar organism, strain or derivative.

These coverages are subject to all of the terms of the policy, except as amended by this endorsement.

**LIMITED WET ROT, DRY ROT, BACTERIA, FUNGI,  
AND PROTISTS COVERAGES**

**Definitions.**

**1. Mold Pollutants:**

- Wet rot.
- Dry rot.
- A bacterium.
- A fungus, including mildew or mold.
- A protist.
- A chemical, matter, or a compound produced or released by such wet rot, dry rot, bacterium, fungus, or protist.
- Any other similar organism, strain or derivative.

- Remediation:**  
a. Any remediation of mold, including the cost or expense to:  
(1) remove the mold from covered property or to repair, restore or replace that property.  
(2) contain, treat, detoxify, neutralize or dispose of or in any way respond to or assess the effect of the mold

b. The cost of any necessary testing or monitoring of air or property to confirm the type, absence, presence or level of mold, whether performed prior to, during or after removal, repair, restoration or replacement of covered property.

**I. PROPERTY COVERAGES.**

**A. Insuring Agreement.**

We pay for direct physical loss to property covered under Coverages A, B, C or, if provided by this policy, the Incidental Property Coverage for improvements caused by **mold pollutants** when the presence of any **mold pollutants**, whether collectively or any one item, is the direct result of any covered peril. All reasonable means must be used to save and preserve the property at and after the time of loss.

However, all consequential damage and subsequent cost arising from **mold pollutants** and its **remediation**, meaning any loss caused directly or indirectly by **mold pollutants** regardless of any other cause or event contributing concurrently or in any sequence to the loss, will be subject to the Aggregate Property Limit (herein "APL") of this endorsement unless the proximate covered cause of loss is the peril of fire or lightning.

This coverage does not otherwise increase any coverage limits shown in the declarations of this policy.

**B. Property Exclusions.**

This coverage does not apply to damage caused by or consisting of **mold pollutants** that results directly or indirectly from the following

- Discharge or overflow:
  - Caused by continuous or repeated seepage or leakage, unless hidden or unknown to the insured.
  - From a sump, sump pump, or related equipment.
  - That comes from off the insured premises.
  - Caused by freezing while the residence is vacant, unoccupied, or under construction and

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unoccupied, unless you have taken reasonable care to:

- (1) Maintain heat in the dwelling.
- (2) Shut off the liquid supply and drain the system, heater, or domestic appliance.

2. A peril that is not covered under the terms of this policy.

### C. Limits of Liability.

#### Aggregate Property Limit.

The AP.L of this endorsement is the most we pay for **remediation** regardless of the number of occurrences, claims or assessments made, or locations insured under this policy. The AP.L of this endorsement is the most that we pay for each consecutive annual policy period and for any remaining period of less than twelve months, beginning with the inception date of this policy as shown on the declarations. If, however, the policy period is extended for an additional period of less than twelve months, this additional period will be considered part of the preceding period for the purpose of determining the AP.L of this endorsement.

The AP.L is the greater of \$5,000 or 5% of the Coverage A (Dwelling) limit, and is subject to a per-occurrence deductible of \$250. Restoration of Limits under How Much We Pay For Loss Or Claim does not apply.

## II. COVERAGE L LIABILITY COVERAGE. COVERAGE M MEDICAL EXPENSES COVERAGE.

### A. Insuring Agreement.

Subject to the Aggregate Liability Limit (herein "ALL") of this endorsement, we pay for bodily injury or property damage that results from ingestion of, inhalation of, physical contact with, or exposure to **mold pollutants**.

- B. Except for claims adjustment expense and any litigation costs incurred thereunder, any coverage provided under these Incidental Liability Coverages for bodily injury, property damage, damages, or legal fees arising from ingestion of, inhalation of, physical contact with, or exposure to **mold pollutants** is subject to the ALL of this endorsement.

### C. Limits of Liability.

#### Aggregate Liability Limit.

The ALL of this endorsement, as shown on the declarations, is the most we pay for loss for each occurrence covered under this endorsement. This applies regardless of the number of:

- a. Persons insured under this policy.
- b. Parties who sustain injury or damage.
- c. Claims made or suits brought.

Subject to the ALL of this endorsement, the amount shown on the declarations per person for Coverage M is the most we pay for all medical expenses payable for bodily injury to one person as the result of one occurrence covered under this endorsement.

Any per occurrence limit shown on the declarations for Coverage M does not apply with respect to this endorsement. Payment under Coverage M will not be deemed as an admission of liability under Coverage L.

Our total limit of liability in any one policy year will not exceed the ALL of this endorsement, regardless of the number of:

- a. Occurrences.
- b. Insureds.
- c. Claims made or suits brought.
- d. Persons injured.
- e. Assessments made.

However, this ALL does not apply to coverage provided under Claims and Defense Cost under the Incidental Liability Coverages.

The ALL of this endorsement is the most that we pay for each consecutive annual policy period and for any remaining period of less than twelve months, beginning with the inception date of this policy as shown on the declarations. If, however, the policy period is extended for an additional period of less than twelve months, this additional period will be considered part of the preceding period for the purpose of determining the ALL of this endorsement.

The ALL is \$50,000. Restoration of Limits under How Much We Pay For Loss Or Claim does not apply.

#### ENDORSEMENT NO. PM11 (Ed. 2)

#### Increased Deductible For Loss or Damage Caused by Tenants

#### THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.

It is understood and agreed that if a loss occurs due to an insured peril which is caused by a deliberate act, or is a result of the abuse of the property by a present or past tenant of the property, then that loss is considered to be a "Tenant Caused Loss."

We will only be liable for that portion of a Tenant Caused Loss that exceeds \$2,500.00 up to the limits of the policy as stated on the policy declarations page. However, if a policy deductible of \$5,000.00 is stated on the policy declarations page, then we will only be liable for that portion of a Tenant Caused Loss that exceeds \$5,000.00, up to the limits of the policy as stated on the policy declarations page.

This endorsement does not extend or expand the perils insured under this policy.

All other terms and conditions of the policy remain unchanged.

#### ENDORSEMENT NO. PM18 (Ed. 1)

#### Trampoline Exclusion

#### THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.

This policy does not provide any coverage for any:

- a. loss,
  - b. damage,
  - c. cost,
  - d. claim,
  - e. expense,
  - f. "bodily injury,"
  - g. "property damage," or
  - h. medical payments
- arising from or in any way involving, directly or indirectly, a trampoline, regardless of cause.

We shall have no duty to investigate, defend, or indemnify any claim or "suit" seeking such damages.

All other terms and conditions of the policy remain unchanged.

#### ENDORSEMENT NO. PM19 (Ed. 1)

#### Swimming Pool Diving Board and Slide Exclusion

#### THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.

This policy does not provide any coverage for any:

- a. loss,
  - b. damage,
  - c. cost,
  - d. claim,
  - e. "bodily injury,"
  - f. "property damage," or
  - g. medical payments
- arising from or in any way involving, directly or indirectly, a swimming pool diving board, slide or similar structure, regardless of cause.

We shall have no duty to investigate, defend, or indemnify any claim or "suit" seeking such damages.

All other terms and conditions of the policy remain unchanged.

#### ENDORSEMENT NO. PM20 (Ed. 1)

#### Inflation Guard

#### THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.

The limit of liability shown on the Declarations page of the policy for the insured dwelling (Coverage A) may be increased by 0.25% of the amount shown on the Declarations page at the end of each month after the

effective date of the policy. If no change has been made on a monthly basis, the Coverage A limit may be increased by 3,000% of the amount shown on the Declarations page in the event a notice offering to renew the policy for another annual term is issued.

All other terms and conditions of the policy remain unchanged.

#### ENDORSEMENT NO. PM21 (Ed. 1)

#### Unit-Owners Rental to Others

#### THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.

For an additional premium, this coverage applies while the "residence premises" is regularly rented or held for rental to others.

### SECTION I

Under Coverage C – Personal Property, Property Not Covered, Item 6 is deleted and replaced by the following:

6. Property contained in an apartment, other than the "residence premises," regularly rented or held for rental by others by an "insured".

In the peril of Theft Exclusion C., "from that part of a "residence premises" rented by an "insured" to other than an "insured" is deleted.

We do not cover loss caused by theft from the "residence premises" of:

- a. Money, bank notes, bullion, gold, goldware, gold-plated ware, silver, silverware, silver-plated ware, pewterware, platinum, coins and medals;
- b. Securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, personal records, passports, tickets and stamps regardless of the medium (such as paper or computer software) on which the material exists; or
- c. Jewelry, watches, furs, precious and semiprecious stones.

### SECTION II

Exclusion 1, c. of Coverage E – Personal Liability and Coverage F – Medical Payments to Others is deleted and replaced by the following:

- C. Arising out of the rental or holding for rental any part of any premises by an "insured". This exclusion does not apply to the rental or holding for rental of the "residence premises";

All other terms and conditions of the policy remain unchanged.

#### ENDORSEMENT NO. PM22 (Ed. 1)

#### Preferred Tier Endorsement

#### THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.

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This endorsement is applied to all Preferred Tier policies. Placement in the Preferred Tier is reflected on the policy Declarations page. This endorsement enhances some of the Section I (Property) coverage afforded by your policy. Please read it carefully.

**Section I – Coverage C (Personal Property)**

The Special Limits of Liability in the policy are doubled, unless otherwise increased through the purchase of additional optional coverage. The Special Limits are increased as follows:

1. Special Limits of \$100 in the policy are increased to \$200;
2. Special Limits of \$250 in the policy are increased to \$500;
3. Special Limits of \$500 in the policy are increased to \$1,000;
4. Special Limits of \$1,000 in the policy are increased to \$2,000; and
5. Special Limits of \$2,000 in the policy are increased to \$4,000.

**Section I – Exclusions**

Exclusions 1.a.(1) and 1.a.(2) relating to ordinance or law requirements are deleted. Loss for damage by a Peril Insured Against to covered property, or the building containing the covered property, will be settled on the basis of any ordinance or law that regulates the construction, repair or demolition of the property or building.

**Section I – Conditions**

The loss settlement provisions of the policy for Coverage C are changed to provide coverage on a replacement cost basis. Loss of personal property covered under Coverage C or of the policy will be settled on a replacement cost basis, and in accordance with the following provisions.

1. "Replacement cost" means the cost to repair or replace the property with new property of equivalent kind and quality to the extent practical, without deduction for depreciation.
2. The replacement cost terms set forth in this endorsement apply to the following covered property:
  - a. Coverage C – Personal Property,
  - b. appliances and window air conditioners,
  - c. carpets and window coverings,
  - d. awnings and canopies and
  - e. antennas.
3. The replacement cost terms set forth in this endorsement do not apply to the following property:
  - a. articles of art or rarity that cannot be duplicated;
  - b. memorabilia, souvenirs, collector's items, and similar items whose age or history contribute to its value;
  - c. items not maintained in good or workable condition; or
  - d. items that are outdated or obsolete and are stored or not being used.

4. **Loss Settlement.** Subject to the terms shown in the Conditions – Loss Settlement portion of this policy and the terms of this endorsement, we settle losses according to the Replacement Cost Terms. If the Replacement Cost Terms do not apply, we settle losses according to the Actual Cash Value Terms.

a. Replacement Cost Terms  
(1) We pay the smallest of the following amounts for each covered item:

- (a) the replacement cost of the property as defined in this endorsement;
- (b) the amount computed after any special limitation in this policy has been applied to the loss; or
- (c) for loss to property covered under Coverage C, subject to the Coverage C limit.

(2) When the replacement cost for each occurrence is more than \$500, we do not pay for more than the actual cash value of the loss until actual repair or replacement is completed. You may make a claim for the actual cash value amount of the loss before repairs are made or replacement is completed. A claim for any additional amount payable under this provision must be made within six months after the loss.

b. Actual Cash Value Terms – Actual cash value includes a deduction for depreciation, however caused.

- (1) The Actual Cash Value Terms apply to all property not subject to the Replacement Value Terms.
- (2) The smaller of the following amounts is used in applying the terms under our limit:
  - (a) the cost to repair or replace the property with materials of like kind and quality to the extent practical, or
  - (b) the actual cash value of the property at the time of loss.

5. The coverage provided by this endorsement does not increase our limit.

All other terms and conditions of the policy remain unchanged. Please read your policy.

**Extended Replacement Cost Coverage**

**THIS ENDORSEMENT AMENDS YOUR POLICY. PLEASE READ IT CAREFULLY.**

In the event of a covered loss to your home, we will pay to repair or replace the damaged or destroyed dwelling with like or equivalent construction, up to 20% over the policy's limits of liability. Your policy will specify whether you must actually repair or replace the damaged or destroyed dwelling in order to recover extended replacement costs. The amount of recovery

will be reduced by any deductible you have agreed to pay.

To be eligible to recover extended replacement cost coverage, you must insure the dwelling to its full replacement cost at the time the policy is issued, with possible periodic increases in the amount of coverage to adjust for inflation. You must also notify us about any alterations that increase the value of the insured dwelling by a certain amount (see your policy for that amount).

All other terms and conditions remain unchanged.

**ENDORSEMENT No. PO5-HO (Ed. 1)  
Replacement Cost Coverage for Personal Property**

It is agreed that, for the additional premium noted on the declarations of this policy, that the loss settlement provisions of the policy relating to losses of personal property covered under Coverage C of the policy are to be settled on a replacement cost basis and in accordance with the following provisions:

6. "Replacement cost" means the cost to repair or replace the property with new property of equivalent kind and quality to the extent practical, without deduction for depreciation.
7. The replacement cost terms set forth in this endorsement apply to the following covered property:
  - a. Coverage C – Personal Property,
  - b. appliances and window air conditioners,
  - c. carpets and window coverings,
  - d. awnings and canopies; and
  - e. antennas.
8. The replacement cost terms set forth in this endorsement do not apply to the following property:
  - a. articles of art or rarity that cannot be duplicated;
  - b. memorabilia, souvenirs, collector's items, and similar items whose age or history contribute to its value;
  - c. items not maintained in good or workable condition; or
  - d. items that are outdated or obsolete and are stored or not being used.

9. Under the Section I - Conditions of the policy, loss settlement terms, item 3, are deleted and replaced by the following with respect to the property that is subject to the terms of this endorsement:

10. **Loss Settlement.** Subject to the terms show in the Conditions – Loss Settlement portion of this policy and the terms of this endorsement, we settle losses according to the Replacement Cost Terms. If the Replacement Cost Terms do not apply, we settle losses according to the Actual Cash Value Terms.
  - a. Replacement Cost Terms
    - (1) We pay the smallest of the following amounts for each covered item:

(a) the replacement cost of the property as defined in this endorsement;

(b) the amount computed after any special limitation in this policy has been applied to the loss; or

(c) for loss to property covered under Coverage C, subject to the Coverage C limit.

(2) When the replacement cost for each occurrence is more than \$500, we do not pay for more than the actual cash value of the loss until actual repair or replacement is completed. You may make a claim for the actual cash value amount of the loss before repairs are made or replacement is completed. A claim for any additional amount payable under this provision must be made within six months after the loss.

b. Actual Cash Value Terms – Actual cash value includes a deduction for depreciation, however caused.

- (1) The Actual Cash Value Terms apply to all property not subject to the Replacement Value Terms.
- (2) The smaller of the following amounts is used in applying the terms under our limit:
  - (a) the cost to repair or replace the property with materials of like kind and quality to the extent practical; or
  - (b) the actual cash value of the property at the time of loss.

11. The coverage provided by this endorsement does not increase our limit. All other terms, conditions and exclusions of the policy apply.

**ENDORSEMENT No. PO6 (Ed. 1)  
Scheduled Personal Property**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

For an additional premium, we cover the classes of personal property indicated by an amount of insurance. This coverage is subject to the DEFINITIONS, SECTION I – CONDITIONS, SECTIONS I AND II CONDITIONS, and all provisions of this endorsement. The Section I deductible as shown on the Declarations does not apply to this coverage.

**THE FOLLOWING SCHEDULE OF ITEMS WILL APPEAR ON THE DECLARATIONS:**

Class of Personal Property	Amount of Insurance Premium	Premium
1. Each class of property to be listed individually here.	Declared Amount	\$ Charge

Insured

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No. List of Individual Items Scheduled for Each Class of Personal Property	Value \$ Amount
1. First item scheduled for first class of property.	

**ENDORSEMENT No. PO8 (Ed. 2)  
Personal Injury Coverage**

**This endorsement changes your policy. Please read it carefully.**

For an additional premium, under Coverage E – Personal Liability, the definition of “bodily injury” is amended to include personal injury.

“Personal injury” means injury arising out of one or more of the following offenses:

1. False arrest, detention or imprisonment, or malicious prosecution;
2. Libel, slander or defamation of character, or invasion of privacy, wrongful eviction or wrongful entry.

“Personal injury” does not mean false arrest, false imprisonment, wrongful eviction, wrongful entry, wrongful detention, malicious prosecution, misrepresentation, libel, slander, defamation of character, or invasion of privacy that arises out of:

1. communicable disease, or
2. the actual, alleged, or threatened sexual molestation of a person;

Section II Exclusions do not apply to personal injury. Personal injury does not include any of the following:

1. Liability assumed by the “insured” under any contract or agreement. This does not include any indemnity obligations assumed by the “insured” under a written contract directly relating to the ownership, the maintenance or the use of the premises.
2. Injury caused by a violation of a penal law or ordinance committed by or with the knowledge or consent of an “insured.”
3. Injury sustained by any person as a result of an offense directly or indirectly related to the employment of this person by the “insured.”
4. Injury arising out of or in connection with a “business” engaged in by an “insured.” This exclusion applies, but is not limited to, an act or omission, regardless of its nature or circumstance, involving a service or duty that is rendered, that is promised, that is owed or that is implied to be provided because of the nature of the “business.”
5. Civic or public activities performed for pay by an “insured.”
6. Injury to you or an “insured” within the meaning of part a. or b. of “insured” as defined.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PO9 (Ed. 2)  
Premises Burglary or Fire Alarm System Agreement**

**This endorsement changes your policy. Please read it carefully.**

For a premium credit, we acknowledge the installation of a burglary alarm system or a fire alarm system, or both, approved by us on the **residence premises**. You agree to maintain this system in working order and to notify us promptly of any change made to the system or if it is removed. A fire alarm system includes an automatic sprinkler system.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PO10 (Ed. 1)  
Exclusion of Cosmetic Damage to Hail Resistant Roof**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

The following Section I Exclusion is added to the policy:

We do not cover cosmetic loss or damage to roof coverings caused by the perils of hail.

Cosmetic loss or damage means only that damage that alters the physical appearance of the roof covering, but does not result in damage that allows the penetration of water through the roof covering or does not result in the failure of the roof covering to perform its intended function, to keep out elements over an extended period of time.

We do cover hail damage to roof coverings that results in damage that will allow the penetration of water through the roof covering or that results in the failure of the roof covering to perform its intended function, to keep out elements over an extended period of time.

Roof covering means the roofing material exposed to the weather, the underlayments applied for moisture protection, and all flashings required in the replacement of a roof covering.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PO14 (Ed. 1)  
Limited Animal Liability Coverage**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

For additional premium, this policy provides limited coverage for liability arising from animals. This coverage is limited to the amount of coverage indicated on the policy declarations page. However,

this coverage does not apply, at any time, regardless of cause, to farm animals, or exotic or unusual pets (such as horses, cows, goats, sheep, snakes, etc.). This coverage also does not apply, at any time, regardless of cause, to any of the following dogs:

- l. Pit Bulls;
  - f. Doberman Pinsers;
  - k. Rottweilers;
  - l. German Shepherds;
  - m. Chows;
  - n. Akitas;
  - o. Bull Mastiffs; or
  - p. Staffordshire Terriers.
- This coverage is also not extended to any dog that is a mixed breed that includes any of the above, or to any dog known by breed to be vicious or with a previous bite history.

We shall have no duty to defend or indemnify any claim or “suit” seeking such damages excluded herein.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PO16 (Ed. 1)  
Ordinance or Law Coverage**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

For an additional premium, exclusions 1.a.(1) and 1.a.(2) in Section I of your policy, relating to ordinance or law requirements, are deleted. With this endorsement, loss for damage by a Peril Insured Against to covered property, or the building containing the covered property, will be settled on the basis of any ordinance or law that regulates the construction, repair or demolition of this property.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PO17 (Ed. 1)  
Increased Unscheduled Jewelry and Silverware Limits**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

This endorsement changes items 8 and 9 in your Special Limits of Liability (SLL). The SLL’s are in Section I, Coverage C (Personal Property) of your policy.

- Items 8 and 9 in the Coverage C SLL are deleted and replaced with the following:
8. \$3,000 for loss by theft of jewelry, watches, furs, precious and semi-precious stones.
  9. \$3,000 for loss by theft of silverware, goldware, pewter, and platinum, including:
    - a. Silver or gold-plated ware, plateware, flatware, hollowware, tea sets, trays, trophies and the like;
    - b. Other utilitarian items made of or including silver, gold, pewter or platinum.

No other SLL’s are altered by this endorsement. All other terms and conditions of the policy remain unchanged. Please read your policy.

**ENDORSEMENT No. PO18 (Ed. 1)  
Increased Unscheduled Computer Equipment Limit**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

This endorsement changes item 11 in your Special Limits of Liability (SLL). The SLL’s are in Section I, Coverage C (Personal Property) of your policy.

Item 11 in the Coverage C SLL is deleted and replaced with the following:

11. \$3,000 on computers and electronic data processing equipment.

No other SLL’s are altered by this endorsement.

All other terms and conditions of the policy remain unchanged. Please read your policy.

**ENDORSEMENT No. PO19 (Ed. 1)  
Home Freezer Contents Coverage**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

We will pay up to \$500 for loss to covered property stored in a freezer or refrigerator stored on the insured premises. This coverage is additional insurance. No deductible applies to this coverage.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PO25 (Ed. 1)  
LOSS ASSESSMENT COVERAGE**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

For an additional premium the limit of liability for SECTION I and SECTION II loss assessment will be the amount that appears on the declarations page for this coverage. No deductible will apply.

All other provisions of this policy apply.

**ENDORSEMENT No. PO28 (Ed. 1)  
Increased Unscheduled Property Used in Business (On Premises)**

**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

This endorsement changes item 2 in your Special Limits of Liability (SLL). The SLL’s are in Section I, Coverage C (Personal Property) of your policy.



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Item 2 in the Coverage C SLL is deleted and replaced with the following.

- \$3,000 on property on the premises used at any time or in any manner for any business purpose.

No other SLL's are altered by this endorsement.

All other terms and conditions of the policy remain unchanged. Please read your policy.

**ENDORSEMENT No. PO29 (Ed. 1)**

**Scheduled Personal Property Coverage  
THIS ENDORSEMENT CHANGES YOUR POLICY.  
PLEASE READ IT CAREFULLY.**

(The information that identifies the property covered by this endorsement and the corresponding "limits" will be shown on a separate schedule.)

**PROPERTY COVERAGES**

**PRINCIPAL PROPERTY COVERAGES**

"We" cover the classes of personal property for which a "limit" is shown on the schedule that applies to this endorsement. This coverage is subject to all policy "terms" that apply to property coverage unless amended by this endorsement.

**ADDITIONAL PROPERTY COVERAGES**

- Newly Acquired Fine Arts** – If fine arts are covered by this endorsement, "we" cover additional fine arts that "you" acquire during the policy period. "You" must provide "us" with a complete description of each item within 90 days of the date "you" acquire it and pay the additional premium.  
"We" cover these items for their actual cash value. The most that "we" pay for all such items is 25% of the "limit" shown for fine arts.

This coverage applies for 90 days from the date "you" acquire the property or until "you" report the newly acquired property to "us", whichever occurs first. This coverage does not extend past the end of the policy period.

**2. Newly Acquired Jewelry, Furs, Musical Instruments, and Cameras and Related Equipment** – If jewelry, furs, musical instruments, or cameras and related equipment are covered by this endorsement, "we" cover additional jewelry,

furs, musical instruments, or cameras and related equipment that "you" acquire during the policy period. "We" cover only those newly acquired items that belong to a class of property already covered by this endorsement. "You" must provide "us" with a complete description of each item within 30 days of the date "you" acquire it and pay the additional premium.

"We" cover these items for their actual cash value. The most that "we" pay for all such items will be the smaller of the following:

- 25% of the "limit" shown for the class of property to which the item belongs; or
  - \$10,000 for each class.
- This coverage applies for 30 days from the date "you" acquire the property or until "you" report the newly acquired property to "us", whichever occurs first. This coverage does not extend past the end of the policy period.

**PROPERTY NOT COVERED**

- "We" do not cover:
- coins or stamps while they are shipped by mail. However, "we" do cover these items when they are shipped by registered mail;
  - coins or stamps while they are in the custody of a common carrier, unless the full value of these items has been declared to the carrier;
  - coins or stamps that are not part of a collection. However, "we" do cover these items if they are individually scheduled;
  - fine arts that are on display at fairs/grounds or at a national or international exposition unless these locations are shown for this coverage; or
  - golfers' equipment that is held for sale.

**PERILS INSURED AGAINST**

The Perils Insured Against provision is deleted and replaced by the following with respect to the property covered by this endorsement:

Except for golf balls, "we" cover direct physical loss to covered property unless the loss is caused by a peril that is excluded. The loss must be due to an external cause.

"We" cover direct physical loss to golf balls caused by fire or burglary.

**PERILS EXCLUDED**

The Exclusions That Apply to Property Coverages are deleted and replaced by the following with respect to the property covered by this endorsement:

- The following exclusions apply to all covered property.
  - "We" do not pay for loss if one or more of the following exclusions apply to the loss, regardless of other causes or events that contribute to or aggravate the loss, whether such causes or events act to produce the loss before, at the same time as, or after the excluded causes or events.
    - War** – "We" do not pay for loss caused by or that results from war. This means:
      - declared war, undeclared war, civil war, insurrection, rebellion, or revolution;

- a warlike act by a military force or by military personnel;
- the destruction, seizure, or use of the property for a military purpose; or
- the discharge of a nuclear weapon even if it is accidental.

**2) Civil Authority** – "We" do not pay for loss that results from order of civil authority. This means:

- seizure or destruction under quarantine or customs regulations; risks of contraband or illegal transportation or trade; or
- confiscation or destruction by order of a government or public authority. "We" do pay for loss which results from acts of a civil authority to prevent the spread of fire.

**3) Nuclear Hazard** – "We" do not pay for loss which results from nuclear reaction, nuclear radiation, or radioactive contamination (whether controlled or uncontrolled, whether caused by, contributed to, or aggravated by a peril insured against, and whether caused by natural, accidental, or artificial means). Loss caused by nuclear hazard is not considered loss caused by fire, explosion, or smoke. Direct loss by fire resulting from the nuclear hazard is covered.

b. "We" do not pay for a loss that results from and which is confined to the following perils:

- normal wear and tear of covered property;
- gradual deterioration of covered property;
- hidden or latent defect of covered property;
- a quality, fault, or weakness in covered property that causes it to damage or destroy itself; or
- insect or vermin damage to covered property.

2. The following additional exclusions apply only to the indicated classes of property.

- Bicycles** – "We" do not pay for loss caused by or that results from:
  - corrosion or rust; or
  - the actual work on or handling of the bicycles or a process to repair, adjust, service, or maintain them.
- Coins or Stamps** – "We" do not pay for loss caused by or that result from:
  - the mysterious disappearance of individual coins or stamps from a collection. "We" do cover loss caused by this peril if the item is:
    - described on the schedule; or
    - mounted in a volume and if the page to which the item is attached is also missing;
  - theft from an unattended vehicle. "We" do cover theft from an unattended

- vehicle while the coins or stamps are being shipped as registered mail; dampness;
- extremes of temperature;
- fading, creasing, scratching, denting, tearing, or thinning;
- transfer of colors; or
- the handling of or working on the coins or stamps.

c. **Fine Arts** – "We" do not pay for loss or damage caused by or that results from:

- a process to repair, retouch, restore, adjust, service, or maintain the covered fine arts. If a fire or explosion results, however, "we" do cover the loss caused by the fire or explosion; or
- breakage of: art glass windows, statuary, marble, glassware, bric-a-brac, porcelain, or similar fragile items. However, "we" do cover breakage if it is caused by fire; lightning; windstorm; hail; earth movement; sinkhole collapse; volcanic action; flood; explosion; sonic boom; smoke; aircraft; spacecraft; self-propelled missiles; falling objects; vehicles, including an accident to a transporting vehicle; strike; riot; civil commotion; vandalism; theft; attempted theft; sprinkler leakage; weight of ice, sleet or snow; or the collapse of a building or structure.

**HOW MUCH WE PAY FOR LOSS OR CLAIM**

- With respect to the property covered by this endorsement, the Deductible provision is deleted.
- With respect to the property covered by this endorsement, the Loss Settlement Terms are deleted and replaced by:

**Loss Settlement Terms** – "We" settle covered property losses as follows:

- Fine Arts** – "We" pay the "limit" shown for each scheduled article which is agreed to be the value of the article. In case of loss to a pair or set, "we" pay the full "limit" of the pair or set as shown on the schedule, and "you" agree to surrender the remaining article or articles of the pair or set to "us".

b. **Postage Stamps or Rare and Current Coin Collections** – In case of loss or damage to any scheduled item, the amount payable will be determined in accordance with item 2.c., Other Property, below.

When coins or stamps are covered on a blanket basis, "we" pay the cash market value at the time of loss but no more than \$1,000 on any unscheduled coin collection nor more than \$250 for any one stamp, coin, or individual article or any one pair, strip, block, series sheet, cover frame, or card. "We" will not pay a greater proportion of any loss on blanket property than the "limit" shown on the schedule for the blanket

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property bears to the cash market value at the time of loss.

**Other Property** – Unless otherwise stated in this endorsement, the value of the covered property is not agreed upon but will be determined at the time of loss or damage.

- "We" pay the least of the following amounts:
- 1) the actual cash value of the property at the time of loss;
  - 2) the amount for which the property could reasonably be expected to be repaired or replaced (to the extent practical) with property substantially identical to the property lost or damaged;
  - 3) an amount not greater than the "insured's" interest in the property; or
  - 4) the applicable "limit".

3. With respect to the property covered by this endorsement, Loss to a Pair or Set is deleted and replaced by:

- Loss To A Pair Or Set** – In case of a loss to a pair or set, "we" may elect to:
- a. repair or replace any part to restore the pair or set to its value before the loss; or
  - b. pay the difference in the actual cash value of the pair or set just before the loss and the actual cash value just after the loss.
- This provision does not apply to fire arts.
4. With respect to the property covered by this endorsement, Loss to Parts is deleted and replaced by:

**Loss To Parts** – If there is a loss to a part of an item that consists of several parts when it is complete, "we" pay only for the value of the lost or damaged part or the cost to repair or replace it.

This provision does not apply to fire arts.

5. With respect to the property covered by this endorsement, Restoration of Limits is deleted and replaced by:

**Restoration of Limits** – The "limit" under this endorsement will not be reduced, except for a total loss of a scheduled article. If a claim is paid for total loss of a scheduled article, the unearned premium applicable to the lost article will be refunded to "you" or applied to the premium due on articles replacing those on which the claim was paid.

**CONDITIONS APPLICABLE TO PROPERTY COVERAGES ONLY**

The following condition is added with respect to the property covered by this endorsement:

- Territory Where Coverage Applies** –
- a. **Fine Arts** – Coverage applies only while the property is in the United States, its territories or possessions, Canada, or Puerto Rico.
  - b. **All Other Property** – Coverage applies while the property is anywhere in the world.

**ENDORSEMENT NO. PO33 (ED.1)  
Earthquake Coverage for HO-3, HO-4 and HO-6 Policies**

**THIS ENDORSEMENT CHANGES YOUR POLICY  
PLEASE READ IT CAREFULLY.**

For an additional premium, we insure for direct physical loss to property covered under Section 1 caused by earthquake including land shock waves or tremors before, during or after a volcanic eruption.

1. One or more earthquake shocks that occur within a seventy-two (72) hour period constitute a single earthquake.
2. The following is the only deductible that applies to each loss caused by earthquake.

We will pay only that part of the loss which is more than 10% of the total amount of insurance that applies. This deductible will apply separately to loss under Coverage A – Dwelling, Coverage B – Other Structures, and Coverage C – Personal Property. This deductible amount will not be less than \$10,000 in any one loss.

**Special Exclusions**

1. We do not cover loss resulting directly or indirectly from flood or any nature or tidal wave, whether caused by, resulting from, contributed to or aggravated by an earthquake.
2. We do not cover loss to exterior masonry veneer. The value of exterior masonry veneer will be deducted before applying the deductible clause. For the purpose of this exclusion, stucco is not considered masonry veneer.

The Section 1 – Earth Movement exclusion does not apply to loss caused by earthquake including land shock waves or tremors before, during, or after a volcanic eruption.

All other provisions of this policy apply.

**ENDORSEMENT NO. PO36 (ED. 1)**

**Earthquake Loss Assessment Coverage**

**THIS ENDORSEMENT CHANGES YOUR POLICY.  
PLEASE READ IT CAREFULLY.**

**Section 1 – Your Property Coverages**

**Your Additional Coverages**

Earthquake Loss Assessment is added as follows:

**Loss Assessment.** We will pay the actual, reasonable and necessary cost for your share of any loss assessment charged against all members of an association of property owners if the assessment is made as a result of direct loss to the property collectively owned by all members caused by an earthquake, or land shock waves or tremors before, during or after a volcanic eruption.

This coverage applies only to assessments made against you as the owner of your premises for earthquake losses which occur during the Policy Period shown on the Declarations Page.

**Section 1**

**Amount of Insurance.**

We will pay up to \$10,000 with respect to any one earthquake loss. (One or more earthquake shocks that occur within a seventy-two (72) hour period constitute a single earthquake), regardless of the number of assessments made. No deductible will apply.

A \$500 deductible applies to this coverage.

All other provisions of your policy apply.

**ENDORSEMENT NO. PO38 (ED. 1)**

**Townhouse or Row House Firewall Limit**

**THIS ENDORSEMENT CHANGES YOUR POLICY.  
PLEASE READ IT CAREFULLY.**

A "firewall" is defined as a passive fire protection system that serves as a barrier between individual family units. The firewall must have a fire resistance rating of either one-hour or that meets applicable building codes, whichever is greater.

It is understood and agreed that, as a condition of your policy, a firewall must separate each individual family unit within the building where the insured dwelling is located. If no firewall is present between each unit, all coverage for loss or damage due to fire or smoke is limited to a total of \$50,000. This special limit applies regardless of the total limit or limits stated on the policy declarations page for all coverages that apply to the loss.

All other terms and conditions of the policy remain unchanged.

**POLICY SERVICE**  
NOTE: You MUST refer to your policy number when asking for information.

**Pacific Specialty  
Insurance Company**  
P. O. Box 40

Anaheim, CA 92815-0040  
(714) 998-2190  
(800) 303-5000  
(714) 998-3158 Fax

3601 Haven Avenue  
Menlo Park, CA 94025-1010  
(650) 780-4800  
(800) 828-3003

**FOR REPORTING OF CLAIMS:**  
Please Call:

**800-962-1172**  
**POLICY NUMBER MUST ACCOMPANY**  
**CLAIM REPORT AND ALL**  
**CORRESPONDENCE**

## 4. Mobile Homeowners insurance

Companies use a special policy to insure mobile homes (with or without the wheels).

These policies are not as standardized as other home policies, so read them carefully!

Physical damage coverage for a mobile home may differ significantly from standard homeowners policies.

### Mobile Homes

If you own a mobile or manufactured home, this type of insurance can help protect your home, adjacent structures and personal property.

Your mobile home insurance policy provides coverage for your home and personal property such as:

- ◆ Clothing
- ◆ Cooking appliances
- ◆ TVs
- ◆ Other personal possessions

A mobile home policy includes coverage for damage from fire, lightning, wind or hail, and more. The policy covering your mobile home also provides liability protection against accidents that happen to somebody else for which you are legally responsible.

### Your mobile home policy provides:

#### Coverage for your mobile home.

Mobile home insurance policies provide two basic kinds of coverage: *physical damage* and *personal liability* coverage. Choosing the right insurance policy is much like choosing the right mobile home. You want it to fit your needs and lifestyle, but you also want the insurance coverage to fit within your budget.

These coverage options are available for rental mobile homes, commercial mobile homes, mobile homes that are used seasonally, or mobile homes located in a park or on private property. If you already have auto or homeowners insurance, you can try contacting the same insurer to see if you are eligible for a discount.

Your mobile home policy protects your mobile home and adjacent structures (structures on your premises which are not attached to the mobile home) from all forms of loss unless they are specifically excluded in the policy. Coverage is provided for a wide range of perils, including but not limited to fire, windstorm damage or damage from falling objects, lightning, explosion and more. *Note: Coverage under the regular policy doesn't apply while the mobile home is in transit.*

#### Protection for your personal effects.

Your policy also includes similar protection against a wide range of perils for your personal property, while on your residence premises or in an adjacent structure. Personal property coverage also applies while your property is away from your home, but with a lower maximum limit and a smaller range of perils insured against.

## Physical Damage

Physical damage coverage pays for accidental damage to your mobile home, belongings, or other structures (such as attached patios or decks, garages or storage sheds) resulting from fire, hail, wind, theft and vandalism, or falling objects. The amount and degree of coverage varies from one policy to another, so make sure to compare policies carefully.

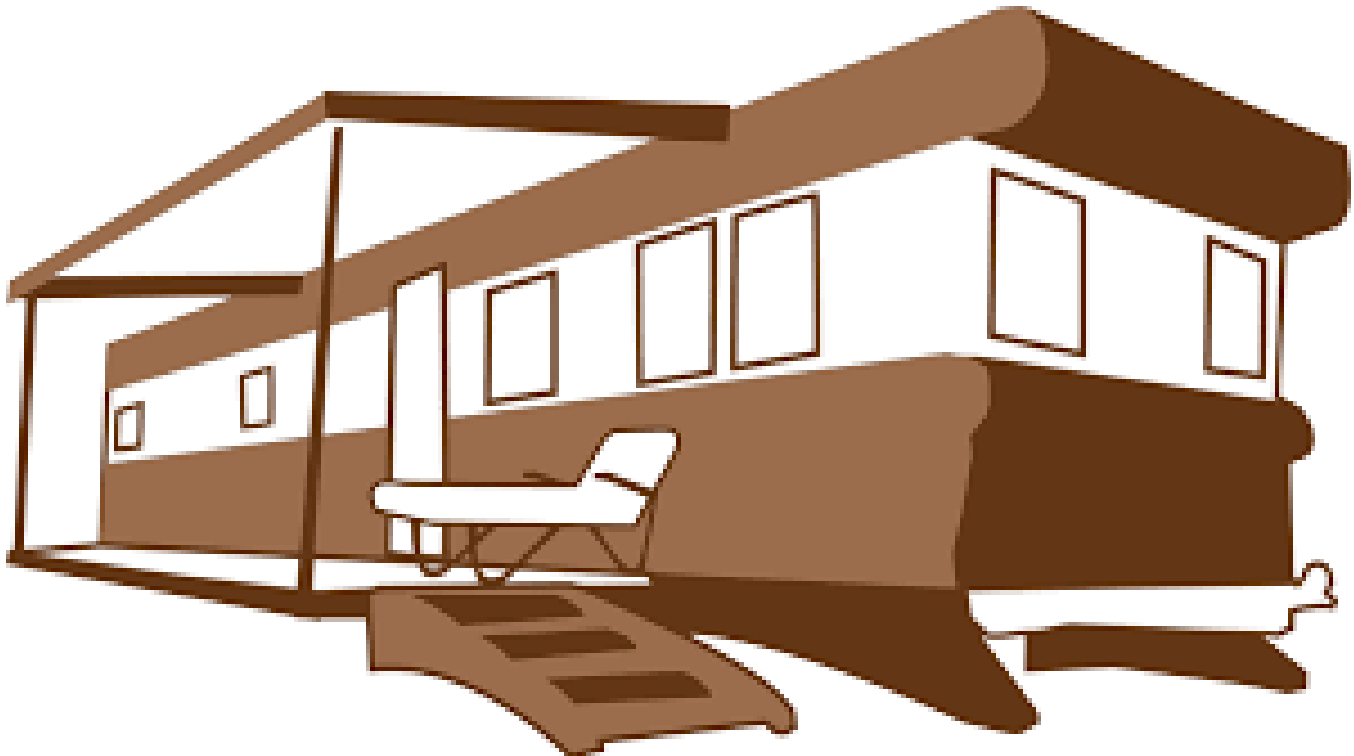
Some policies only cover specific causes of loss (*named peril policies*). This is basic coverage and while the low premiums may seem like a bargain, it could cost you hundreds of dollars in the event of a claim, if the damage is not caused by one of the named perils.

Generally, coverage under a regular policy doesn't apply while the mobile home is in transit. Also, like regular homeowners insurance, flood is not generally covered, so be sure to find out whether you are in a flood zone and can purchase flood insurance through the National Flood Insurance Program.

## Personal Liability protection.

Damage to property isn't the only hazard of modern life. Liability insurance coverage applies when there is a claim or a lawsuit against you after someone is injured or their property is damaged because of your activities. That amount may be more than what comes standard with a mobile home insurance policy, so it may be wise to consider purchasing additional liability insurance. Claims might include medical expenses, lost wages, pain and suffering, and even property damage. However, liability coverage does not pay claims for injuries to you or the members of your household.

Accidents can happen, and if you unintentionally cause bodily injury or property damage to someone who doesn't live in your home, you could be faced with large out of pocket expenses due to court costs or damages. Your policy can pay for medical expenses to a non-resident of your home in addition to the damages or defense costs due to a covered accidental circumstance.



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GA-MH-POL (E) 1.0

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<b>SECTION I – Your Property Coverages</b> .....	1	<p><b>Insuring Agreement</b> We, us and our means the company named on the Declarations Page.</p> <p>You, your and yours means the person named on the Declarations Page and that person's <b>family member</b>. In SECTION II – Your Liability Coverages, with respect to animals or watercraft to which this policy applies, you also includes any person or organization legally responsible for these animals or watercraft that are owned by any of you. But you does not include a person or organization using or having custody of these animals or watercraft in the course of any <b>business</b> or without consent of the owners.</p> <p>Under SECTION II – Your Liability Coverages, you also includes persons employed by any of you and other persons while they are using a vehicle, to which the policy applies, on your <b>premises</b> and with the consent of any of you.</p> <p>If you pay the premium, we will provide the insurance you have selected as shown on the Declarations Page. This is subject to all policy terms and conditions.</p> <p>This policy, the Declarations Page and endorsements, if any, complete this policy.</p> <p><b>Definitions</b> <b>Actual cash value</b> means the cost to repair or replace property with new materials of like kind and quality, less allowance for physical deterioration and depreciation, including obsolescence.</p> <p><b>Bodily injury</b> means physical injury, sickness, disease or death, caused by an accident.</p> <p><b>Business</b> means any full-time or part-time trade, profession or occupation engaged in for economic gain.</p> <p><b>Business</b> does not mean:</p> <ol style="list-style-type: none"> <li>1. The rental, or holding for rental, of part of your <b>premises</b> for use as a dwelling, unless the rental is to three or more roomers or boarders.</li> <li>2. The rental, or holding for rental, of part of your <b>premises</b> as a private garage, office, school or studio.</li> <li>3. Incidental farming operations conducted on your <b>premises</b> unless the gross income from these operations is more than \$2,000 a year.</li> </ol> <p><b>Family member</b> means a person who resides in your household and is related to you by blood, marriage or adoption. This includes a ward or a foster child.</p> <p><b>Medical expenses</b> means reasonable charges for:</p> <ol style="list-style-type: none"> <li>1. Medical.</li> <li>2. Surgical.</li> <li>3. X-ray.</li> <li>4. Dental.</li> <li>5. Ambulance.</li> <li>6. Hospital.</li> <li>7. Professional nursing.</li> <li>8. Recognized religious methods of healing.</li> </ol>					
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<b>GEORGIA MOBILE HOME INSURANCE POLICY</b>							
Read the entire policy carefully to determine rights, duties, and what is and is not insured. Various provisions in this policy restrict coverage.							
Words and phrases that appear in <b>boldfaced type</b> have							
<p>9. Prosthetic devices.</p> <p>10. Funeral services.</p> <p><b>Pollutant</b> means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, metals, lead paint components and compounds, and waste. Waste includes materials to be recycled, reconditioned or reclaimed, irritants and contaminants released by an accidental fire on your <b>premises</b> are not a <b>pollutant</b>.</p> <p><b>Premises</b> means:</p> <ol style="list-style-type: none"> <li>1. For purposes of SECTION I – Your Property Coverages, <b>premises</b> means the place where you reside that is described on the Declarations Page and the dwelling and other structures located there.</li> <li>2. For purposes of SECTION II – Your Liability Coverages, <b>premises</b> means the place where you reside that is described on the Declarations Page and the dwelling and other structures located there.</li> </ol> <p><b>Premises</b> also includes:</p> <ol style="list-style-type: none"> <li>a. Sidewalks and driveways adjacent to your dwelling.</li> <li>b. Vacant land, other than farmland, owned or rented to any of you.</li> <li>c. Land on which a one-family or two-family dwelling is being built for your personal use.</li> <li>d. <b>Premises</b> not owned by you but in which you live temporarily.</li> <li>e. Your cemetery plots and burial vaults.</li> <li>f. Any part of a <b>premises</b> occasionally rented to you for other than <b>business</b> use.</li> </ol> <p><b>Property damage</b> means direct physical damage or destruction of tangible property of others, including loss of its use and its use caused by an accident.</p> <p><b>Residence employee</b> means an employee of yours who performs duties in connection with the maintenance or use of your <b>premises</b>, including household or domestic services, or who performs duties elsewhere of a similar nature not in connection with a <b>business</b> of any of you.</p> <p><b>SECTION I – Your Property Coverages</b> We provide insurance only for covered losses that occur during the Policy Period shown on the Declarations Page.</p> <p><b>Coverage A – Dwelling</b> We insure:</p> <ol style="list-style-type: none"> <li>1. Your dwelling shown on the Declarations Page.</li> <li>2. Materials and supplies located on or immediately adjacent to your <b>premises</b> for use in the construction, alteration or repair of your dwelling or other structures on your <b>premises</b>.</li> <li>3. Any structure you own on your <b>premises</b> that is attached to your dwelling.</li> </ol> <p>We do not insure land, including land on which your dwelling is located.</p> <p>Coverage A – Dwelling does not apply while your dwelling is being moved.</p>	<p><b>Coverage B – Other Structures</b> We insure:</p> <ol style="list-style-type: none"> <li>1. Other structures you own on your <b>premises</b> that are separated from your dwelling.</li> <li>2. Other structures on your <b>premises</b> connected to your dwelling by only a fence, utility line or similar connection.</li> </ol> <p>We do not insure:</p> <ol style="list-style-type: none"> <li>i. Land, including land on which the other structures are located.</li> <li>ii. Other structures used exclusively for <b>business</b> purposes.</li> <li>iii. Other structures rented, or held for rental, to any person not a tenant of your dwelling unless they are used solely as a private garage.</li> </ol> <p>Coverage B – Other Structures does not apply while your other structures and being moved.</p> <p><b>Coverage C – Personal Property</b> We insure personal property you own or use anywhere in the world.</p> <p>But the Amount of Insurance for personal property usually located at a dwelling that you own or rent, other the dwelling on your <b>premises</b>, is 10% of the Amount of Insurance for Personal Property Coverage to your personal property coverage or \$1,000, whichever is greater.</p> <p>While moving into a dwelling, for a 30-day period, you may apply the Amount of Insurance for Personal Property Coverage to your personal property located in your new dwelling.</p> <p>If you request it, we will insure personal property owned by:</p> <ol style="list-style-type: none"> <li>1. Others while the property is on the part of your <b>premises</b> occupied by any of you.</li> <li>2. A guest or a <b>residence employee</b> while the property is in any dwelling occupied by any of you.</li> </ol> <p>These provisions do not change the Special Amounts of Insurance.</p> <p>Coverage C – Personal Property does not apply to your personal property inside your dwelling while your dwelling is being moved.</p> <p><b>Special Amounts of Insurance</b> Special Amounts of Insurance apply to the following groups of personal property. These Special Amounts of Insurance do not increase the total Amount of Insurance provided by Coverage C – Personal Property. The Special Amount of Insurance for each group is the maximum we will pay for any one loss for all property included in the following groups:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;"><b>Special Amounts of Insurance</b></td> <td style="width: 50%;"><b>Personal Property Group</b></td> </tr> <tr> <td>1. \$250</td> <td>Animals, including birds and fish.</td> </tr> <tr> <td>2. \$250</td> <td>Money, bank notes, bullion.</td> </tr> </table>	<b>Special Amounts of Insurance</b>	<b>Personal Property Group</b>	1. \$250	Animals, including birds and fish.	2. \$250	Money, bank notes, bullion.
<b>Special Amounts of Insurance</b>	<b>Personal Property Group</b>						
1. \$250	Animals, including birds and fish.						
2. \$250	Money, bank notes, bullion.						

**Pacific Specialty Insurance Company  
GEORGIA MOBILE HOME POLICY**

GA-MH-POL (Ed.1.0)

<p>coins, medals, precious metals including platinum, gold other than goldware and silver other than silverware. Personal property primarily used or intended for <b>business</b> purposes while away from your <b>premises</b>. Securities, accounts, deeds, evidence of debt, letters of credit, notes other than bank notes, manuscripts, passports, personal records, tickets, and stamps. This special Amount of Insurance includes all costs to research, restore or replace the information and the medium upon which it was recorded. Watercraft, including their trailers, furnishings, accessories, equipment and engines or motors. Trailers, other than watercraft trailers. Jewelry, watches, furs, precious and semi-precious stones, for loss by theft, including mysterious disappearance. Memorabilia, souvenirs, trading cards, collector's items and similar articles whose age or history contribute to their value, for loss by theft, including mysterious disappearance. Firearms, for loss by theft, including mysterious disappearance. Tools, for loss by theft, including mysterious disappearance. Silverware, silver-plated ware, goldware, gold-plated ware and pewter ware, for loss by theft, including mysterious disappearance. Personal property primarily used or intended for <b>business</b> purposes, while on your <b>premises</b>.</p> <p><b>Property We Do Not Insure</b> We do not insure: 1. Property separately described and specifically insured elsewhere in this or any other insurance policy. 2. Land motor vehicles, including recreational land motor vehicles, and all other motorized land conveyances and their parts, equipment and accessories. Accessories include tapes, wires, records, discs, or other media for use with any device for the recording or reproduction of sound while in or upon the vehicle or conveyance. We do insure vehicles or conveyances, other than recreational land motor vehicles or conveyances, that</p>	<p>are not subject to motor vehicle registration and that are: a. Usual to the maintenance of your <b>premises</b>; or b. Designed for assisting the handicapped. We do insure golf carts. Aircraft and any aircraft parts, equipment and accessories. We do insure model or hobby aircraft not used or designed to carry people or cargo. Property in an apartment, rented, or held for rental to others, by any of you. Property rented, or held for rental to others, while that property is away from your <b>premises</b>. <b>Business</b> data, including the media upon which it is recorded or stored. Credit cards or money transfer cards, except as described in 6. of Your Additional Coverages. <b>Coverage D – Additional Living Expenses</b> We included the following Additional Living Expenses: if an insured loss makes your dwelling not fit to live in, we will pay the actual, reasonable and necessary increase in your living expense, up to 20% of the Amount of Insurance shown on the Declarations Page for Coverage A – Dwelling, to maintain your normal standard of living while you live elsewhere. We will pay for the shortest time needed: a. To repair or replace the damaged property; or b. For you to permanently relocate. But our payments will end seven days after we have offered to make a reasonable cash settlement. If damage caused by an Insured Peril occurs at a neighboring <b>premises</b> and makes your dwelling unfit to live in, we will pay any resulting additional living expenses for up to 14 days while civil authorities prohibit occupancy of your <b>premises</b>. The periods of time described in Coverage D – Additional Living Expenses are not limited by the expiration of this policy. We will not pay for loss or expense due to the cancellation of a lease or agreement. No deductible will apply. <b>Your Additional Coverages</b> We automatically include the following additional coverages: 1. <b>Debris Removal.</b> We will pay the actual, reasonable and necessary cost of the removal of debris of insured property, other than trees, from your <b>premises</b> after an Insured Peril damages the property. The debris removal cost is included in the Amount of Insurance that applies to the damaged property. If the amount to be paid for the actual damage to the property, plus the debris removal cost, is more than the Amount of Insurance for the damaged property, we will pay up to an additional 5% of that Amount of Insurance, or \$2,500, whichever is greater, for debris removal.</p>	<p>We will also pay the actual, reasonable and necessary cost, up to \$500, for the removal of one or more fallen trees from your <b>premises</b> if the trees damage an insured structure and the falling of your tree or a neighbor's tree was caused by lightning, windstorm or hail, weight of ice, snow or sleet. No deductible will apply. <b>Emergency Repairs After Loss.</b> We will pay any actual, reasonable and necessary expenses for emergency repairs incurred in protecting your dwelling, other structures and personal property from further damage if the damage was by an Insured Peril. This coverage does not change the Amount of Insurance that applies to the property being protected. No deductible will apply. <b>Trees, Shrubs, Plants and Lawns.</b> We will pay up to 5% of the Amount of Insurance shown for Coverage A – Dwelling for loss to trees, shrubs, plants and lawns on your <b>premises</b>. We will not pay more than \$500 for any one tree, shrub, plant or lawn including the cost of removing the debris of the insured property. Coverage applies to loss caused by fire, lightning, explosion, riot, civil commotion, vandalism, malicious mischief, theft, aircraft, and vehicles not owned or operated by any resident of your <b>premises</b>. We do not insure trees, shrubs, plants or lawn: a. Grown for <b>Business</b> purposes; or b. Located more than 300 feet from your dwelling on your <b>premises</b>. No deductible will apply. <b>Fire Department Service.</b> We will pay the actual, necessary and reasonable charges, up to \$500, for fire department services rendered when the fire department is called to save or protect insured property from an Insured Peril. No deductible will apply. <b>Emergency Removal.</b> We will pay when your dwelling must be moved because it is endangered by a loss insured by this policy. We will pay the reasonable and necessary cost to remove and return your dwelling to its <b>premises</b>. No deductible will apply. <b>Credit Card, Money Transfer Card, Check Forgery and Counterfeit Money.</b> a. Credit Card and Money Transfer card Coverage. If you are legally required to pay for the unauthorized use of a credit card or charge plate issue to you, we will insure the loss. We will also pay for loss which results from unauthorized use of a money transfer card issued to you. We will not insure use of the credit card or money transfer card by you. We will also not insure use by someone to whom you have given the card or plate. We will not</p>	<p>insure any use unless you have met all the terms under which the card or plate was issued. Check Forgery Coverage. We insure loss to you caused by forgery or alteration of a check. This includes all negotiable instruments. Counterfeit Money Coverage. We insure loss sustained by you through acceptance in good faith of counterfeit United States or Canadian paper currency. We will not pay more than \$1,000 for any one loss involving one or more of these coverages. Repeated losses caused by any one person or in which any one person is involved are to be considered one loss. We do not insure any loss that arises from your <b>business</b> pursuits or dishonesty. If a claim is made or suit is brought against any of you for liability under the Credit Card or Money Transfer Card Coverage, we will defend you. We will defend at our expense with legal counsel of our choice. We may, at our option and at our expense, defend you or your bank against a suit to enforce payment under the Check Forgery Coverage. We may investigate any claim or settle any suit as we think appropriate. We will not defend after we have paid or offered to pay \$1,000 for any one loss involving one or more of these coverages. No deductible will apply. <b>Food Spoilage.</b> We will pay the actual, necessary and reasonable cost, up to \$500, for spoilage of food in your freezer or refrigerator, on your <b>premises</b>, when the damage is caused by interruption of electrical service or mechanical breakdown. A deductible of \$50 will apply to each loss. <b>SECTION I – Insured Perils</b> <b>Coverage A – Dwelling</b> <b>Coverage B – Other Structures</b> <b>Coverage C – Personal Property</b> We insure risk of direct, sudden and accidental physical loss to the property described in Coverage A – Dwelling, Coverage B – Other Structures and Coverage C – Personal Property unless loss is excluded elsewhere in this policy. <b>SECTION I – Exclusions</b> <b>Coverage A – Dwelling</b> <b>Coverage B – Other Structures</b> <b>Coverage C – Personal Property</b> We do not insure loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently to the loss.</p>
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**Pacific Specialty Insurance Company  
GEORGIA MOBILE HOME POLICY**

GA-MH-POL (E) 1.00

<p>1. Loss intentionally caused by any of you or performed at any of your direction</p> <p>2. Loss caused by:</p> <ol style="list-style-type: none"> <li>Flood water, surface water, waves, tidal water or overflow of a body of water from any source including spray, whether or not driven by wind;</li> <li>Water or sewage that backs up through sewers or drains or that overflows from a sump; or</li> <li>Water below the surface of the ground that exerts pressure on or flows, seeps or leaks through any part of a building, other structure, foundation, sidewalk, driveway or swimming pool.</li> </ol>	<p>ii. Shut off the water supply and drain the systems and appliances of water.</p> <p>10. Loss caused by:</p> <ol style="list-style-type: none"> <li>Wear and tear, marring, scratching, deterioration, or latent defect, mechanical breakdown, manufactured defect, or mechanical failure.</li> </ol> <p>We do insure:</p> <ol style="list-style-type: none"> <li>Loss caused by water that escapes from a plumbing, heating, automatic fire protection sprinkler or air conditioning system or domestic appliance;</li> <li>The cost of tearing out and replacing any part of your dwelling or other structure necessary to repair the system or appliance; and</li> <li>Direct loss caused by fire or explosion.</li> </ol> <p>11. Loss caused by continuous or repeated seepage or leakage of water or steam from within a plumbing, heating, automatic fire protection sprinkler or air conditioning system or from within an appliance that occurs over a period of weeks, months, or years.</p> <p>12. Loss caused by freezing, thawing, pressure or weight of water, ice or snow, whether driven by wind or not, to a fence, pavement, patio, swimming pool, septic tank, foundation, retaining wall, bulkhead, pier, wharf or dock.</p> <p>13. Loss to animals, including birds and fish unless caused by fire, lightning, windstorm, hail, smoke, explosion, riot or falling aircraft.</p> <p>14. Loss caused by breakage of eyeglasses and similar statuary, marble, bric-a-brac, porcelain and glassware, fragile articles unless the breakage is caused by or results from:</p> <ol style="list-style-type: none"> <li>Fire, lightning, windstorm, hail;</li> <li>Explosion, riot, civil commotion;</li> <li>Aircraft, vehicles, vandalism and malicious mischief; or</li> <li>Theft or attempted theft.</li> </ol>	<p>When a total loss occurs, your loss will be equal to the Amount of Insurance.</p> <p><b>Partial Loss Payment Method</b></p> <p>The amount we pay for loss to your dwelling, except non-structural hail losses, will be the lowest of:</p> <ol style="list-style-type: none"> <li>The difference between the <b>actual cash value</b> of your dwelling immediately before the loss and its <b>actual cash value</b> immediately after the loss;</li> <li>The <b>actual cash value</b> of the damaged part of your dwelling at the time of the loss;</li> <li>The amount required to repair or replace your dwelling;</li> <li>The Amount of Insurance shown on the Declarations Page for your dwelling.</li> </ol> <p>We may make a cash settlement or repair or replace the property with property of like kind and quality. We will give you notice of our intention within 30 days after we receive your proof of loss.</p> <p>The damage to your property will reduce the Amount of Insurance available during the policy period by the amount of the damage. Your coverage will return to the Amount of Insurance shown on the Declarations Page upon completion of the repairs or replacements.</p> <p><b>Partial Loss – Non-structural Hail</b></p> <p>Hail often dents the exterior surface of a dwelling. Since there is not structural damage, this will in no way affect the utility of the dwelling. When this type of loss occurs, the amount we pay will be the lowest of:</p> <ol style="list-style-type: none"> <li>The difference between the <b>actual cash value</b> of your dwelling immediately before the loss and its <b>actual cash value</b> immediately after the loss;</li> <li>The amount required to repair or replace your dwelling;</li> <li>The Amount of Insurance shown on the Declarations Page for your dwelling.</li> </ol> <p><b>Coverage B – Other Structures Total and Partial Loss Payment Method</b></p> <p>The amount we pay for loss to your other structures, except non-structural hail losses, will be the lowest of:</p> <ol style="list-style-type: none"> <li>The difference between the <b>actual cash value</b> of your other structure immediately before the loss and its <b>actual cash value</b> immediately after the loss;</li> <li>The <b>actual cash value</b> of the damaged part of your other structure at the time of the loss;</li> <li>The amount required to repair or replace your other structure;</li> <li>The Amount of Insurance shown on the Declarations Page for your other structures.</li> </ol> <p>We may make a cash settlement or repair or replace the property with property of like kind and quality. We will give you notice of our intention within 30 days after we receive your proof of loss.</p> <p>The damage to your property will reduce the Amount of Insurance available during the policy period by the amount of the damage. Your coverage will return to the Amount of Insurance shown on the Declarations Page upon completion of the repairs or replacements.</p> <p><b>Partial Loss – Non-structural Hail</b></p>	<p>Hail often dents the exterior surface of other structures. Since there is not structural damage, this will in no way affect the utility of the other structures. When this type of loss occurs, the amount we pay will be the lowest of:</p> <ol style="list-style-type: none"> <li>The difference between the <b>actual cash value</b> of your other structures immediately before the loss and its <b>actual cash value</b> immediately after the loss;</li> <li>The amount required to repair or replace your other structure;</li> <li>The Amount of Insurance shown on the Declarations Page for your other structures.</li> </ol> <p><b>Coverage C – Personal Property Total and Partial Loss Payment Method</b></p> <ol style="list-style-type: none"> <li>The <b>actual cash value</b> of your damaged personal property at the time of the loss;</li> <li>The amount required to repair or replace your personal property;</li> <li>The Amount of Insurance shown on the Declarations Page for your personal property.</li> </ol> <p>We may make a cash settlement or repair or replace the property with property of like kind and quality. We will give you notice of our intention within 30 days after we receive your proof of loss.</p> <p>The damage to your property will reduce the Amount of Insurance available during the policy period by the amount of the damage. Your coverage will return to the Amount of Insurance shown on the Declarations Page upon completion of the repairs or replacements.</p> <p><b>Coverage A – Dwelling Coverage B – Other Structures Coverage C – Personal Property Pairs, Sets, or Series of Objects</b></p> <p>In case of loss to a part of a pair, set or series of objects, pieces or panels, either interior or exterior, we may:</p> <ol style="list-style-type: none"> <li>Repair or replace any part to restore the property to its value before the loss;</li> <li>Pay the difference between <b>actual cash value</b> of the property before and after the loss;</li> <li>Pay the reasonable cost of providing a substitute to match the remainder of the property as closely as possible.</li> </ol> <p>We will not be obligated to repair or replace the entire pair, set or series of objects, pieces or panels, either interior or exterior, when a part is lost or damaged.</p> <p><b>Glass Replacement</b></p> <p>We will pay for loss to glass caused by an Insured Peril on the basis of replacement with safety glazing materials when required by law.</p> <p><b>Stolen Property</b></p> <p>Before a loss for stolen property is paid or the property is replaced, we may return any stolen property to you at our expense with payment for any damage.</p> <p><b>SECTION I – Deductible</b></p> <p>Any loss to insured property will be subject to the deductible shown on the Declarations Page or elsewhere in the policy unless stated otherwise.</p>
<p>3. We do insure direct loss caused by fire or explosion caused by enforcement of any governmental volcanic eruptions.</p> <p>4. We do insure for direct loss by fire or explosion which results from any of these.</p> <p>Loss caused by enforcement of any governmental requirement regulating:</p> <ol style="list-style-type: none"> <li>Construction;</li> <li>Remodeling;</li> <li>Renovation;</li> <li>Repair;</li> <li>Demolition;</li> <li>Seizure;</li> <li>Confiscation;</li> <li>Occupancy; or</li> <li>Relocation of your dwelling or other structures.</li> </ol> <p>5. Loss caused by an illegal activity, trade or <b>business</b> being conducted by any of you or any resident of your <b>premises</b>, or that is being conducted with the knowledge of any of you or any resident of your <b>premises</b>.</p> <p>6. Loss caused by nuclear reaction, explosion, radiation or radioactive contamination.</p> <p>7. We do insure direct loss by fire resulting from nuclear hazard.</p> <p>Loss caused by war, whether declared or undeclared, including civil war, insurrection, rebellion or revolution.</p> <p>8. Loss caused by:</p> <ol style="list-style-type: none"> <li>The actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of <b>pollutants</b> at or from your <b>premises</b>; or</li> <li>Any governmental direction or request that any of you test for, monitor, clean up, remove, contain, treat, detoxify or neutralize <b>pollutants</b>.</li> </ol> <p>9. Loss to your dwelling while it is vacant or unoccupied if the loss is caused by:</p> <ol style="list-style-type: none"> <li>Freezing of plumbing, heating, or air conditioning systems, automatic fire protection sprinkler system or appliances; or</li> <li>Discharge, leakage or overflow from the system or appliances caused by freezing.</li> </ol> <p>This exclusion does not apply if you take precautions to:</p> <ol style="list-style-type: none"> <li>Maintain heat in the dwelling; or</li> </ol>	<p>11. The cost of tearing out and replacing any part of your dwelling or other structure necessary to repair the system or appliance; and</p> <p>12. Loss caused by freezing, thawing, pressure or weight of water, ice or snow, whether driven by wind or not, to a fence, pavement, patio, swimming pool, septic tank, foundation, retaining wall, bulkhead, pier, wharf or dock.</p> <p>13. Loss to animals, including birds and fish unless caused by fire, lightning, windstorm, hail, smoke, explosion, riot or falling aircraft.</p> <p>14. Loss caused by breakage of eyeglasses and similar statuary, marble, bric-a-brac, porcelain and glassware, fragile articles unless the breakage is caused by or results from:</p> <ol style="list-style-type: none"> <li>Fire, lightning, windstorm, hail;</li> <li>Explosion, riot, civil commotion;</li> <li>Aircraft, vehicles, vandalism and malicious mischief; or</li> <li>Theft or attempted theft.</li> </ol> <p>This exclusion does not apply to jewelry, watches, bronzes, cameras and photographic lenses.</p> <p>15. Loss due and confined to leakage from rain, sleet or snow or its resulting damage whether or not wind-driven.</p> <p>16. Loss to your dwelling and personal property inside your dwelling while your dwelling is being moved. A move begins when the leveling jacks or blocks are removed and utilities are disconnected from your dwelling for the purpose of transportation. A move ends when the leveling jacks or blocks are installed and utilities are reconnected.</p> <p>17. Loss if your <b>premises</b> are used exclusively for <b>business</b> purposes.</p> <p>18. Loss to your dwelling or other structures caused by vandalism and malicious mischief if the dwelling has been vacant for more than 30 consecutive days immediately before the loss.</p>	<p>When a total loss occurs, your loss will be equal to the Amount of Insurance.</p> <p><b>Partial Loss Payment Method</b></p> <p>The amount we pay for loss to your dwelling, except non-structural hail losses, will be the lowest of:</p> <ol style="list-style-type: none"> <li>The difference between the <b>actual cash value</b> of your dwelling immediately before the loss and its <b>actual cash value</b> immediately after the loss;</li> <li>The <b>actual cash value</b> of the damaged part of your dwelling at the time of the loss;</li> <li>The amount required to repair or replace your dwelling;</li> <li>The Amount of Insurance shown on the Declarations Page for your dwelling.</li> </ol> <p>We may make a cash settlement or repair or replace the property with property of like kind and quality. We will give you notice of our intention within 30 days after we receive your proof of loss.</p> <p>The damage to your property will reduce the Amount of Insurance available during the policy period by the amount of the damage. Your coverage will return to the Amount of Insurance shown on the Declarations Page upon completion of the repairs or replacements.</p> <p><b>Partial Loss – Non-structural Hail</b></p> <p>Hail often dents the exterior surface of a dwelling. Since there is not structural damage, this will in no way affect the utility of the dwelling. When this type of loss occurs, the amount we pay will be the lowest of:</p> <ol style="list-style-type: none"> <li>The difference between the <b>actual cash value</b> of your dwelling immediately before the loss and its <b>actual cash value</b> immediately after the loss;</li> <li>The amount required to repair or replace your dwelling;</li> <li>The Amount of Insurance shown on the Declarations Page for your dwelling.</li> </ol> <p><b>Coverage B – Other Structures Total and Partial Loss Payment Method</b></p> <p>The amount we pay for loss to your other structures, except non-structural hail losses, will be the lowest of:</p> <ol style="list-style-type: none"> <li>The difference between the <b>actual cash value</b> of your other structure immediately before the loss and its <b>actual cash value</b> immediately after the loss;</li> <li>The <b>actual cash value</b> of the damaged part of your other structure at the time of the loss;</li> <li>The amount required to repair or replace your other structure;</li> <li>The Amount of Insurance shown on the Declarations Page for your other structures.</li> </ol> <p>We may make a cash settlement or repair or replace the property with property of like kind and quality. We will give you notice of our intention within 30 days after we receive your proof of loss.</p> <p>The damage to your property will reduce the Amount of Insurance available during the policy period by the amount of the damage. Your coverage will return to the Amount of Insurance shown on the Declarations Page upon completion of the repairs or replacements.</p> <p><b>Partial Loss – Non-structural Hail</b></p>	<p>Hail often dents the exterior surface of other structures. Since there is not structural damage, this will in no way affect the utility of the other structures. When this type of loss occurs, the amount we pay will be the lowest of:</p> <ol style="list-style-type: none"> <li>The difference between the <b>actual cash value</b> of your other structures immediately before the loss and its <b>actual cash value</b> immediately after the loss;</li> <li>The amount required to repair or replace your other structure;</li> <li>The Amount of Insurance shown on the Declarations Page for your other structures.</li> </ol> <p><b>Coverage C – Personal Property Total and Partial Loss Payment Method</b></p> <ol style="list-style-type: none"> <li>The <b>actual cash value</b> of your damaged personal property at the time of the loss;</li> <li>The amount required to repair or replace your personal property;</li> <li>The Amount of Insurance shown on the Declarations Page for your personal property.</li> </ol> <p>We may make a cash settlement or repair or replace the property with property of like kind and quality. We will give you notice of our intention within 30 days after we receive your proof of loss.</p> <p>The damage to your property will reduce the Amount of Insurance available during the policy period by the amount of the damage. Your coverage will return to the Amount of Insurance shown on the Declarations Page upon completion of the repairs or replacements.</p> <p><b>Coverage A – Dwelling Coverage B – Other Structures Coverage C – Personal Property Pairs, Sets, or Series of Objects</b></p> <p>In case of loss to a part of a pair, set or series of objects, pieces or panels, either interior or exterior, we may:</p> <ol style="list-style-type: none"> <li>Repair or replace any part to restore the property to its value before the loss;</li> <li>Pay the difference between <b>actual cash value</b> of the property before and after the loss;</li> <li>Pay the reasonable cost of providing a substitute to match the remainder of the property as closely as possible.</li> </ol> <p>We will not be obligated to repair or replace the entire pair, set or series of objects, pieces or panels, either interior or exterior, when a part is lost or damaged.</p> <p><b>Glass Replacement</b></p> <p>We will pay for loss to glass caused by an Insured Peril on the basis of replacement with safety glazing materials when required by law.</p> <p><b>Stolen Property</b></p> <p>Before a loss for stolen property is paid or the property is replaced, we may return any stolen property to you at our expense with payment for any damage.</p> <p><b>SECTION I – Deductible</b></p> <p>Any loss to insured property will be subject to the deductible shown on the Declarations Page or elsewhere in the policy unless stated otherwise.</p>
<p>10. Loss caused by:</p> <ol style="list-style-type: none"> <li>Wear and tear, marring, scratching, deterioration, or latent defect, mechanical breakdown, manufactured defect, or mechanical failure.</li> </ol> <p>We do insure:</p> <ol style="list-style-type: none"> <li>Loss caused by water that escapes from a plumbing, heating, automatic fire protection sprinkler or air conditioning system or domestic appliance;</li> <li>The cost of tearing out and replacing any part of your dwelling or other structure necessary to repair the system or appliance; and</li> <li>Direct loss caused by fire or explosion.</li> </ol> <p>11. Loss caused by continuous or repeated seepage or leakage of water or steam from within a plumbing, heating, automatic fire protection sprinkler or air conditioning system or from within an appliance that occurs over a period of weeks, months, or years.</p> <p>12. Loss caused by freezing, thawing, pressure or weight of water, ice or snow, whether driven by wind or not, to a fence, pavement, patio, swimming pool, septic tank, foundation, retaining wall, bulkhead, pier, wharf or dock.</p> <p>13. Loss to animals, including birds and fish unless caused by fire, lightning, windstorm, hail, smoke, explosion, riot or falling aircraft.</p> <p>14. Loss caused by breakage of eyeglasses and similar statuary, marble, bric-a-brac, porcelain and glassware, fragile articles unless the breakage is caused by or results from:</p> <ol style="list-style-type: none"> <li>Fire, lightning, windstorm, hail;</li> <li>Explosion, riot, civil commotion;</li> <li>Aircraft, vehicles, vandalism and malicious mischief; or</li> <li>Theft or attempted theft.</li> </ol> <p>This exclusion does not apply to jewelry, watches, bronzes, cameras and photographic lenses.</p> <p>15. Loss due and confined to leakage from rain, sleet or snow or its resulting damage whether or not wind-driven.</p> <p>16. Loss to your dwelling and personal property inside your dwelling while your dwelling is being moved. A move begins when the leveling jacks or blocks are removed and utilities are disconnected from your dwelling for the purpose of transportation. A move ends when the leveling jacks or blocks are installed and utilities are reconnected.</p> <p>17. Loss if your <b>premises</b> are used exclusively for <b>business</b> purposes.</p> <p>18. Loss to your dwelling or other structures caused by vandalism and malicious mischief if the dwelling has been vacant for more than 30 consecutive days immediately before the loss.</p>	<p>When a total loss occurs, your loss will be equal to the Amount of Insurance.</p> <p><b>SECTION I – Our Payment Methods</b></p> <p><b>Coverage A – Dwelling Total Loss Payment Method</b></p> <p>A total loss occurs when your dwelling is damaged beyond reasonable repair.</p>	<p>When a total loss occurs, your loss will be equal to the Amount of Insurance.</p> <p><b>SECTION I – Our Payment Methods</b></p> <p><b>Coverage A – Dwelling Total Loss Payment Method</b></p> <p>A total loss occurs when your dwelling is damaged beyond reasonable repair.</p>	<p>When a total loss occurs, your loss will be equal to the Amount of Insurance.</p> <p><b>SECTION I – Our Payment Methods</b></p> <p><b>Coverage A – Dwelling Total Loss Payment Method</b></p> <p>A total loss occurs when your dwelling is damaged beyond reasonable repair.</p>

# Pacific Specialty Insurance Company GEORGIA MOBILE HOME POLICY

GA-MH-POL (Ed.1.0)

## SECTION II – Your Liability Coverages

### Coverage E – Personal Liability

If a claim is made or a suit brought against you for damages because of **bodily injury** or **property damage** caused by an accident to which this coverage applies, we will:

1. Pay up to the Limit of Liability shown on the Declarations Page for the damages for which you are legally liable.
2. Provide a defense at our expense by attorneys of our choice.

We may make any investigations and settle any claims or suits that we decide appropriate. Our obligation to defend any claim or suit ends when the amount we pay in settlement or judgment for damages resulting from the accident equals the Limit of Liability shown on the Declarations Page. This insurance applies only to **bodily injury** and **property damage** that occurs during the Policy Period shown on the Declarations Page.

### Coverage F – Medical Payments to Others

We will pay for you, up to the Limit of Liability shown on the Declarations Page, the necessary and reasonable **medical expenses** incurred or medically determined within three years from the date of an accident causing **bodily injury**. This insurance applies only to accidents that occur during the Policy Period shown on the Declarations Page.

Medical Payments to Others applies only:

1. To a person on your **premises** with your permission.
  2. To a person on or off your **premises** if the **bodily injury**:
    - a. Arises out of a condition in or on your **premises**; or
    - b. Is caused by your activities; or
    - c. Is caused by a **residence employee** in the course of duties for you.
- A Medical Payments to Others payment is not an admission of liability by any of you or us.

## SECTION II – Your Additional Coverages Claim Expenses

- We will pay:
1. Expenses we incur and costs taxed against you in any suit we defend.
  2. Premiums on bonds required in a suit we defend, but not for bond amounts greater than the Limit of Liability for Personal Liability. We are not obligated to apply for or furnish any bonds.
  3. Expenses you incur at our request including up to \$100 a day actual loss of earnings, for assisting us in the investigation or defense of any claim or suit.
  4. Prejudgment interest awarded against you on that part of the judgment we pay.
  5. Interest on the entire entered judgment until we pay, formally offer, or deposit in court that part of the judgement that does not exceed the limit of our liability on that judgment.

### First Aid Expenses

We will pay your expenses for first aid to others at the scene of an accident. We will not pay for first aid to any of you.

### Damage to Property of Others

We will pay, at replacement cost, up to \$500 per accident, for Damage to Property of Others caused by you.

## SECTION II – Exclusions Coverage E – Personal Liability

### Coverage F – Medical Payments to Others

We will not pay for **bodily injury** or **property damage**:

1. Sustained by any person who regularly resides on your **premises**;
2. Resulting from any act or omission that is intended by any of you to cause any harm or that any of you could reasonably expect to cause harm. This exclusion applies whether or not any of you:
  - a. Intended or expected the result of his or her act or omission so long as the resulting injury or damage was a natural consequence of the intended act or omission;
  - b. Was under the influence of alcohol or narcotics;
  - c. Was insane; or
  - d. Is deemed not have had the mental capacity to form the legal intent to commit the act or omission causing injury or damage.

This exclusion does not apply to **bodily injury**

resulting from the use of reasonable force to protect persons or property.

3. Resulting from an act committed by any of you in the course of or in furtherance of any crime or offense of a violent nature.

4. Arising out of the rental, or holding for rental, of any **premises** owned by any of you.

This exclusion does not apply to the rental, or holding for rental, of part of your **premises** shown on the Declarations Page unless intended for use as a residence by three or more roomers or boarders.

5. Arising out of the **business** of any of you.

6. Arising out of the rendering or failing to render professional services.
7. Arising out of loss, cost or expense from any governmental direction or request that you test for, monitor, clean up, remove, contain, treat, detoxify or neutralize **pollutants**.

8. Arising out of the ownership, maintenance, use, loading or unloading of:
  - a. Aircraft.

This exclusion does not apply to model airplanes. A land motor vehicle designed for use on public road, owned or operated by or rented or loaded to any of you.

This exclusion does not apply if the land motor vehicle is not subject to motor vehicle registration because it is:

- (1) Used exclusively on your **premises**; or
  - (2) Kept in dead storage on your **premises**.
- A recreational land motor vehicle owned by any of you.

This exclusion does not apply:

- (1) To recreational land motor vehicles on your **premises**; or
- (2) To recreational land motor vehicles in dead storage; or

- d. To a golf cart.

Watercraft:

- (1) Owned entirely or partially by or rented to any of you if it has motor power of more than 50 total horsepower; or
- (2) Owned entirely or partially by or rented to any of you if it is a sailing vessel 26 feet or more in length.

This exclusion does not apply to **bodily injury** to a **residence employee** arising out of and in the course of employment by any of you.

- e. Trailers.

This exclusion applies only to trailers being towed by or carried on a land motor vehicle.

Arising out of:

- a. The entrustment by any of you to any person;
- b. The negligent supervision by any of you or any person;
- c. Any liability by statute imposed on any of you; or
- d. Any liability assumed through an unwritten or written agreement by any of you;

with regard to the ownership, maintenance or use of any aircraft, land motor vehicle, recreational land motor vehicle, watercraft or trailer that is not insured in SECTION II – Your Liability Coverages.

10. Arising out of liability for your share of any loss for an assessment charged against all members of an association, corporation or community of tenants or property owners.

11. Arising directly or indirectly out of war, hostile or warlike action in time of peace or war, whether or not declared, riot or civil disorder.

12. Arising out of the transmission of or exposure to a communicable disease by any of you.

13. Arising out of child care services provided for a fee by or at the direction of:
  - a. Any of you;
  - b. Any of your employees; or
  - c. Any other person actually or apparently acting on behalf of any of you.

This exclusion does not apply to the occasional child care services provided by any of you or to the part-time child care services provided by any of you younger than 19 years of age.

14. Arising out of any sexual act, sexual molestation, corporal punishment, or physical or mental abuse.
15. Arising out of the illegal or unlawful acts of any of you or any of your guests.

Arising out of any residence **premises** owned or leased to any of you that is not described in this policy.

17. Arising out of nuclear reaction, radiation or radioactive contamination.

### Coverage E – Personal Liability

We will not pay for:

1. Liability assumed in a contract or agreement in connection with a **business** of any of you.
2. Damage to property owned, sold, rented to others, abandoned or given away by any of you.

3. Damage to property rented to, occupied or used by any of you or in your care, except **property damage** caused by fire, smoke or explosion.

4. **Bodily injury** to any person eligible to receive any benefits required to be provided by you under any workers' compensation, non-occupational disability or occupational disease law.

5. **Bodily injury** or **property damage** to any of you as defined in this policy.

### Coverage F – Medical Payments to Others

We will not pay for **bodily injury**:

1. To any of you or any person who regularly resides on your **premises**;
2. To a **residence employee** if **bodily injury** occurs off your **premises** and does not arise out of, or in the course of, the employment by any of you.
3. To any person eligible to receive any benefits required to be provided by you under any workers' compensation, non-occupational disability or occupational disease law.

### Damage to Property of Others

We will not pay for **property damage**:

1. Otherwise insured in this policy.
2. Caused intentionally by any one of you who is 13 years old or older.
3. To property owned by any of you or a resident of your home.
4. Arising from:
  - a. Any of your **business**; or
  - b. Any act or omission in connection with a **premises** owned, rented or controlled by any of you that is not described in this policy.

5. Arising out of the ownership, maintenance or use of:
  - a. Aircraft;
  - b. Any land motor vehicle;
  - c. Recreational land motor vehicle;
  - d. Watercraft; or
  - e. Trailer.

This exclusion does not apply to:

- i. Golf carts; or
- ii. Equipment usual and incidental to the maintenance of your **premises**.

## Policy Conditions

1. **Insurable Interest, Amounts of Insurance, and Limits of Liability.** Regardless of the number of people who have an interest in the insured property, we will not be liable in any one loss for more than the lesser of:
  - a. The interest of a person insured; or
  - b. The applicable Amount of Insurance.

The Limit of Liability for Coverage E – Personal Liability will not exceed the limit shown on the Declarations Page regardless of the number of people insured or claims made. The insuring of more than one person by this policy does not increase our limits of liability.

### Concealment or Fraud.

- The entire policy will be void if any of you:
- a. Engage in fraudulent conduct; or
  - b. Make false statements;



**Pacific Specialty Insurance Company  
GEORGIA MOBILE HOME POLICY**

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whether before or after a loss or claim relating to this insurance.

**3. What to Do When You Have a Loss.** You or someone on your behalf must promptly report to the police any theft, robbery, or burglary loss after you discover the loss.

When you have a loss, you or someone on your behalf must notify us at once. The quickest way is to phone your insurance representative or us. Please give your name, policy number, how the loss happened, the extent of the damages or injuries, names of witnesses and all other pertinent facts. You must promptly send us any demand, notice, summons or other legal papers you receive.

If we need other information to investigate the loss, we will ask you for it. We may require this information in writing.

If you have a loss, you must protect your dwelling, other structures or personal property from any other further loss. If you fail to do so, any further loss will not be insured by this policy.

We may require that you file with us a notarized statement of loss within 90 days after the loss. You may be required to show us the damaged property and submit to examination under oath. You will be required to cooperate with us in our effort to investigate the accident or loss, settle any claims against you and defend you. If you fail to cooperate, we have the right to deny coverage in this policy.

You may not, except at your own cost, voluntarily make any payment, assume any obligation or incur any expenses. This provision does not apply for First Aid Expenses for others or Emergency Repairs After Loss to your dwelling, other structures or personal property necessary to protect them from further loss.

We will offer to make settlement within 30 days after we receive an acceptable proof of loss from you and the amount of loss is determined as provided in this policy.

**4. Other Insurance.**

**a. SECTION I – Your Property Coverages**  
If both this and other insurance apply to a loss, we will pay our share. Our share will be the proportionate amount that this insurance bears to the total amount of all applicable insurance.

**b. SECTION II – Your Liability Coverages**  
This insurance is excess over other valid insurance except insurance written specifically to cover excess over the limits that apply in this policy.

**c. SECTION I – Your Property Coverages**  
**SECTION II – Your Liability Coverages**  
If at the time of loss, there is other insurance in the name of a corporation or association of property owners covering the same property covered by this policy, this insurance will be excess over the amount recoverable under such other insurance.

**5. Our Right to Recover from Others.** After we have paid a claim, except for Medical Payments to Others, we have the right to recover the payment from anyone who may be held responsible for the loss. You will be required to sign any papers and do whatever else is necessary to transfer this right to us. Neither you nor anyone we insure in this policy has the right to do anything to prejudice our right.

**6. Appraisals – Your Alternative to the Company Proposed Settlement.** If settlement for damage to your property cannot be agreed to, then both you and we have the right to select a competent and disinterested appraiser within 20 days from the day of disagreement. The appraisers will determine the amount of the loss. If they do not agree, the two appraisers will choose an umpire and submit an amount of the loss to the umpire. The agreement of any two will determine the amount of loss for damage to your property. You pay your appraiser and we pay our appraiser. You and we share equally the expenses of the umpire and all other expenses of the appraisals.

**7. Legal Action Against Us.** You may not bring legal action against us concerning this policy unless you have fully complied with all of the policy terms. Suit must be brought within one year after the loss occurs.

**8. Lienholder Interest.** If you borrowed money to buy your dwelling, the person or business that loaned you the money is called the lienholder. The designation of a lienholder is considered to be an acknowledgment by you that the entity named has legal interest in the home due to an installment sales contract or other security agreement. Your lienholder may require you to name it on the Declarations Page as a separate insured party, for any insurable interest it may have.

When a lienholder is named on the Declarations Page, Our Payment Method will recognize the lienholder's interest in your property. If we elect to settle your loss or damage in money, both your name and your lienholder's will appear on our payment check. If you have paid off your lienholder, please tell us so that the lienholder's name may be removed from the Declarations Page.

If your interest in the dwelling is terminated, Our Payment Method will recognize only the lienholder's interest in this policy. No change in title or ownership of your dwelling or any acts of yours will cancel the lienholder's interest in this policy.

You or the lienholder must let us know of any change of ownership or any increase in hazard which comes to you or the lienholder's knowledge.

If you fail to pay any premium due for this policy, your lienholder may be requested to pay that premium.

If we require proof of loss and you fail to give it within 90 days, the lienholder is given an additional 30 days to do so.

**9. Salvage Rights.** If as a result of your loss, we pay you in cash or by replacement an amount equal to the **actual cash value** of your property before the

loss, at our option, we have the right, but not the obligation to take legal title of your property.

**10. Change in Your Policy.** If any provision of this policy is in conflict with any governmental requirements at the time your policy is written, it is automatically changed to conform to them.

If we broaden the coverages provided by this edition of the policy without additional premium charges during the Policy Period, we will give you the benefit of these broadened coverages.

The only other way this policy can be changed is if we change it in writing. Any changes will be made a part of this policy. Any changes in your premium will be made at that time.

If your policy is renewed, we will furnish you any form revisions applicable to your policy.

**11. Bankruptcy.** If you become bankrupt or insolvent, we will still insure you for the period of time your premium is paid.

**12. Transfer of This Policy.** You may not transfer any interest in this policy without our written consent. If you die, we will insure other members of your family entitled to coverage at the time of your death and your legal representative, but only with respect to the property insured by this policy at the time of your death.

**13. Abandoned Property.** We are not obliged to accept abandoned property.

**14. No Benefit to Bailee.** This insurance will not benefit any person or organization who may be caring for or handling your property for a fee.

**15. Inspections and Credit Reports.** We are permitted, but not obligated, to inspect your property and order a credit report. Our inspection does not warrant that the property is safe or healthful or in compliance with any law, rule or regulation.

**16. Cancellation.** You may cancel this policy by returning it to us or by mailing to us a written notice telling us the advance date that cancellation is to become effective. If a lienholder is named on the Declarations Page, we will mail written notice to the lienholder 30 days prior to cancellation of the lienholder's interest in this policy.

We may cancel this policy for any reason during the first 60 days we insure you. After the first 60 days we may cancel it if:

- a. The risk has changed substantially since the policy was issued; or
- b. If you or your representative:
  - (1) Conceal, omit or misrepresent any material facts or circumstances;
  - (2) Make a false or fraudulent claim;
  - (3) Fail or refuse to eliminate known conditions that increase the potential for loss after notification by us that the condition must be removed; or
  - (4) Have not paid the premium

We will mail a cancellation notice to you at least 30 days (10 days if you have not paid the premium) before this policy is cancelled. We will mail a cancellation notice to your last address known to us

and your insurance representative. We will also give the same notice to your lienholder.

Your lienholder may cancel this policy if your dwelling has been foreclosed or your lienholder has otherwise acquired ownership of it. Your lienholder may then cancel this policy on behalf of all parties who have an interest insured by this policy and upon surrender of this policy.

If there is any refund of premium due you, we will refund it with your cancellation notice or as soon as possible after we mail the cancellation notice. If we or your lienholder cancel this policy, we will calculate any return premium on a pro rata basis. If you cancel, we will calculate any return premium on a pro rata basis, subject to any minimum earned premium shown on the Declarations Page.

**17. Renewal.** We will offer to renew this policy unless we mail to you, at least 45 days but not more than 60 days before the ending policy term date shown on the Declarations Page, written notice of our intention not to renew this policy.

This policy is signed at the Home Office of our President and Secretary. It is countersigned on the Declarations Page by our authorized representative(s) if required.

**ENDORSEMENTS**

YOUR policy coverage includes ONLY those endorsements which are indicated on the Declarations Page of YOUR policy. All other endorsements do NOT apply.

President

Secretary

# Pacific Specialty Insurance Company GEORGIA MOBILE HOME ENDORSEMENTS

GAMH-ND (Ed.1.0)

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<p style="text-align: center;"><b>ATTENTION</b></p> <p>This booklet contains endorsements that are applicable to your policy only if the endorsement number appears on your Declarations page. Not all endorsements are necessarily applicable to your policy. Review your Declarations page to see which ones apply.</p> <p><b>Please read carefully. When applicable, the endorsement will change your Mobile Homeowners policy.</b></p>					
<p><b>ENDORSEMENT No. GMH-1 ADDITIONAL INSURED – NONRESIDENT</b></p> <p><b>Name and Address of Person or Organization</b></p> <p><b>Interest:</b></p> <p><b>Insuring Agreement</b> The second paragraph is changed to include:</p> <p>You, your and yours also means the person or organization named on this Additional Insured – Nonresident endorsement.</p> <p>Your policy includes the person or organization named with respect to:</p> <ol style="list-style-type: none"> <li>Coverage A – Dwelling and Coverage B – Other Structures.</li> <li>Coverage E – Personal Liability and Coverage F – Medical Payments to Others Coverages, if provided by the policy, but only with respect to the ownership, maintenance or use of your <b>premises</b> shown on the Declarations Page.</li> </ol>					
<p>Personal Liability does not apply to <b>bodily injury</b> to any employee arising out of or in the employee's employment by the additional insured.</p> <p><b>ENDORSEMENT No. GMH-2 ADDITIONAL RESIDENCE – OWNER-OCCUPIED</b></p> <p><b>Definitions</b> The definition of <b>premises</b> under SECTION II – Your Liability Coverages is changed to include: 9. Your additional owner-occupied premises</p> <p><b>ENDORSEMENT No. GMH-3 COVERAGE C – PERSONAL PROPERTY INCREASE IN SPECIAL AMOUNT OF INSURANCE FOR TOOLS</b></p> <p><b>Coverage C – Personal Property Special Amount of Insurance</b> for group 10. Tools is increased to: 10. \$10,000. Tools, for loss by theft, including mysterious disappearance.</p> <p>All other provisions of your policy apply.</p> <p><b>ENDORSEMENT No. GMH-4 EARTHQUAKE COVERAGE</b></p> <p><b>Section I – Your Property Coverages</b> We insure direct loss to the insured property caused by earthquake. If more than one earthquake shock occurs during a 72-hour period, all such shocks will constitute one earthquake.</p> <p>We do not insure loss due directly or indirectly by any flood or tidal wave caused by earthquake.</p> <p><b>Declarations Page</b> Each earthquake loss will be subject to a deductible which is the greater of: 1. 10% of the Amount of Insurance for the coverage shown on the Declarations Page, or 2. \$1,000</p> <p>The deductible for each coverage will be applied to the lesser of: 1. The loss for each coverage; or 2. The Amount of Insurance for each coverage</p> <p>An example of your earthquake deductible –</p> <p>When you buy earthquake coverage, your deductible when there is earthquake damage is 10% of each coverage, with a minimum \$1,000 deductible per coverage. We apply the deductible separately to your dwelling, personal property and other structures. The following chart gives an example of how the earthquake deductible would apply.</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Mobile home insured at \$20,000</td> <td style="width: 30%; text-align: right;">Deductible \$2,000</td> </tr> <tr> <td>Personal property insured at \$10,000</td> <td style="text-align: right;">Deductible \$1,000</td> </tr> </table>		Mobile home insured at \$20,000	Deductible \$2,000	Personal property insured at \$10,000	Deductible \$1,000
Mobile home insured at \$20,000	Deductible \$2,000				
Personal property insured at \$10,000	Deductible \$1,000				
<p>Other structures insured at \$2,000</p> <p>TOTAL DEDUCTIBLE \$4,000 Deductible</p> <p><b>Section I – Exclusions</b> The following exclusion is deleted: 3. Loss caused by earthquake, including landslides, waves or tremors before, during, or after volcanic eruptions.</p> <p><b>ENDORSEMENT No. GMH-5 HURRICANE WIND DEDUCTIBLE</b></p> <p><b>Declarations Page</b> The deductible amount shown on your Declarations Page for your dwelling, other structures and personal property is changed. Any loss to insured property caused by hurricane winds will be subject to a deductible which is the greater of: 1. 10% of the total Amount of Insurance for Coverage A – Dwelling shown on the Declarations Page, or 2. \$1,000</p> <p>The deductible will be applied to the lesser of: 1. The aggregate amounts of all losses caused by winds of hurricane force, under Coverages A, B, and C, or 2. The aggregate Amounts of Insurance available under Coverages A, B, and C.</p> <p>This coverage applies also to damage to your dwelling and other structures as well as damage to the inside of your dwelling and other structures and your personal property caused by water or hail which enters your dwelling or other structures through an opening in the roof or wall created by the wind.</p> <p><b>Hurricane</b> means: A storm system that has been declared to be a hurricane by the National Hurricane Center of the National Weather Service. The duration of the hurricane includes the time period, in Georgia: Beginning at the time a hurricane watch or hurricane warning is issued for any part of Georgia by the National Weather Service; Continuing for the time period during which the hurricane conditions exist anywhere in Georgia; and Ending 72 hours following the termination of the last hurricane watch or hurricane warning issued for any part of Georgia by the National Hurricane Center of the National Weather Service.</p> <p>This endorsement does not provide coverage for loss caused by: a. Flood water, surface water, waves, tidal waves, tidal water or overflow of a body of water from an source including spray whether or not driven by wind; b. Water or sewage that backs up through the sewers or drains or that overflows from a sump.</p> <p>All other provisions of your policy apply.</p>					
<p><b>ENDORSEMENT No. GMH-6 LOSS ASSESSMENT COVERAGE</b></p> <p><b>Section I – Your Property Coverages Your Additional Coverages</b></p> <p>Loss Assessment is added as follows: <b>Loss Assessment.</b> We will pay the actual, reasonable and necessary cost for your share of any loss assessment charged against all members of an association of property owners if the assessment is made as a result of direct loss to the property collectively owned by all members, caused by an Insured Peril.</p> <p>This coverage applies only to assessments made against you as the owner of your <b>premises</b> for losses which occur during the Policy Period shown on the Declarations Page.</p> <p><b>Section II – Liability Your Additional Coverages</b></p> <p>We will pay for your liability arising out of any loss or assessment charges against you as a member of an association of property owners for compensatory damages arising out of bodily injury or property damage caused by an accident that occurs during the policy period shown on the Declarations Page.</p> <p>This coverage only applies to loss assessments charged against you as owner or tenant of your dwelling where you reside that is described on the Declarations Page.</p> <p><b>Section II – Exclusions Coverage E – Personal Liability</b></p> <p>The following is deleted for Coverage E – Personal Liability: Arising out of liability for your share of any loss for an assessment charged against all members of an association, corporation or community of tenants or property owners.</p> <p><b>Sections I &amp; II Amount of Insurance</b> We will pay up to \$10,000 with respect to any one loss or accident, regardless of the number of assessments made. No deductible will apply.</p> <p>All other provisions of your policy apply.</p> <p><b>ENDORSEMENT No. GMH-7 REPLACEMENT COST PERSONAL PROPERTY</b></p> <p><b>Section I – Our Payment Methods</b> Our Payment Methods for Coverage C – Personal Property are changed to read: <b>Coverage C – Personal Property</b> <b>Replacement Cost Payment Method</b> We will pay no more than the lowest of: 1. <b>Replacement cost</b> of your Personal Property.</p>					

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2. The amount required to repair your Personal Property at the time of loss.
3. The Amount of Insurance shown on the Declarations Page that applies to your Personal Property.
4. Any applicable Special Amounts of Insurance on Certain Property.

This Replacement Cost Payment Method does not apply to:

- i. Antiques, fine arts, paintings and similar articles of rarity or antiquity which cannot be replaced.
- ii. Memorabilia, souvenirs, trading cards, collector's items and similar articles whose age or history contribute to their value.
- iii. Articles not maintained in good or workable condition.
- iv. Articles that are outdated or obsolete and are stored or not being used.
- v. Scheduled Personal Property Coverage.

Insured losses for the above listed items will be settled on an Actual Cash Value Payment Method.

If the **replacement cost** for the damaged property is more than \$2,500, we will pay no more than the actual cash value of that damage until actual repair or replacement is completed.

**Actual Cash Value Payment Method**

You may disregard the Replacement Cost Payment Method and make a claim on an Actual Cash Value Payment Method. If you do, you may make further claim within 180 days after the loss for any additional cost you incur in replacing the damaged property. If you do elect to make a claim on an Actual Cash Value Payment Method, then the amount we pay for loss to your property will be the lowest of:

1. **Actual cash value** of your Personal Property at the time of the loss.
2. The amount required to repair or replace your Personal Property.
3. The Amount of Insurance shown on the Declarations Page for your Personal Property.

**Replacement Cost** means the cost to repair or replace property, without deduction for depreciation, with new property of like kind and quality.

**ENDORSEMENT NO. GMH-8  
REPLACEMENT COST PAYMENT METHOD**

**Section I – Our Payment Methods**

Our Payment Methods for Coverage A – Dwelling and Coverage B – Other Structures are changed to read:

**Coverage A – Dwelling  
Total Loss Payment Method**

A total loss occurs when your dwelling is damaged beyond reasonable repair.

When a total loss occurs, your loss will be equal to the Amount of Insurance.

If you do not replace your dwelling on the same **premises**, we will pay the Amount of Insurance shown on

the Declarations Page.

If you do replace your dwelling on the same **premises** with a new mobile home dwelling of like kind and quality within 180 days of the loss, and if the cost to replace your dwelling exceeds the Amount of Insurance we have already paid to you, we will pay the additional amount that you actually spend for the replacement. But we will not pay any more than an additional 20% of the Amount of Insurance.

**Partial Loss Payment Method  
Replacement Cost Payment Method**

The amount we pay for loss to your dwelling will be the lowest of:

1. The **replacement cost** of the damage to your dwelling.
2. The amount actually spent for necessary repair or replacement of the damaged portion to your dwelling.
3. The Amount of Insurance shown on the Declarations Page for your dwelling.

If the cost to repair or replace the damaged property is more than \$2,500, we will pay no more than the actual cash value of that damage until actual repair or replacement is completed.

We may make a cash settlement or repair or replace the property with property of like kind and quality. We will give you notice of our intention within 30 days after we receive your proof of loss.

The damage to your property will reduce the Amount of Insurance available during the policy period by the amount of the damage. Your coverage will return to the Amount of Insurance shown on the Declarations Page upon completion of the repairs or replacements.

**Actual Cash Value Payment Method**

You may disregard the Replacement Cost Payment Method and make a claim on an Actual Cash Value Payment Method. If you do so, you may make further claim within 180 days after the loss for any additional cost you incur in replacing the damaged property. If you do elect to make a claim on an Actual Cash Value Payment Method, then the amount we pay for loss to your dwelling will be the lowest of:

1. The **actual cash value** of the damaged part of your dwelling at the time of the loss.
2. The amount required to repair or replace your dwelling.
3. The Amount of Insurance shown on the Declarations Page for your dwelling.

We may make a cash settlement and take all or part of the property at its appraised or agreed upon value, or repair or replace the property with property of like kind and quality. We will give you notice of our intention within 30 days after we receive your proof of loss.

The damage to your property will reduce the Amount of Insurance available by the amount of the damage. Your coverage will return to the Amount of Insurance shown on the Declarations Page upon completion of the repairs or

replacements.

**Coverage B – Other Structures Payment Method  
Total and Partial Loss Payment Method  
Replacement Cost Payment Method**

The amount we pay for loss to your other structure will be the lowest of:

1. The **replacement cost** of the damage to your other structure.
2. The amount actually spent for necessary repair or replacement of the damaged portion to your other structure.
3. The Amount of Insurance shown on the Declarations Page for your other structures.

If the cost to repair or replace the damaged property is more than \$2,500, we will pay no more than the actual cash value of that damage until actual repair or replacement is completed.

We may make a cash settlement or repair or replace the property with property of like kind and quality. We will give you notice of our intention within 30 days after we receive your proof of loss.

The damage to your property will reduce the Amount of Insurance available during the policy period by the amount of the damage. Your coverage will return to the Amount of Insurance shown on the Declarations Page upon completion of the repairs or replacements.

**Actual Cash Value Payment Method**

You may disregard the Replacement Cost Payment Method and make a claim on an Actual Cash Value Payment Method. If you do so, you may make further claim within 180 days after the loss for any additional cost you incur in replacing the damaged property. If you do elect to make a claim on an Actual Cash Value Payment Method, then the amount we pay for loss to your other structure will be the lowest of:

1. The **actual cash value** of the damaged part of your other structure at the time of the loss.
2. The amount required to repair or replace your other structure.
3. The Amount of Insurance shown on the Declarations Page for your other structures.

We may make a cash settlement and take all or part of the property at its appraised or agreed upon value, or repair or replace the property with property of like kind and quality. We will give you notice of our intention within 30 days after we receive your proof of loss.

The damage to your property will reduce the Amount of Insurance available by the amount of the damage. Your coverage will return to the Amount of Insurance shown on the Declarations Page upon completion of the repairs or replacements.

**Definitions**

**Replacement cost** means the cost to repair or replace property, without deduction for depreciation, with new property of like kind and quality.

All other provisions of your policy apply.

**ENDORSEMENT NO. GMH-9  
REPLACEMENT COST PAYMENT METHOD (EXCEPT  
FOR NON-STRUCTURAL HALL LOSSES)**

**Section I – Our Payment Methods**

Our Payment Methods for Coverage A – Dwelling and Coverage B – Other Structures are changed to read:

**Coverage A – Dwelling  
Total Loss Payment Method**

A total loss occurs when your dwelling is damaged beyond reasonable repair. When a total loss occurs, your loss will be equal to the Amount of Insurance.

If you do not replace your dwelling on the same **premises**, we will pay the Amount of Insurance shown on the Declarations Page.

If you do replace your dwelling on the same **premises** with a new mobile home dwelling of like kind and quality within 180 days of the loss, and if the cost to replace your dwelling exceeds the Amount of Insurance we have already paid to you, we will pay the additional amount that you actually spend for the replacement. But we will not pay any more than an additional 20% of the Amount of Insurance.

**Partial Loss Payment Method  
Replacement Cost Payment Method**

The amount we pay for loss to your dwelling will be the lowest of:

- 1) The **replacement cost** of the damage to your dwelling.
- 2) The amount actually spent for necessary repair or replacement of the damaged portion to your dwelling.
- 3) The Amount of Insurance shown on the Declarations Page for your dwelling.

If the cost to repair or replace the damaged property is more than \$2,500, we will pay no more than the actual cash value of that damage until actual repair or replacement is completed.

We may make a cash settlement or repair or replace the property with property of like kind and quality. We will give you notice of our intention within 30 days after we receive your proof of loss.

The damage to your property will reduce the Amount of Insurance available during the policy period by the amount of the damage. Your coverage will return to the Amount of Insurance shown on the Declarations Page upon completion of the repairs or replacements.

**Actual Cash Value Payment Method**

You may disregard the Replacement Cost Payment Method and make a claim on an Actual Cash Value Payment Method. If you do so, you may make further claim within 180 days after the loss for any additional cost you incur in replacing the damaged property. If you do

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2. The amount required to repair or replace your other structure;

3. The Amount of Insurance shown on the Declarations Page for your other structures.  
We may make a cash settlement and take all or part of the property at its appraised or agreed upon value, or repair or replace the property with property of like kind and quality. We will give you notice of our intention within 30 days after we receive your proof of loss.

The damage to your property will reduce the Amount of Insurance available by the amount of the damage. Your coverage will return to the Amount of Insurance shown on the Declarations Page upon completion of the repairs or replacements.

**Coverage A – Dwelling  
Coverage B – Other Structures**

**Partial Loss – Non-Structural Hail**  
Hail often dents the exterior surface of a dwelling or other structure. Since there is no structural damage, this will in no way affect the utility of the dwelling or other structure. When this type of loss occurs, the amount we pay will be the lowest of:

1. The difference between **actual cash value** of your dwelling or other structure immediately before the loss and its **actual cash value** immediately after the loss.
2. The amount required to repair or replace your dwelling or other structure.
3. The Amount of Insurance shown on the Declarations Page for your dwelling or other structure.

**Definitions**

**Replacement cost** means the cost to repair or replace property, without deduction for depreciation, with new property of like kind and quality.

All other provisions of your policy apply.

**ENDORSEMENT No. GMH-10  
SCHEDULED PERSONAL PROPERTY COVERAGE**

Your personal property shown on the Scheduled Personal Property List on the Declarations Page is insured up to the Amount of Insurance shown for all physical loss except as may be limited by this endorsement.

**Additionally Acquired Schedule Personal Property**

If you buy or acquire additional jewelry, furs, cameras or musical instruments and the same type of personal property is already insured in the endorsement, we will insure it for 30 days after acquisition for the lesser of the following:

1. Up to 25% of the Amount of Insurance shown for that type of personal property.
2. \$10,000

If you buy or acquire additional fine arts and the same type of personal property is already insured in this endorsement, we will insure it for 30 days after acquisition for the lesser of the following:

1. Up to 25% of the Amount of Insurance shown for that type of personal property.
2. The **actual cash value** of the objects.

You must tell us within 30 days of your acquisition of your desire to continue this additional insurance. Any change in your premium will be made at that time.

**Articles Subject to Limited Coverage**

Golfer's equipment. Insurance is provided for golf clubs, golf clothing and golf equipment. We insure golf clothing while contained in any locker situated in a clubhouse or other building used in connection with golf. Watches, jewelry, and golf balls are excluded from coverage.

Non-described stamps and coins. We will pay the lesser of:

1. The **actual cash value** of the property at the time of loss.
2. \$250 for any one non-described stamp, coin, or other individual article, or any one pair, strip, block, series, sheet, cover, frame or card.

We will not pay more than the total Amount of Insurance shown for all losses from one occurrence.

Silverware. We insure silverware including goldware and pewter ware, but we do not insure pens, pencils, flasks, pipes and jewelry.

**Our Payment Methods**

The amount we pay for loss to your Scheduled Personal Property will be the lowest of:

1. The **actual cash value** immediately before loss.
2. The cost to repair the article.
3. The cost to replace the article with similar kind, quality and value.
4. The Amount of Insurance shown for the article.

**Our Payment Method for Specific Types of Losses**

**PAIRS AND SETS**

The amount we pay for loss to Pairs and Sets will be the lowest of:

1. The cost to repair or replace any part to restore the pair or set to its value before the loss.
2. The difference between **actual cash value** of the pair or set before and after the loss.
3. The Amount of Insurance shown for the pair or set.

We cannot guarantee the availability of parts or replacements. We will not be obligated for the cost of repairing or replacing the entire pair, set or series of objects or pieces when a part is lost or damaged.

In the event any total loss occurs and we pay you the Amount of Insurance shown, you may keep the article or remaining article or articles of the pair or set, and our payment will be reduced by the **actual cash value** of the articles you keep.

**Exclusions**

We do not insure loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently to the loss.

1. Loss due to war, whether declared or undeclared, including civil war, insurrection, rebellion or revolution.

2. Loss caused by nuclear reaction, radiation or radioactive contamination. But we do insure direct loss by fire resulting from nuclear hazard.

3. Loss due and confined to wear and tear, neglect, insects, non-domestic animals including rodents, inherent vice or gradual deterioration.

4. Loss to fine arts caused by any attempt of restoration, retouching or repair.

5. Loss to fine arts that have not been packed and unpacked by competent packers.

6. Loss to fine arts while on public display.

7. Loss by breakage to statuary, marble, glassware, porcelain, bric-a-brac, art glass windows and similar fragile articles unless:

- a. The breakage is caused by any of the following perils: fire, lightning, aircraft, theft or attempted theft, cyclone, tornado, windstorm, explosion, malicious damage or collision, derailment or overturn of a conveyance, or
- b. The breakage is caused by earthquake and Earthquake Coverage is shown on the Declarations Page.

8. Loss due to mysterious disappearance of non-described individual stamps or coins which are part of a pair or set.

9. Loss to stamps or coins being sent from one place to another.

10. Loss to stamps or coins due to theft from an unattended motor vehicle.

11. Loss to stamps or coins due to fading, creasing, denting, scratching, tearing, thinning, transfer of colors, inherent defect, dampness, extremes of temperature, gradual depreciation or damage sustained from handling or while being actually worked upon.

12. Loss to articles used in your **business**.

13. Loss caused intentionally by any of you to your scheduled personal property.

14. Loss to musical instruments that you play for pay.

15. Loss due to flood water, surface water, waves, tidal water or overflow of a body of water from any source including spray, whether or not driven by wind.

16. Loss caused by earthquake unless Earthquake Coverage is shown on the Declarations Page.

**Additional Conditions for Scheduled Personal Property Coverage**

1. If the Scheduled Personal Property on the Declarations page indicates that an item of property has been rated as "in-vault", you agree to keep the items in a safe deposit box located in a bank vault, trust or safe deposit company. If you notify us, we may grant permission to remove the scheduled personal property from the vault, trust or safe deposit company for up to 10 days.

2. We insure the described property, other than fine arts, wherever it may be located. We insure described fine arts only while within the United States and Canada.

3. If we pay for a total loss to any listed article, pair, set or collection insured by this endorsement, the

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Amount of Insurance is reduced for that article, pair, set or collection by the amount of our payment.

All other provisions of your policy apply.

### **ENDORSEMENT No. GMH-11 30-DAY TRIP COVERAGE**

#### **Section 1 – Your Property Coverages**

##### **Coverage A – Dwelling**

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

We insure risk of direct, sudden and accidental physical loss to your dwelling and personal property in your dwelling while they are being moved.

But we do not insure loss to wheels, tires, axles and running gear caused by collision.

#### **Section 1 – Exclusions**

##### **Section 1 – Exclusion 16, does not apply when trip**

**Coverage is in effect**  
Coverage begins at 12:01 a.m. on the effective date of your policy and ends thirty consecutive days thereafter at 12:01 a.m.

#### **Premium**

The premium for 30-Day Trip Coverage is not refundable.

All other provisions of your policy apply.

### **ENDORSEMENT No. GMH-12 UNRELATED NAMED INSURED**

#### **Insuring Agreement**

The second paragraph is changed to include:

You, your and yours also means the additional person named on the Declarations Page while that person is a full-time resident of your dwelling.

All other provisions of your policy apply.

### **ENDORSEMENT No. GMH-13 HURRICANE EXCLUSION**

#### **Section 1 – Exclusions**

##### **Coverage A – Dwelling**

##### **Coverage B – Other Structures**

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

The following exclusion is added: This supersedes any provision to the contrary.  
19. Loss resulting from a hurricane.

### **ENDORSEMENT No. GMH-14 ANIMAL LIABILITY EXCLUSION**

It is understood and agreed that this insurance does not apply to any occurrence or damages caused by any animal, at any time, at any premises insured hereunder, or caused by, arising out of, or in any way related to any

animal owned by or in the care, custody, or control of the insured, or any member of the insured's family or household. Coverage is specifically excluded for Coverage E – Personal Liability and Coverage F – Medical Payments to Others, as well as any Incidental Liability Coverages.

### **ENDORSEMENT No. GMH-15 SEASONAL/SECONDARY RESIDENCE ENDORSEMENT**

Your policy is changed as follows:

Personal Property – Coverage C is deleted in its entirety.

Additional Living Expenses – Coverage D is deleted in its entirety.

#### **Section 1 – Exclusions**

Under the heading "We do not insure loss caused directly or indirectly by any of the following", #18 is hereby deleted.

### **ENDORSEMENT No. GMH-16 RENTAL ENDORSEMENT**

Your policy is changed as follows:

Additional Living Expenses – Coverage D is deleted in its entirety.

Your Additional Coverages - #6 Credit Card and Depositor's Forgery Coverage is deleted.

Your Additional Coverages - #3 Trees, Shrubs, Plants, and Lawn Coverage – The following is added:

Coverage shall apply only to those premises described on the Declarations Page.

### **ENDORSEMENT No. GMH-18 SECURED INTEREST PROTECTION**

For an additional premium YOU can buy Secured Interest Protection.

If YOU borrowed money to buy YOUR mobile home, YOUR lienholder needed some security for that loan. In most cases YOUR mobile home will be the security. YOUR lienholder has a secured interest in YOUR mobile home and may require that Secured Interest Protection Coverage be purchased. The additional premium may have to be paid by YOU.

#### **COLLISION OR UPSET**

WE will pay the lienholder for direct and sudden accidental loss to the mobile home caused by collision while the mobile home is being moved from one place to another. Collision which damages only wheels, tires, axles and running gear is not covered.

#### **ALTERATION**

WE will pay the lienholder if YOU caused deliberate

damage to the mobile home or made substantial changes in its structure with the intention of reducing its value without permission of the lienholder.

Total alteration results when the damage or change reduces the value of the mobile home so that the cost of repair plus the salvage exceed the actual cash value of the mobile home before such damage or change. Damage resulting from neglect or omission to act, or from wear and tear or hard usage will not be considered an alteration.

#### **CONVERSION**

WE will pay the lienholder if they are unsuccessful in their efforts to recover possession of the mobile home or its missing parts due to YOUR transfer of ownership without permission of the lienholder.

#### **CONCEALMENT**

WE will pay the lienholder if they are unable to locate the mobile home or its missing parts within 120 days after WE receive all of the lienholder's or mobile home dealer's papers, documents and records regarding the loan as long as YOU have not made a loan payment to the lienholder during that 120 days. A policy report must be filed for each loss contained in this paragraph.

#### **REPOSSSESSION EXPENSE**

If the mobile home is repossessed by or on behalf of the lienholder, this coverage provides payment by US to the lienholder for an amount equal to the expense of transporting the mobile home from the place of repossession to the shortest of the following:

The place where it was sold by the lienholder or mobile home dealer; or

To the nearest business location of the lienholder or mobile home dealer.

Repossession Expense applies only to the expense of returning the entire mobile home but not to the expense of returning only separate parts, equipment or accessories.

#### **OUR PAYMENT METHODS**

The amount WE pay the lienholder for loss covered by Secured Interest Protection will be the lowest of:

The cost without overhead or profit to the lienholder for repairing or replacing the mobile home and parts with property of like kind, quality and value; or

The amount of interest of the lienholder in any Alteration, Conversion or Concealment loss, measured by the unpaid balance, not more than 60 days past due; less:

Unearned interest, insurance, finance and other carrying charges computed as of the date of claim, and also minus any penalties or other charges which may have been added to the loan after the loan was finalized; or

Replacement of the property with property of like kind, quality and value; or

Actual cash value of the mobile home or of the missing parts immediately before the loss.

Repossession Expense is limited to the rate per mile for transportation up to 70 cents per mile. Repossession Expense is subject to a maximum payment of \$600.

#### **DEDUCTIBLE**

If one claim for loss or damage, Collision or Upset, Alteration, Conversion, Concealment or Repossession Expense is involved, a \$100 deductible applies to each, but the total deductible from each such combination of losses shall not exceed \$200.

#### **SECURED INTEREST PROTECTION DOES NOT**

**PROVIDE COVERAGE**  
If the loan transaction was not entered into in accordance with normal and usual credit standards;

If the lien interest, at the time of its execution, was not legally enforceable and did not represent a bona fide security transaction entered into in good faith by both parties to secure the repayment of the total loan amount;

If at the date this coverage became effective, payment was more than 30 days past due under the lien instrument covering the mobile home;

For the gas bottles, fuel tanks, steps, skirting, beds, curtains, spreads, drapes, furniture or equipment. WE do not pay for appliances that have worn out or have been discarded, even if replaced;

Loss caused by failure of anyone to maintain the mobile home, its parts and equipment in good working order;

Unless YOU have defaulted on the loan and the mobile home has been repossessed.

#### **GENERAL CONDITIONS OF SECURED INTEREST PROTECTION**

Other insurance:  
If there is other collectible insurance for loss by Collision or Upset, the other insurance coverage pays first and Secured Interest Protection will pay next, but only if the entire loss is not covered by the other insurance.

OUR Right to Recover from Others:  
After WE have made a Secured Interest Protection payment, WE give up the right to recover the payment from the lienholder except for fraudulent actions of the lienholder.

WE give up the right to recover payment from YOU.  
What to do When a Loss Occurs:

The lienholder must tell US as soon as there is suspicion of or actual knowledge that a loss has occurred. If the mobile home has been repossessed, WE must be told within 30 days after repossession.

The lienholder must give US, as part of the notice of loss or potential loss, the following:

**Pacific Specialty Insurance Company  
GEORGIA MOBILE HOME ENDORSEMENTS**

Inspection report prepared at the time of repossession describing the condition of the mobile home and a listing, in detail, of the parts which are missing;

Manufacturer's invoice;

Any letters or other papers detailing their efforts to locate any item(s);

Retail sales contract;

Credit application;

Detailed description of damage and alterations;

All available evidence showing exactly how the mobile home was equipped and sold;

Summary of collection efforts;

Statement from the local law enforcement agency to which the loss was reported.

The lienholder must, at its own expense, use every reasonable effort, including litigation, until settlement of the loss to:

Secure, protect and preserve the mobile home from loss;

Locate YOU, the mobile home and any missing parts;

Declare the loan in default;

Repossess the mobile home for which any claim is to be made;

Collect all amounts.

The lienholder must allow US to review and copy any other books, records and files that will assist US in settling a claim.

All losses must be promptly reported to the police.

The part of the Mobile Home Policy titled WHAT TO DO WHEN YOU HAVE A LOSS does not apply to this coverage.

The day WE receive all the required information will be the effective date of claim and all computations will be made as of that day.

The Policy Conditions of the policy apply to Secured Interest Protection unless WE have already changed it in writing.

IF YOUR lienholder has paid the premium for this coverage, it is understood that any return premium due to cancellation of this coverage shall be paid to the lienholder in accordance with their interest.

**ENDORSEMENT No. PM11 (Ed. 2)  
INCREASED DEDUCTIBLE FOR LOSS OR DAMAGE  
CAUSED BY TENANTS**

**This endorsement changes your policy. Please read it carefully.**

It is understood and agreed that if a loss occurs due to an insured peril which is caused by a deliberate act, or is a result of the abuse of the property by a present or past tenant of the property, then that loss is considered to be a "Tenant Caused Loss."

We will only be liable for that portion of a Tenant Caused Loss that exceeds \$2,500.00, up to the limits of the policy as stated on the policy declarations page. However, if a policy deductible of \$5,000.00 is stated on the policy declarations page, then we will only be liable for that portion of a Tenant Caused Loss that exceeds \$5,000.00, up to the limits of the policy as stated on the policy declarations page.

This endorsement does not extend or expand the perils insured under this policy.

All other terms and conditions of the policy remain unchanged.

**ENDORSEMENT No. PO15 (Ed. 1)  
NATURAL DISASTER PROTECTION COVERAGE FOR  
MOBILE HOMES**

If you borrowed money to buy the home shown on the Declarations Page, Natural Disaster Protection Coverage may increase the amount of Coverage A - Manufactured Home in order to pay off the portion of your loan that is attributable to the home shown on the Declarations Page.

If the home is destroyed by windstorm, flood, earth movement or hail as long as coverage for these perils is in effect under your Manufactured Home Policy, the amount we will pay will be the greater of:

1. The actual cash value of the home;
2. The outstanding principal balance of the loan attributable to the home, we reserve the right to offer to you a replacement home of like kind, quality and value.

**ADDITIONAL DEFINITIONS**

"Outstanding principal balance" means the unpaid amount you owe your lienholder named on the Declarations Page, minus past due payments, unearned interest, insurance, finance and other carrying charges computed as of the date of loss. Outstanding principal balance does not apply to such items as penalties or charges which may have been added to your loan after the loan was finalized, land, or other loan amounts that have been consolidated into the loan that applies to the home.

"Flood" means:

1. The overflow of inland tidal waters;
2. The unusual and rapid buildup or runoff of surface water from any source;

3. Mud slides or mud flows which are caused by the buildup of water on or under the ground;

4. The collapse or sinking of land along the shore of a body of water as a result of erosion or undermining caused by waves or currents of water exceeding the normal levels, which results in a flood as defined above.

Flood, as defined above, is at least as broad as that offered by the Standard Flood Insurance Policy (NFIA-1 (ED 7-74)).

All other provisions and conditions of your policy apply.

**POLICY SERVICE**  
**NOTE: You MUST refer to your policy number when asking for information.**

**PACIFIC SPECIALTY  
INSURANCE COMPANY**

P.O. Box 40  
Anaheim, CA 92815-0040  
(714) 998-2190  
(800) 303-5000  
(714) 998-3158 Fax

3601 Haven Avenue  
Menlo Park, CA 94025-1010  
(650) 780-4800  
(800) 828-3003

**FOR REPORTING OF CLAIMS:**  
Please Call:  
**800-962-1172**

**POLICY NUMBER MUST ACCOMPANY  
CLAIM REPORT AND ALL  
CORRESPONDENCE**

### **How Much Coverage is Adequate for Me?**

Reasons to properly insure your home and contents

- **Bank Requirements:** If you have a mortgage on a house, the bank will require you to insure the house for at least the amount of the loan which cannot exceed your cost.
- **Policy Requirements:** Most policies will require you to insure the house for at least 80 percent of the replacement cost. If you have less coverage than 80 percent of the home's replacement cost, the company will pay only part of any repair bill. You may pay much more in out-of-pocket costs in the event of a claim.
- **Financial Protection:** Liability coverage that pays if you are legally responsible due to bodily injury or property damage to others. The insurance company will negotiate a settlement, defend you in court and pay any judgments, subject to policy provisions.

### **Guaranteed replacement cost**

To protect you against accidentally underinsuring your house, many companies offer guaranteed replacement cost policies. The following demonstrates how these policies work.

- You have your house insured for 100 percent replacement cost and you accept increases in both policy limits and premiums at renewal;
- The company will pay the cost to rebuild or repair your house, even if factors such as inflation have increased cost above the insurance coverage;
- Depending on the policy, you might not be covered for "ordinance and law" - a provision that pays for needed upgrades to meet building code requirements. You may need to add ordinance and law coverage, if available; and
- Total loss homes with replacement coverage must be rebuilt on the same location.

### **The risk of being underinsured**

If you have a claim you may expect that the insurance company will pay the full cost of replacement or repairs. This only occurs when your house is insured for at least 80 percent of the replacement cost to rebuild the structure. If your home is insured for less than 80 percent of the replacement cost, the company will pay only part of any repair bill.

An example of the danger of underinsuring your home

If the replacement value of your home is \$100,000, the minimum coverage a policy may require is 80 percent or \$80,000. If you are covered for \$60,000, the insurance company will pay only 75 percent of the repair costs for any damage. You are responsible to pay the rest. If a storm, for example, causes \$1,000 in roof damage, the policy will cover 75 percent, or \$750. The company will then subtract the \$250 deductible and pay you only \$500 for repairs. The remaining \$500 will be your responsibility to pay. These percentages hold true as the cost of the claim rises and you remain underinsured.

## **Personal Liability Coverage**

Personal liability coverage is automatically included in all homeowner and tenant insurance policies. This coverage protects you against a claim or lawsuit resulting from bodily injury or property damage to others caused by your negligence. It has a dollar limit on the amount the insurance company will pay on a claim. It covers you and family members residing in the home, including dependents under age 21 that live elsewhere, such as college. This section of the policy also pays when you are legally obligated to cover damages because of something that happened on your property (e.g. someone falls) or as a result of your personal activities (e.g. hit a ball through a neighbor's window). The company will pay to represent you against a liability claim or lawsuit; there are no policy limits on legal expenses.

The following is a sample of common liability coverage:

- Personal liability: \$100,000
- Medical payments: \$1,000
- Property of others: \$500

### **Medical payments (MedPay)**

Regardless of who is at fault, this coverage pays medical expenses for persons accidentally injured on your property by a member of your family or by your pets. MedPay payments do not apply to injuries to you, to family members living with you or to activities involving your at-home business. You should check with your agent or insurance company to determine if the amount of medical payments coverage is sufficient.

### **Damage to property of others**

This type of coverage pays if you lose or damage someone else's property. Typical exclusions include the following:

- Intentional acts that injure someone or damage another's property,
- Claims resulting from business or professional activities, or
- Injuries or damage you cause by operating a car, plane, or motorboat.

### **How liability coverage works**

The insurance company will first try to settle any liability claim. If all goes well, you will probably never hear about the claim again!

If you are sued, you will receive a summons or notice of a lawsuit; you should immediately notify the company, which will appoint a lawyer to represent you. You may find it prudent to consult your own attorney as well. If you lose in court, the company will pay up to the policy limits. If the court settlement is more than your policy limits, you will have to pay the difference. Consult with your own attorney beforehand if it appears that your policy will not cover the entire settlement, or if you are unsure about your possible liability. Also, remember that if you are accused of intentionally injuring someone or intentionally damaging property, the insurance company may refuse to defend you.

For more protection, many companies offer "umbrella" coverage to let you increase your liability protection beyond the homeowners policy limits. You may be able to buy an umbrella to protect yourself from the possibility of a huge negligence lawsuit. However, many companies offer this coverage only if they insure both your car and your home.



### **When someone is injured on your property**

- Immediately write down who, when, what, how it happened and ask any
- witnesses to do the same;
- Call your insurance agent or company and file a report: do not wait for the
- injured person to make a claim;
- Tell the injured person how to contact your insurance company; and
- Cooperate with the claims adjuster.

### **Actual Cash Value vs. Replacement Cost**

#### **Insuring Your Personal Property**

Personal property is defined for insurance purposes as the tangible assets that fill your home. In other words, it is the contents of your home and other belongings owned by you or family members who live with you. Your policy will have an overall limit on how much it will pay for all personal property involved in a single claim. The typical limit is a minimum of 50 percent of the home's insured value.

Separate Limits: Policies have separate limits on such things as jewelry, computers and fur coats. Your computer may be covered for \$2,500, and if the computer is worth more than that, you may increase your coverage by adding a scheduled limit.

#### **Personal Property Claims**

There are two different ways that policies will pay for personal property damage:

Actual Cash Value (ACV) or Replacement Cost. Below is an example of ACV versus Replacement Cost using a stolen television set.

#### **Actual Cash Value (ACV)**

ACV coverage pays no more than the TV's value on the day it was stolen or destroyed. Usually, ACV equals the current replacement cost minus depreciation. If you paid \$500 for the TV five years ago and its value is now \$100, a policy with ACV coverage will pay only \$100 after you pay the deductible. If your policy has a \$250 deductible, you would collect nothing because the TV's current value is lower than the deductible.

#### **Replacement Cost Coverage**

After you have paid your deductible, you are entitled to the cost of replacing your lost TV with a comparable new TV at today's price. However, you must have proof that you have bought the new TV. The insurance company may pay you only the actual cash value if you do not have proof of purchase.

### **After-the-Fact Expenses**

Repairing your house is only part of the expense of recovering from a disaster.

Fortunately, insurance policies usually pay for reasonable "after-the-fact" expenses.

- Additional living expenses: room and board (e.g. stay at a hotel or motel) while you are unable to use your house
- Trees & shrubs: a set amount for damage to specified items
- Temporary repairs: boarding up windows or other temporary repairs to minimize additional damage (a reminder - the insurance policy requires the insured to take steps to minimize further damage, such as boarding up windows)
- Fire department charges: some communities charge a fee for emergency response, some policies provide reimbursement for up to \$500
- Debris removal: removing damaged property from the premises after a loss.
- Property removed: 30-day coverage for personal property stored at another location while your house is being repaired. (Covers property at stored location, does not cover cost of storing)

### **Flood Insurance**

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. Your insurance agent or company can tell you whether your town qualifies. For a free booklet on flood insurance call the National Flood Insurance Program at 1-800-638-6620.

#### **Buying Flood Insurance**

Contact your agent or insurance company. 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.

### **Earthquake Coverage**

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 policy.

## **Other Insurance for Homeowners**

### **Protecting your investment**

Credit insurance protects you if you are unable to make your mortgage payments due to injury or death. It is usually available at the time you take out your loan. Credit insurance is optional, which means you don't have to purchase it from the lender. In fact, it's against the law for a lender to deceptively include credit insurance (or other optional products) in your loan without both your knowledge and permission.

There are two main types of credit insurance. Credit disability insurance, also known as accident and health insurance, makes payments on the loan if you become ill or injured and can't work. Credit life insurance pays off all or some of your loan if you die.

**Credit disability:** A credit disability policy promises to pay your loan payment if you are unable to work because of illness or injury. Credit insurance policies spell out what has to happen before they start making your loan payments. Check the policy very carefully to make sure you understand what is covered and what is excluded. For example, coverage may be excluded for health problems you already have when you buy the policy ("pre-existing conditions").

**Credit life:** Credit life insurance is simply a term life policy written for the same amount as your loan. The amount of the policy decreases every year but premiums might not - so you may find it less expensive to buy a simple term life insurance policy rather than a credit life policy. You do not have to buy credit insurance, but if you choose to do so, you have the right to shop for the policy that best suits you. Banks often sell their customer lists to insurance companies or include credit life sales material in mortgage statements, so you are likely to receive offers for credit life insurance in conjunction with your loan.

### **Protecting the lender**

#### **Title insurance**

Title insurance protects the homeowner and lender against possible problems with the deed to a house - missing heirs, old mortgages or easements, etc. A homeowner's worst nightmare is that a stranger shows up some years from now claiming to be the rightful owner of the house. If the stranger has a legal claim to the house, it is the title insurance company's financial responsibility to pay for the mistake.

But, the policy included in your closing costs probably protects only the lender. The title insurance company will pay the lender the balance of your mortgage and you will lose the title (plus any equity you have in your house), unless you also bought owner's title insurance,

#### **Private mortgage insurance (PMI)**

If the down payment for your home was less than 20 percent, banks normally require you to buy Private Mortgage Insurance (PMI); premiums are built into your mortgage payments. PMI protects the lender if you default on the loan; PMI does not protect you.

With specific exceptions, after you have made enough mortgage payments to reach 22 percent equity in your home (based on the original property value) and your mortgage payments are current, the PMI premiums should be terminated automatically.

However, you should follow up with your lender to confirm.

### **Private rating firms**

Several private firms specialize in evaluating the finances and services of insurance companies. Each of these firms has its own methods and standards and grades a company based on the firm's judgment of the financial well being of a company.

The phone numbers and web site addresses below will connect you with some of the more well known rating firms. You may be charged for an insurance company report and be sure you understand the firm's grading system before you rely on any report ... one firm might use "A+" as its highest grade, while another could go all the way up to "A+++."

A.M. Best Company

1-908-439-2200

[www.ambest.com](http://www.ambest.com)

Fitch Inc.

1-800-753-4824

[www.fitchratings.com](http://www.fitchratings.com)

Many private firms that specialize in rating insurance companies also publish books on the subject. You may be able to find this information at your local library.

### **What determines the amount of your premium?**

- Type of construction: frame houses usually cost more to insure than brick
- Age of house: new homes may qualify for discounts
- Local fire protection: how far you live from a fire hydrant and fire station
- Amount of protection: the more you insure, the more you will pay
- Deductible: how much you agree to risk paying from your own pocket for each claim
- Discounts: companies reduce prices for such things as insuring your home and car with the same company
- Claims history and credit score: some companies use factors such as previous claims filed and credit history

Moody's Investor Service: (212) 553-0377 [www.moodys.com](http://www.moodys.com)

Standard & Poor's : (212) 438-2000 [www.standardandpoors.com](http://www.standardandpoors.com)

## **Insurance & Discrimination**

### **Prohibited discrimination**

It is illegal for an insurance company to charge you more or refuse to insure your home because of your race, color, ancestry, religion, sex, handicap, national origin or because of the racial make-up of your neighborhood.

### **Red-lining**

Insurance companies are sometimes accused of "red-lining." The term comes from the idea that companies would draw a red line on a map around certain parts of town to mark places where they did not want to sell insurance. You should be suspicious of any agent who refuses to talk with you about insuring your home, or states, "We don't write insurance in this part of town".

Report it! If you think you have been the victim of any kind of illegal discrimination by an insurance agent or company, tell us by calling the Department at 1-800-686-1526 and ask for a Property and Casualty Analyst.

### **Legal discrimination**

Discrimination can be legal when it is based on such things as the condition of your home, how you use your home, how you have used insurance in the past or your financial condition. Underwriting standards are rules that insurance companies use to decide whether to insure your property. Every company has its own underwriting standards, but typical ones might include some of the things listed below:

- ◆ The condition of your home:
  - ◆ Old wiring (fire hazard)
  - ◆ Dilapidated roof (could result in a claim for water damage)
  - ◆ Poor maintenance (broken windows, broken gutters)
- ◆ Claims experience: if you have filed numerous claims in the past, a company might not want to take the chance that you will file claims against it
- ◆ Credit report: if your credit report suggests you do not pay your bills on time, the company might not want to take the chance that you will treat them the same way
- ◆ Recent bankruptcy: if you have recently filed bankruptcy, it will be even harder to buy insurance for your home and
- ◆• Dangerous pets: if you have a pet that has attacked someone or qualifies as "vicious", do not be surprised if an insurance company rejects your application.

### **Cancellation**

Your policy goes into detail about which conditions may cause your insurance to be cancelled. However, the company must send you written notice at least 30 days before the cancellation date and that notice must explain procedures for applying to the FAIR Plan.

You are not entitled to a 30-day notice if the company cancels because of your failure to pay the premium, evidence of arson, misrepresentation or fraud.

The insurance company can cancel your homeowner's policy if you file too many claims. You are highly likely to lose coverage if you are a habitual claimant, particularly if your claims are small. If you have two to three claims within five years, the insurance company may choose to cancel or not renew your policy.

### **Non-renewal**

Each year insurance companies have the statutory right to decide whether or not to renew your policy for the next year. If the company does not renew your policy, they must notify you of their decision 30 days in advance of the policy expiring and must explain procedures for applying to the FAIR Plan. You will then have to find coverage elsewhere.

### **FAIR Plan**

If you cannot find insurance coverage for your home, you can apply through the FAIR Plan Underwriting Association. The State of Georgia created the Georgia FAIR Plan to insure property that insurance companies will not cover.

Important points to remember about the FAIR Plan:

- You do not have a guaranteed right to buy FAIR Plan coverage. The FAIR Plan will inspect your house to determine whether you are eligible.
- Every company selling property insurance in Georgia helps fund the FAIR Plan.
- Coverage in the FAIR Plan is likely to cost substantially more than through the standard insurance marketplace so be sure to exhaustively search before resorting to the FAIR Plan.

You can apply to the FAIR Plan through any insurance agent who sells property insurance.

### **C.L.U.E. Report**

A Comprehensive Loss Underwriting Exchange or C.L.U.E. report is an all-inclusive database of personal property information, primarily insurance claims on private property.

C.L.U.E. reports are only available to an individual for the home or property they own and reside in. The reports are available from ChoicePoint over the web at [www.choicetrust.com](http://www.choicetrust.com) or through regular mail. Someone who has been the subject of adverse action based on the information in the report is entitled to a free copy of the report if it is requested within 60 days of the adverse action. Adverse action can include denial of coverage or an increase in rates. Insurers must notify consumers when adverse actions have occurred.

### **Credit Scoring**

Statistically, people who have a poor insurance credit score are more likely to file a claim.

Insurers use this information when determining the risk someone may pose. Studies reveal that the manner which a person manages his or her finances, is a strong predictor of insurance claims. Insurance scores are used to help insurers differentiate between lower and higher insurance risks and they then can set a premium based on the risk they are assuming.

Information regarding your credit history, such as your bill-paying habits, the number and the types of accounts in your name, collection actions, outstanding debt, and the age of your accounts, is used to determine if you are a responsible borrower.

## How to Handle Claims

What should I do when I have a claim?

- Review your policy to make sure you know what is covered.
- Notify your agent or the insurance company immediately.
- Keep damaged property until the company says you can dispose of it, and get that permission in writing.
  - If your home is damaged, make needed temporary repairs to protect it from more damage and keep the receipts.
  - Keep receipts for emergency expenses (things such as repairs and temporary housing).
  - Complete the company's claim form.
  - Cooperate with the claims adjuster's requests for documentation or to conduct damage inspection.
  - Negotiate the final settlement with the adjuster.

Inside the insurance company the adjuster is your first stop. Adjusters evaluate damage and make settlement offers. An adjuster may be an employee of the insurance company or an independent adjuster hired by the company.

If you are not satisfied with the company's handling of your claim, contact the Georgia Insurance Department's Consumer Services Division information about your insurance rights and how to file a complaint. Written complaints are investigated to determine whether the company and agent have acted improperly. The Department cannot settle factual disputes over arguments such as the value of your damaged property.

Your county small claims court may be able to settle disputes involving \$3,000 or less; you do not need a lawyer to go to this court. Or, you have the option of consulting an attorney about your legal rights and remedies. The Department of Insurance does not give legal advice.

## Claim Disputes

Take These Steps to Resolve Disputes

When It Is a Dispute about Amounts

Claim disputes over homeowners insurance are often about the value of lost or damaged property. The insurance company must first agree that there is damage.

Policies usually have a standard provision to settle disputes of this kind. Here is how this process may work under your policy terms:

### Appraisal

- Either you or the company can make a written demand to have the amount of loss set by appraisal.
- Upon that demand you and the company each hire an independent appraiser.
- The two appraisers determine the amount of loss.

- If they agree on an amount, a written report is submitted and the amount agreed upon is set as the amount of loss.

If the appraisers cannot agree

- If the appraisers fail to agree, they select an independent arbitrator.
- If they cannot agree on an arbitrator, you or the company can ask a judge of the court to appoint one.
- A written agreement signed by two of these three people (the two appraisers and the arbitrator) sets the amount of loss.

Who pays what :

- You pay the appraiser you select and the company pays the appraiser it selects.
- You and the company split any costs for other appraisal expenses and the arbitrator's fee.

### **Consumer Complaints**

You should not need a lawyer to resolve the vast majority of disputes you may have with an insurance agent or company. You can resolve your own disputes If you give the company a chance, you will generally find people willing, if not eager, to straighten out problems. Start with your agent and if that does not resolve the issue, contact the company's customer service office. If customer service falls short of your expectations, ask about the company's procedures for appealing decisions.

- If your efforts with the company fail to provide an adequate solution, the next step should be the Georgia Insurance Department's Consumer Services Division.

- The Department's staff will answer your questions over the phone and explain any further steps you should take to resolve your problem. Department staff gives honest, unbiased answers - if it is apparent the company has done nothing wrong, that is what you will be told. On the other hand, if you raise questions that can only be answered by the insurance company we will send you a complaint form.

If your completed form raises questions we cannot answer, it becomes a "complaint." A complaint does not mean the company or agent has broken the law or done anything wrong.

The Department notifies the insurance company and/or agent each time a complaint is received. We will send the company a copy of your complaint and ask that they resolve it or explain their side of the story. By law, companies must respond to the Department and most companies are very cooperative in resolving consumer complaints. Please know that your complaint and any documents you send may be subject to public disclosure.

### **Fire Protection and Premiums**

How quickly the local fire department can reach your house affects your premium.

- If you live in a city, most companies will charge you the same base rates as people who live on the other side of town.
- If you live in a suburb with full fire protection, your price may be similar or identical to that of the large nearby city.



## Practice Quiz #7

Question 1: TRUE or FALSE?

Your policy covers 100% of the Dwelling Coverage of your home. That means even if the cost of rebuilding in your area exceeds the house's market value by 20%, your insurance will still pay to rebuild your home completely if it's destroyed by fire or some other catastrophe.

Question 2: TRUE or FALSE?

Your prized Beanie Baby collection is worth twice what you paid for it. A "scheduled coverage" policy endorsement means you'll receive the current market value if it's lost in a fire.

Question 3: TRUE or FALSE?

Flood and earthquake damage are not covered under most standard homeowners insurance policies.

Question 4: TRUE or FALSE?

Ideally, renters should have the same amount of liability coverage as someone who owns their own home.

Question 5: TRUE or FALSE?

You have a home-based financial planning business. If a client you're entertaining slips in your kitchen and sues for damages, your homeowners policy will cover your liability up to policy limits.

Question 6:

A common reason many homeowners are underinsured is because...

- a) They fail to update their policy as their assets and dwelling increase in value
- b) They are unaware of internal limits which cover personal property only up to a certain amount
- c) Their mortgage lender only requires insurance that will cover the outstanding mortgage balance
- d) all of the above
- e) only a & b above

Question 7:

House fires resulting in fatalities occur most often in which room?

- a) the Living Room
- b) the Bedroom
- c) the Kitchen
- d) the Laundry Room
- e) the Basement

Question 8:

Which of the following factors is not considered when determining your homeowners' premium?

- a) type of construction (brick, frame, etc.)
- b) deductible amount chosen
- c) size of lot
- d) distance to fire hydrant or fire station
- e) age of home

Question 9:

Which of the following statements is true, according to a recent survey of convicted house burglars?

- a) burglars are more likely to enter a home through a window rather than a door.
- b) most burglars are not deterred by the sound of a radio or TV inside the house
- c) most burglars are between the ages of 12-24 and live within an eight-block radius of the target
- d) all of the above
- e) only a & c above

Question 10:

Match the term at left with the correct definition.

Terms:

- 1. \_\_\_ Named Peril
- 2. \_\_\_ Floater
- 3. \_\_\_ Deductible
- 4. \_\_\_ Umbrella Liability
- 5. \_\_\_ All Risk

Definitions:

- a) Insurance to cover damages that exceed your policy limits
- b) An endorsement to a policy covering specific items
- c) A policy that covers all and any losses which occur
- d) The amount you are responsible for in a claim
- e) A policy that covers only those losses listed

## **B. Inland Marine Insurance**

Coverage for property that involves an element of transportation. The property must be actually in transit, held by a bailee, at a fixed location that is an instrument of transportation, or be a movable type of goods that is often at different locations.

### **Domestic Goods In Transit**

Domestic shipments exposed to loss while in transit by rail, motor truck, aircraft, or while in the custody of the U.S. Postal Service. (Imports and exports--nondomestic goods--are not within the scope of inland marine insurance.)

#### **1. Personal Articles Floater**

Items of value - including jewelry, furs, silver, guns, stamps, and coins - that are limited by homeowners policies may be scheduled on a personal articles floater. There are many advantages to scheduling.

Personal articles floaters provide extremely broad coverage, usually, with no deductibles. For the most part, you're agreeing on value prior to loss. Floaters are written on an all-risk basis, which means the policy covers against everything except what's specifically excluded.

This coverage is generally written in addition to your unscheduled property, so it provides extra coverage in the event of a total loss. In many cases, personal articles floaters provide coverage for flood and earthquake damage, whereas the homeowner's policy does not.

Under personal articles floaters, territorial limits are extremely broad and usually worldwide. Some floaters also cover newly acquired items even if you haven't had time to notify us of the purchase (provided you already have this type of article scheduled on your policy, a maximum limit applies per item).

Vault coverage is available at considerably reduced rates. If you can't be bothered calling whenever you're removing a piece of jewellery from the vault, it is sometimes possible to have a policy extension that allows you to remove the item for a certain period of time, for instance 72 hours, without notifying the broker or the company.

Some companies provide inflation-guard coverage on scheduled items or allow you the opportunity to increase your schedule by a certain percentage every year or two. However, do not become complacent if you have this type of coverage. You must review your policy regularly to determine if there are any fluctuations in values. Appraisals should be updated periodically.

#### **2. Nationwide Marine Insurance Definition**

A statement about the types of coverage that may properly be written on inland marine and ocean marine insurance forms. The National Association of Insurance Commissioners adopted a Nationwide Marine Insurance Definition in 1953 and revised it in 1976. This definition is used principally for classification purposes, rather than as a definition of underwriting powers. The majority of states have adopted the 1976 version, but the 1953 version is still in effect in some states.

## C. Other types of property policies

### 1. Flood

Flood insurance protects you from the financial devastation caused by floods. Even a few inches of water can bring thousands of dollars in repair and restoration costs. Most homeowners insurance does not cover floods. You need flood insurance.

Flood insurance, like earthquake insurance, is “single peril” insurance, sold separately from homeowners insurance. Flood insurance protects against losses to buildings and their contents, not the land surrounding them. The coverage applies whether the flooding results from heavy or prolonged rains, coastal storm surge, snow melt, blocked storm drainage systems, levee dam failure, or other causes. To be considered a flood, the waters must cover at least two acres or affect at least two properties.

Flood insurance is available both within and outside of floodplains. Your property’s flood risk is shown on flood hazard maps. Different types of policies are available depending on your flood risk.

If you live in a high-risk area, you will need a Standard Policy. Most mortgage lenders will require that you have such a policy before they will approve your loan.

Outside of high-risk areas, flood insurance is also available, usually at lower cost. A Preferred Risk Policy covers both a home and its contents, with premiums as low as \$119 per year. While you aren’t federally required to have flood insurance in a low-to-moderate risk area, that does not mean you won’t ever need it. Large floods often extend beyond the boundaries of high-risk areas and smaller floods occur outside high-risk areas as well. In fact, a quarter of all flood insurance claims come from low-to-moderate risk areas.

Flood insurance is sold and serviced by private insurers, and backed by the federal government. Flood insurance costs the same wherever you purchase it, because the rates are set by the National Flood Insurance Program.

Flood insurance covers both homes and businesses. With residential coverage you can get up to \$250,000 of insurance to protect your home and up to \$100,000 to protect its contents. If you are located in (or moving into) a high-risk area, federally regulated or insured lenders will require you to have flood insurance for the amount remaining on your mortgage, or \$250,000, whichever is lower.

Different types of policies are available based on your property’s location and flood history.

**Standard Flood Insurance Policies** - If you live in a community that participates in the NFIP, your building and its contents can be covered. You must apply for building coverage and contents coverage separately.

**Preferred Risk Policies** - If your home or business is in a low or moderate risk zone, your building may qualify for a low-cost Preferred Risk Policy.

#### **Don’t Wait Until It’s Too Late**

Regardless of the type of policy you choose, there is a standard 30-day waiting period, from date of purchase, before a new flood policy goes into effect. The 30-day waiting period does not apply if:

- The initial purchase of flood insurance occurs in connection with the making, increasing, extension, or renewal of a loan in a high-risk zone by a regulated lender; or
- The initial purchase of flood insurance occurs within one year of a map change.

# Pacific Specialty Insurance Company EXCESS FLOOD POLICY

XSF-POL (Ed. 1.0)

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This policy is a legal contract between the policy owner and the company.

### READ YOUR POLICY CAREFULLY

#### Insuring Agreements

In return for payment of premium, Pacific Specialty Insurance Company agrees to provide excess flood insurance coverage for damage to the property described in the declarations, subject to the terms, conditions, and exclusions of:

1. this policy; and
2. the **underlying policy**, specified on the declarations.

#### Definitions

"We", "Us" and "Our" – Pacific Specialty Insurance Company.

"You" and "Your" – the Named Insured shown in the declarations.

"Underlying insurance" – the total limits of all insurance including the **underlying policy** and any self-insured retentions excess of which this policy is written.

"Underlying policy" – a policy issued directly by the National Flood Insurance Program, or by a company through its participation in the Write Your Own Flood program under which the Federal Government bears 100% of the risk, as indicated on the declarations page.

"Food", as used in this policy, means:

1. A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is **your** property) from:
  - a. Overflow of inland or tidal waters;
  - b. Unusual and rapid accumulation or runoff of surface waters from any source;
  - c. Mudflow. A river of liquid and flowing mud on the surfaces of normally dry land areas, as when earth is carried by a current of water. Other earth movements, such as landslide, slope failure, or a saturated soil mass moving by liquidity down a slope, are not mudflows.
2. Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or

undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a **flood** as defined in 1.a above.

"Aggregate" – the maximum amount of damages **we** will pay under this excess policy during the policy term.

#### Excess Flood Insurance

This policy provides excess **flood** insurance for damage to the property described in the declarations only. It does not replace, contribute to, or participate with:

1. any required **underlying insurance**; or
2. other insurance which applies to the loss.

This policy only provides coverage for claims that are covered by the underlying policy, subject to the terms, conditions and exclusions specified herein.

#### Exclusions

A. In addition to the exclusions applicable to the **underlying policy**, we will not pay for loss or damage to:

1. artwork, photographs, collectibles or memorabilia, including but not limited to porcelain or other figures, and sports cards;
  2. rare books or autographed items;
  3. jewelry, watches, precious and semiprecious stones, or articles of gold, silver or platinum;
  4. furs or any article containing fur which represents its principal value;
  5. bridges;
  6. dams and tunnels;
  7. boat houses;
  8. any structure not on permanent or fixed foundations;
  9. buildings entirely over water; or
  10. buildings in the course of construction.
- B. Also in addition to the exclusions applicable to the **underlying policy**, we will not pay for loss or damage arising from:
1. war risk;
  2. bombardment;
  3. invasion;
  4. insurrection;
  5. rebellion;
  6. revolution;
  7. military or usurped power; or
  8. confiscation by order of:
    - a. any government authority; or
    - b. public authority,
  9. as excluded under the standard policy containing a standard war excluding clause.
  10. Loss or liability excluded by the provisions of Nuclear Incident Exclusion Clauses.
  11. All liability beyond circumscribed policy provisions, including but not limited to:
    - a. punitive damages;
    - b. exemplary damages; or
    - c. consequential or compensatory damages resulting from an action of an insured or assignee against the Company.
  12. Loss, damage, costs for testing or monitoring, or any other expenses arising from the **contamination** of any **environment** by

**pollutants** anywhere, anytime, in anyway. Nevertheless, this exclusion does not preclude payment of the cost of removal of debris of property damage by a loss otherwise covered hereunder, but subject always to a limit of not more than \$25,000 any one loss, any one location, any one original assured;

"Contamination" means any:

- a. unclean;
  - b. unsafe;
  - c. damaging;
  - d. injurious; or
  - e. unhealthful
- condition arising out of the presence of pollutants, whether permanent or transient in any environment.

"Environment" includes:

- a. animals;
- b. crops and vegetation;
- c. land;
- d. bodies of water;
- e. underground water or water table supplies; or
- f. air and any other feature of the earth or its atmosphere, whether or not altered, developed or cultivated, including, but not limited to any of the above, owned, controlled, or occupied by an insured.

"Pollutants" means: Substances that include, but are not limited to, any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, **waste**, mold, fungi, mildew, spores, wet or dry rot, bacteria, yeasts, virus, mycotoxins or other metabolic products, or similar organisms, regardless of cause. "Waste" includes but is not limited to, materials to be recycled, reconditioned, or reclaimed

12. All loss, damage, injury, liability, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any of the following regardless of any other cause or event contributing concurrently or in any other sequence to the loss, including all loss, damage, injury, or liability arising out of any act by any governmental authority for the purpose of preventing, terminating, countering or responding to any act of or threat of **terrorism** or war risk. This includes all loss, damage, injury, liability, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to limiting loss caused by **terrorism** or war.

"Terrorism" means any act or action, or actual, impending or the threatened or expected act or action against persons(s), property or communication/information system(s), including but not limited to the use of force or violence and/or threat thereof.

- a. of any person or group(s) of persons,

- b. whether acting alone or on behalf or in connection with any organization(s) or government(s)
2. motivated by or committed for political, religious, social, racial, ethnic, ideological, philosophical or similar purposes (whether the loss, damage or injury resulting therefrom is accidental or intentional),
  - a. including the intention to put the public, or any sector of the public, in fear, and/or
  - b. to intimidate, coerce or punish any sector of the public or government and/or
  - c. to influence any government or government entity, and/or
  - d. to disrupt any segment of the economy including disrupting or interfering with electronic or communication/information system(s) including the system's hardware and software.

#### Limit of Liability

Our Limit of Liability is:

1. excess of the **underlying insurance**;
  2. indicated in Section I of the declarations; and
  3. an **aggregate** limit applicable to the policy term.
- We will pay only those amounts:

1. within our limit of liability; and
2. which exceed the limits of any required **underlying insurance**.

#### Required Underlying Insurance

A condition of this policy is that **you** maintain **underlying insurance** coverage:

1. equal to the maximum amount allowable under the National Flood Insurance Program; and
2. during the policy period as stated in the declarations

Coverage under this policy will automatically cease: if the **underlying policy**,

1. a. is canceled; or
- b. expires without being renewed; and
2. effective the date coverage under the **underlying policy** is terminated.

#### Policy Renewal

The term of this policy commences on its inception date and ends on its expiration date, as shown on the Declaration Page, which is attached to the policy. Unless otherwise specified by endorsement to this policy, **we** are under no obligation to:

1. Send **you** any renewal notice or other notice that **your** policy term is coming to an end and the receipt of any such notice by **you** shall not be deemed to be a waiver of this provision on **our** part.
2. Assume that **policy changes** reflected in endorsements submitted by **you** during the

policy term and accepted by **us** are included in any renewal notice or new policy, which **we** send to **you**. "Policy changes" includes the addition of any increases in the amounts of coverage.

**Cancellation**

**You** may cancel this policy by sending **us** written notice stating when, thereafter, cancellation will be effective.

**We** may cancel this policy by mailing written notice to **you** at **your** last known address, stating when, thereafter, cancellation will be effective. Proof of mailing is sufficient proof of notice.

If this policy is canceled for nonpayment of premium, **we** will give **you** at least 10 days notice, otherwise, **we** will give **you** at least 30 days notice, unless otherwise stated in an endorsement to this policy covering cancellation and non-renewal provisions herein. Coverage will stop at the date and time stated in this notice.

This policy will be canceled pro rata and all fees, as well as any applicable minimum earned premium, will be retained.

IN WITNESS WHEREOF, we have caused this policy to be executed and attested.



President



Secretary

## Pacific Specialty Insurance Company GEORGIA EXCESS FLOOD ENDORSEMENTS

GA-XSF-END (Ed.1.10)

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#### **ENDORSEMENT NO. PNGF-GA-PER (06/01) (Residential)**

If the policy or coverage part to which this endorsement applies contains cancellation or nonrenewal provisions more favorable to the Named Insured than this endorsement, then those provisions apply.

1. The Cancellation condition is replaced by the following:
  - A. Cancellation
    1. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.
    2. During the first 60 days that the policy is in effect, we may cancel this policy by mailing or delivering to all Named Insureds written notice of cancellation, stating the reason for cancellation, at least 10 days before the effective date of cancellation if we cancel for any reason.
    3. After the policy has been in effect for more than 60 days, we may cancel this policy by mailing or delivering to all Named Insureds written notice of cancellation, stating the reason for cancellation, for only the following reasons:
      - a. nonpayment of premium, notice of cancellation will be delivered to the first Named Insured no later than 10 days before the effective date of cancellation;
      - b. fraud or material misrepresentation on the application, in continuing the policy, or in pursuing a claim;
      - c. a substantial increase in any hazard insured against;
      - d. if the first Named Insured violates any of the material terms or conditions of this policy.

For reasons b. through d. above, notice of cancellation will be delivered to the first Named Insured no later than 30 days before the effective date of cancellation. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.

4. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
  5. If we cancel, the refund will be pro rata. If the Named Insured(s) cancel, the refund will be 90% of pro rata unless otherwise specified in our filed manual rules. The cancellation will be effective even if we have not made or offered a refund. We will send any premium.
  6. If notice is mailed, proof of mailing will be sufficient proof of notice.
- B. Nonrenewal**
1. If we elect not to renew this policy, we will mail or deliver a notice of nonrenewal to all Named Insureds, stating the reason for nonrenewal, at least 30 days before the expiration date.
  2. We will mail or deliver written notice of nonrenewal to the last mailing address known to us. If notice is mailed, it will be sent by ordinary mail for which a Certificate of Mailing has been obtained, or by registered or certified mail.
- C. The following condition supersedes any other provisions to the contrary.**
1. Cancel or nonrenew this policy, or
  2. Increase current policy premium by more than 15% (other than any increase due to change in risk, exposure or experience modification or resulting from an audit of auditable coverages), or
  3. Change any policy provision which would limit or restrict coverage, then:
    1. We will mail or deliver notice of our action (including the dollar amount of any increase in renewal premium of more than 15%) to the first Named Insured and lienholder, if any, at the last mailing addresses known to us. We will mail or deliver notice at least:
      1. 10 days before the effective date of cancellation if this policy has been in effect less than 60 days or if we cancel for nonpayment of premium, or
      2. 45 days before the effective date of cancellation if this policy has been in effect 60 or more days and we cancel for reason other than nonpayment of premium, or
      3. 45 days before the expiration date of this policy, if we decide to nonrenew, increase the premium or limit or restrict coverage.

applies contains cancellation or nonrenewal provisions more favorable to the Named Insured than this endorsement, then those provisions apply.

1. The Cancellation condition is replaced by the following:
  - A. Cancellation
    1. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation stating a future date on which the policy is to be cancelled, subject to the following:
      - a. If only the interest of the first Named Insured is affected, the effective date of cancellation will be either the date we receive notice from the first Named Insured or the date specified in the notice, whichever is later. However, upon receiving a written notice of cancellation from the first Named Insured, we may waive the requirement that the notice state the future date of cancellation, by confirming the date and time of cancellation in writing to the first Named Insured.
      - b. If by statute, regulation or contract this policy may not be cancelled unless notice is given to a governmental agency, mortgagee or other third party, we will mail or deliver at least 10 days notice to the first Named Insured and the third party as soon as practicable after receiving the first Named Insured's request for cancellation. Our notice will state the effective date of cancellation, which will be the later of the following:
        - (1) 10 days from the date of mailing or delivering our notice, or
        - (2) The effective date of cancellation stated in the first Named Insured's notice to us.
      - c. Premium Refund
        - (1) If this policy is cancelled, we will send the first Named Insured any premium refund due.
        - (2) If we cancel, the refund will be pro rata, except as provided in c. below.
        - (3) If the cancellation results from failure of the first Named Insured to pay when due, any premium to us or any amount, when due, under a premium finance agreement, then the refund may be less than pro rata. Calculation of the return premium at less than pro rata represents a penalty charged on unearned premium.

(4) If the first Named Insured cancels, the refund may be less than pro rata.

2. We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:
    - a. 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
    - b. 30 days before the effective date of cancellation if we cancel for any other reason.
  3. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.
  4. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
  5. If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata. The cancellation will be effective even if we have not made or offered a refund.
  6. If notice is mailed, proof of mailing will be sufficient proof of notice.
- II. The following Condition supersedes any other provisions to the contrary.**
1. Cancel or nonrenew this policy, or
  2. Increase current policy premium by more than 15% (other than any increase due to change in risk, exposure or experience modification or resulting from an audit of auditable coverages), or
  3. Change any policy provision which would limit or restrict coverage, then:
    1. We will mail or deliver notice of our action (including the dollar amount of any increase in renewal premium of more than 15%) to the first Named Insured and lienholder, if any, at the last mailing addresses known to us. We will mail or deliver notice at least:
      1. 10 days before the effective date of cancellation if this policy has been in effect less than 60 days or if we cancel for nonpayment of premium, or
      2. 45 days before the effective date of cancellation if this policy has been in effect 60 or more days and we cancel for a reason other than nonpayment of premium, or
      3. 45 days before the expiration date of this policy, if we decide to nonrenew, increase the premium or limit or restrict coverage.

#### **ENDORSEMENT NO. PNGF-GA-FV (05/01) GEORGIA NOTICE**

The laws of the State of Georgia prohibit insurers from unfairly discriminating against any person based upon his

If the policy or coverage part to which this endorsement

**Pacific Specialty Insurance Company  
GEORGIA EXCESS FLOOD ENDORSEMENTS**

or her status as a victim of family violence.

**ENDORSEMENT NO. PNGF-MOLDADD  
(05/02) Pacific Specialty Insurance  
Company Amendatory Endorsement –  
Excess Flood Program (Applicable in the  
States of: AL, AK, FL, GA, MD)**

The definition of "Pollutants" under paragraph 11. of the section entitled **EXCLUSIONS** is hereby amended as follows:

"Pollutants" means: Substances that include, but are not limited to, any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, and **waste**. "Waste" includes but is not limited to, materials to be recycled, reconditioned, or reclaimed.

All other terms and conditions shall remain the same.

**ENDORSEMENT NO. PNGF-TERRADD  
(05/02) Pacific Specialty Insurance  
Company Amendatory Endorsement –  
Excess Flood Program (Applicable in the  
States of: AK, FL, GA, HI, MD)**

Paragraph 12. of the section entitled **EXCLUSIONS** is hereby deleted in its entirety.

All other terms and conditions shall remain the same.

**POLICY SERVICE**

**NOTE: You MUST refer to your policy number** when asking for information.

**Northern California**  
McGraw Insurance Services  
3601 Haven Avenue  
Menlo Park, CA 94025-1010  
(650) 780-4800  
(800) 828-3003

**Southern California**  
McGraw Insurance Services  
P.O. Box 40  
Anaheim, CA 92815-0040  
(714) 998-2190  
(800) 303-5000

**FOR REPORTING OF CLAIMS:**

Please Call:  
**800-962-1172**

**POLICY NUMBER MUST ACCOMPANY  
CLAIM REPORT AND ALL  
CORRESPONDENCE**



## 2. Personal Watercraft

Personal watercraft are not generally covered by homeowners or auto insurance, and where they are, the coverage limits can be fairly low. You may need to purchase a specifically designed policy in order to insure these vessels. The personal watercraft policy covers:

- Bodily injury
- Property damage
- Guest passenger liability
- Medical payments
- Theft

Typical policies include deductibles of \$250 for property damage, \$500 for theft and \$1,000 for medical payments, although these may vary from company to company.

Liability limits start at \$15,000 and can be increased to \$300,000. This coverage will provide financial protection if your personal watercraft is involved in an accident.

Most policies also include water sports liability, which covers risks associated with activities such as waterskiing.

### **Did You Know...**

*According to a countrywide survey of boaters conducted by The Progressive Group of Insurance Companies*

### **Myths about Boat Insurance**

#### **Required by Law**

Nearly half (44 percent) of boaters surveyed mistakenly believe boat insurance is required by law in all U.S. states and more than a quarter (26 percent) mistakenly believe boat insurance is only required if a boat is 24 feet or longer.

#### **Roaming Charges**

Three out of every four boaters surveyed (76 percent) mistakenly believe boat insurance covers them anywhere they decide to go boating in the continental U.S.

#### **All Boat Insurers Are Not Created Equal**

Twenty (20) percent of boaters mistakenly believe that all boat insurance companies use the same information in the same way to determine rates. And, 23 percent of boaters surveyed mistakenly believe all boat insurers provide the same level of claims service.

#### **Always Covered ... Maybe NOT**

One-third (33 percent) of boaters surveyed mistakenly believe they would be covered in all of the following situations if their boat was added as an endorsement on their homeowners policy - meaning the boat has been listed as an asset, the same way someone would add jewelry or other personal items. Potentially uncovered claims situations include: their fishing equipment or personal belongings are lost or stolen; their vehicle breaks down while towing their boat and needs to be towed; and their boat is destroyed and the wreckage needs to be removed.

# PACIFIC SPECIALTY INSURANCE COMPANY PERSONAL WATERCRAFT POLICY

VS-PWC-POL (ED.1.0)

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## AGREEMENT

We will provide the insurance described in this policy, in return for premium and compliance with the policy provisions.

## DEFINITIONS

Throughout this policy, "you" and "your" mean: (1) the insured named on the Declarations Page; (2) the spouse if a resident of the same household; "We," "us" and "our" refer to the company providing this insurance. Certain other words printed in dark type in this policy, are defined as follows:

**Insured person** means: (1) you; (2) a Relative; (3) any other person or organization using the insured watercraft with your permission. Insurance provided other persons or organizations under this policy does not cover their possible liability to you or you to your spouse.

**Relative** means: a person related to you by blood, marriage or adoption who is a resident of your household, including a ward or foster child.

**Personal Watercraft** means: a vessel certified for maximum capacity of three (3) people, maximum overall length of 11 feet, with an inboard engine and propelled by impeller drive/jet drive.

**Insured Watercraft** means: (1) the personal watercraft or Jet Drive Boat under 16 feet, owned by the insured and named on the Application, or Declarations Page; (2) any personal watercraft of which you acquire ownership during the policy period; You must notify us within thirty (30) days of the time you acquire the watercraft and pay any additional premium required.

**Sinking** means: the total submersion of the insured watercraft to the bottom of a body of water. Mere intrusion of water into components is not sinking.

## SECTION A – WATERCRAFT AND EQUIPMENT

### WHAT WE INSURE

We cover the **Insured Watercraft** and equipment normally required to be on board for the operation of the watercraft, including safety equipment required by regulatory agencies, including up to three personal flotation devices. Coverage is provided while the **Insured Watercraft** and equipment are:

1. afloat;
2. on shore;
3. being transported on a land conveyance within the continental United States and Canada.

### COVERAGE PROVIDED

We will pay for direct, sudden and accidental loss of or damage to the **Insured Watercraft** and equipment, minus any applicable deductible shown on Application, or Declarations Page. The deductible will be the highest deductible on the Application or Declarations Page. If two or more covered losses result from the same accident or occurrence, each vehicle deductible applies, but no more than one deductible per vehicle. We will not pay for the cost of repairing or replacing any defective part.

### VALUATION

The amount we will pay for loss of or damage to your **Insured Watercraft** and Equipment will be the lowest of:

1. The difference between the actual cash value of your property immediately before the loss and its actual cash value immediately after the loss;
2. The cost of repairing the damage;
3. The actual cash value of your property immediately preceding the loss;
4. The cost of replacing your property.

We may elect to replace the property with property of similar kind, quality and value with deduction for depreciation.

If we pay you in cash or by replacement an amount equal to the actual cash value of your property before the loss, we have the option to take legal title and possession of your property.

Any applicable deductible shown on the Application or Declarations Page will be deducted from the loss.

### UNREPAIRED DAMAGE

If the damage to the Insured Watercraft or its equipment is not repaired, we will be liable for only the actual cash value of the damaged parts. Our liability will not exceed what it would cost to repair or replace the damaged property with material of like kind and quality.

### OUR OPTION OF REPAIR

We have the option of limiting payment to the reasonable cost of applying suitable patches to the damaged area in accordance with good repair practice.

### LIMIT OF LIABILITY

We will pay only the manufacturer's suggested list price or less on any replacement parts or replacement accessories with deduction for betterment or depreciation.

We will pay only the prevailing local area labor rates. Prevailing local area labor rates are the average of three

or more franchised watercraft dealerships labor rates within a 20 mile radius.

## SECTION B – TRAILER

### WHAT WE INSURE

We cover the trailer used for transporting the Insured Watercraft if a premium amount is shown for the trailer on Application, or Declarations Page minus any deductible.

### COVERAGE PROVIDED

We will pay for direct and accidental loss to the trailer caused by: (1) fire; (2) lightning; (3) windstorm; (4) explosion; (5) collision; (6) upset; (7) theft.

### VALUATION

The amount we will pay for loss of or damage to your Trailer will be the lowest of:

1. The difference between the actual cash value of your Trailer immediately before the loss and its actual cash value immediately after the loss;
2. The cost of repairing the damage;
3. The actual cash value of your Trailer immediately preceding the loss;
4. The cost of replacing your Trailer.

We may elect to replace the Trailer with a Trailer of similar kind, quality and value with deduction for depreciation.

If we pay you in cash or by replacement an amount equal to the actual cash value of your Trailer before the loss, we have the option to take legal title and possession of your Trailer.

Any Applicable deductible shown on the Application or Declarations Page will be deducted from the loss. If two or more covered losses result from the same accident or occurrence, each vehicle deductible applies, but no more than one deductible per trailer.

## EXCLUSIONS WHICH APPLY TO SECTIONS A AND B

We will not pay for the following losses to **Insured Watercraft**, or equipment or the trailer:

1. Due and confined to:
  - a. wear and tear;
  - b. gradual deterioration (including marine life);
  - c. marring, denting, scratching, chipping or electrolysis;
  - d. mechanical breakdown;
  - e. corrosion, rust, dampness of atmosphere, weathering;
  - f. unseaworthiness;
  - g. defective design;
  - h. water intrusion into mechanical or electrical components;
  - i. vermin;
2. Arising out of any intentional act committed:
  - a. by or at the direction of any **Insured Person**; and
  - b. with the intention to cause a loss.

3. Resulting directly or indirectly from ice, freezing or extremes of temperature.

4. While the **Insured Watercraft** or trailer is consigned to anyone for sale.

5. Loss to radios, stereos, CB's and special paints unless factory installed. In the event of theft, coverage extends to the factory installed equipment only if the entire **Insured Watercraft** is stolen.

6. Due to impounding, seizure, or confiscation by duly authorized governmental or civil authority.

7. Due to conversion, embezzlement or secretion by any person in possession of the **Insured Watercraft** under a bailment lease, conditional sale, purchase agreement, mortgage or other encumbrance.

8. Which occurs while the **Insured Watercraft** is in, or in preparation for any organized race or speed contest.

9. Loss to electrical apparatus caused by artificially generated currents, unless fire results, and then only for loss caused by the resulting fire.

10. Loss to any accessories or non-standard equipment not originally installed by the original manufacturer.

11. Loss to any electrical component, rudder, impeller, propeller, pump, strut or machinery inside or outside the **Insured Watercraft** unless caused by fire, collision with another watercraft, or by **sinking** if the sinking itself results from a covered loss.

12. Suffered by an insured after having voluntarily parted with title or possession whether or not induced to do so by fraudulent scheme, trick, device or false pretense.

## SPECIAL CONDITIONS WHICH APPLY TO SECTIONS A AND B

### ABANDONED PROPERTY

We are not obligated to accept any property which you abandon.

### STORAGE

Our total liability for storage charges incurred prior to the date which a loss is reported to us shall not exceed five (5) days storage.

### NO BENEFIT TO BAILER

No person or organization having custody of the property insured, and being paid for services, shall benefit from this insurance.

## SECTION D – WATERCRAFT LIABILITY

### LIABILITY COVERAGE

We will pay damages for bodily injury or property damage for which any **Insured Person** becomes legally liable through the ownership, maintenance or use of the **Insured Watercraft**. No liability coverage is provided while unit(s) are being transported on land. No liability coverage is provided for the trailer. We will settle or defend as we consider appropriate, any claim or suit asking for these damages. Our obligation to settle or defend ends when the amount we pay for damages equals our limit of liability for this coverage.

# PACIFIC SPECIALTY INSURANCE COMPANY PERSONAL WATERCRAFT POLICY

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<p><b>SUPPLEMENTARY PAYMENTS</b> In addition to the limit of liability shown for Watercraft Liability on the Application, or Declarations Page, we will pay on behalf of an <b>Insured Person</b>:</p> <ol style="list-style-type: none"> <li>1. Premiums on appeal bonds required in any suit we defend. We will not pay for bonds in amounts which exceed the limit of liability for Watercraft Liability.</li> <li>2. Interest on our portion of the judgment which is earned before we make payment.</li> <li>3. Loss of earnings (but not of other income) of up to \$50 a day for attendance at court proceedings at our request.</li> <li>4. Other reasonable expenses incurred at our request.</li> </ol> <p><b>EXCLUSIONS</b> We do not provide coverage under Watercraft Liability for any person for bodily injury or property damage:</p> <ol style="list-style-type: none"> <li>1. Arising out of any intentional act committed:             <ol style="list-style-type: none"> <li>a. by or at the direction of any <b>Insured Person</b>; and</li> <li>b. with the intent to cause a loss.</li> </ol> </li> <li>2. Incurred during the course of employment if Worker's Compensation or Federal Longshorement's and Harbor Workers' compensation benefits are required or available for the injury.</li> <li>3. Arising out of the transportation of the <b>Insured Watercraft</b> on land.</li> <li>4. Assumed by an <b>Insured Person</b> under any contract or agreement.</li> <li>5. Incurred while the <b>Insured Watercraft</b> is in, or in the preparation for, any organized race or speed contest.</li> <li>6. Occurring while the <b>Insured Watercraft</b> is being used to tow any glider, kite, autogiro or other airborne or experimental devices.</li> <li>7. To property in the care, custody or control of an <b>Insured Person</b>.</li> <li>8. While the <b>Insured Watercraft</b> is being used for waterskiing, aquaplaning or any similar water sport involving towing an object and/or person. This exclusion applies whenever the tow rope is connected to the <b>Insured Watercraft</b>.</li> <li>9. When the ultimate benefits of that indemnification accrue directly or indirectly to the insured.</li> <li>10. To any agent or employee thereof, employed or otherwise engaged in the business of selling, repairing, servicing, delivering, testing, parking or storing <b>Insured Watercraft</b> with respect to any accident arising out of the maintenance or use of an <b>Insured Watercraft</b> in connection therewith.</li> <li>11. Liability for bodily injury or property damage to a relative or an <b>Insured Person</b>.</li> <li>12. Liability for bodily injury or property damage to an <b>Insured Person</b>.</li> </ol> <p><b>LIMIT OF LIABILITY</b> The limit of liability shown for Watercraft Liability on Application, or Declarations Page, is our maximum limit of liability under this Section. This is the most we will pay per accident regardless of the number of:</p> <ol style="list-style-type: none"> <li>1. <b>Insured Persons</b>;</li> <li>2. claims made;</li> <li>3. persons injured.</li> </ol> <p>If increased limits are shown on the Application, or</p>	<p>Declarations Page, these limits are not an additional amount added to the basic limits.</p> <p style="text-align: center;"><b>SECTION F – MEDICAL PAYMENTS</b></p> <p><b>COVERAGE PROVIDED</b> We will pay reasonable and necessary medical and funeral service expenses:</p> <ol style="list-style-type: none"> <li>1. incurred within one year from the date of an accident, resulting from ownership, maintenance, or use of the <b>Insured Watercraft</b>. Medical expenses means charges for medical, surgical, X-ray, dental, ambulance, hospital and professional nursing services.</li> </ol> <p><b>EXCLUSIONS</b> We do not provide coverage under Medical Payments for any person for bodily injury:</p> <ol style="list-style-type: none"> <li>1. Incurred during the course of employment if Worker's Compensation or Federal Longshorement's and Harbor Workers' Compensation benefits are available.</li> <li>2. Sustained while in, boarding or leaving the <b>Insured Watercraft</b> without a reasonable belief that the person is entitled to be on board the <b>Insured Watercraft</b>.</li> <li>3. Resulting from liability assumed by an <b>Insured Person</b> under contract or agreement.</li> </ol> <p><b>LIMIT OF LIABILITY</b> The limit of liability shown for Medical Payments on the Application, or Declarations Page is our maximum limit of liability under this Section, if a premium amount is shown for medical payments on the Application, or Declarations Page. This is the most we will pay per accident regardless of the number of:</p> <ol style="list-style-type: none"> <li>1. <b>Insured Persons</b>;</li> <li>2. claims made;</li> <li>3. persons injured.</li> </ol> <p><b>ARBITRATION</b> If the persons insured making claim under Coverage F (Medical Payments) and we do not agree on the insured's right to be paid any or all of the amount of the medical expenses such persons incur and is claiming under the Medical Payments coverage of this policy, then, upon written request of either party, the disagreement will be submitted to and settled by arbitration before a single neutral arbitrator. If the parties cannot agree on the selection of an arbitrator, application for appointment of an arbitrator shall be made to the Superior Court of the State of California in and for any county which is a proper county for the filing of a suit for bodily injury arising out of the accident.</p> <p>Discovery shall be allowed under this Part to the same extent as is authorized by Section 11580.2(f) of the insurance code of the State of California.</p> <p>Any award made in arbitration proceeding shall be within the terms and limits of coverage as provided by the Medical Payments Coverage of this policy. The decision or award as determined in arbitration, if within the terms and limits of coverage as provided by the Medical</p>	<p>Payments Coverage of this policy, shall be final and binding upon the persons insured and us and may be entered as a judgment in a court of law having competent jurisdiction.</p> <p>Expenses and fees of arbitration shall be paid as provided in Section 1284.2 of the California Code of Civil Procedure.</p> <p style="text-align: center;"><b>SECTION G – DUTIES FOLLOWING A LOSS</b></p> <p><b>DUTIES FOLLOWING ANY LOSS</b> In the event of any loss covered by this policy you must:</p> <ol style="list-style-type: none"> <li>1. Give us immediate notification of the loss, including:             <ol style="list-style-type: none"> <li>a. details as to how, when and where the loss occurred;</li> <li>b. the property involved;</li> <li>c. the names and addresses of any injured person;</li> <li>d. the names and addresses of any witnesses.</li> </ol> </li> <li>2. Promptly forward to us any legal papers or notices received in connection with the loss.</li> <li>3. Not assume any obligation, admit any liability or incur any expense for which we may be liable without our written permission.</li> <li>4. Cooperate with us in the investigation, defense or settlement of any loss.</li> <li>5. Agree to be examined under oath if we so request.</li> <li>6. Permit us to examine any records needed to verify the loss, its amount, the ownership and interest in the <b>Insured Property</b>.</li> <li>7. Submit written proof of loss when requested.</li> <li>8. Submit theft affidavit completely filled out, properly signed when requested.</li> <li>9. Protect the <b>Insured Property</b> from further damage; we will cover the reasonable expenses incurred to protect the <b>Insured Property</b> from further loss.</li> </ol> <p><b>DAMAGE TO PROPERTY</b> A person presenting a claim for damage to <b>Insured Property</b> must also:</p> <ol style="list-style-type: none"> <li>1. Give prompt notice to the police or U.S. Coast Guard authorities upon discovery of a theft of any <b>Insured Property</b> and following a hit and run accident. A police report will be required.</li> <li>2. Permit us to inspect the damaged property before it is disposed of or repaired.</li> </ol> <p><b>BODILY INJURY</b> A person presenting a claim for bodily injury must also:</p> <ol style="list-style-type: none"> <li>1. Submit, as often as we request, to physical examinations by physicians of our choice.</li> <li>2. Permit us to obtain copies of medical reports and other necessary medical records.</li> </ol> <p style="text-align: center;"><b>SECTION H – CONDITIONS WHICH APPLY TO ALL SECTIONS OF THIS POLICY</b></p> <p><b>CHANGES IN POLICY</b> This policy contains all the agreements between you and us. No changes may be made unless they are in writing signed by us.</p> <p><b>POLICY PERIOD, TERRITORY</b> This policy applies only to losses which occur during the</p>
<p>policy period and:</p> <ol style="list-style-type: none"> <li>1. While the <b>Insured Watercraft</b> is inside:             <ol style="list-style-type: none"> <li>a. The Navigational Limits specified on the Declarations Page;</li> <li>b. the ten (10) mile boundary off of the coast of the United States, its territories or possessions or Canada.</li> </ol> </li> </ol> <p><b>PRIVATE PLEASURE USE ONLY</b> We do not provide coverage while the <b>Insured Watercraft</b> is:</p> <ol style="list-style-type: none"> <li>1. on exhibition;</li> <li>2. in organized racing events;</li> <li>3. rented to others;</li> <li>4. used for other commercial purposes.</li> <li>5. used for other commercial purposes.</li> </ol> <p><b>WAR AND NUCLEAR EXCLUSION</b> We will not pay for any loss resulting directly or indirectly from:</p> <ol style="list-style-type: none"> <li>1. Radioactive contamination.</li> <li>2. Discharge of any nuclear weapon (even if accidental).</li> <li>3. War, invasion, hostilities, acts of foreign enemies, civil war, rebellion, insurrection, military, or usurped power, or martial law or confiscation by order of any government or public authority.</li> </ol> <p><b>CONCEALMENT OR FRAUD</b> We do not provide coverage for any insured who has intentionally concealed or misrepresented any material fact or circumstance relating to this insurance or any loss hereunder.</p> <p><b>LEGAL ACTION AGAINST US</b> No legal action may be brought against us unless there has been full compliance with all the terms of this policy. The action must be started within five (5) years after the accident causing the loss. In addition, under Section D – Watercraft Liability, no legal action may be brought against us until:</p> <ol style="list-style-type: none"> <li>1. we agree in writing that the <b>Insured Person</b> has an obligation to pay a specified amount;</li> <li>2. the amount of that obligation has been finally determined by judgment after trial. No person or organization has any right under this policy to bring us into any action to determine the liability of an <b>Insured Person</b>.</li> </ol> <p><b>OUR RIGHT TO BE REPAID</b> If we make payment for a loss to anyone or on behalf of anyone who has a right to recover damages from others, we shall take over that person's right to recover the damages. That person must cooperate with us in our efforts to recover the amount which we paid.</p> <p>If we make payment for a loss to anyone or on behalf of anyone who also recovers damages for that loss from others, that person shall hold the proceeds of the recovery in trust for us and shall reimburse us to the extent of our payment.</p> <p><b>PAYMENT OF LOSS</b> Payment of loss will be made within thirty (30) days after:</p>		

**PACIFIC SPECIALTY INSURANCE COMPANY  
PERSONAL WATERCRAFT POLICY**

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1. we reach agreement with you;
2. a final judgment is entered in court; or
3. an appraisal award is filed with us.

**NON-WAIVED PROVISIONS**

No action we make either to recover or save the property from further loss or in connection with investigation shall be considered as a waiver of any of our rights under this policy of any loss.

**APPRAISAL FOR PHYSICAL DAMAGE LOSSES**

1. If you and we fail to agree as to the amount of loss either may demand an appraisal of the loss. In such event, you and we shall each select a competent appraiser. The appraisers shall select a competent and disinterested umpire. The appraisers shall state separately the actual cash value and the amount of loss. If they fail to agree, they shall submit their differences to the umpire. An award in writing of any two shall determine the amount of the loss. You and we shall each pay the chosen appraiser. We shall bear equally the expense of the umpire.
2. We shall not be held to have waived any of our rights by any act relating to the appraisal.

**INSURANCE NOT REDUCED**

- Any loss which we pay will not reduce:
1. the amount of insurance;
  2. the limit of liability of the Section of this policy under which the loss was paid.

**Watercraft** and its equipment, the unearned premium will be refunded to you upon request of cancellation by you or your authorized representative.

If we pay a claim for the total loss of the **Insured** **Watercraft** and its equipment, the unearned premium will be refunded to you upon request of cancellation by you or your authorized representative.

**OTHER INSURANCE**

If there is other similar insurance on a loss covered by this policy we will pay our proportionate share as our limits of liability bear to the total limits of all applicable similar insurance.

Bankruptcy of any person or organization insured under this policy does not relieve us of any obligations under this policy.

**CANCELLATION**

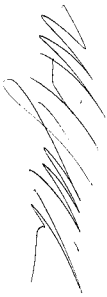
You may cancel this policy by returning it to us and stating, in writing, the future date you want it to be cancelled. We may cancel this policy by written notice to you at the address shown in this policy, or your last known address. Cancellation by us will be effective as of the date and time shown on the Cancellation Notice, but not less than ten (10) days after the date of mailing the notice. The mailing of notice is sufficient proof of notice of cancellation. Delivery of notice shall be equivalent to mailing. When you request cancellation, the return premium will be based on our short-rate table. When we cancel, the return premium will be pro rate of the annual premium.

**CONFORMITY TO STATUTES**

Any provision in this policy that conflicts with any State statute is hereby amended to conform to the minimum requirements of the State statute.

Our President and Secretary have signed this policy as witness to its provisions, but this policy shall not be valid unless also signed by a duly authorized representative of us.

**PACIFIC SPECIALTY INSURANCE COMPANY**



President



Secretary

**PACIFIC SPECIALTY INSURANCE COMPANY  
GEORGIA PERSONAL WATERCRAFT ENDORSEMENTS**

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<b>Endorsement No. NDGAE02-0798</b>	
<b>GEORGIA AMENDATORY ENDORSEMENT PERSONAL WATERCRAFT PROGRAM</b>	
It is agreed that under “Section H – Conditions which apply to all Sections of this policy”, the section titled, “CANCELLATION” is deleted and replaced with the following:	
<b>CANCELLATION</b>	
a. You may cancel this policy by returning it to us or our authorized representative or by advising us or our authorized representative in writing stating the future date you want it to be cancelled, subject to the following:	
(1) If only your interest is affected, the effective date of cancellation will be the later of the following:	
(a) the date we receive your notice of cancellation, or	
(b) the date specified in the notice.	
However, upon our receipt of your notice of cancellation, we may waive the requirement that the notice state the future effective date of cancellation, as provided in either a (1)(a) or a (1)(b) above, by confirming to you in writing the date and time of cancellation.	
(2) If by statute, regulation or contract, this policy may not be cancelled unless notice is given to a government agency, mortgagee or other third party, we will mail or deliver at least 10 days notice to you and the third party as soon as practicable after receiving your request for cancellation.	
Our notice will state the effective date of cancellation, which will be the later of the following:	
(a) 10 days from the date of mailing or delivering our notice; or	
(b) the effective date of cancellation stated in your notice to us.	
b. We may cancel this policy by mailing to you and to any lienholder or mortgagee shown in the policy, at the last address of record, written notice of cancellation stating the date cancellation is to take effect.	
A receipt provided by, or such other evidence of mailing as prescribed or accepted by the U.S. Postal Service will be sufficient proof of notice.	
(1) When you have not paid the premium, whether payable to us or to our agent, we may cancel at any time by notifying you at least 10 days before the date cancellation takes effect.	
(2) When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel by notifying you at least 10 days before the date cancellation takes effect.	
(3) When this policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel by notifying you at least 30 days before the date cancellation takes effect.	
c. When you request cancellation, the return premium will be based on our short rate table. When we cancel, the return premium will be pro rata.	
All other provisions of this policy apply.	
It is agreed that under “Section H – Conditions which apply to all Sections of this policy”, the following sections also apply.	
<b>NONRENEWAL</b>	
If we decide not to renew or continue this policy, we will mail notice to the named insured shown in the Declarations at the address last known to us. Notice will be mailed at least 30 days before the end of the policy period. If the policy period is other than 1 year, we will have the right not to renew or continue it only at each anniversary of its original effective date.	
<b>AUTOMATIC TERMINATION</b>	
If we offer to renew or continue and you or your representative do not accept, this policy will automatically terminate at the end of the current policy period. Failure to pay the required renewal or continuation premium when due shall mean that you have not accepted our offer.	
<b>OTHER TERMINATION PROVISIONS</b>	
1. We may deliver any notice instead of mailing it. A receipt provided by, or such other evidence of mailing as prescribed or accepted by the U.S. Postal Service shall be sufficient proof of notice.	
2. If this policy is cancelled, you may be entitled to a premium refund. If so, we will send you the refund. The premium refund, if any, will be computed according to our manuals. However, making or offering to make the refund is not a condition of cancellation.	
3. The effective date of cancellation stated in the notice shall become the end of the policy period.	
4. We will give the same advance notice of cancellation on nonrenewal to the Loss Payee stated in the policy.	
As we give the named insured shown in the Declarations.	
Applicable Only if Referenced by Number on Declarations Page	
<b>Endorsement Number – PSIC 1</b>	
<b>OPTIONAL WATERSPORTS LIABILITY COVERAGE</b>	
(Amendment of Watersports Liability Exclusion)	
In consideration of the additional premium paid – Section D – Watercraft Liability Exclusion 8 is amended to read: While the insured watercraft is being used for watersports, waterskiing, aquaplaning, kneeboarding, or any similar sport where a person or persons are in tow, the coverage under Section D is amended to provide up to \$15,000 per occurrence of policy liability limit for watersports liability exposure. This \$15,000 coverage is part of the stated policy combined single limit liability and not over and above the stated policy liability limit.	
<b>LOSS PAYABLE CLAUSE</b>	
If you borrowed money to buy your watercraft, the person or business that loaned you the money is called the loss payee. The designation of a loss payee on the Declarations is considered to be acknowledgment by you that the entity named has a legal interest in the watercraft due to an installment sales contract or other security agreement. Your loss payee may require you to name it on the Declarations as a separate insured party for an insurable interest it may have.	
When a loss payee is named on the Declarations, our payment method will recognize their interest in your property. If we elect to settle your loss or damage in money, both your name and your loss payee's will appear on our payment check. If you have paid off your loss payee, please tell us so that their name may be removed from the policy.	
If your interest in the watercraft is terminated, our payment method will recognize only the loss payee. No change in title or ownership of your watercraft or any negligent acts of yours will cancel the loss payee's interest in the policy.	
You or the loss payee must let us know of any change in ownership or any increase in hazard which comes to your or the loss payee's knowledge. If an increase in hazard requires an additional premium, you must pay the additional premium.	
If you fail to pay any premium due for this policy, your loss payee may be requested to pay that premium.	
If you fail to give us proof of loss within 90 days, the loss payee is given an additional 30 days to notify us of the loss.	
We have the right to cancel this policy as provided in the policy and the cancellation shall terminate this agreement with respect to the loss payee's interest. When we cancel, we will give the same advance notice of cancellation to the loss payee as we give to you.	
When we pay the loss payee, we are entitled, to the extent of our payment, to the loss payee's right of recovery.	
Nothing herein contained shall be held to vary, alter or extend any of the Agreements, Conditions, Declarations, Exclusions, Limitations or Terms of the policy except as herein provided, forming and a part of this policy.	
-----	
<b>POLICY SERVICE</b>	
<b>NOTE: You MUST refer to your policy number when asking for information.</b>	
<b>PACIFIC SPECIALTY INSURANCE COMPANY</b>	
P.O. Box 40	
Anaheim, CA 92815-0040	
(714) 998-2190	
(800) 303-5000	
(714) 998-3158 Fax	
3601 Haven Avenue	
Menlo Park, CA 94025-1010	
(650) 780-4800	
(800) 828-3003	
<b>FOR REPORTING OF CLAIMS:</b>	
Please Call:	
<b>800-962-1172</b>	
<b>POLICY NUMBER MUST ACCOMPANY CLAIM REPORT AND ALL CORRESPONDENCE</b>	

### 3. Earthquake

**Earthquake insurance** is a form of property insurance that pays the policyholder in the event of an earthquake that causes damage to the property. Most ordinary homeowner's insurance policies do not cover earthquake damage.

Most earthquake insurance policies feature a high deductible, which makes this type of insurance useful if the entire home is destroyed, but not useful if the home is merely damaged. Rates depend on location and the probability of an earthquake. Rates may be cheaper for homes made of wood, which withstand earthquakes better than homes made of brick.

As with flood insurance or insurance on damage from a hurricane or other large-scale disasters, insurance companies must be careful when assigning this type of insurance, because an earthquake strong enough to destroy one home will probably destroy dozens of homes in the same area. If one company has written insurance policies on a large number of homes in a particular city, then a devastating earthquake will quickly drain all the company's resources. Insurance companies devote much study and effort toward risk management to avoid such cases.



## II. Types of Casualty Policies

### A. Personal Automobile

Every insurance company is different—in fact, most companies pride themselves on the distinctions between them and their competitors. In personal insurance, however, these distinctions are not nearly as substantial as they are for business customers. The Personal Auto Policy is one of the most standardized policies in insurance.

But there are differences and informed consumers must distinguish between the coverage offered by various insurers. Price alone should not be the sole determinant in choosing an insurance company or agent. As we said earlier, the personal auto insurance market is very competitive and it is a good idea to shop around and make sure that you are receiving the most value for your insurance dollar. That does not mean that you will change insurance companies or agents for a few dollars of premium savings. Rather, it means that you have given careful evaluation to the protection, service, and price of any insurance product you purchase.

#### Overview of the Personal Auto Policy (PAP)

The Personal Auto Policy (PAP) was first introduced in 1977. There were other policies prior to that time, and the PAP itself has been revised several times since then. The policy is written in plain language, without a lot of technical terms and is easier to understand than previous versions. The policy is a package, or bundle, of insurance coverages put together in one policy and designed to meet the needs of individuals and families who own automobiles.

The policy we will discuss in this text is the one developed by the Insurance Services Office (ISO). ISO is a non-profit organization that develops policy forms for member insurance companies. Although the policies developed by ISO are used by many companies, you should keep in mind that there are variations among insurers and the specific terms and conditions of any policy must be reviewed before deciding whether or not coverage is provided.

In order to discuss the PAP in more detail, it will first be necessary to review some of the basics of all insurance policies.

Like other insurance policies, the PAP contains sections that combine to provide the necessary coverage. The sections of the PAP are:

#### Declarations Page

The declarations page is the front page of the policy where you will find the name of the person or persons insured, his or her address, a description of the vehicles covered, and other personal information. It is called a declarations page because it contains information that is declared by an applicant to the insurance company when applying for coverage.

You will hear people refer to this part of the policy as the “dec page.”

#### Insuring Agreement

All policies contain an insuring agreement, which is a broad statement of the insurance company’s obligations under the policy along with the responsibilities of the insured or policyholder.

It is usually brief, sometimes only a single sentence and may read like this: “If you (the insured) agree to pay your premiums, we (the insurance company) will pay your covered claims.”

## **Definitions**

All modern insurance policies contain a definitions section, or glossary of terms used in the contract. When a term has been defined in a policy, it has been given special meaning. These words are shown in a policy by using italics, bold face type, or quotation marks. Some of the important definitions contained in the PAP are discussed in later parts of this chapter.

## **Conditions**

Insurance policies are conditional contracts. This means that the insurance company is not obligated to pay all losses an insured might suffer. Coverage is provided only under certain conditions. For example, a vehicle is covered while it is operated in the United States, its territories and possessions (e.g., Guam), Puerto Rico, or Canada. Thus, if you drive your car to Mexico and it is damaged or you injure someone, there would be no coverage under your Personal Auto Policy. You can think of conditions as the “strings” attached to the insurance company’s promise to pay as stated in the insuring agreement.

## **Exclusions**

Since the insuring agreement is so broad, the policy contains a list of exclusions that more clearly define the coverage provided by the policy. Insurance companies do not put exclusions in policies simply to get out of paying legitimate claims. Exclusions are designed to eliminate coverage that should be provided by other policies the insured purchases, to eliminate coverage for catastrophic or uninsurable events such as nuclear war, or to keep premiums reasonable by covering only those events that are potentially serious for the insured. There is no reason an insurance policy could not cover absolutely every situation— except for the fact that no one could afford to pay the premium.

## **Endorsements**

Insurance policies are designed with the average policyholder in mind. Since people have special needs, policies must be modified or tailored using endorsements. An endorsement is a policy change.

## **Who Can Purchase a Personal Auto Policy?**

The Personal Auto Policy is intended for individuals and families who own or lease private passenger automobiles. A private passenger automobile is a car, van, station wagon, pick-up truck, or sport utility vehicle (SUV). The PAP has some restrictions on pick-ups and vans. They must weigh less than 10,000 pounds and not be used to deliver merchandise.

The reason for the restriction is simply to ensure that commercial-type vehicles are not covered using a Personal Auto Policy. A separate policy is available for businesses and other organizations that own commercial vehicles.

Individuals and married couples who own or lease private passenger automobiles may be insured under the PAP. Unrelated people who live in the same household and share ownership of a vehicle also may be insured by the PAP, provided each is listed as an individual.



## Summary of Coverage in the Personal Auto Policy

In addition to a declarations page, an insuring agreement, and a definitions section, the Personal Auto Policy contains six additional sections or parts:

### Part A — Liability Coverage

This section provides protection when you are held legally responsible to others for bodily injury or property damage that is caused by an auto accident. Coverage is generally provided when:

- ◆ You or your family members are using your own car (“your covered auto”)
- ◆ You are using someone else’s vehicle (a non-owned auto)
- ◆ Other drivers are using your car with permission You are covered when you use any auto. You have coverage under your own auto policy while driving your own car, when you borrow a friend’s car, or when you rent a car. Also, people who use your car with your permission are covered by your policy. Let’s say you loan your SUV to a friend who uses it to go skiing. While returning from the ski trip, she has an accident and injures several people who are in another vehicle. She would be insured under your Personal Auto Policy. The insurance policy that covers the car is considered the primary insurance. Any coverage the driver has is secondary.

Let’s look at the definition of some of the terms used in this part of the policy:

**Bodily Injury** (BI) is bodily harm, sickness, or disease, including death. This coverage applies when your car injures people in other vehicles, pedestrians or bicyclists, or passengers in your vehicle.

**Property Damage** (PD) is physical injury to or destruction of or loss of use of tangible property.

This coverage does not only apply to other vehicles, but also to buildings, telephone poles, fences, or any other property you might damage with your vehicle. The last part of this definition is important. If you hit someone and it takes 5 days to repair their vehicle, they will probably have to rent a car to get to work or school. The cost of their rental car is covered under your property damage coverage since it represents the “loss of use” of the vehicles.

Your **Covered Auto** includes four different types of vehicles that are covered under the PAP:

- ◆ The vehicles listed in the declarations (your car)
- ◆ A newly acquired vehicle (subject to certain restrictions), which means a new car you purchase in addition to one you already own or as a replacement for one you own
- ◆ A trailer you own
- ◆ A temporary substitute vehicle, which is one being used by you while your car is out of service due to breakdown, repair, servicing, loss, or destruction. If you take your car to the shop and they loan you a vehicle while yours is being fixed, it is considered a temporary substitute auto.

**You** means the person whose name is shown on the declarations page and your spouse if they reside with you.

**Family Member** means a person related to you by blood, marriage, or adoption who lives in your household.

These definitions are also important for the following sections of the PAP.

The limit of coverage under Part A is expressed as a dollar amount per person for Bodily Injury, a total amount of Bodily Injury for each accident (no matter how many people are hurt), and an amount for Property Damage for each accident. The minimum limit under any policy is the state financial responsibility limit.

Let's look at an example of how this coverage applies in the event of an accident. Let's say you live in Georgia, where the minimum limit for an auto policy is \$25,000 per person for BI, \$50,000 per accident for BI, and \$25,000 for PD. One rainy day, while driving your best friend to work, you swerve to avoid a pothole in the road. Unfortunately, you don't notice the car in the next lane until it is too late. You hit the other vehicle, causing it to swerve off the road, striking a fence. There is a mother and her small child in the other car. As a result of your negligence, the following injuries and damage occur:

1. Damage to the fence: \$3,000
2. Injuries to your best friend in your vehicle: \$2,000
3. Injuries to the small child: \$10,000
4. Injuries to the other driver: \$35,000
5. Damage to the other vehicle: \$28,000

The maximum amount that can be paid to any one person is \$25,000. Therefore, the policy will pay your friend's claim for injuries in full. The injuries to the child will also be paid in full. The medical costs for the other driver, however, will only be paid up to the per person limit of \$25,000—leaving you to pay the balance of \$10,000 out of your own pocket. The total of all injuries payable under the policy (\$3,000 + \$10,000 + \$35,000) is \$47,000, less than the per accident limit of \$50,000. As far as Property Damage, the total amount available under the policy is only \$25,000. The cost of all the damage, however, is \$31,000.

This leaves you responsible for \$6,000, plus the \$10,000 in Bodily Injury you owe. We will discuss the importance of having adequate limits in a later section of this topic.

### **Part B—Medical Payments Coverage (Med Pay)**

Medical payments coverage pays for medical expenses for you, your family members, and passengers in your car that result from auto accidents.

You are also covered when you are a passenger in another vehicle or when you are a pedestrian if a vehicle hits you. This coverage is not based on fault, so you are entitled to the coverage even if you are the cause of the accident.

The limit for Medical Payments applies per person, and there is no limit on the number of persons. Most people purchase a limit of between \$1,000 and \$5,000 for this coverage, although higher limits are available.

### **Part C—Uninsured Motorists Coverage (UM)**

Uninsured Motorists coverage pays you if you are struck by someone who does not have insurance. It also would pay if you were hit by a hit-and-run driver. The fact that you don't know who hit you means you are unable to determine whether or not they have insurance, so it is assumed they do not. Coverage is also provided if you or your family members are struck as pedestrians by a vehicle that is not insured.

You will collect whatever amount of injuries or damage the other person is legally responsible for. Note that you cannot collect from your insurance company simply because the other person's insurance company refuses to pay your claim. When this happens, it is usually due to the fact that the other party's insurer feels their policyholder was not at fault, and therefore is not legally responsible for the accident. In addition, by definition, they are not uninsured. The limits for UM coverage are usually the same as those under Part A—Liability. They may be increased in most cases. In most states, an insurance company must include UM coverage in every policy that provides liability protection, unless the insured rejects the coverage by signing an acknowledgment that they do not wish to have the coverage. Given the large number of automobiles driven by people who do not carry insurance, it is usually an unwise decision to refuse UM coverage.

#### **Underinsured Motorists Coverage (UIM)**

Think about this situation—if you are hit by an uninsured driver, you may be able to collect under your own Uninsured Motorists coverage.

Let's say your UM limits are \$50,000 per person, \$100,000 per accident. What if the person who hits you is insured, but their liability limits are only \$25,000/\$50,000. Given the large number of automobiles driven by people who do not carry insurance, it is usually an unwise decision to refuse UM coverage.

You would be better off if they had no insurance at all, because your Uninsured Motorists coverage would pay more than their liability limits! To rectify this situation, insurers also include what is called Underinsured Motorists coverage.

The 2008 Georgia Legislature passed the following legislation and it awaits the Governor's signature to become effective January 1, 2009.

If you are hit by a driver whose liability limits are less than your UM, the UIM coverage will pay the difference between the amount covered under their policy and your UM limit.

An example might be helpful. Let's say you insure your automobile with \$50,000 per person and \$100,000 per accident Uninsured Motorists coverage. You are struck by a vehicle and the driver carries only the minimum financial responsibility limits required in the state, \$25,000 per person, \$50,000 per accident. You are seriously injured and your medical bills amount to \$35,000. The other driver has only \$25,000 in coverage available to pay for your injuries. The balance, \$10,000, would be paid by your Underinsured Motorists coverage, since the limit of the other person's insurance is less than yours.

#### **Uninsured Motorists Property Damage (UMPD)**

Uninsured Motorists coverage was originally designed to pay for your injuries when struck by an uninsured driver. However, if the other party has no insurance, who will pay for the damage to your car? If you carry insurance for Collision, your policy would pay, but you would be responsible for the first \$100, \$250, or \$500 of the damage due to your deductible.

If you don't carry Collision insurance, as we discussed above, you would have to pay the damages yourself. Since that situation seemed unfair to policyholders, insurance companies began to include UMPD coverage as an option.

### Part D-Damage to Your Auto

The final section of the Personal Auto Policy is Damage to Your Auto. There are actually two different coverages provided by this section of the policy:

- ◆ Collision, which covers damage caused by impact with another vehicle or object, or overturn of your vehicle;
- ◆ Other Than Collision, also called Comprehensive coverage, which provides protection from theft, fire, windstorm or hail, flood, falling objects, collision with a bird or animal, and virtually all other types of physical loss to the vehicle **EXCEPT**:
  - ◆ Road damage to tires (a flat tire or blowout)
  - ◆ Mechanical breakdown (the engine just quits running)
  - ◆ Wear and tear (the car simply gets old)

There is no limit in this section of the policy.

The amount you will receive if your car is damaged is the actual cash value of the vehicle, or the cost to repair the damage. In some cases the amount to be paid by the insurance company is simply the cost to make repairs to the vehicle and a check is usually issued to the body shop. In other cases, the vehicle is "totaled", meaning the cost to repair it is more than the value of the car. In this case the insurance company will pay a sum of money as compensation for the loss of the car.

Determining the actual cash value of an automobile can be tricky. We always think our car is in better shape than the average car and therefore, expect to be reimbursed based on our estimation of what the car is worth. The insurance company will probably determine the value of the car based on what similarly equipped vehicles are selling for in the used car market. That may be more or less than you think is a fair settlement.

Part D of the Personal Auto Policy contains a deductible provision, or an amount you must be responsible for when you have a loss. You must retain \$100, \$250, or \$500 of each loss. You may choose the deductible that represents your ability to pay in the event of a loss. That means that if you have a very small loss, such as a broken window or a scrape on your fender, your insurance company would pay nothing and you would have to absorb the cost yourself.

Section D of the policy is not required and there may be certain situations when your client would decide not to have this coverage under their policy. For example, if you have an old car that has a very low value, you might forego physical damage insurance since the cost of the coverage over time might be more than the value of the car if it is damaged. If you could replace the car for \$4,000 and the cost of Comprehensive and Collision coverage was \$800 per year, you would probably decide to not have the coverage since in five years the total amount of the insurance premiums would equal the value of the car. You could just save the \$800 each year, put it in a savings account, and withdraw the money when you need it to buy another car. Hopefully, you are able to go five years without an accident, so the value of your savings account would be \$5,000 plus interest!

## **Part E and Part F—Duties After an Accident or Loss and General Provisions**

The final two portions of the Personal Auto Policy outline certain duties of the policyholder and the company in the event of an auto insurance claim. When you have a claim you must:

- ◆ Notify the company of when and where the accident happened, including the names of any people injured or witnesses to the accident
- ◆ Cooperate with the insurance company as they attempt to settle your claim
- ◆ Notify the police if struck by a hit-and-run driver
- ◆ Notify the police if your vehicle is stolen
- ◆ Allow the insurance company to inspect the damage to your auto before it is repaired

You may cancel your auto insurance at any time you wish by notifying the company or your agent. The insurance company may cancel your insurance if they notify you in writing of their desire to do so. They may do this when you fail to make premium payments or when you have your driver's license suspended or revoked.

## **Frequently Used PAP Terms**

### **Bodily Injury Liability Coverage**

Pays for bodily injury or death to another for which an insured person becomes legally responsible because of an automobile accident.

### **Collision Coverage**

Pays for loss or damage to your covered automobile when it collides with another object or overturns.

### **Comprehensive Coverage**

Pays for loss or damage to your covered automobile caused by an event other than collision. This includes damages due to events such as fire, theft, windstorm, hail, flood, contact with birds or animals and vandalism.

### **Medical Payments Coverage**

Pays expenses for medical and funeral expenses sustained by the insured and certain others as a result of bodily injury or death caused by an automobile accident.

### **Personal Injury Protection (PIP)**

In states with No-Fault Automobile Insurance, this coverage generally pays, within the state specified limits, certain medical, hospital, funeral and/or work loss expenses of the insured, passengers in his vehicle and pedestrians struck by him.

### **Property Damage Liability Coverage**

Pays for property damage to another for which an insured person becomes legally responsible because of an automobile accident.

### **Underinsured Motorist Coverage**

Pays for bodily injury and/or property damage sustained by you, your resident relatives, and occupants of your covered automobile in an accident in which the owner or operator of a motor vehicle who is legally liable does not have enough insurance.

### **Uninsured Motorist Coverage**

Pays for bodily injury and/or property damage sustained by you, your resident relatives, and occupants of your covered automobile in an accident in which the owner or operator of a motor vehicle who is legally liable does not have insurance.

### **Additional Interest Insured**

Another person or company who may be liable for an accident involving an insured or an insured vehicle and who has been named as an Additional Interest Insured under the policy.

### **Deductible**

An amount that must be paid by the insured before benefits will be paid by the insurer. In general, a higher deductible will result in reduced premium.

### **Declarations Page**

The report from your insurance company which lists:

- the limits you have requested for each coverage;
- the cost of each coverage
- the vehicles covered by the policy;
- the types of coverage for each vehicle covered by the policy;
- the drivers covered by the policy; and
- other information applicable to the policy.

### **Driver Status**

Provides information concerning whether the driver has been rated, listed or excluded on the policy.

### **Garaging Location**

The ZIP code where your vehicle is parked when not in use (generally, your primary residence).

### **Limits**

The most an insurance company will pay for a specific insurance coverage. Generally, you may choose the limits that meet your needs. However, most states have laws that specify the minimum financial responsibility limits you must purchase.

### **Named Insured**

The person in whose name the insurance policy is issued.

### **Policy Inception Date**

The date when your current insurance policy begins. This date can be found on your Application, Declarations Page or insurance identification card.

### **Policy Expiration Date**

The date when your current insurance policy expires. This date can be found on your Application, Declarations page, insurance identification card or recent cancellation notice. This date is not to be confused with the date of your next payment or when your renewal payment is due.

### **Policy Term**

The length of time that the policy is in force. Generally automobile insurance Policy Terms are for periods of six months or one year from the policy inception date.

### **Premium**

An amount of money paid by the insured to an insurance company in return for insurance protection.

### **Premium Finance**

Auto insurance is a major expense for many households. Premium finance allows an insured to stretch the payment of premiums by utilizing payment plans that fit into their budgets and cash flow. Premium finance plans typically include an upfront payment known as a “down payment” and followed by a series of periodic payments all collected within the term of the policy. Premium finance is a loan product, and like other loans has interest and fee charges associated with the loan.

### **Primary Use**

What your vehicle is mainly used for:

- To/From Work: If you use your vehicle to commute to and from your work and/or school.
- Business: If your vehicle is used for one or all of the following:
  - used to make sales calls
  - used as vehicle for business trips to bank or post office, picking up supplies, going to different locations
  - owned or leased by a partnership or corporation that have a business listed as an additional interest on the car
- Farm: If your vehicle is used primarily on a farm, ranch or orchard
- Pleasure: No others apply

### **SR22**

A document required by the state for persons convicted of certain traffic violations that demonstrates proof of financial responsibility.

### **VIN**

The vehicle identification number (VIN) on your vehicle. This number is usually found on the dashboard of your vehicle on the driver’s side, and is usually listed on the vehicle registration and title. The VIN number is a combination of letters and numbers 17 characters in length that can be used to identify the make, model, and year of your car.



## Practice Quiz #8

Match the terms to the example given or their description.

1. A policy provision that eliminates coverage.	_____ Declarations page
2. The glossary of terms used in a policy.	_____ Insuring agreement
3. Where the insured's address is found.	_____ Definitions
4. A broad description of what the insurer will do.	_____ Condition
5. A document that changes an insurance policy.	_____ Exclusion
6. A requirement that claims be promptly reported.	_____ Endorsement

An insurance coverage that provides payment for doctor and hospital bills for people riding in your vehicle who are hurt in an automobile accident is:

1. Bodily injury liability
2. Damage to your auto coverage
3. Medical payment coverage
4. Property damage

Each of the following is included in Part D—Damage to Your Auto EXCEPT:

1. theft
2. fire
3. wear and tear
4. collision

If you have an uninsured motorist's limit of \$100,000/\$300,000 and you are struck by a vehicle with liability limits of \$50,000/\$100,000, what is the maximum amount of underinsured motorist's coverage your insurance company will pay for injuries you and your passengers suffer:

1. \$100,000/\$300,000
2. \$50,000/\$200,000
3. \$50,000/\$100,000
4. nothing since the other vehicle is insured

All of the following are duties of the policyholder following a loss EXCEPT:

1. report a stolen vehicle to the police
2. submit to a medical examination
3. allow the insurance company to inspect the damage
4. notify the company of where and when the accident occurred



## B. Personal Liability

Protection against legal liability arising in connection with personal, non-business activities both on and off insured premises. Coverage is extended to the named insured, relatives of the named insured who reside in the named insured's home, and injuries caused by pets (e.g., a dog bite).

We said that insurance offers protection against the risk of financial loss. In this section we will look at the **causes** of such loss and the **kinds** of loss that can result. We will also define some frequently used insurance terms.

There are three major kinds of financial loss:

### Property Loss

- ◆ Loss of property itself
- ◆ Loss of income from property

### Loss of Health or Earning Capacity

- a. Disability
- b. Unemployment
- c. Retirement
- d. Death

### Liability Loss

- ◆ If legally liable for the consequences of certain acts or omissions

The chart above summarizes the kinds of financial loss that insurance protects against. Your goal in developing a sound insurance program for your customers is to provide protection in each of these areas. As we examine various personal lines products, you will see how coverages have been included to cover potential losses in each of these areas.

This section deals with the third category: **liability loss**. Such a loss results when the individual is found legally liable for the consequences of acts or omissions resulting in damages or losses to other parties. Financial losses that result can include legal fees, court costs, fines, the amount of judgments awarded by the court, the costs of out-of-court settlements, and the long-term effect that a lawsuit might have on the person's reputation and earning capacity. Negligence is the most common reason for a liability lawsuit where the defendant is charged with failing to exercise proper care in protecting others.

### Personal Liability Coverages

Where property coverage protects the insured's home and property, **liability coverage** provides protection when other persons claim the insured damaged their property or caused them bodily injury. The amount the insurance company will pay depends on the amount of coverage your customer selects. This amount is again shown under the Limit of Liability column on the declaration page.

Personal liability coverage applies when the insured is obligated by law to assume responsibility for an action that caused property damage or bodily injury to another party. Liability coverage does not cover damage to the insured's own property—only that of visitors, neighbors, or others in some way affected by the actions of the insured. Two examples will help illustrate personal liability coverage:

This coverage applies for the well-known confrontation between the family dog and the mail carrier. The claim will be paid if the dog bite occurs on the insured property or if the actual biting occurs after a chase down the street.

The insured is burning leaves on his property when a gust of wind sends the fire out of control. His fence and the neighbor's tool shed are damaged in the fire. In this accident only the neighbor's shed is covered by the Personal Liability coverage. The fence will be covered by the Other Structures coverage of his policy under Property Coverages.

Medical payments to others coverage pays for medical expenses of people other than the insured, when those expenses are due to an accident caused in some way by the insured. This coverage provides a way of maintaining neighborly relations without having to prove who is legally responsible for the accident. Medical payments coverage applies to accidents happening on the insured location or off that location if the accident is caused by the insured family and even the pet.

A neighbor's child breaks her arm when she falls from a sliding board in the insured's backyard. The medical expenses resulting from that accident will be covered, regardless of who was to blame for the accident

The insured's liability coverage is thus automatically extended to many locations beyond the insured premises.

As was true with property coverages, there are certain additional payments in the liability section of the homeowner's policy. These payments are made over and above the limits shown on the declaration page.

- ◆ To pay for minor damage to the property of others without regard for legal liability For example, this provides payment for accidentally throwing an object through the neighbor's window.
- ◆ To defend a claim or lawsuit against the insured but only as long as the limit of liability has not been used up in paying settlements or judgments.
- ◆ To pay premiums on appeal bonds when a judgment has gone against the insured and the judgment is appealed. Also to pay premiums on attachment bonds which guarantees payment of the original judgment if the home or property is sold.
- ◆ To reimburse the insured for wages or salary lost when attending hearings or trials at the insurer's request.
- ◆ To reimburse the insured for providing first-aid expenses at the scene of the accident.

## Practice Quiz # 9

Review the following example of a Personal Liability policy then complete the following Practice Quiz to test your understanding of basic Personal Liability insurance terms and concepts.

When you have finished, check your answers in the answer book. If possible, it may be advantageous to discuss these exercises with more experienced people in your agency.

1. Insured Location includes an individual or family cemetery plot or burial vault of an insured.  
( ) True ( ) False
2. Coverage L and M apply to bodily injury, personal injury, or property damage which is a foreseeable result of an intention or criminal act of any insured. ( ) True ( ) False
3. The total liability under Coverage L for all damages resulting from any one occurrence will not be more than the limit as shown in the Declarations regardless of the number of insureds, claims made or persons injured. ( ) True ( ) False
4. Bankruptcy of any Insured relieves the company of its obligations under the Personal Liability policy. ( ) True ( ) False
5. In the event of death of the insured, the policy continues in force for at least 90 days.  
( ) True ( ) False

### **C. Umbrella / Excess Liability**

Umbrella insurance is not just for the wealthy. With the common occurrence of lawsuits, it is a must for every home, auto and watercraft owner. As many Americans are finding out, you don't have to be a millionaire to be sued like one. Umbrella, or excess liability insurance, provides additional liability coverage for specific risks once a policy's coverage limit has been exhausted. It also provides additional liability for certain risks that would not be covered by the primary insurance policy.

The more you have, the more protection you need

The more your earning power and assets increase, the more you have at risk, and therefore, the more you need to protect.

If you think you need at least a million dollars of additional protection above your current homeowners or automobile liability limits, you can purchase something called excess liability. Often referred to as an umbrella policy, excess liability is the additional protection you need in case a judgment against you exceeds the liability limits of your existing auto or homeowners policy. Available in amounts ranging from one to five million dollars, excess liability coverage increases your personal liability limits by adding protection to your current auto, boat or homeowners policies.

#### **Why liability coverage from your homeowners and auto policy may not be enough**

Homeowners insurance usually provides a minimum of \$100,000 liability coverage (the coverage that protects you when people are injured or property is damaged due to circumstances in which you or your family are responsible). Although it varies widely by state, the typical minimum liability protection for auto insurance is around \$25,000 per person and \$50,000 per accident.

With both of these coverages you can purchase higher limits (or amounts) of liability protection...but the most that can be purchased is \$500,000 for homeowners policies or \$250,000 per person, \$500,000 per accident for auto insurance. Again, this may not be enough protection in today's lawsuit frenzied environment where million dollar judgments are fast becoming the rule rather than the exception, even for seemingly minor situations.

To understand more about what excess liability coverage is, and how it can help you, please review the following topics:

#### **What is Excess Liability?**

Available in amounts ranging up to five million dollars, excess liability coverage increases your personal liability limits by adding protection to your current auto, boat or homeowners policies. Also, if something is not covered in your homeowners policy (like libel), and it's not specifically excluded in the excess liability policy, you're covered.

#### **Coverage provided**

Excess liability coverage provides:

- Protection for covered claims by others for personal injury or property damage caused by you, members of your family/household, or hazards on your property for which you are legally liable
- Personal liability coverage for occurrences on or off your premises
- An additional layer of protection above your primary auto policy against auto-related liabilities

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- Protection against non-business related personal injury liabilities such as slander, libel, wrongful eviction or false arrest
- Legal defense costs for a covered loss. Lawyer fees and associated court costs are covered
- Worldwide coverage- no matter where you go, with the only exception being situations involving foreign ownership of dwellings or cars

### How it works

Depending on the type of accident, your homeowners, auto or boat policy liability limits are used up first, then the excess liability policy covers all remaining costs (up to the amounts of coverage you purchased). For example, if your neighbor dove into your swimming pool and broke his neck, your homeowners liability coverage would pay for the first \$100,000 in damages. Your excess liability policy would cover the rest (including associated legal fees) up to the one million dollar policy amount that you had purchased.

Most companies require that you carry certain limits on your primary insurance policies (homeowners, auto and boat) in order to receive excess liability coverage. For example, a company may require the following primary liability limits: \$100,000 for homeowners, \$250,000 per person/\$500,000 per accident for auto and \$300,000 for boat/yacht coverage.

### Some Definitions

Insurance products tend to get loaded down with legal-sounding jargon, especially a product that specifically deals with circumstances for which you are legally responsible. Therefore, a few common definitions might help clear up any confusion:

**Personal Liability:** Coverage for damages that you are legally liable (responsible) for. This includes incidents occurring at your home and/or caused by you, residents of your household or your pets. Here are some common examples: your dog bites someone, a guest falls down your front steps, your teenage son rough-houses with his buddy and accidentally breaks that friend's leg!

**Personal Injury:** This all-inclusive definition covers many predicaments. Personal injury can take many forms, including: bodily injury, shock, emotional distress, mental anguish, sickness or disease, or death arising from any of the above. Personal injury also means false arrest, detention or imprisonment, malicious prosecution, wrongful entry or eviction, humiliation, libel or slander, defamation of character or invasion of privacy.

**Property Damage:** Accidental damage to the property of others caused by you, residents of your household, or your pets.

### Exclusions

Often, insurance policies are defined not by what they cover, but by what they don't. This is especially true for excess liability products. If something is not specifically excluded, you're covered. Exclusions vary widely by company. Here are some common exclusions:

- damages expected or intended by insured.

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- damages arising out of business or professional pursuits.
- liability assumed under contract or agreement.
- liability arising out of ownership, maintenance, use, loading or unloading of aircraft.
- liability arising out of ownership, maintenance or use of non-traditional watercraft such as jet skis, air boats or air cushions.
  - liability arising out of ownership, maintenance or use of most recreational vehicles. Only snowmobiles and golf carts are covered.
- damages to property you take care of, own or use.
- damages covered under a Workman's Compensation policy.
- liability arising out of war or insurrection.

### **How much is enough?**

Obviously, determining how much coverage is right for you is a personal decision. Much depends on the value of the current assets you have to protect. However, there are also other factors to take into consideration. What will the value of your future assets be? Are you involved in activities that put you at greater risk? Do you have teenagers? Do they drive? Your local independent agent can help you determine the coverage amount that works best for you.



## Practice Quiz #10

1. Pleasure boat insurance is not affected by occasional boat races among friends.  
( ) True ( ) False
  
2. Pleasure boat insurance is not affected if the owner occasionally charges a passenger fee.  
( ) True ( ) False
  
3. What are the territorial limits of coverage for Fine Arts under the Personal Articles Floater?
  - a. USA only
  - b. USA & Canada
  - c. USA , Canada & Mexico
  - d. Worldwide
  
4. What are the territorial limits of coverage for all property other than Fine Arts under the Personal Articles Floater?
  - a. USA only
  - b. USA & Canada
  - c. USA , Canada & Mexico
  - d. Worldwide
  
  
7. All of the following statements about property eligible for FAIR plan treatment are true except:
  - a. the property must be insurable.
  - b. the property must be in a riot-prone zone.
  - c. the applicant must have attempted to find coverage in the admitted market.
  - d. the property must be located in a specific area.

## **D. Other Personal Exposures**

### **1. Errors and Omissions**

Professionals that operate their own businesses need professional liability insurance in addition to an in-home business or business owner's policy. This protects them against financial losses from lawsuits filed against them by their clients.

Professionals are expected to have extensive technical knowledge or training in their particular area of expertise. They are also expected to perform the services for which they were hired, according to the standards of conduct in their profession. If they fail to use the degree of skill expected of them, they can be held responsible in a court of law for any harm they cause to another person or business. When liability is limited to acts of negligence, professional liability insurance may be called "errors and omissions" liability.

Professional liability insurance is a specialty coverage. Professional liability coverage is not provided under homeowner's endorsements, in-home business policies or business owner's policies (BOPs).

#### **A Few Tips on Buying Your E&O...**

by Curtis M. Pearsall, Vice President, Agents' Errors and Omissions Department

Let me ask you a question. Would you agree that buying the E&O to protect your agency is one of the most important business decisions you will make this year? To really answer that question requires that you think about the ramifications of the other decisions that you will be making. There is no doubt that you, as the agency principle, will make a multitude of major decisions that will impact your agency not only today but for tomorrow as well. However, making the wrong decision on your E&O could mean that your agency will not have a tomorrow.

Make sure that your policy covers what you do. It is important to realize that no two E&O policies are the same. The differences are numerous from the coverage trigger (what constitutes a claim) to the activities that are covered to who is even covered under the policy. So when purchasing this vital coverage for your agency, make sure that you review the policy. If you are switching coverage from one carrier to another, demand a specimen policy so that you can sure to know what coverage the policy provides. Would it rather know right up front what is and what is not covered or would you rather find out at the time of the loss.

If you are involved in selling Life and A&H coverages, make sure that the policy handles this. What about Mutual Funds, Stocks and Bonds? Is there coverage for those activities?

Choosing the right policy limit is critical. Many agency owners may contend that their \$2million limit is sufficient but is it really? There is no real magic formula to determine the right limit but there are some things to consider when making this decision. An old wives tale used to state that you should buy a limit equal to the maximum limit of any of the policies you provide. There is a tremendous fallacy to this, which essentially factors in the types of claims that an agent can be exposed to. For my 18 years with Utica, the # 1 cause of claims is "failure to provide the proper coverage." So in essence, it is what you are not providing that is not going to get you into the trouble most of the time. You write the auto with a \$500,000 limit and the homeowners with a \$300,000 limit and fail to recommend a \$1,000,000 personal umbrella. A tragic accident occurs. It is the failure to recommend the personal umbrella that you run the risk of getting sued for.



Before you think that \$1,000,000 is not sufficient, I could fill up a book with claim stories involving uninsured underlying losses over \$1,000,000 and in fact, there are a lot of uninsured underlying losses over \$10,000,000. If memories serves me correctly, one of the biggest that Utica faced involved a claim with a \$38,000,000 uninsured exposure! To avoid getting dramatic, let's say that you were sued by one of your customers for \$5,000,000. You turn the claim into your E&O carrier and think that everything is fine. You then find out that you have a policy limit of \$2,000,000, which means that if a judgment is rendered against your agency for \$5,000,000, you are going to be short by \$3,000,000. Assuming that you don't have this type of cash lying around, you may be forced to sell your agency. Everything you worked so hard for is now gone. Don't let that happen. Buy sufficient limits to protect your agency. Insure that your assets are protected.

Buy a deductible that you can afford and that makes good business sense. As with the limit, there is no magic formula for the right deductible. A general rule of thumb in the industry is to take your premium volume and multiply it by .001. So a \$10,000,000 agency should have a \$10,000 deductible. Once again, nothing scientific but generally it accomplishes what many E&O carriers like – for agencies to have some “skin in the game.” There are different types of deductibles – a combined deductible means that claims expenses are part of your responsibility whether you did anything wrong or not while a loss only deductible means that you only have to pay your deductible if you are found negligent. Make sure that you know what you have. Ask your E&O carrier for options so that you can see what the premium difference will be. This will enable you to make an educated decision.

There are additional issues such as “what happens if you have a claim the first year that you are with your new carrier” Many carriers that have not been writing this coverage may non renew you. Now you have a new claim on your record, which is not going to make you very attractive to another carrier. Utica has been writing this class of business for 40 years and there is certainly no way that we would be a market leader if we non-renewed every agency the first year they were with us.

So take the purchase of your E&O seriously – it is one of the most important business decisions you will make.

## Practice Quiz #11

Review the following example of an Errors & Omissions Professional Liability policy then complete the following Practice Quiz to test your understanding of its basic insurance terms and concepts.

When you have finished, check your answers on the answer page. If possible, it may be advantageous to discuss these exercises with more experienced people in your agency.

1. “Claim Expense” means all of the following except:
  - i. Fees charged by an attorney retained by the E&O carrier
  - ii. Fees charged by an attorney hired by the insured with permission of E&O carrier.
  - iii. All other fees, costs, and expenses resulting from the investigation, adjustment, and defense of a “claim” if incurred by the E&O carrier.
  - iv. Salaries of regular employees or of officials of the insured.
2. E&O Insurance will cover any liability for money received by an agency for fees:  
( ) True ( ) False
3. E&O Insurance will not cover any liability arising from refusal to employ; wrongful termination of employees or employment discrimination/ ( ) True ( ) False

**UTICA MUTUAL INSURANCE COMPANY  
UTICA, NEW YORK  
(HEREINAFTER CALLED THE COMPANY)**

**INSURANCE AGENTS AND BROKERS  
ERRORS AND OMISSIONS INSURANCE**

**THIS IS A CLAIMS-MADE POLICY**

THIS POLICY IS LIMITED TO THOSE CLAIMS THAT ARE FIRST MADE AGAINST THE INSURED DURING THE POLICY PERIOD OR ANY EXTENDED REPORTING PERIOD PROVIDED.

**PLEASE REVIEW THE POLICY CAREFULLY.**

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine your rights, duties, and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Utica Mutual Insurance Company.

The word "insured" means any person or organization qualifying as such under **SECTION IV - WHO IS AN INSURED**.

Other words and phrases that appear in quotation marks have special meaning. Refer to **SECTION I - DEFINITIONS**.

**SECTION I - DEFINITIONS**

1. "Claim" means a written notice, including service of "suit" or demand for arbitration, received by one or more insureds asking for money or services.
2. "Claim expense" means:
  - a. Fees charged by an attorney retained by us to defend you;
  - b. All other fees, costs, and expenses resulting from the investigation, adjustment, and defense of a "claim" if incurred by us or by the insured with our consent;
  - c. Fees charged by any attorney hired by the insured with our written consent; and
  - d. Pre and post-judgment interest on that part of the judgment that we pay up to the policy limits.However, "claim expense" does not include salaries of regular employees or of officials of the insured.
3. "Dealer organization" means an entity organized for the purpose of selling equity-based products and securities.
4. "Interrelated wrongful acts" means "wrongful acts" which arise out of and have as a common basis:
  - a. Related circumstances, situations, events, transactions or facts;
  - b. A series of related circumstances, situations, events, transactions or facts; or
  - c. A common pattern of conduct in selling or servicing products to which this insurance applies.
5. "Litigation expense" means fees and disbursements charged by any attorney retained by us, or hired by you with our written consent, to defend a suit against you or consult on such defense. "Litigation expense" does not include salaries or other expenses of our regular employees or officials, or the fees, disbursements, or other expenses of any counsel retained by us prior to any actual "suit" filing.
6. "Loss" means any amount which an insured becomes legally obligated to pay as damages for any "claim" arising out of a "wrongful act" to which this insurance applies and shall include judgments and settlements. To the extent allowed by law, "loss" shall include punitive or exemplary damages. "Loss" shall not include:
  - a. Fines and penalties imposed by law;
  - b. Taxes; and
  - c. Matters which may be deemed uninsurable under the law pursuant to which the policy shall be construed.
7. "Personal injury" means injury arising out of one or more of the following offenses:
  - a. False arrest, detention, or imprisonment;
  - b. Malicious prosecution;

- c. The wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling, or premises that a person occupies by or on behalf of its owner, landlord, or lessor;
  - d. Oral or written publication of material that slanders or libels a person or organization or disparages a person's or organization's goods, products, or services; or
  - e. Oral or written publication of material that violates a person's right of privacy.
8. "Policy period" means the period from the inception date to the expiration date, stated in the Declarations of this policy, or to its earlier termination date, if any.
9. "Real Estate Professional" means a:
- a. "Real estate property manager";
  - b. Real estate appraiser, except when appraising real estate with respect to policies written or placed through you (coverage for this is included in the basic policy); or
  - c. Licensed real estate agent or broker.
10. "Real Estate Property Manager" means a person while performing any one or more of the following services in connection with real property, for others, including functions necessary and incidental to such services:
- a. Securing tenants, renting, or leasing;
  - b. Collecting rents;
  - c. Arranging for routine cleaning and repairs; or
  - d. Controlling expenses and reporting such expenses to the real estate owner;
- provided such services are rendered pursuant to a written property management agreement for real property held for sale through the Named Insured as listing broker and then only when such services are provided solely for the duration of the period from the listing of such real property for sale until the assumption of such responsibility by a party other than the insured or the closing of the sale of such real property, whichever is earlier, but not to exceed 365 days.
11. "Selling mutual funds or variable annuities" means the sale of shares of a mutual fund (which is a corporation or trust that is an investment company registered under the Investment Company Act of 1940) and the sale of variable

annuities. "Selling mutual funds or variable annuities" includes the servicing required by such sales.

12. "Suit" means a civil proceeding in which damages because of "loss" are alleged. "Suit" includes:
- a. An arbitration proceeding in which such damages are claimed and to which the insured must submit or does submit with our consent; or
  - b. Any other alternative dispute resolution proceeding in which such damages are claimed and to which the insured submits with our consent.
13. "Termination of coverage" means any cancellation or nonrenewal of the policy;
14. "Wrongful act" means any negligent act, error, or negligent omission to which this insurance applies.

## SECTION II - COVERAGE

### 1. Insuring Agreement

- a. We will pay on behalf of the insured all "loss" to which this insurance applies.

We will have the right and the duty to defend the insured against any "suit" seeking those damages even if the allegations of the "suit" are groundless, false, or fraudulent. However, we will have no duty to defend an insured against any "suit" to which this insurance does not apply.

We may, at our discretion:

- (1) Investigate any allegation of a "wrongful act"; and
- (2) Settle, according to the Settlement-Consent of The Insured Condition, any "claim" or "suit" that may result. But:
  - (a) The amount we will pay for damages is limited as described in **SECTION V - LIMITS OF LIABILITY**; and
  - (b) Our right and duty to defend end when we have used up the applicable limit of insurance in the payment of "loss."

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under **2. Supplementary Payments**.

This insurance does not apply to "wrongful acts" which took place before the retroactive date, if any, shown in the Declarations for this policy or which take place after the "policy period."

b. This insurance applies to "wrongful acts" only if:

(1) The "wrongful acts" occurred on or after the retroactive date, if any shown in the Declarations and before the "policy period"; and

(2) A "claim" is first made against any insured, in accordance with paragraph c. below, during the "policy period" or any Extended Reporting Period we provide under **SECTION VII - EXTENDED REPORTING PERIODS.**

c. A "claim" will be considered first made at the earliest of the following times:

(1) When notice of such "claim" is received and recorded by any insured or by us, whichever comes first.

(2) When we make settlement in accordance with paragraph 1.a. above.

(3) On the date during the "policy period" when the first written notice of any facts or circumstances which may subsequently give rise to a "claim" which would be insured hereunder is received by us from an insured. Any "claim" made against an insured arising out of such facts or circumstances after the date of receipt of such notice by us will be considered to have been made as of the date we received the first notice of facts or circumstances and only the policy in force on that date and no other shall apply for all "claims" from such facts or circumstances.

d. All "claims" for damages based on or arising out of a single "wrongful act" or all "interrelated wrongful acts" of one or more insureds shall be deemed to be one "claim" and to have been made at the time the first of those "claims" is made against any insured.

e. The "loss" must arise out of "wrongful acts" committed in the conduct of the insured's business, wherever committed or alleged to have been committed, by the insured or any person for whose "wrongful acts" the insured is legally liable in rendering or failing to render professional services as:

(1) A General Insurance Agent;

(2) An Insurance Broker;

(3) An Insurance Agent;

(4) An Insurance Consultant;

(5) A Managing, Master or Brokerage General Agent;

(6) A Life and Accident and Health Insurance Agent;

(7) A Surplus Lines Broker;

(8) A Notary Public;

(9) An Expert Witness; or

(10) An Instructor of Insurance Subjects.

The following services are included providing they are part of the insured's professional services:

(1) Notarizing.

(2) Arranging premium financing through a non-related entity.

(3) Real estate appraising and loss adjustment on or for policies written or placed by you.

(4) Providing insurance advice for employee benefit programs.

(5) Providing insurance program and risk management services and advice.

(6) Providing loss control services for policies written or placed by you.

(7) (a) "Selling mutual funds or variable annuities," as provided for in the Mutual Fund and Variable Annuity Coverage Endorsement; or

(b) Acting as a "real estate professional," as provided for in the Real Estate Agents and Brokers Errors and Omissions Insurance Endorsement;

if a premium has been charged for such coverage. Such insurance is subject to the Limits of Liability and other provisions set forth in the endorsement.

## 2. Supplementary Payments

We will pay with respect to any "claim" we investigate or settle, or any "suit" against an insured we defend:

a. All expenses we incur, including fees charged by an attorney retained by us to defend you.

b. The cost of appeal bonds or bonds to release attachments, but only for bond amounts within the applicable limit of liability. We do not have to furnish these bonds.

- c. All reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the "claim" or "suit," including actual loss of earnings up to \$250 a day because of time off from work. Such expenses shall include fees charged by any attorney hired by the insured with our written consent.
- d. All costs taxed against the insured in the "suit."
- e. Pre and post-judgment interest on that part of the judgment that we pay up to the policy limits.

These payments will not reduce the limits of liability except as stated in part 6., **Deductible**, of **SECTION V - LIMITS OF LIABILITY**.

### SECTION III - EXCLUSIONS

This insurance does not apply to:

1. Any active and deliberate, dishonest, criminal, fraudulent, malicious, or knowing conduct committed or alleged to have been committed by or at the direction of the insured. If a "suit" is brought against the insured alleging both "wrongful acts" within the coverage of the policy and dishonest, fraudulent, malicious, or criminal conduct, then we will defend the insured in the trial court, but we shall not have any liability for any judgment for dishonest, fraudulent, malicious, or criminal conduct nor shall we have any further obligation to defend after judgment in the trial court.

This exclusion applies only to insureds who participated in, acted with knowledge of, or acquiesced to such conduct.

2. "Loss" arising out of or in any way involving:
  - a. A "wrongful act" or circumstance, situation or fact which has been the subject of notice given prior to the effective date of this policy under other insurance which provided protection for the insureds; or
  - b. A "wrongful act" which with any "wrongful act" described in a. above would constitute "interrelated wrongful acts."
3. Loss," direct or consequential, arising from:
  - a. Bodily injury from whatever cause including emotional distress, sickness, disease, or death, or for care and loss of consortium, support, companionship, or services of any kind resulting from bodily injury; or
  - b. Damage to tangible property, including loss of use thereof.
4. Any liability for money received by an insured or credited to an insured for fees, premiums, taxes, commissions, loss payments, or escrow or brokerage monies.

5. The certification or acknowledgment of a signature by an insured acting as a notary without the proper compliance with the applicable laws and regulations of the state having jurisdiction.
6. A "claim" by any entity or individual which:
  - a. Is wholly or partially owned, operated, managed, or controlled by the insured;
  - b. Did wholly or partially own, operate, manage, or control the insured; or
  - c. Is wholly or partially under the same ownership, operation, management, or financial control as the insured.
7. "Personal injury" arising out of:
  - a. The oral or written publication of material, if done by or at the direction of the insured with knowledge of its falsity;
  - b. The oral or written publication of material whose first publication took place before the Retroactive Date, if any, shown in the Declarations; or
  - c. The willful violation of a penal statute or ordinance committed by or with the consent of the insured.
8. Any liability for:
  - a. Refusal to employ;
  - b. Termination of employment; or
  - c. Coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, discrimination, or other employment-related practices, policies, acts, or omissions.
9. Discrimination or unfair competition of any type.
10. Acts, errors, or omissions of an insured which violate the Employee Retirement Income Security Act of 1974 (ERISA), the Pension Benefits Act and the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA) including any amendments, regulations or enabling statutes pursuant thereto, or any similar federal, state, or provincial statute or regulation.
11. The violation of any federal or state security law or the Racketeer Influenced and Corrupt Organizations Act and/or any of their amendments and regulations.
12. a. Any investment advice given or alleged to have been given relating to the performance or lack of performance of any investment or resulting from variations in the value of any investment, including, but not limited to, stocks, bonds, real estate, oil or gas, gold, silver, diamonds, or any non-insurance investment.

- b. "Loss" arising out of an insured's representations or omissions regarding:
  - (1) Interest rates; or
  - (2) Future premium payments or market value of insurance products.
- 13. Services as an attorney, accountant, actuary, tax preparer or tax consultant, real estate broker, security broker, security dealer, mortgage broker, financial planner, or any other professional services unless such professional services are specifically insured hereunder and an additional premium paid.
- 14. The ownership, formation, creation, administration, or operation of any Health Maintenance Organization or Preferred Provider Organization.
- 15. All claims that arise from, relate to or involve the ownership, formation, creation, administration, or operation of any Self-Insurance Program, Risk Retention Group and/or Risk Purchasing Group formed under the Federal Liability Retention Act of 1981 and 1986 as amended or any amendment thereto, Multiple Employer Trust, Multiple Employer Welfare Arrangement, or any pool, syndicate, association or other combination formed for the purpose of providing insurance or benefits, if not fully funded by an insurance product.
- 16. The financial inability to pay, insolvency, receivership, bankruptcy, or liquidation of any entity, person, corporation, estate, trust, or other organization including, but not limited to:
  - a. Insurance companies or reinsurance companies;
  - b. Health Maintenance Organizations, Preferred Provider Organizations, Dental Service Plans, or Individual Practice Associations;
  - c. Risk Retention Groups, Risk Purchasing Groups or captive insurers;
  - d. Investment funds, or self-insurance programs;
  - e. Multiple Employer Trusts or Multiple Employer Welfare Arrangements;
  - f. Any pool, syndicate, association or other combination for the purpose of providing insurance or reinsurance; or
  - g. Any healthcare provider or any reinsurer with which the insured placed the subject risk.

However, this exclusion does not apply:

  - a. To any entity described above, if the entity was rated "B" or higher by AM Best at the time the insured placed the risk with such entity;
- b. To any entity described above, if the entity was operated by a government body or bodies (including but not limited to assigned risk plans, Joint Underwriting Associations, Fair Plans);
- c. If the insured placed the coverage with a County Mutual reinsured by carriers rated "B" or higher by AM Best; or
- d. To any self-insurance program designed for the purpose of covering exposures of a single individual or entity other than the Named Insured.
- 17. Any "claim" against an insured based upon or arising out of any pension, profit sharing, health or welfare or other employee benefit plan or trust sponsored by the insured as an employer.
- 18. Any "claim" based solely on an insured's status as a fiduciary.
- 19. "Claims" made against an insured arising out of the insured's activities as third party administrator of any plan, whether insured or self-insured and whether or not the insured performs such activities.
- 20. "Claims" arising out of or alleging the unauthorized use of trade secrets or confidential or proprietary information.
- 21. Any "claim" brought against an insured by a "dealer organization."
- 22. "Loss":
  - a. With respect to which an insured under this insurance is also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters, Nuclear Insurance Association of Canada, or any of their successors, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability; or
  - b. Resulting from the "hazardous properties" of "nuclear material" and with respect to which (a) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (b) the insured is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization.

- c. Resulting from the "hazardous properties" of "nuclear material," if:
- (a) The "nuclear material" (i) is at any "nuclear facility" owned by, or operated by or on behalf of, an insured or (ii) has been discharged or dispersed therefrom;
  - (b) The "nuclear material" is contained in "spent fuel" or "waste" at any time possessed, handled, used, processed, stored, transported, or disposed of by or on behalf of an insured; or
  - (c) The "loss" arises out of the furnishing by an insured of services, materials, parts, or equipment in connection with the planning, construction, maintenance, operation, or use of any "nuclear facility," but if such facility is located within the United States of America, its territories or possessions, or Canada, this exclusion (c) applies only to "loss" to such "nuclear facility" and any property thereat.

As used in this exclusion:

"Hazardous properties" include radioactive, toxic, or explosive properties;

"Nuclear material" means "source material," "special nuclear material," or "by-product material";

"Source material," "special nuclear material," and "by-product material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof;

"Spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a "nuclear reactor";

"Waste" means any waste material (i) containing "by-products material"; other than the tailings or wastes produced by the extraction or concentration of uranium or thorium from any ore processed primarily for its "source material" content, and (ii) resulting from the operation by any person or organization of any "nuclear facility" included under the first two paragraphs of the definition of "nuclear facility."

"Nuclear facility" means:

- (a) Any "nuclear reactor";
- (b) Any equipment or device designed or used for (i) separating the isotopes of uranium or plutonium, (ii) processing or utilizing "spent fuel," or (iii) handling, processing, or packaging "waste";
- (c) Any equipment or device used for the processing, fabricating, or alloying of "special nuclear material" if at any time the

total amount of such material in the custody of the insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235;

- (d) Any structure, basin, excavation, premises, or place prepared or used for the storage or disposal of "waste";

and includes the site on which any of the foregoing is located, all operations conducted on such site, and all premises used for such operations;

"Nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material;

"Loss," in this exclusion, includes all forms of radioactive contamination of property.

#### SECTION IV - WHO IS AN INSURED

Each of the following is an insured to the extent set forth below:

1. The individual, partnership, corporation or limited liability company designated as the Named Insured in the Declarations;
2. Your executive officers or directors, but only with respect to their duties as your officers and directors;
3. Your partners or members, but only with respect to the conduct of your business;
4. Your employees (regular, leased, or temporary) or managers, but only for acts within the scope of their employment by you or while performing duties related to the conduct of your business; or
5. Your licensed solicitors or office brokers (who is not an employee) but only as respects:
  - a. Such persons who are named in the Real Estate Agents and Brokers Errors And Omissions Insurance Endorsement while acting on your behalf; or
  - b. Such persons who are named in the Mutual Fund And Variable Annuity Coverage Endorsement while acting on your behalf.
6. Any independent contractor acting on your behalf for "claims" arising out of "wrongful acts" in connection with business placed through or serviced by you.
7. Any person who was formerly an insured under parts 1., 2., 3., 4., 5. or 6. above, but only with respect to "wrongful acts" which took place prior to the termination of such relationship.

8. a. Any merged entity for which coverage was added at any time by our Merged or Consolidated Entity Endorsement, 14-E-0006.
- b. This insurance does not apply to "wrongful acts" which any insured had knowledge of prior to the effective date of the original endorsement which added such coverage.
9. a. You, for legal liability from "wrongful acts" of any merged entity for which coverage was added at any time by our Merged or Consolidated Entity Endorsement, 14-E-0006.
- b. This insurance does not apply to "wrongful acts" which any insured had knowledge of prior to the effective date of the original endorsement which added such coverage.
10. a. You, for legal liability from "wrongful acts" of any purchased entity for which coverage was added at any time by our Purchased Entity Endorsement, 14-E-0005.
- b. This insurance does not apply to "wrongful acts" which any insured had knowledge of prior to the effective date of the original endorsement which added such coverage.
- c. This insurance does not apply to "wrongful acts" which occurred prior to the effective date of the original endorsement which added such coverage.
11. The heirs, executors, administrators, or legal representatives of each insured in the event of death, incapacity, or bankruptcy, but solely with respect to the liability of each insured as otherwise insured herein.
12. Any organization you newly acquire or form, and over which you maintain ownership or majority interest will qualify as a Named Insured if there is no other similar insurance available to that organization. However:
  - a. Coverage under this provision is afforded only until the 90th day after you acquire or form the organization or the end of the policy period, whichever is earlier; and
  - b. Coverage does not apply to "wrongful acts" that occurred before you acquired or formed the organization.
13. The lawful spouse of any insured:
  - a. For "wrongful acts" actually or allegedly committed by that insured; and
  - b. Solely by reason of such spouse's status as spouse of that insured.

Notwithstanding this provision, no spouse shall have any greater coverage under this Coverage Form than the insured to whom such spouse is married. This provision does not extend coverage for "wrongful acts" actually or allegedly committed by the spouse of any insured.

Except as stated in **8.**, **9.** and **10.** above, no person or organization is an insured with respect to the conduct of such person or organization, or any current or past partnership or limited liability company that is not shown as a Named Insured in the Declarations.

#### **SECTION V - LIMITS OF LIABILITY**

1. The limits of insurance shown in the Declarations and the provisions of this section determine the most we will pay for damages regardless of the number of:
  - a. Persons insured;
  - b. Persons or entities making "claims" or bringing "suits"; or
  - c. "Claims" made or "suits" brought.
2. The total limit of our liability for all payments for all "losses" under this policy shall not exceed the aggregate amount stated in the Declarations.
3. a. Subject to **2.** above, the each "loss" limit is the most we will pay for all "loss" from any one "wrongful act" or "interrelated wrongful acts" of one or more insureds; and
  - b. Only one deductible amount applies to all such "loss."
4. We will pay all "claim expense" in addition to the applicable Limit of Liability, except as provided in **6.** Deductible.
5. a. Our Limit of Liability for each "loss" applies in excess of the applicable deductible amount set forth in the policy for each "loss."
  - b. Subject to the deductible amount for each "loss," the total deductible amount for all "losses" under this policy shall not exceed the aggregate deductible amount stated in the Declarations.
  - c. Such aggregate deductible amount applies in conjunction with any and all "loss" deductible amounts, whether set forth in the policy Declarations or in endorsements forming a part of the policy.
6. **Deductible**
  - a. If the block in the Declarations labeled "Deductible Applies To: Loss Only" is checked, the insured shall pay the deductible amount set forth in the Declarations for each "loss." The deductible does not include "claim expense."



- b. If the block in the Declarations labeled "Deductible Applies To: Loss And Litigation Expense" is checked, the insured shall pay the deductible amount set forth in the Declarations for each "loss." The deductible will be applied to payments for both "loss" and "litigation expense" as defined in the policy.
- c. We may pay any part or all of the deductible amount to effect settlement of any "claim" or "suit" and, upon notification of the action taken, you shall promptly reimburse us for such part of the deductible amount as has been paid by us.
- d. Such deductible amounts shall, upon written demand by the company, be paid by the Named Insured within ten days. The total payments requested from the insured with respect to each "loss" shall not exceed the applicable deductible amount stated in the policy.

The determination of the company as to the reasonableness of the "litigation expense" shall be conclusive for all parties.

## SECTION VI - CONDITIONS

### 1. Duties In The Event Of "Wrongful Act," "Claim" Or "Suit"

- a. You must see to it that we are notified in writing as soon as practicable of any "wrongful act" which may result in a "claim." To the extent possible, notice should include:
  - (1) How, when and where the "wrongful act" took place;
  - (2) The names and addresses of persons involved in the "wrongful act" and witnesses; and
  - (3) The nature of the harm resulting from the "wrongful act."
- b. If a "claim" is received by an insured, you must:
  - (1) Immediately record the specifics of the "claim" and the date received; and
  - (2) Notify us as soon as practicable. You must see to it that we receive written notice of the "claim" as soon as practicable.
- c. You and any other involved insured must:
  - (1) Immediately send us copies of any demands, notices, summonses, subpoenas or legal papers received in connection with the "claim" or "suit";
  - (2) Authorize us to obtain records and other information;

- (3) Cooperate with us in the investigation, settlement, or defense of the "claim" or "suit"; and

- (4) Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to an insured because of "loss" to which this insurance may also apply.

- d. No insured will, except at that insured's own cost, voluntarily make a payment, assume any obligation, or incur any expense without our consent.

### 2. Settlement - Consent Of The Insured

We shall not settle any "claim" without the consent of the insured. If, however, the insured:

- a. Refuses to consent to any settlement recommended by us and elects to contest the "claim" or continue any legal proceeding in connection with such "claim," then our liability for the "claim" will not exceed the lesser of the amount for which the "claim" could have

been settled or the Limits Of Liability plus the incurred "claims expense" up to the time of such refusal.

- b. Cannot be located by us after a search using reasonable diligence, then we will use our best efforts to make such settlement as we deem appropriate considering the circumstances and facts.

### 3. Other Insurance

This insurance is excess over any other applicable insurance whether such insurance is primary, excess, contributory, contingent, or otherwise and whether such insurance is collectible or not; unless such other insurance is written to be specifically excess over the insurance provided by this policy.

### 4. Transfer Of Rights Of Recovery Against Others To Us

If the insured has rights to recover all or part of any payment we have made under this policy, those rights are transferred to us. The insured must do nothing after a "wrongful act" to prejudice such rights. At our request, the insured will bring "suit" or transfer those rights to us and help us enforce them. Any amounts recovered will be applied to reduce the amount we paid for "loss" and expense (after application of the deductible) before being applied to reduce your deductible.

## 5. Cancellation

- a. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.
- b. We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:
  - (1) 10 days before the effective date of cancellation, if we cancel for nonpayment of premium; or
  - (2) 60 days before the effective date of cancellation, if we cancel for any other reason.
- c. We will mail or deliver our notice of cancellation to the first Named Insured's last mailing address known to us.
- d. The notice of cancellation will state the effective date of cancellation. The "policy period" will end on that date.
- e. If this policy is canceled, we will send the first Named Insured any premium refund due. If we cancel, any refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata. The cancellation will be effective even if we have not made or offered a refund.
- f. If notice of cancellation is mailed, proof of mailing will be sufficient proof of notice.

## 6. Premium

The first Named Insured shown in the Declarations:

- a. Is responsible for the payment of all premiums and deductibles; and
- b. If the premium is not financed, will be the payee for any return premium; but
- c. If the premium is financed the Named Insured authorizes us to pay any return premium to the premium finance company.

## 7. Nonrenewal

If we decide not to renew this policy, we will mail or deliver to the first Named Insured shown in the Declarations written notice of the nonrenewal not less than 60 days before the expiration date. If notice is mailed, proof of mailing will be sufficient proof of notice.

## 8. Your Right To "Claim" And "Wrongful Act" Information

We will provide the first Named Insured shown in the Declarations the following information relating to this and any other Insurance Agents and Brokers Errors and Omissions Liability claims-made policy we have issued to you during the previous three years:

- a. A list or other record of each "wrongful act," not previously reported to any other insurer, of which we were notified in accordance with paragraph 1.a. of this Section. We will include the date and a brief description of the "wrongful act" if that information was in the notice we received.
- b. A summary by policy year, of payments made and amounts reserved, stated separately under the applicable Aggregate Limit.

Amounts reserved are based on our judgment. They are subject to change and should not be regarded as ultimate settlement values. You must not disclose this information to any claimant or any claimant's representative without our consent.

If we cancel or elect not to renew this policy, we will provide such information no later than 30 days before the date of policy termination. In other circumstances, we will provide this information only if we receive a written request from the first Named Insured. In this case, we will provide this information within 45 days of receipt of the request.

We compile "claim" and "wrongful act" information for our own business purposes and exercise reasonable care in doing so. In providing information to the first Named Insured, we make no representations or warranties to insureds, insurers, or others to whom this information is furnished by or on behalf of any insured. Cancellation or nonrenewal will be effective even if we inadvertently provide inaccurate or incomplete information.

## 9. Action Against Company

No action shall lie against us unless, as a condition precedent thereto, there shall have been full compliance with all of the terms of this policy, nor until the amount of the insured's obligation to pay shall have been finally determined either by judgment after actual trial or by written agreement of the insured, the claimant, and us.

Any person or organization or the legal representative thereof, who is signatory to such judgment or written agreement, shall thereafter be able to recover under this policy to the extent of the insurance afforded by this policy. No person or organization shall have any right under this policy to join us as a party to any action against an insured to determine the insured's liability, nor shall we be impleaded by an insured or an insured's legal representative.

## 10. Bankruptcy

Bankruptcy or insolvency of the insured shall not relieve us of any of our obligations hereunder.

## 11. Changes

This policy embodies all agreements existing between each insured and us or any of our agents relating to this insurance. Only the first Named Insured shown in the Declarations is authorized to request changes in the terms of this policy. This policy's terms can be amended or waived only by endorsement issued by us and made a part of this policy.

## 12. Agency Of Named Insured

By acceptance of this policy the first Named Insured agrees to act on behalf of all insureds with respect to the giving and receiving of notices to and from us, the cancellation of this policy, the payment of premiums and deductibles when due, and the receiving of any return premiums that may become due. In addition, all insureds agree that the first Named Insured shall act on their behalf. If the first Named Insured does not comply with the obligations under this policy then each Named Insured agrees that it will be responsible for the payment of premiums and deductibles when due.

## 13. Sale, Transfer, Or Assignment

The controlling interest of any insured under this policy shall not be assignable to any other person without our written consent. In the event of the death or incompetency of the insured, this policy shall cover the insured's legal representative as an insured as respects any liability of that insured which is covered by this policy.

Coverage under this policy may end on the date ownership of (or stock which comprises a controlling interest in) any Named Insured is sold, transferred, or assigned unless our written consent is obtained before said date.

## 14. Application

By acceptance of this policy, you affirm as of the effective date of this policy that the statements in the application attached hereto and made a part hereof are each insured's agreements and representations and that we have issued this policy in reliance upon the truth and accuracy of such representations.

## 15. Conformance To Statute

Any terms of this policy which conflict with the statutes of the state where this policy is issued are hereby amended to conform to such statutes.

## 16. Liberalization Clause

If, after the effective date of this policy or of the latest renewal certificate attached thereto, we adopt revised provisions for this policy form affording broader coverage with no premium increase, then this policy shall be construed in

accordance with the revised provisions as of the effective date of such revision.

## 17. Notification of Newly Acquired or Formed Organizations

If you acquire or form a new organization, you shall notify us by either the end of the policy period or 90 days after the effective date of such changes, whichever comes first.

## SECTION VII - EXTENDED REPORTING PERIODS

1. We will provide an Automatic Extended Reporting Period as described in paragraph 3., or if you purchase it, an Optional Extended Reporting Period Endorsement as described in paragraphs 4. through 7. below, in the event of any "termination of coverage."

2. a. If we provide an Extended Reporting Period, a "claim" first made during the Extended Reporting Period will be deemed to have been made during the "policy period," provided that the claim is for "loss" from "wrongful acts" which took place before the end of the "policy period" (but not before any applicable Retroactive Date).

### b. Extended Reporting Periods

(1) Do not extend the "policy period" or change the scope of coverage provided;

(2) Do not reinstate or increase the Limits of Liability applicable to any "claim" to which this policy applies, except to the extent described in paragraph 7. below;

(3) Apply only to the coverage terminated or reduced; and

(4) Apply only as excess insurance over any other valid and collectible insurance available to the insured, whether primary, excess, contingent, or on any other basis, whose policy period begins or continues after the Extended Reporting Period takes effect.

## 3. Automatic 60 Day Extended Reporting Period

The Automatic Extended Reporting Period is provided without additional charge. This period starts with the end of the "policy period" and lasts for sixty (60) days. The Automatic Extended Reporting Period may not be cancelled.

## 4. Optional Extended Reporting Period

If this policy is subject to any "termination of coverage," then you shall have an option to purchase an Optional Extended Reporting Period according to the schedule in 5. below.

## 5. Available Options

If you purchase the Optional Extended Reporting Period Endorsement, the Optional Extended Reporting Period will start sixty (60) days after the end of the "policy period" and will last:

- a. Twelve (12) months for a premium of 70% of the last full annual premium;
- b. Twenty-four (24) months for a premium of 100% of the last full annual premium;
- c. Thirty-six (36) months for a premium of 130% of the last full annual premium;
- d. Forty-eight (48) months for a premium of 160% of the last full annual premium;
- e. Sixty (60) months for a premium of 190% of the last full annual premium; or
- f. One hundred and twenty (120) months for a premium of 200% of the last full annual premium.

## 6. Optional Extended Reporting Period Notice and Acceptance.

a. We will notify you in writing within thirty (30) days of the date of "termination of coverage" of the premium for and provisions of the Extended Reporting Period unless we cancel for nonpayment of premium or fraudulent activities of an insured.

If the policy is cancelled for nonpayment of premium or fraudulent activities of an insured, we will only provide a premium quotation for the Optional Extended Reporting Period upon your request.

- b. You will have until the later of sixty (60) days after the date of "termination of coverage," or thirty (30) days after the date of mailing of the Extended Reporting Period notice provided for above, to request the Optional Extended Reporting Period. Your request must:
  - (1) Be submitted to us in writing;
  - (2) Show the length of the period of extension desired; and
  - (3) Include payment of the premium for the requested extension.
- c. If such request and premium payment are not received, the Extended Reporting Period options may not be exercised at a later date.
- d. If, in the event of "termination of coverage" you elect to purchase the Optional Extended Reporting Period Endorsement:

- (1) Any return premium due you for the "termination of coverage" will be credited to the premium due for the Optional Extended Reporting Period Endorsement; and

- (2) Any additional premium or deductible amount due us for the period the policy was in force must be fully paid before any payments will be applied to the premium due for the Optional Extended Reporting Period Endorsement.

e. The Optional Extended Reporting Period Endorsement will not take effect unless the additional premium is paid when due. If that premium is paid when due, the Endorsement may not be cancelled.

f. The premium for the Optional Extended Reporting Period Endorsement:

- (1) Is determined as shown above or in any endorsement changing the premium because of any change in the nature or extent of the risk during the "policy period";

- (2) Will be commensurate with the coverage provided; and

- (3) Will be fully earned when the Optional Extended Reporting Period Endorsement takes effect.

g. The Optional Extended Reporting Period Endorsement shall set forth the terms, not inconsistent with this Section, applicable to the Optional Extended Reporting Period including a provision to the effect that the insurance afforded for "claims" made during such period is excess over any other valid and collectible insurance available under policies in force after the Optional Extended Reporting Period starts.

## 7. Optional Extended Reporting Period Aggregate Limit

If you purchase the Optional Extended Reporting Period Endorsement, the each "loss" limit shown in the Declarations will continue to apply. Subject to the each "loss" limit, we will provide a single aggregate limit of liability for the entire Optional Extended Reporting Period equal to the Aggregate Limit of Liability entered in the Declarations.

The Optional Extended Reporting Period aggregate limit of liability described above applies only for "claims" first made during the Optional Extended Reporting Period.

THIS NOTICE WITH THE COVERAGE FORM(S), DECLARATIONS PAGE AND  
ENDORSEMENT(S), IF ANY, COMPLETES YOUR POLICY.

**Mutuals - Participation Clause Without Contingent Liability:** No Contingent Liability: this policy is non-assessable. The policyholder is a member of the company and shall participate, to the extent and upon the conditions fixed and determined by the Board of Directors in accordance with the provisions of law, in the distribution of dividends so fixed and determined.

**UTICA MUTUAL INSURANCE COMPANY**

**Mutuals - Membership and Voting Notice:** The insured is notified that by virtue of this policy, he is a member of Utica Mutual Insurance Company of New Hartford, New York, and is entitled to vote either in person or by proxy at any and all meetings of said Company. The Annual Meetings are held in its Home Office, New Hartford, New York, on the fourth Monday of February, in each year, at 1:30 o'clock P.M.

**IN WITNESS WHEREOF,** the Utica Mutual Insurance Company has caused this policy to be signed by its president and secretary at New Hartford, New York, and countersigned on the declarations page by a duly authorized representative of the Company.



Secretary



President

## III. Property and Casualty Insurance Terms and Related Concepts

### What Is Insurance?

Insurance policies can be difficult to understand and even more difficult to explain to your customers. Few customers are knowledgeable about insurance, and yet they have very real insurance needs—for automobile and homeowners insurance and, in some cases, for extended coverage for personal articles, personal liability and personal boats. They look to you for technical knowledge and guidance when writing and renewing their policies and making claims.

Insurance is a product that offers protection from the risk of financial loss. By paying a relatively small premium, the insured transfers risk to the insurer and is protected from a much larger loss. The insurer shares risk by collecting premiums from many insureds and pooling the premiums in a large reserve fund. While each insured may experience occasional losses, these happen only on an irregular and uncertain basis. Losses that do occur are paid from the reserve.

As a product, insurance is much like other products our customers buy. Insurance companies — like other manufacturers — identify profitable groups of customers, design products with benefits that will attract those customers, and then sell those products through distributors (agents and brokers). Yet most customers fail to recognize the benefits of insurance as readily as they do the benefits of other products.

Car manufacturers design cars with features and styling that will appeal to specific customer groups. Through advertising they highlight those special features and—with the help of car dealers—convince prospects to buy.

Car buyers have little trouble appreciating the benefits of their purchase. Whenever they drive their cars or see them parked in the driveway they are reminded of what the product does for them.

Not so for insurance policies. Insurance customers purchase policies, file them away, and in most cases are reminded of the insurance only when it is time to pay the premium again.

Since actual losses are rare, they equate insurance with the policy—not the protection, the payment of losses, or the good nights' sleep that the policy represents.

This makes your job all the more challenging. You need the technical knowledge to explain the features and terms of insurance policies. But because of the nature of the product, you must go beyond that to explain the benefits of the coverage. You must tell your customers how they will feel once they are covered.

Prospects become insureds because they believe insurance will help them solve a problem or take advantage of an opportunity. They renew their policies because they believe your agency has not forgotten their best interests and because they are getting value-added service. Such service is continuous and repeats itself over policy periods — identifying the prospects' loss exposures, selecting the best coverages, convincing them to use your agency, encouraging them to buy optional insurances, answering questions accurately, resolving billing problems, and addressing their changing insurance needs.

Your answer to the question “What is insurance?” must go beyond policy coverages and features to include those services and benefits your customers will enjoy once they have your product.

## Forms of Protection Against Loss

Your customers own property and engage in activities that expose them to loss. Some occurrences causing loss happen on a regular basis, some happen infrequently, some are possible but have not happened yet, some could not happen. By analyzing and identifying the frequency and severity of such risks, the customers' exposure to loss can be reduced or covered.

Insurance is not the only form of protection. In **prevention**, property or procedures are modified to eliminate any possibility of loss. Giving up skydiving eliminates your liability of falling on someone, not to mention the consequences that fall would have on your own health.

In **reduction**, measures are taken to minimize the extent of loss, even if the possibility of loss cannot be entirely eliminated. A smoke alarm may not stop a fire in your home and snow tires may not stop your car from skidding, but both reduce the seriousness of accidents that might occur. The insurance company sometimes sends pamphlets and brochures to its customers to advise them on reducing loss.

In **retention**, the customer decides to retain those risks that are relatively inexpensive. When deciding not to carry collision coverage on an older car, the customer is retaining risk. Any losses resulting from damage to the car will come out of the customer's pocket. The customer might retain only part of that risk by carrying collision coverage but with a deductible.

Some exposures cannot be eliminated or retained, and the risk must be **transferred** to an insurer. Without insurance few families could afford the property or liability risks of owning a car, a home, a boat, or any other valuable personal property. In some cases the customer does not have a choice. Auto registration is not permitted without insurance, and banks require insurance on automobiles and homes that they finance.

Insurance solutions should only be suggested when there is a clear understanding of the customer's situation. Obviously the final decision about what insurance to purchase rests with the customer. But in many cases that customer is looking to you for advice. That is what an analysis of the customer's risks provides—a sound basis for recommending a program of insurance.

Certain risks must be protected against because the loss would cause severe suffering. These risks call for **essential coverages**. Auto coverages required by law and mortgage coverage are in this category. Some risks may result in considerable loss which might jeopardize the financial condition of the customer. These call for **desirable coverages**.

Other risks may have only a remote chance of occurring or may cause only a financial inconvenience. These risks call for **optional coverages** — insurance that would be nice to have but only if the customer's budget permits.

Insurance packages today have been designed to meet the varied needs of most individuals. In many cases your customer's needs for essential, desirable, and optional coverages are available in those packaged policies which can then be customized through the use of deductibles and endorsements. Analyzing the needs of the customer and selecting the appropriate coverages and loss control measures is the first step to providing value-added service for your customers.

## What Does Insurance Protect Against?

We said that insurance offers protection against the risk of financial loss. In this section we will look at the **causes** of such loss and the **kinds** of loss that can result. We will also define some frequently used insurance terms.

There are three major kinds of financial loss:

1. Property loss
2. Loss of health and earning capacity
3. Liability loss

Let's look at each a little more closely.

Property losses can involve tangible property, which includes real property and physical property, and intangible property. **Real property** is land and buildings, while **physical property** includes possessions and items found inside those buildings.

**Tangible property** is easy to identify; these are assets that clearly exist and have value for the owner.

**Intangible property** includes such things as copyrights, patents, or the right to use something—things that cannot be touched or seen but that still have a definite value for the owner

Consider the following accident to see the kinds of property loss that can result:

A house that is owned by Mrs. Jones and rented to the Smith family burns to the ground. Most of the furniture is owned by Mrs. Jones, while the rest of the items in the home belong to the Smiths. All are destroyed in the fire.

In this accident, Mrs. Jones has experienced a loss to her real property—the house itself. She has also suffered a loss to her physical property—the furniture burned in the fire. The Smiths too suffered a loss to their physical property—their personal possessions—and a loss to their intangible property—the right to occupy the space they rented in the home. And the property loss goes beyond this. Mrs. Jones will lose future income—her revenues will stop because the Smiths will no longer pay rent and her expenses will increase if she decides to rebuild the house.

A **direct loss** results when the property comes into direct contact with the cause of the loss. An **indirect loss** results as a consequence of the direct loss. In the above example, the direct loss is the loss of the home, the physical property, and the right to occupy the rental space, all of which resulted directly from the fire. The indirect loss is the loss of net income that Mrs. Jones will experience as a consequence of the fire.

What then are property losses? As you can see, the answer is not as simple and straightforward as you would expect. **Property losses** include the obvious loss to the property itself, but also the loss of future income resulting from the loss of that property. That loss of income may result from decreased revenues or from increased expenses to repair or replace the damaged property.

**Loss of health and earning capacity** is the second kind of financial loss. Disability, unemployment, retirement, and death all have the potential of eliminating sources of income and draining a family's bank account. There are many forms of protection against the loss of health or earning capacity, including life and health insurance, unemployment and disability compensation, financial services (such as individual retirement accounts), and specific coverages in personal lines products.



The third category is **liability loss**. Such a loss results when the individual is found legally liable for the consequences of acts or omissions resulting in damages or losses to other parties. Financial losses that result can include legal fees, court costs, fines, the amount of judgments awarded by the court, the costs of out-of-court settlements, and the long-term effect that a lawsuit might have on the person's reputation and earning capacity. Negligence is the most common reason for a liability lawsuit where the defendant is charged with failing to exercise proper care in protecting others.

### Property Loss

- ◆ Loss of property itself
- ◆ Loss of income from property

### Loss of Health or Earning Capacity

- ◆ Disability
- ◆ Unemployment
- ◆ Retirement
- ◆ Death

### Liability Loss

- ◆ If legally liable for the consequences of certain acts or omissions

The chart above summarizes the kinds of financial loss that insurance protects against. Your goal in developing a sound insurance program for your customers is to provide protection in each of these areas. As we examine various personal lines products, you will see how coverages have been included to cover potential losses in each of these areas.

What causes such losses? There are many possible accidents, events, and conditions that can result in financial loss. When customers suffer a loss, they will usually notify you of the accident. You must get the facts and verify coverage. You must analyze the cause of the loss to determine whether the specific circumstances of the accident or event are covered in their policies.

Some coverages (**specified peril**) protect only against causes that are actually named in the policy. If the loss is caused by a peril that is not named in the policy the loss is not covered. Other coverages (**all risk**) protect against all perils except those excluded in the policy. This may seem like saying the same thing in two different ways — much like describing a partially-filled glass as half full or half-empty. Actually the kind of coverage will have an important effect on whether or not your customer is covered.

A **peril** is a potential cause of loss — an event that may take place and create a financial loss. There are many kinds of perils. Fire, lightning, windstorm, vandalism, theft, explosion, and collision are all perils that can cause loss. A **hazard** is a condition, activity operation, material, or combination of these which creates or increases the chance of a loss. Hazards and perils are often related. Ice on the highway is a hazard which increases the chance of the peril of collision.

Not all hazards are physical. A **moral hazard** is a deliberate attempt to cause a loss or even to intentionally overvalue property to collect the insurance. Arson is an excellent example of moral hazard. A **morale hazard** is not a deliberate action but rather an indifference to loss because the property is insured. Failing to lock your car because you know it is insured is an example of morale hazard.

As you will see, personal lines policies combine coverages that protect against perils and hazards. Generally coverages against property loss insure against perils, while coverages against liability loss insure against hazards. Yet the terms peril and hazard both define cause of possible loss, for which insurance provides protection.

## **A. Insurable Interest**

A right, benefit, or advantage arising out of property that is of such nature that it may properly be indemnified.

In the law of insurance, the insured must have an interest in the subject matter of his or her policy, or such policy will be void and unenforceable since it will be regarded as a form of gambling. An individual ordinarily has an insurable interest when he or she will obtain some type of financial benefit from the preservation of the subject matter, or will sustain pecuniary loss from its destruction or impairment when the risk insured against occurs.

In certain jurisdictions, the innocent purchaser of a stolen car, who has a right of possession superior to all with the exception of the true owner, has an insurable interest in the automobile. This is not the case, however, where an individual knowingly purchases a stolen automobile.

Insurable interest is not dependent upon who pays the premiums of the policy. In addition, different people can have separate insurable interests in the same subject matter or property.

## **B. Risk**

The potential danger that threatens to harm or destroy an object, event, or person. A risk that is specified in an insurance policy is a contingency which might or might not occur. The policy promises to reimburse the person who suffers a loss resulting from the risk for the amount of damage done up to the financial limits of the policy.

## **C. Hazard**

A specific situation or condition that creates or increases the probability of a loss, such as a poor driving record increasing the likelihood of an automobile accident.

### **Physical hazard**

A hazard arising out of the use, condition or occupancy of the insured property.

### **Moral hazard**

Effect of personal reputation, character, associates, living habits, financial responsibility, criminal history and environment on the risk to be insured.

### **Morale hazard**

The general indifference to loss.

## **D. Peril**

Event insured against; cause of a possible loss. See Hazard.

## **E. Loss**

A reduction in the quality or value of a property, or a legal liability.

### **1. Direct loss**

Loss resulting immediately and directly from a hazard insured against.

### **2. Indirect loss**

Contingent loss; loss resulting from a peril, but not directly and immediately caused by it.

## **F. Proximate cause**

Immediate causes that in a natural and continuous sequence, unbroken by any intervening cause brings about the loss and without which the loss would not have happened.

## **G. Deductible**

Provision in a policy whereby the insured is required to pay a specific amount or percentage of a loss, the insurance company paying on an excess basis over the deductible amount.

## **H. Indemnify**

To restore the one who suffers a loss, in whole or in part, by payment, repair, or replacement, to the same condition they were in prior to the loss.

## **Indemnity**

Payment of an amount to offset all or part of an insured loss.

## **I. Actual cash value**

Insurance under which the policyholder receives compensation equal to the cost of replacing damaged or stolen property minus an amount for depreciation for age and use. For example: A tree falls through your roof destroying your eight-year-old sofa that cost \$1,200 when it was new, but is now only worth \$400. With an actual cash value policy, you will receive \$400.

## **J. Replacement cost**

Insurance that pays the dollar amount needed to replace damaged personal property or dwelling property without deducting for depreciation but limited by the maximum dollar amount shown on the declarations page of the policy.

## **K. Limits of liability**

Maximum amount an insurance company is willing to insure under a given form of insurance on any particular risk. The maximum amount payable for a given loss or occurrence or aggregate limit.

## **L. Pair or set clause**

A provision that indicates that the loss of one item of a pair or set does not represent the loss of the entire set. The method of valuing the claim may vary between contract, but it is usually based on the reduced value of the set, when a single piece of that set was damaged or lost.

## **M. Extensions of coverage**

Additional, broader protection against loss or damage to property, offered in conjunction with fire insurance, and usually covering against the perils of windstorm, hail, smoke, explosion, riot, civil commotion, vehicles, and aircraft.

## **N. Additional coverages**

Additional coverage is a provision in an insurance policy that provides an additional amount of coverage for specific loss expense, at no additional premium. Examples: Claim related expenses; Reasonable expenses incurred by an insured to protect damaged property from further loss; Defense expense.

## **O. Accident**

A sudden and unexpected event that results in a financial loss. See Occurrence.

## **Act of God**

Accident or event resulting from natural causes, without any human intervention such as flood, lightning, earthquake, or storms.

## **P. Occurrence**

A happening taking some length of time; series of accidents, including exposure to injurious conditions, that can be connected through common cause. See Accident.

## **Occurrence coverage**

A policy providing liability coverage only for injury or loss that occurs during the policy period regardless of when the claim is actually made.

## **Q. Vacancy and Unoccupancy**

An insured structure in which no people have been living or working and no contents have been stored for the period of time required, as stated in the policy (usually 60 days), constitutes vacancy. Unoccupancy refers to an insured structure in which no people have been living or working within the required period of time, but the structure contains contents.

## **R. Right of salvage**

Damaged property an insurer takes over to reduce its loss after paying a claim. Insurers receive salvage rights over property on which they have paid claims, such as badly-damaged cars. Insurers that paid claims on cargoes lost at sea now have the right to recover sunken treasures. Salvage charges are the costs associated with recovering that property.

## **S. Abandonment**

Abandonment is the abdication of insured property into the hands of another, or into the possession of no one in particular. Most property insurance policies prohibit an insured from abandoning insured property following a loss, and require that the insured protect the property from further loss.

## **T. Liability**

Condition of being bound by law or contract to do something that may be enforced in the courts; obligation, usually financial; probable cost of meeting an obligation.

## **U. Negligence**

Failure to use all reasonable means to save and preserve property at and after a loss or when property is endangered.

Not acting as a reasonable and prudent person, under the same circumstances with the same knowledge, to prevent an accident or injury.

## **V. Theft**

Any illegal act of taking or stealing, or attempting to take or steal, of someone else's property, including such crimes as larceny, burglary, and robbery.

## **W. Burglary**

Forcible entry into or exit out of the premises of another with the intent to steal property. There must be visible signs of forced entry or exit.

## **Burglary and Theft insurance**

Insurance for the loss of property due to burglary, robbery or larceny. It is provided in a standard homeowner's policy and in a business multiple peril policy.

## **X. Robbery**

The taking or attempting to take anything of value from the care, custody, or control of a person or persons by force or threat of force or violence and/or putting the victim in fear.

## **Y. Mysterious disappearance**

The disappearance of insured property in an unexplained manner. For example, if a ring is left in a public place and the owner returns later to find the ring gone, it is reasonable to assume that the ring has been stolen. However, there is no direct evidence that this is in fact what happened. ...

## **Z. Binders**

Temporary authorizations of coverage issued prior to the actual insurance policy.

## **AA. Bodily Injury liability**

Liability coverage protecting the insured from financial loss in the event he or she is liable to pay damages because of bodily injury, sickness, or disease resulting from an accident or occurrence.

## **BB. Property damage liability**

Covers damage to or loss of policyholders' property and legal liability for damages caused to other people or their property.

## **CC. Personal injury liability**

Coverages for libel, slander, invasion of privacy and other types of intentional torts. Usually included in personal liability and commercial liability policies.

## **DD. Certificate of insurance**

Evidence that insurance has been arranged, usually given to someone other than the policyholder, such as a bank or mortgage company.

## **EE. Risk management**

Attempt to identify, measure, control, transfer or retain pure risk exposures in order to protect future income and reduce long range costs against accidental or unintended loss.

## **FF. Professional designations**

Professional designations signal a commitment to your career while representing accomplishment and expertise within the insurance and financial services community. Examples include: Certified Case Management Professional (**CCMP**); Certified Professional Disability Management (**CPDM**); Associate in Risk Management (**ARM**); Chartered Property Casualty Underwriter (**CPCU**); General Insurance Program (**INS**); Workers' Compensation Claims Professional Program (**WCCP**); and Worker's Compensation Claims Administration Certificate Program (**WCCA**)

## Practice Quiz #12

Complete the following questions and exercises to test your understanding of basic insurance terms and concepts. When you have finished, check your answers in the answer book. If possible, it may be advantageous to discuss these exercises with more experienced people in your agency.

1. \_\_\_ It is more difficult for our customers to appreciate the benefits of insurance than other products.
2. \_\_\_ Collecting premiums from many insureds facing similar risks allows the insurer to transfer the risk.
3. \_\_\_ Retention minimizes the insured's extent of loss.
4. \_\_\_ Another name for insurance is transfer.
5. \_\_\_ Including a deductible in coverage means that the customer is retaining a part of the risk
6. \_\_\_ All of a customer's risks should be covered by insurance.
7. \_\_\_ Prevention eliminates any possibility of loss.
8. \_\_\_ Legally liable means that the person is responsible for a loss in the eyes of the law.
9. \_\_\_ Negligence is often the basis for liability lawsuits.
10. \_\_\_ Specified peril coverage covers perils not named in the policy
11. \_\_\_ All risk coverage covers perils unless they are specifically named as excluded in the policy.
12. \_\_\_ Verifying coverage means analyzing the cause of loss to determine whether that loss is covered in the policy.
13. \_\_\_ Coverage against liability loss usually protects against perils.
14. \_\_\_ Bad weather at an airport is a peril that increases the hazard of crash.
15. \_\_\_ Sometimes insurance coverage is required by law.

## Practice Quiz #13

Write the letter of the term at right next to its definition in the left column.

1. ___ eliminating all possibility of loss	a) Reserve
2. ___ failing to exercise proper care in protecting others	b) morale hazard
3. ___ indifference to loss because it is covered by insurance	c) sharing the risk
4. ___ condition that increases the possibility of loss	d) moral hazard
5. ___ fund from which loss payments are	e) Benefits
6. ___ product that offers protection from the risk of financial loss	f) hazard
7. ___ collecting premiums from many insureds with similar risks	g) Insurance
8. ___ deliberate overvaluing of property to collect insurance	h) Peril
9. ___ land, buildings, and items found in those buildings	i) prevention
10. ___ minimizing the extent of loss	j) Negligence
11. ___ what a customer enjoys from any product	k) reduction
12. ___ when the customer assumes all or part of the risk	l) indirect loss
13. ___ disability is an example of this type of loss	m) Retention
14. ___ potential cause of loss	n) tangible property
15. ___ a loss resulting as a consequence of the direct cause of the loss	o) loss of health or earning capacity



## **IV. PROPERTY AND CASUALTY POLICY PROVISIONS AND CONTRACT LAW**

### **What's in an Insurance Policy?**

Insurance policies can be difficult to understand and even more difficult to explain to your customers. Few customers are knowledgeable about insurance, and yet they have very real insurance needs—for automobile and homeowners insurance and, in some cases, for extended coverage for personal articles, personal liability and personal boats. They look to you for technical knowledge and guidance when writing and renewing their policies and making claims.

Insurance is a product that offers protection from the risk of financial loss. By paying a relatively small premium, the insured transfers risk to the insurer and is protected from a much larger loss. The insurer shares risk by collecting premiums from many insureds and pooling the premiums in a large reserve fund. While each insured may experience occasional losses, these happen only on an irregular and uncertain basis. Losses that do occur are paid from the reserve.

As a product, insurance is much like other products our customers buy. Insurance companies — like other manufacturers — identify profitable groups of customers, design products with benefits that will attract those customers, and then sell those products through distributors (agents and brokers). Yet most customers fail to recognize the benefits of insurance as readily as they do the benefits of other products.

### **The Insurance Marketplace**

The analogy between insurance and other products goes beyond customer needs, products, and benefits. In every industry products must be manufactured and distributed to the consumer through retail channels. Often it is not the product itself but the service and distribution that make the sale.

Each insurance company—like other manufacturers—offers product lines (insurance policies and packages) with many of the same features (coverages) and benefits (protection and service) as the competition.

Insurers — like other manufacturers — have little direct contact with their consumers. The link between insurers and their customers — the point-of-sale contact—is the agency. You evaluate the needs of the customer, you guide their choices, you select from competing products that best meet their needs.

### **Advising Your Customers**

Selecting proper coverages is only part of the job in putting together a policy for your customers. Coverages are affected by conditions listed in the policy that spell out the responsibilities of the insured and the insurance company. There are choices your customers can make that will save them money on premiums without sacrificing protection. You must carefully explain these choices and responsibilities.

An insurance policy is a contract between the insured and the insurer. Like other contracts, it has a number of conditions that carefully specify when coverage applies and when it does not. Let's briefly discuss a few of those conditions that most often come into play

In another section of this course we said that personal property coverage in the homeowners policy insures personal property owned or used by the insured anywhere in the world. On the other hand, the auto policy is not a worldwide policy.

If your customers travel outside the U.S. or Canada, advise them that they may not be covered when driving in a foreign country. They may need insurance from a local insurer in that country or some special handling by the insurance company.

Within the United States and Canada, the auto policy does conform with the laws and insurance requirements. Although different states have different no-fault plans and compulsory insurance requirements, the policy automatically complies with the regulations of any state or province the vehicle is driven in.

### **Policy Provisions & Conditions**

Conditions listed in the policy explain cancellation of the policy. The insured can cancel at any time by sending written notification and stating the date the cancellation is to become effective. On the other hand, the insurance company can cancel auto policies only under the following circumstances:

- within the first sixty days of the policy period
- upon failure to pay the premium
- if the driving license of the named insured or another member of the household is suspended or revoked.

In the case of an accident or loss, the insured has certain responsibilities. As soon as possible, the insured or someone on behalf of the insured must notify your agency or the insurance company and supply the following information:

- name, address, and policy number of the insured
- details of the accident or loss
- names of witnesses or persons involved or injured in the accident.

If a claim or lawsuit results, the insured must attend hearings or trials when requested, secure and give evidence, permit medical examination by doctors the insurance company specifies, and authorize the insurer to obtain medical reports or records.

Conditions establish the circumstances that must be met by the insured and the insurance company for coverage to apply. Your customers must be familiar with their responsibilities. Both you and the insured are at a disadvantage if a loss occurs and there is no coverage because the conditions were misunderstood.

## **A. Declarations**

Part of a property or liability insurance policy that states the name and address of policyholder, property insured, its location and description, the policy period, premiums and supplemental information. Referred to as the 'dec page.'

## **B. Insuring agreement**

Clause in a policy defining and describing the scope of the coverage provided and limits of indemnification. See Conditions, Declarations, and Exclusions.

## **C. Conditions**

Part of an insurance policy detailing the rights and duties of the insured and the insurance company in the policy. See Declarations, Insuring Agreement, and Exclusions

## **D. Exclusions**

Provision in an insurance policy eliminating coverage for certain risks or otherwise limiting the scope of coverage; certain causes and conditions listed in the policy that are not covered. See Conditions, Declarations, and Insuring Agreement.

## **E. Definition of the Insured**

### **Insured**

One for whom insurance is written. See Named Insured

### **Named insured**

One specifically designated by name as the insured on the declarations page of a policy.

## **F. Duties of the insured after a loss**

The insureds, under the terms of a policy, are required to cooperate with the insurer in the investigation, settlement, or defense of a claim covered under the policy.

## **G. Obligations of the insurance company**

In case of a claim, the insured is obligated to notify the insurer and protect insured property from further loss.

## **H. Mortgagee rights**

When a mortgagee is named in a mortgagee clause attached to a policy, the loss reimbursement shall be paid to the mortgagee as their interest may appear; and, the mortgagee's rights of recovery shall not be defeated by any act or neglect of the insured. The mortgagee is also given other rights such as bringing in a suit in their own name to recover damages.

### **Mortgagee clause**

Provision in or attached to fire policies covering mortgaged property, defining the mortgagee's rights and privileges under the policy.

### **Mortgagee**

One who holds a mortgage (loan) on property.

## **I. Proof of loss**

Documents showing the insurance company that a loss occurred.

## **J. Notice of claim**

A written notice required by insurance companies immediately after an accident or other loss. Part of the standard provisions defining a policyholder's responsibilities after a loss.

## **K. Appraisal**

A survey to determine a property's insurable value, or the amount of a loss.

## **L. Other insurance**

Other Insurance provision is a clause in property & casualty policies outlining how a policy's benefits will be paid if more than one policy covers the same risk.

### **Pro rata liability clause**

Property insurance clause that makes each company insuring the same interest in a property liable according to the proportion that its insurance bears to the total amount of insurance on the property.

### **Apportionment**

The dividing of a loss proportionately among two or more insurers that cover the same loss.

## **M. Assignment**

An agreement under which one party 'the assignor' transfers some or all of his ownership rights in a particular property, such as a life insurance policy or an annuity contract, to another party the assignee.

## N. Subrogation

Assigning or substituting rights of one party to another in collecting a debt or claim, as an insurance company is assigned an insured's rights of recovery from a third party who has caused a loss.

## O. Elements of a contract

Because an insurance policy is a legal contract, all of the essential elements of a contract must be present:

- ♦ **Legal contract** – The parties must be legally capable of contracting.
- ♦ **Offer and acceptance** – The contract must be based on an offer by one party and acceptance of that offer in the same terms by the other party.
- ♦ **Consideration** – Each party to the contract must give something of value.
- ♦ **Legal form** – The contract must be legal in form.
- ♦ **Legal purpose** – The contract must be for a legal purpose.

## P. Sources of underwriting information

A part of the underwriting process is to determine the insurability of the applicant. Insures have several resources for gathering information, most of which must be agreed to by the insured in writing before the insurer can use them:

- ♦ Application form
- ♦ Motor vehicle reports
- ♦ Interviews with neighbors, friends and employers
- ♦ Inspection of property Inspection of insurance history
- ♦ Credit reports

### Underwriter

A person employed by an insurance company to determine which risks to insure and which to reject.

### Underwriting

Process of researching, evaluating and determining the insurability of a risk.

### Underwriting guidelines

The documents developed by an insurance company to provide underwriters with an idea of the type of customers the company wishes to insure.

## **Q. Compliance with provisions of Fair Credit Reporting Act**

The Fair Credit Reporting act became law on April 25, 1971, and is administered by the Federal Trade Commission. The purpose of the law is to protect consumers against the circulation of inaccurate or obsolete information, and to ensure that consumer reporting agencies are fair and equitable in their treatment of consumers.

## **R. Cancellation and Nonrenewal provisions**

Insured may cancel the policy by returning it to the insurer and stating in writing the future date wanted for it to be cancelled.

Insurer may cancel the policy by written notice to insured at the address shown on the declaration page or last known address. Cancellation by insurer shall be effective as of the date and time shown on the Cancellation Notice, but not less than ten (10) days after the date of mailing the notice. The mailing of the notice is sufficient proof of notice of cancellation. Delivery of notice shall be equivalent to mailing.

When cancellation is requested by the insured, the return premium may be based upon short-rate tables. When the policy is cancelled by the insurer, the return premium shall be pro-rata.

## **S. Additional (supplementary) payments**

Supplementary Payments: A provision in most liability policies under which the insurer agrees to pay defense costs, premiums on various bonds, interest accruing after a judgment, and other reasonable expenses in addition to the limit of liability.

## **T. Loss settlement provisions including consent to settle a loss**

Covered property losses are settled at actual cash value at the time of loss but not more than the amount required to repair or replace.

## **U. Limitations**

The insurer's total liability for all damages resulting from one occurrence will be no more than the limit of liability as shown in the Declarations.

## **V. Representations and misrepresentations**

Statement of material fact that is reasonably accepted as substantially true. See Warranty.

## Warranty

Literal promise and guarantee, either expressed or implied (i.e., concerning the condition of property to be insured), made for the purpose of risk evaluation by the insurance company; if found to be untrue, may provide the basis for avoidance of the policy.

## Misrepresentation

A false or misleading statement. (1) In insurance sales, a false or misleading statement made by a sales agent to induce a customer to purchase insurance is a prohibited sales practice. (2) In insurance underwriting, a false or misleading statement by an insurance applicant may provide a basis for the insurer to avoid the policy.

## W. Concealment

Coverage is not provided for an insured who has:

- a. Intentionally concealed or misrepresented any material fact or circumstance; or
- b. Made false statements or engaged in fraudulent conduct

relating to the insurance.

## X. Arbitration

Procedure in which an insurance company and the insured or a vendor agree to settle a claim dispute by accepting a decision made by a third party.

## Y. Coinsurance

In property insurance, requires the policyholder to carry insurance equal to a specified percentage of the value of property to receive full payment on a loss. For health insurance, it is a percentage of each claim above the deductible paid by the policyholder. For a 20 percent health insurance coinsurance clause, the policyholder pays for the deductible plus 20 percent of his covered losses. After paying 80 percent of losses up to a specified ceiling, the insurer starts paying 100 percent of losses.

## Z. Endorsements

Written amendment attached to a policy with the insurance company's approval making a change to the policy's terms. A written form attached to an insurance policy that alters the policy's coverage, terms, or conditions. Sometimes called a rider.

## **Rider**

An attachment to an insurance policy that alters the policy's coverage or terms.

## **AA. Premium Payments**

Designated amount payable by the insured to the insurance company and required to keep the contract in force. See Consideration. The price of an insurance policy, typically charged annually or semiannually. (See Direct premiums, Earned premium, Unearned premium )

### **Direct premiums**

Property/casualty premiums collected by the insurer from policyholders, before reinsurance premiums are deducted. Insurers share some direct premiums and the risk involved with their reinsurers.

### **Earned premium**

The portion of premium that applies to the expired part of the policy period. Insurance premiums are payable in advance but the insurance company does not fully earn them until the policy period expires.

### **Unearned premium**

The portion of a premium already received by the insurer under which protection has not yet been provided. The entire premium is not earned until the policy period expires, even though premiums are typically paid in advance.

### **Consideration**

Inducement for completion of a contract; the premium paid by the insured and the promise to pay by the insurer. See Contract.

### **Contract**

Another name for an insurance policy. Chief requirements for formation of valid contract are: (1) parties having legal capacity to contract; (2) offer and an acceptance of the offer; (3) valuable consideration (premium and promise to pay); (4) the absence of any statute or other rule making the contract void (legal reason); and (5) the absence of fraud or misrepresentation by either party. An insurance contract meeting these requirements qualifies as a contract.

### **Contract of adhesion**

Contract prepared by one party, without negotiation with the other party, and either accepted or rejected by the other party. An insurance policy is an example, as the insured has little control over the terms. Also a unilateral contract.

### **Contract of insurance**

Legal and binding unilateral contract whereby an insurance company agrees to indemnify an insured for losses, provide other benefits, or render services to or on behalf of an insured. This is often called an insurance policy, but the policy is merely the evidence of the agreement.

## **BB. Effective dates of coverage**

Date on which a policy is put in force and protection is furnished. Also called the inception date.



## Practice Quiz #14

Match the Policy Provision with its Definition starting on Page 210:

- a. \_\_\_ Appraisal
- b. \_\_\_ Mortgagee
- c. \_\_\_ Notice of claim
- d. \_\_\_ Obligations of the insurance company
- e. \_\_\_ Mortgagee clause
- f. \_\_\_ Mortgagee rights
- g. \_\_\_ Proof of loss
- h. \_\_\_ Unearned premium
- i. \_\_\_ Apportionment
- j. \_\_\_ Exclusions
- k. \_\_\_ Conditions
- l. \_\_\_ Declarations
- m. \_\_\_ Insuring agreement
- n. \_\_\_ Duties of the insured after a loss
- o. \_\_\_ Other insurance
- p. \_\_\_ Insured
- q. \_\_\_ Named insured
- r. \_\_\_ Earned premium
- s. \_\_\_ Consideration
- t. \_\_\_ Coinsurance
- u. \_\_\_ Direct premiums
- v. \_\_\_ Effective dates of coverage
- w. \_\_\_ Representations and misrepresentations
- x. \_\_\_ Subrogation
- y. \_\_\_ Pro rata liability clause
- z. \_\_\_ Limitations
- aa. \_\_\_ Assignment
- bb. \_\_\_ Misrepresentation
- cc. \_\_\_ Warranty
- dd. \_\_\_ Loss settlement provisions including consent to settle a loss
- ee. \_\_\_ Underwriting guidelines
- ff. \_\_\_ Compliance with provisions of Fair Credit Reporting Act
- gg. \_\_\_ Underwriting
- hh. \_\_\_ Additional (supplementary) payments
- ii. \_\_\_ Cancellation and Nonrenewal provisions
- jj. \_\_\_ Contract of adhesion
- kk. \_\_\_ Endorsements
- ll. \_\_\_ Contract of insurance
- mm. \_\_\_ Premium Payments
- nn. \_\_\_ Contract
- oo. \_\_\_ Rider
- pp. \_\_\_ Arbitration
- qq. \_\_\_ Underwriter

## Practice Quiz #14 Definitions

1. Part of a property or liability insurance policy that states the name and address of policyholder, property insured, its location and description, the policy period, premiums and supplemental information. Referred to as the 'dec page.'
2. Clause in a policy defining and describing the scope of the coverage provided and limits of indemnification. See Conditions, Declarations, and Exclusions.
3. Part of an insurance policy detailing the rights and duties of the insured and the insurance company in the policy. See Declarations, Insuring Agreement, and Exclusions
4. Provision in an insurance policy eliminating coverage for certain risks or otherwise limiting the scope of coverage; certain causes and conditions listed in the policy that are not covered. See Conditions, Declarations, and Insuring Agreement.
5. One for whom insurance is written.
6. One specifically designated by name as the insured on the declarations page of a policy.
7. The insureds, under the terms of a policy, are required to cooperate with the insurer in the investigation, settlement, or defense of a claim covered under the policy.
8. In case of a claim, the insured is obligated to notify the insurer and protect insured property from further loss.
9. When a mortgagee is named in a mortgagee clause attached to a policy, the loss reimbursement shall be paid to the mortgagee as their interest may appear; and, the mortgagee's rights of recovery shall not be defeated by any act or neglect of the insured. The mortgagee is also given other rights such as bringing in a suit in their own name to recover damages.
10. Provision in or attached to fire policies covering mortgaged property, defining the mortgagee's rights and privileges under the policy.
11. One who holds a mortgage (loan) on property.
12. Documents showing the insurance company that a loss occurred.
13. A written notice required by insurance companies immediately after an accident or other loss. Part of the standard provisions defining a policyholder's responsibilities after a loss.
14. A survey to determine a property's insurable value, or the amount of a loss.
15. Other Insurance provision is a clause in property & casualty policies outlining how a policy's benefits will be paid if more than one policy covers the same risk.
16. Property insurance clause that makes each company insuring the same interest in a property liable according to the proportion that its insurance bears to the total amount of insurance on the property.
17. The dividing of a loss proportionately among two or more insurers that cover the same loss.
18. An agreement under which one party 'the assignor' transfers some or all of his ownership rights in a particular property, such as a life insurance policy or an annuity contract, to another party the assignee.

19. Assigning or substituting rights of one party to another in collecting a debt or claim, as an insurance company is assigned an insured's rights of recovery from a third party who has caused a loss.

20. A person employed by an insurance company to determine which risks to insure and which to reject.

21. Process of researching, evaluating and determining the insurability of a risk.

22. The documents developed by an insurance company to provide underwriters with an idea of the type of customers the company wishes to insure.

23. The Fair Credit Reporting act became law on April 25, 1971, and is administered by the Federal Trade Commission. The purpose of the law is to protect consumers against the circulation of inaccurate or obsolete information, and to ensure that consumer reporting agencies are fair and equitable in their treatment of consumers.

24. Insured may cancel the policy by returning it to the insurer and stating in writing the future date wanted for it to be cancelled.

25. Supplementary Payments: A provision in most liability policies under which the insurer agrees to pay defense costs, premiums on various bonds, interest accruing after a judgment, and other reasonable expenses in addition to the limit of liability.

26. Covered property losses are settled at actual cash value at the time of loss but not more than the amount required to repair or replace.

27. The insurer's total liability for all damages resulting from one occurrence will be no more than the limit of liability as shown in the Declarations.

28. Statement of material fact that is reasonably accepted as substantially true. See Warranty.

29. Literal promise and guarantee, either expressed or implied (i.e., concerning the condition of property to be insured), made for the purpose of risk evaluation by the insurance company; if found to be untrue, may provide the basis for voidance of the policy.

30. A false or misleading statement. (1) In insurance sales, a false or misleading statement made by a sales agent to induce a customer to purchase insurance is a prohibited sales practice. (2) In insurance underwriting, a false or misleading statement by an insurance applicant may provide a basis for the insurer to avoid the policy.

31. Procedure in which an insurance company and the insured or a vendor agree to settle a claim dispute by accepting a decision made by a third party.

32. In property insurance, requires the policyholder to carry insurance equal to a specified percentage of the value of property to receive full payment on a loss. For health insurance, it is a percentage of each claim above the deductible paid by the policyholder. For a 20 percent health insurance coinsurance clause, the policyholder pays for the deductible plus 20 percent of his covered losses. After paying 80 percent of losses up to a specified ceiling, the insurer starts paying 100 percent of losses.

33. Written amendment attached to a policy with the insurance company's approval making a change to the policy's terms. A written form attached to an insurance policy that alters the policy's coverage, terms, or conditions. Sometimes called a rider.

34. An attachment to an insurance policy that alters the policy's coverage or terms.

35. Designated amount payable by the insured to the insurance company and required to keep the contract in force. See Consideration. The price of an insurance policy, typically charged annually or semiannually. (See Direct premiums, Earned premium, Unearned premium )

36. Property/casualty premiums collected by the insurer from policyholders, before reinsurance premiums are deducted. Insurers share some direct premiums and the risk involved with their reinsurers.

37. The portion of premium that applies to the expired part of the policy period. Insurance premiums are payable in advance but the insurance company does not fully earn them until the policy period expires.

38. The portion of a premium already received by the insurer under which protection has not yet been provided. The entire premium is not earned until the policy period expires, even though premiums are typically paid in advance.

39. Inducement for completion of a contract; the premium paid by the insured and the promise to pay by the insurer. See Contract.

40. Another name for an insurance policy. Chief requirements for formation of valid contract are: (1) parties having legal capacity to contract; (2) offer and an acceptance of the offer; (3) valuable consideration (premium and promise to pay); (4) the absence of any statute or other rule making the contract void (legal reason); and (5) the absence of fraud or misrepresentation by either party. An insurance contract meeting these requirements qualifies as a contract.

41. Contract prepared by one party, without negotiation with the other party, and either accepted or rejected by the other party. An insurance policy is an example, as the insured has little control over the terms. Also a unilateral contract.

42. Legal and binding unilateral contract whereby an insurance company agrees to indemnify an insured for losses, provide other benefits, or render services to or on behalf of an insured. This is often called an insurance policy, but the policy is merely the evidence of the agreement.

43. Date on which a policy is put in force and protection is furnished. Also called the inception date.

## V. State Laws, Rules, and Regulations

### A. Georgia Laws, Rules, and Regulations Pertinent To Property and Casualty Insurance

#### 1. Insurance Department and Commissioner

##### O.C.G.A. § 33-1-2

As used in this title, the term:

'Commissioner of Insurance' or 'Commissioner' means the Commissioner of Insurance of the State of Georgia.

'Insurance Department' or 'department' means the Insurance Department established by Code Section 33-2-1.

##### O.C.G.A. § 33-2-4

(a) The Commissioner shall appoint a chief deputy insurance commissioner and such other deputies as may be necessary to assist him in the performance and discharge of his duties; and, in the event of a vacancy in the office of the Commissioner or in his absence or disability for any reason, the chief deputy shall perform all the duties of the Commissioner. The chief deputy shall execute a bond with proper security in the sum of \$15,000.00, such bond to be approved by the Commissioner and conditioned upon the faithful performance of the duties of the chief deputy commissioner.

(b) The chief deputy insurance commissioner and other deputies shall be removable at the discretion of the Commissioner.

##### O.C.G.A. § 33-2-10

(a) Orders and notices of the Commissioner shall be effective only when they are in writing and signed by him or by his authority.

(b) Every such order shall state its effective date and shall state concisely:

(1) Its intent or purpose;

(2) The grounds on which it is based; and

(3) The provisions of this title pursuant to which action is taken or proposed to be taken; but failure to designate any provision shall not deprive the Commissioner of the right to rely thereon.

(c) An order or notice may be served by delivery to the person to be ordered or notified or by mailing it, postage prepaid, addressed to him at his principal place of business or last address of record in the Commissioner's office.

(d) In addition to the service provisions set forth in subsection (c) of this Code section, any order of the Commissioner issued to multiple recipients in the form of a general directive, data call, or bulletin may be served by sending it by electronic mail, so that receipt is acknowledged by the recipient, to the electronic mail address on record in the Commissioner's office. The Commissioner shall also post such general directive, data call, or bulletin contemporaneously on the department's website.

##### O.C.G.A. § 33-2-11

(a) Whenever the Commissioner shall deem it expedient, he shall examine, either in person or by some examiner duly authorized by him, the affairs, transactions, accounts, records, documents, and

## 20 Hour Pre-Licensing for Property & Casualty Limited Subagent Manual

assets of each insurer authorized to do business in this state and any other facts relative to its business methods, management, and dealings with policyholders. At least once every three years, he shall so examine each domestic insurer. Examination of an alien insurer shall be limited to its insurance transactions in the United States.

(b) Whenever he shall deem it necessary at least once in five years, the Commissioner shall fully examine each rating organization which is licensed in this state. As often as he shall deem it necessary, he may examine each advisory organization and each joint underwriting or joint reinsurance group, association, or organization.

(c) The Commissioner shall in like manner examine each insurer or rating organization applying for authority to do business in this state.

(d) In lieu of an examination under this Code section of any foreign or alien insurer licensed in this state, the Commissioner may accept an examination report on such insurer as prepared by the insurance department of such insurer's state of domicile or port-of-entry state until January 1, 1994. On and after January 1, 1994, such reports may be accepted only if:

(1) The insurance department was, at the time the examination was conducted, accredited under the National Association of Insurance Commissioners' financial regulation standards and accreditation program; or

(2) The examination was performed under the supervision of an accredited insurance department or with the participation of one or more examiners who are employed by an accredited state insurance department and who, after a review of the examination work papers and report, state under oath that the examination was performed in a manner consistent with the standards and procedures required by their insurance department.

(e) Any insurer authorized to transact insurance in this state which changes its domicile from Georgia to another state on or after April 1, 1988, may be examined by the Commissioner once a year for five years, beginning on or after the occurrence of the change in domicile; provided, however, this subsection shall not apply to an insurer which changes its domicile from Georgia to another state as long as it retains in this state its principal place of business and the complete records of its assets, transactions, and affairs.

## 2. Transacting Business

### O.C.G.A. § 33-1-2

(6) 'Transact,' with respect to insurance, includes any of the following:

(A) Solicitation and inducement;

(B) Preliminary negotiations;

(C) Effectuation of a contract of insurance; or

(D) Transaction of matters subsequent to effectuation of the contract and arising out of it.

### O.C.G.A. § 33-3-2

(a) No person shall act as an insurer and no insurer shall transact insurance in Georgia except as authorized by a subsisting certificate of authority granted to it by the Commissioner, except as to any transactions as are expressly otherwise provided for in this title.

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(b) The mere investigation and adjustment of any claim in this state arising under an insurance contract and litigation in connection therewith shall not be deemed to constitute the transacting of insurance in this state.

(c) An insurer not transacting new insurance business in Georgia but continuing collection of premiums on and servicing of policies remaining in force as to residents of or risks located in Georgia is transacting insurance in Georgia for the purpose of premium tax requirements only and is not required to have a certificate of authority therefor.

(d) As to an insurance coverage on a subject of insurance not resident, located, or expressly to be performed in Georgia at time of issuance and solicited, written, and delivered outside Georgia, no certificate of authority shall be required of an insurer as to subsequent transactions in Georgia on account of such insurance; and this title shall not apply to such insurance or insurance coverage, except for the purpose of premium tax requirements.

### 3. Licensing Of Agents, Counselors, Subagents and Adjusters

#### O.C.G.A. § 33-23-4

License required; restrictions on payment or receipt of commissions; positions indirectly related to sale, solicitation, or negotiation of insurance excluded from licensing requirements

(a)(1) A person shall not sell, solicit, or negotiate insurance in this state for any class or classes of insurance unless the person is licensed for that line of authority in accordance with this chapter and applicable regulations.

(2) Any individual who sells, solicits, or negotiates insurance in this state must be licensed as an agent.

(3) Any business entity that sells, solicits, or negotiates insurance in this state must be licensed as an agency.

(b) No insurer or agent doing business in this state shall pay, directly or indirectly, any commissions or any other valuable consideration to any person for services as an agent, subagent, or adjuster within this state, unless such person is duly licensed in accordance with this article.

(c) An insurer may pay a commission or other valuable consideration to a licensed insurance agency in which all employees, stockholders, directors, or officers who sell, solicit, or negotiate insurance contracts are qualified insurance agents, subagents, or counselors holding currently valid licenses as required by the laws of this state; and an agent, subagent, or counselor may share any commission or other valuable consideration with such a licensed insurance agency.

(d) No person other than a duly licensed adjuster, agent, subagent, or counselor shall pay or accept any commission or other valuable consideration except as provided in subsections (b) and (c) of this Code section.

(e) This Code section shall not prevent the payment or receipt of renewal or deferred commissions by any agency or a person on the grounds that the licensee has ceased to be an agent, subagent, or counselor nor prevent the receipt or payment of any commission by an individual who has been issued a temporary license pursuant to this chapter.

(f) Any individual who has been licensed as an agent for ten consecutive years or more and who does not perform any of the functions specified in paragraph (3) of subsection (a) of Code Section 33-23-1 other than receipt of renewal or deferred commissions shall be exempt from the requirement to maintain at least one certificate of authority; provided, however, that if such individual wishes to again perform any of the other functions specified in said paragraph, such individual must obtain approval

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from the Commissioner and comply with the requirements of this chapter and applicable rules and regulations, including without limitation the requirements for certificate of authority.

(g) Any person who willfully violates this Code section shall be guilty of a misdemeanor and, upon conviction thereof, shall be subject to punishment as provided in Code Section 17-10-3, relating to punishment for misdemeanors.

(h)(1) Nothing in this article shall be construed to require an insurer to obtain an insurance agent's license. As used in this Code section, the term "insurer" does not include an insurer's officers, directors, employees, subsidiaries, or affiliates.

(2) A license as an insurance agent shall not be required of the following:

(A) An officer, director, or employee of an insurer or of an insurance agent or agency, provided that the officer, director, or employee does not receive any commission on policies written or sold to insure risks residing, located, or to be performed in this state and:

(i) The officer, director, or employee's activities are executive, administrative, managerial, clerical, or a combination of these, and are only indirectly related to the sale, solicitation, or negotiation of insurance;

(ii) The officer, director, or employee's function relates to underwriting, loss control, inspection, or the processing, adjusting, investigating, or settling of a claim on a contract of insurance; or

(iii) The officer, director, or employee is acting in the capacity of a special agent or agency supervisor assisting insurance agents where the person's activities are limited to providing technical advice and assistance to licensed insurance producers and do not include the sale, solicitation, or negotiation of insurance;

(B) A person who meets the criteria set forth in paragraph (6) of subsection (b) of Code Section 33-23-1;

(C) An employer or association or its officers, directors, or employees or the trustees of an employee trust plan to the extent that the employers, officers, employees, directors, or trustees are engaged in the administration or operation of a program of employee benefits for the employer's or association's own employees or the employees of its subsidiaries or affiliates, which program involves the use of insurance issued by an insurer, so long as the employers, associations, officers, directors, employees, or trustees are not in any manner compensated, directly or indirectly, by the company issuing the contracts;

(D) Employees of insurers or organizations employed by insurers who are engaging in the inspection, rating, or classification of risks or in the supervision of the training of insurance agents and who are not individually engaged in the sale, solicitation, or negotiation of insurance;

(E) A person whose activities in this state are limited to advertising without the intent to solicit insurance in this state through communications in printed publications or other forms of electronic mass media whose distribution is not limited to residents of the state, provided that the person does not sell, solicit, or negotiate insurance that would insure risks residing, located, or to be performed in this state;

(F) A person who is not a resident of this state who sells, solicits, or negotiates a contract of insurance for commercial property and casualty risks to an insured with risks located in more than one state insured under that contract, provided that the person is otherwise licensed as an insurance agent to sell, solicit, or negotiate insurance in the state where the insured maintains its principal place of business and the contract of insurance insures risks located in that state; or



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(G) A salaried, full-time employee who counsels or advises his or her employer relative to the insurance interests of the employer or of the subsidiaries or business affiliates of the employer provided that the employee does not sell or solicit insurance or receive a commission.

### § 33-23-5. Qualifications and requirements for license

(a) For the protection of the people of this state, the Commissioner shall not issue, continue, or permit to exist any license, except in compliance with this chapter and except as provided in Code Sections 33-23-3, 33-23-4, 33-23-12, 33-23-13, 33-23-14, 33-23-16, 33-23-17, 33-23-29, 33-23-29.1, and 33-23-37. The Commissioner shall not issue a license to any individual applicant for a license who does not meet or conform to qualifications or requirements set forth in paragraphs (1) through (8) of this subsection:

(1) The individual applicant must be a resident of this state who will reside and be present within this state for at least six months of every year or an individual whose principal place of business is within this state; provided, however, in cities, towns, or trade areas, either unincorporated or comprised of two or more incorporated cities or towns, located partly within and partly outside the state, requirements as to residence and principal place of business shall be deemed met if the residence or place of business is located in any part of the city, town, or trade area and if the other state in which the city, town, or trade area is located in part has established like requirements as to residence and place of business. The individual applying for an agent, adjuster, or counselor license must be at least 18 years of age;

(2) If applying for an agent's license for property and casualty insurance, the applicant must not use or intend to use the license for the purpose of obtaining a rebate or commission upon controlled business; and the applicant must not in any calendar year effect controlled business that will aggregate as much as 25 percent of the volume of insurance effected by such applicant during such year, as measured by the comparative amounts of premiums;

(3) If applying for an agent's license, the applicant must have been appointed an agent by an authorized insurer subject to issuance of the license;

(4) The individual applicant must be of good character;

(5) The individual applicant must pass any written examination required for the license by this article, provided that:

(A) An individual who applies for an insurance agent's license in this state who was previously licensed for the same lines of authority in another state shall not be required to complete any prelicensing education or examination. This exemption is only available if the individual is currently licensed in that state or if the application is received within 90 days of the cancellation of the applicant's previous license and if the prior state issues a certification that, at the time of cancellation, the applicant was in good standing in that state or the state's producer data base records maintained by the National Association of Insurance Commissioners, its affiliates, or subsidiaries indicate that the agent is or was licensed in good standing for the line of authority requested;

(B) An individual licensed as an insurance agent in another state who moves to this state shall make application within 90 days of establishing legal residence to become a resident licensee pursuant to Code Section 33-23-8. No prelicensing education or examination shall be required of that individual to obtain a license for any line of authority previously held in the prior state except where the Commissioner determines otherwise by rule or regulation;

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(6) If applying for a license as counselor, the applicant must show that he or she either has had five years' experience as an agent, subagent, or adjuster or in some other phase of the insurance business or has sufficient teaching or educational qualifications or experience which, in the opinion of the Commissioner, has qualified the applicant to act as such counselor; and the applicant shall pass such examination as shall be required by the Commissioner unless the applicant is exempted by the Commissioner, based on the applicant's experience and qualifications and pursuant to a regulation adopted by the Commissioner;

(7) If applying for an agent's license, subagent's license, or adjuster's license, no applicant shall be qualified therefor or be so licensed unless he or she has successfully completed classroom courses in insurance satisfactory to the Commissioner at a school which has been approved by the Commissioner; and

(8) The Commissioner shall by rule or regulation establish criteria and procedures for the scope of prelicensing requirements and exemptions, if any, to the prelicensing or examination requirements.

(b) An individual who was licensed as an agent, counselor, subagent, surplus line broker, or adjuster at the time such individual was employed by the Commissioner and who while so employed was employed in responsible insurance duties as a full-time bona fide employee shall be permitted to reinstate his or her license upon termination of employment if written request is made within 90 days after the date of termination of employment with the Commissioner.

### **§ 33-23-25. Place of business**

Every licensed agent, subagent, counselor, and adjuster shall have and maintain in this state or, if a nonresident licensee, in the state of domicile, a place of business accessible to the public. The place of business shall be that wherein the licensee principally conducts transactions pursuant to the license. The address of the place of business shall be maintained by the Commissioner. All resident and nonresident licensees shall promptly notify the Commissioner in writing within 30 days of any change in the business address.

### **§ 33-23-26. Agent's certificate of authority**

(a) Each insurer authorized to transact insurance in this state shall obtain an agent's certificate of authority for each agent representing such insurer in the selling, soliciting, or negotiating of contracts of insurance in this state. For the purposes of this subsection, the insurer will be deemed to have obtained a certificate of authority for its designated agent immediately upon submission of the appointment request to the Commissioner; provided, however, that the initial certificate of authority for an applicant for licensure shall not become effective until the date such applicant is finally granted a license by the Commissioner.

(b) All agents' certificates of authority shall be renewed by the insurer in such form and manner as the Commissioner may prescribe by rule or regulation.

(c) The fee for each agent's certificate of authority or renewal thereof shall be as provided in Code Section 33-8-1.

(d) An insurer or authorized representative of the insurer that terminates the appointment, employment, contract, or other insurance business relationship with an agent shall notify the Commissioner within 30 days following the effective date of the termination, using a format prescribed by the Commissioner, if the reason for the termination is one of the reasons set forth in Code Section 33-23-21 or the insurer has knowledge that the agent was found to have engaged in any of the activities in Code Section 33-23-21 by a court, governmental body, or self-regulatory organization

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authorized by law. Upon the written request of the Commissioner, the insurer shall provide additional information, documents, records, or other data pertaining to the termination or activity of the agent.

(e) If an agent's certificate of authority is terminated, the insurer promptly shall give notice of said termination and the effective date of the termination to the Commissioner and to the agent where reasonably possible. The Commissioner may also require the insurer to demonstrate to the satisfaction of the Commissioner that the insurer has made a reasonable effort to give notice to the agent.

(f) An insurer or authorized representative of the insurer that terminates the appointment, employment, or contract with an agent for any reason not set forth in Code Section 33-23-21 shall notify the Commissioner within 30 days following the effective date of the termination, using a format prescribed by the Commissioner. Upon written request of the Commissioner, the insurer shall provide additional information, documents, records, and other data pertaining to such termination.

(g) The insurer or the authorized representative of the insurer shall promptly notify the Commissioner in a format acceptable to the Commissioner if, upon further review or investigation, the insurer discovers additional information that would have been reportable to the Commissioner in accordance with subsection (d) of this Code section had the insurer known of its existence.

(h) No certificate of authority shall be required for an agent who places surplus lines insurance with or through a surplus lines broker only with respect to such surplus lines insurance.

### **§ 33-23-27. Subagent's certificate of authority**

(a) Each agent licensed in this state shall obtain a certificate of authority for each subagent representing such agent in this state.

(b) Each subagent's certificate of authority shall be renewed by the agent not more than once every three years in such form and manner as specified by the Commissioner by rule or regulation.

(c) Each agent shall also be required to inform the Commissioner of any termination of or change to any certificate of authority for each subagent in such form and manner as may be prescribed by the Commissioner by rule or regulation.

(d) The fee for each subagent's certificate of authority or renewal or duplicate thereof shall be as provided by law.

(e) The subagent's certificate shall be held by the agent and shall be returned to the Commissioner upon termination of the subagent's authority along with an explanation of the reason for such termination in such form and manner as the Commissioner may specify by rule or regulation.

### **§ 33-23-28. Scope of subagent's authority; record of transactions**

(a) A subagent's certificate of authority shall not cover any kind of insurance for which the sponsoring agent and subagent are not licensed.

(b) A subagent shall not have power to bind an insurer.

(c) All business transacted by a subagent under such subagent's license shall be in the name of the agent by whom the subagent is employed; and the agent shall be responsible for all the acts or omissions of the subagent within the scope of his or her employment.

(d) A record of each transaction shall be maintained by both the agent and the subagent.

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### § 33-23-34. Records of transactions

(a) Every agent, subagent, counselor, and adjuster under this chapter shall keep at the address as shown on his or her license or at the insurer's regional or home office situated in this state a record of all transactions consummated under such license. The record shall be in organized form and shall include:

(1) In the case of an agent or subagent, a record of each insurance contract procured or issued together with the names of the insurers and insureds, the amount of premium paid or to be paid, and a statement of the subject of the insurance; and the names of any other licensees from whom business is accepted and of persons to whom commissions or allowances of any kind are promised or paid;

(2) In the case of an adjuster, a record of each investigation or adjustment undertaken or consummated and a statement of any fee, commission, or other compensation received or to be received by the adjuster on account of the investigation or adjustment; and

(3) Such other and additional information as may be customary or as may be reasonably required by the Commissioner.

(b) All records as to any particular transaction shall be kept for a term of five years beginning immediately after the completion of the transaction or the term of the contract, whichever is greater, provided that records of losses adjusted by an independent adjuster may be kept at the office of the insurer for whom the adjuster acted.

(c) In the case of agents or subagents, the maintaining of the records required by this Code section at the insurance agency licensed under this chapter for which agency the transaction was undertaken shall be deemed to comply with the requirements of subsection (a) of this Code section.

### § 33-23-35. Reporting and disposition of premiums

(a) An agent, subagent, or any other representative of an insurer or of any other person in the effectuation of an insurance contract shall report to the insurer or its agent the premium for the contract and the amount shall be shown in the contract. Each willful violation of this subsection shall constitute a misdemeanor.

(b) All funds representing premiums received or return premiums due the insured by any agent or subagent shall be accounted for in the licensee's fiduciary capacity, shall not be commingled with the licensee's personal funds, and shall be promptly accounted for and paid to the insurer, insured, or agent as entitled to such funds. Nothing contained in this Code section shall be deemed to require any agent or subagent to maintain a separate bank deposit for the funds of each principal, if the funds so held for each principal are reasonably ascertainable from the books of accounts and records of the agent or subagent.

(c) Any violation of this Code section shall constitute grounds or cause for action by the Commissioner, including, but not limited to, probation, suspension, or revocation of the license. Each and every act by a licensee shall also constitute grounds for fines and penalties, which amounts shall be set by rule or regulation of the Commissioner. Any willful violation of this Code section shall constitute a misdemeanor unless such amounts involved exceed \$500.00, whereby such violation shall constitute a felony.

## 4. Unfair Trade Practices and Frauds

### Pinklining

In the state of Washington, a woman's claim under her homeowner's insurance coverage was denied (and the denial upheld in court) when her ex-husband "torched" her house. An insurance agent in the same state told her representative in the United States Senate that she had been instructed by her employer not to issue policies to women whose medical records indicated domestic abuse.

In Minnesota, when a battered woman's program was denied automobile insurance for its company car, the insurance agent defended his denial, stating he could not be sure that the employees driving it were not being followed, presumably by vindictive batterers.

A Pennsylvania woman, who had sought emergency room treatment twice when her husband abused her (though she accurately reported the cause of the injury only on the second occasion), discovered four years later that she could not get life insurance because domestic violence was documented in her medical record.

A Georgia resident, attacked and beaten so badly by her ex-husband that she suffered a stroke, was unable to reinstate homeowner and car insurance policies that her ex-husband had canceled the day before he attacked her. Although he was arrested and eventually sentenced to twenty years in prison, the insurance company told her that if her ex-husband were released, he could drive her car off the road or set her house on fire; as a result, she was judged to have a risky lifestyle and denied coverage.

These are examples of a practice that has been dubbed "pinklining." Insurance companies sometimes deny coverage, refuse to pay claims, cancel policies, or increase the insurance rates charged to battered women once the insurer knows that a woman has been the victim of domestic abuse. While insurers insist that evidence of such discrimination is rare, others believe that women are often not told the reason, or do not realize why they are being dropped from insurance policies or otherwise treated unjustly by the insurance industry.

An anti-pinklining bill was proposed in the Georgia General Assembly in 1997, but the initiative languished for the next three years. The insurance lobby in Georgia was said to have "quashed" these bills. Meanwhile, critics charged insurance companies across the nation with unjustly comparing battered women to diabetics who neglect to take their insulin, or to race car drivers, smokers, and skydivers.

Governor Roy Barnes made the anti-pinklining legislation one of the first bills he approved after the legislative session, signing the bill into law on April 6, 2000.

### The Act

The Act amends Code section 33-6-4 on unfair insurance practices by adding a new paragraph to the section that prohibits discrimination against victims of family violence. It was specifically designed to prevent insurance companies from using family violence as a basis to deny, limit, or charge more for coverage, or to deny or limit claims.

The Act defines 'family violence' by reference to other Code sections, thereby defining 'family' as: present and past spouses, parents and children (including stepparents and stepchildren), persons who are parents of the same child, and other persons living or formerly living in the same household, and thereby including 'violence' activities such as battery, assault, unlawful restraint, stalking, damage to property, criminal trespass, and criminal damage to property. The Act specifically does not apply to

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"reasonable discipline administered by a parent to a child in the form of corporal punishment, restraint, or detention." The Act's non-discrimination provisions apply to health, life, disability, property, and casualty insurance.

The Act prohibits insurers from discriminating against a victim of family violence by denying or terminating insurance, limiting coverage or denying claims, charging higher premium rates, or terminating health coverage for a victim of abuse when coverage was originally issued in the abuser's name, and the acts or the omissions of the abuser would otherwise cause the victim to lose coverage. The Act further prohibits insurers from improperly using, disclosing, or transferring "confidential family violence information," which is defined as information about acts of family violence, the status of family violence victims, medical conditions related to family violence, and the work and home telephone numbers and addresses of family violence victims.

The Act also extends its non-discrimination provisions to anyone who harbors or helps a victim of domestic abuse. For example, the Act prohibits an insurer from using abuse-related information against a shelter serving victims of abuse. For twenty-four months after the passage of the Act, insurers must provide a specified notice to policyholders whenever insurance policies are issued or renewed that informs them of the new anti-discrimination provisions of Georgia law.

The Act falls under Chapter 6, Unfair Trade Practices, of Title 33, Insurance, of the Code, in which the Insurance Commissioner is authorized to fine insurers up to \$1000 for each violation or up to \$5000 in the case of repeat offenders. Individuals who suspect discrimination under the Act may call the Consumer Division of the State Insurance Commissioner's Office for assistance and to provide the Commissioner with leads on insurance companies that may need to be investigated for non-compliance.

### **O.C.G.A. § 33-1-9**

(a) Any natural person who knowingly or willfully:

(1) Makes or aids in the making of any false or fraudulent statement or representation of any material fact or thing:

(A) In any written statement or certificate;

(B) In the filing of a claim;

(C) In the making of an application for a policy of insurance;

(D) In the receiving of such an application for a policy of insurance; or

(E) In the receiving of money for such application for a policy of insurance

for the purpose of procuring or attempting to procure the payment of any false or fraudulent claim or other benefit by an insurer;

(2) Receives money for the purpose of purchasing insurance and converts such money to such person's own benefit;

(3) Issues fake or counterfeit insurance policies, certificates of insurance, insurance identification cards, or insurance binders; or

(4) Makes any false or fraudulent representation as to the death or disability of a policy or certificate holder in any written statement or certificate for the purpose of fraudulently obtaining money or benefit from an insurer

commits the crime of insurance fraud.

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(b) Any natural person who knowingly and willfully or with reckless disregard engages in the following activities, either directly or indirectly, as an agent for, as a representative of, or on behalf of an insurer not authorized to transact insurance in this state commits the crime of insurance fraud:

(1) Soliciting, negotiating, procuring, or effectuating insurance or annuity contracts or renewals thereof;

(2) Soliciting, negotiating, procuring, or effectuating any contract relating to benefits or services;

(3) Disseminating information as to coverage or rates;

(4) Forwarding applications;

(5) Delivering policies or contracts;

(6) Inspecting or assessing risk;

(7) Fixing of rates;

(8) Investigating or adjusting claims or losses;

(9) Collecting or forwarding of premiums; or

(10) In any other manner representing or assisting such an insurer in the transaction of insurance with respect to subjects of insurance resident, located, or to be performed in this state.

(c) Any natural person who knowingly and willfully with intent to defraud subscribes, makes, or concurs in making any annual or other statement required by law to be filed with the Commissioner containing any material statement which is false commits the crime of insurance fraud.

(d) In any prosecution under this Code section, the crime shall be considered as having been committed in the county of the purported loss, in the county in which the insurer or the insured's agent received the fraudulent or false claim or application, in the county in which money was received for the fraudulent application, or in any county where any act in furtherance of the criminal scheme was committed.

(e) A natural person convicted of a violation of this Code section shall be guilty of a felony and shall be punished by imprisonment for not less than two nor more than ten years, or by a fine of not more than \$10,000.00, or both.

(f) Subsection (b) of this Code section shall not apply to a contract of insurance entered into in accordance with Article 2 of Chapter 5 of this title.

### **O.C.G.A. § 33-1-16**

(a) For the purposes of this Code section, a person commits a 'fraudulent insurance act' if he:

(1) Knowingly and with intent to defraud presents, causes to be presented, or prepares with knowledge or belief that it will be presented, to or by an insurer, purported insurer, broker, or any agent thereof, any written statement as part of, or in support of, an application for the issuance of, or the rating of, an insurance policy, or a claim for payment or other benefit pursuant to an insurance policy, which he knows to contain materially false information concerning any fact material thereto or if he conceals, for the purpose of misleading another, information concerning any fact material thereto; or

(2) Knowingly and willfully transacts any contract, agreement, or instrument which violates this title.

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(b) If, by his own inquiries or as a result of information received, the Commissioner has reason to believe that a person has engaged in, or is engaging in, a fraudulent insurance act, the Commissioner may administer oaths and affirmations, request the attendance of witnesses or proffering of matter, and collect evidence. The Commissioner shall not compel the attendance of any person or matter in any such investigation except pursuant to subsection (d) of this Code section.

(c) If matter that the Commissioner seeks to obtain by request is located outside the state, the person so requested may make it available to the Commissioner or his representative to examine the matter at the place where it is located. The Commissioner may designate representatives, including officials of the state in which the matter is located, to inspect the matter on his behalf, and he may respond to similar requests from officials of other states.

(d)(1) The Commissioner may request that an individual who refuses to comply with any such request be ordered by the superior court to provide the testimony or matter. The court shall not order such compliance unless the Commissioner has demonstrated to the satisfaction of the court that the testimony of the witness or the matter under request has a direct bearing on the commission of a fraudulent insurance act or is pertinent or necessary to further such investigation.

(2) Except in a prosecution for perjury, an individual who complies with a court order to provide testimony or matter after asserting a privilege against self-incrimination, to which he is entitled by law, may not be subjected to a criminal proceeding or to a civil penalty with respect to the act concerning which he is required to testify or produce relevant matter.

(3) In the absence of fraud or bad faith, a person is not subject to civil liability for libel, slander, or any other relevant tort by virtue of filing reports, without malice, or furnishing other information, without malice, required by this Code section or required by the Commissioner under the authority granted in this Code section, and no civil cause of action of any nature shall arise against such person:

(A) For any information relating to suspected fraudulent insurance acts furnished to or received from law enforcement officials, their agents, or employees;

(B) For any such information relating to suspected fraudulent insurance acts furnished to or received from other persons subject to the provisions of this title; or

(C) For any such information furnished in reports to the Commissioner or the National Association of Insurance Commissioners.

(4) The Commissioner or any employee or agent is not subject to civil liability for libel, slander, or any other relevant tort, and no civil cause of action of any nature exists against such persons by virtue of the execution of activities or duties of the Commissioner under this Code section or by virtue of the publication of any report or bulletin related to the activities or duties of the Commissioner under this Code section.

(5) This Code section does not abrogate or modify in any way any common law or statutory privilege or immunity heretofore enjoyed by any person.

(e) The papers, documents, reports, or evidence relative to the subject of an investigation under this Code section shall not be subject to public inspection for so long as the Commissioner deems reasonably necessary to complete the investigation, to protect the person investigated from unwarranted injury, or to be in the public interest. Further, such papers, documents, reports, or evidence relative to the subject of an investigation under this Code section shall not be subject to subpoena until opened for public inspection by the Commissioner, unless the Commissioner consents, or until, after notice to the Commissioner and a hearing, a superior court determines the



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Commissioner would not be unnecessarily hindered by such subpoena. The Commissioner or his employees or agents shall not be subject to subpoena in civil actions by any court of this state to testify concerning any matter of which they have knowledge pursuant to pending investigations of fraudulent insurance acts.

(f) Any person, other than an insurer, agent, or other person licensed under this title, or an employee thereof, having knowledge of or who believes that a fraudulent insurance act is being or has been committed may send to the Commissioner a report of information pertinent to such knowledge of or belief and such additional information relative thereto as the Commissioner may request. Any insurer, agent, or other person licensed under this title, or an employee thereof, having knowledge of or who believes that a fraudulent insurance act is being or has been committed shall send to the Commissioner a report or information pertinent to such knowledge or belief and such additional information relative thereto as the Commissioner or his employees or agents may require. The Commissioner or his employees or agents shall review such information or reports as, in the judgment of the Commissioner or such employees or agents, may require further investigation. The Commissioner shall then cause an investigation of the facts surrounding such information or report to be made to determine the extent, if any, to which a fraudulent insurance act is being committed and shall report any alleged violations of law which the investigations disclose to the appropriate prosecuting attorney having jurisdiction with respect to any such violation. If prosecution by the prosecuting attorney is not begun within 90 days of the report, the prosecuting attorney shall inform the Commissioner of the reasons for the lack of prosecution.

(g) Notwithstanding the provisions of subsection (f) of this Code section, when an insurer or an insured knows or has reasonable grounds to believe that a person committed a fraudulent insurance act and which the insurer reasonably believes not to have been reported to a law enforcement agency in this state, then, for the purpose of notification and investigation, the insurer or an agent authorized by an insurer to act on its behalf or the insured may notify such law enforcement agency of such knowledge or reasonable belief and provide such information relevant to the fraudulent insurance act, including, but not limited to, insurance policy information, including the application for insurance; policy premium payment records; history of previous claims made by the insured; and other information relating to the investigation of the claim, including statements of any person, proofs of loss, and notice of loss. In the absence of fraud or bad faith, no insurer or agent authorized by an insurer to act on its behalf, law enforcement agency, or their respective employees or an insured shall be subject to any civil liability for libel, slander, or related cause of action by virtue of filing reports or for releasing or receiving any information pursuant to this subsection. For the purposes of this Code section, the term 'law enforcement agency' shall mean and include any federal, state, county, or consolidated police or law enforcement department and any prosecuting official of the federal, state, county, local, or consolidated government. For the purposes of this Code section, the term 'insured' shall mean and include any person who is a named insured or beneficiary under a policy or contract of insurance or a person who is not a named insured or beneficiary under a policy or contract of insurance due to the fraudulent action of another but who in good faith believes himself to be such an insured or beneficiary.

(h) Personnel employed by the Commissioner under this Code section shall have the power to make arrests for criminal violations established as a result of investigations only. The general laws applicable to arrests by peace officers of this state shall also be applicable to such personnel. Such personnel shall have the power to execute arrest warrants and search warrants for the same criminal violations; to serve subpoenas issued for the examination, investigation, and trial of all offenses determined by their investigations; and to arrest upon probable cause without warrant any person found in the act of violating any of the provisions of applicable laws. Personnel empowered to make arrests under this Code section shall be empowered to carry firearms or other weapons in the

performance of their duties. It is unlawful for any person to resist an arrest authorized by this Code section or in any manner to interfere, either by abetting or assisting such resistance or otherwise interfering, with personnel employed by the Commissioner under this Code section in the duties imposed upon them by law.

## **5. Miscellaneous Georgia insurance laws**

### **The Georgia Insurers Insolvency Pool**

(a) The Georgia Insurers Insolvency Pool is a nonprofit legal entity with the right to bring and defend actions and such right to bring and defend actions includes the power and right to intervene as a party before any court in this state that has jurisdiction over an insolvent insurer as defined in this chapter. The pool shall adopt, and the Commissioner shall approve, a reasonable plan which is not inconsistent with this chapter and which is fair to insurers and equitable to their policyholders, pursuant to which all admitted insurers shall become members of the pool. All members of the pool shall adhere to the rules of the plan. The plan may be amended by an affirmative vote of a majority of the Insurers Solvency Board.

(b) If, for any reason, the pool fails to adopt a suitable plan within six months following July 1, 1970, or if at any time after July 1, 1970, the pool fails to adopt necessary amendments to the plan, the Commissioner shall adopt and promulgate, after a hearing, such reasonable rules as are necessary to effectuate this chapter. The rules shall continue in force until modified by the Commissioner or superseded by a plan of operation adopted by the pool and approved by the Commissioner.

(c) The plan as provided for in subsection (a) of this Code section shall:

(1) Establish the procedures whereby all the powers and duties of the pool under this chapter will be performed;

(2) Establish procedures for handling assets of the pool;

(3) Mandate that procedures be established for the disposition of liquidating dividends or other moneys received from the estate of the insolvent insurer;

(4) Mandate that procedures be established to designate the amount and method of reimbursing members of the board of trustees under Code Section 33-36-4;

(5) Establish procedures by which claims may be filed with the pool and establish acceptable forms of proof of covered claims. Notice of claims to the receiver or liquidator of the insolvent insurer shall be deemed notice to the pool or its agent and a list of claims shall be periodically submitted to the pool or insolvency fund or its equivalent in another state by the receiver or liquidator;

(6) Establish regular places and times for meetings of the board of trustees;

(7) Mandate that procedures be established for records to be kept of all financial transactions of the pool, its agents, and the board of trustees;

(8) Establish the procedures whereby selections for the board of trustees will be submitted to the Commissioner; and

(9) Contain additional provisions necessary or proper for the execution of the powers and duties of the pool.

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(d) In accordance with the plan, the pool may designate insurers to act on behalf of the pool to carry out the purposes of this chapter, but a member may decline such designation. The Commissioner may disapprove such designation. The plan may provide a procedure under which pending claims or judgments against the insolvent insurer or its insureds are assigned to the member companies designated to act for the pool. The assignee-insurer is authorized to appear and defend a claim in a court of competent jurisdiction or otherwise and to investigate, adjust, compromise, and settle a covered claim or to investigate, handle, and deny a noncovered claim, and to do so on behalf of and in the name of the pool. If an assignee-insurer pays the covered claim, it shall be reimbursed by the pool or be entitled to set off said payment against future assessments. The unreimbursed claim of such an insurer against the pool shall be an admitted asset of the insurer. Insureds entitled to protection of this chapter shall cooperate with the pool and the assignee-insurer.

(e) The pool as a legal entity and any of its individual members shall have no cause of action against the insured of the insolvent insurer for any sums it has paid out except such causes of action as the insolvent insurer would have had if such sums had been paid by the insolvent insurer and except as otherwise provided in this chapter. The pool shall be subrogated to the rights of any insured or claimant, to the extent of a covered claim, to participate in the distribution of assets of the insolvent insurer to the extent that the pool has made payment. Any claimant or insured entitled to the benefits of this chapter shall be deemed to have assigned to the pool, to the extent of any payment received, his or her rights against the estate of the insolvent insurer. After determination of insolvency of any insurer, the pool shall be a party in interest in all proceedings involving policies insured or assumed by the pool with the same rights to receive notice and defend, appeal, and review as the insolvent insurer would have had if solvent. All moneys recovered under this Code section or any other Code section shall be added to the assessments collected under Code Section 33-36-7.

(f) Except for actions by member insurers aggrieved by final actions or decisions of the pool pursuant to Code Section 33-36-18, all actions relating to or arising out of this chapter against the pool must be brought in the courts in this state. Such courts shall have exclusive jurisdiction over all actions relating to or arising out of this chapter against the pool.

(g) Exclusive venue in any action by or against the pool is in the Superior Court of DeKalb County. The pool may, at the option of the pool, waive such venue as to specific actions.

## 6. Residual Markets

The residual market exists to ensure coverage is available when insurance companies in the regular market reject an applicant as too risky.

In a normal competitive market, insurers are free to select from among people applying for insurance those drivers, property owners, and commercial operations they wish to insure. They do this by evaluating the risks involved through a process called underwriting.

Applicants who are considered "high risk" may have difficulty obtaining insurance through the regular "voluntary" market channels. (The term "high risk" applies to individuals or individual businesses with a poor loss record due to inadequate safety measures; certain kinds of businesses or professions where the nature of the work is hazardous or where the risk of lawsuits is high; and specific locations where the risk of theft, vandalism or severe storm damage is substantial.) To make basic coverage more readily available to everyone who wants or needs insurance, special insurance plans, known as residual, shared or involuntary markets, have been set up by state regulators working with the insurance industry.

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Residual market programs are rarely self-sufficient. Where the rates charged to high-risk policyholders are too low to support the program's operation, insurers are generally assessed to make up the difference. These additional costs are typically passed on to all insurance consumers. However, in a few states, insurers are not able to recoup their residual market losses and political pressure prevents rates from rising to the level they should be actuarially.

The number of drivers and properties insured in the residual market fluctuates as lawmakers and regulators change laws or address availability, rate adequacy and other factors that influence underwriting decisions.

### **a. Fair Access To Insurance Requirements Plans / Fair Plans**

Insurance pools that sell property insurance to people who can't buy it in the voluntary market because of high risk over which they may have no control. FAIR Plans, which exist in 28 states and the District of Columbia, insure fire, vandalism, riot and windstorm losses, and some sell homeowners insurance which includes liability. Plans vary by state, but all require property insurers licensed in a state to participate in the pool and share in the profits and losses. (See Residual market)

### **b. Georgia Automobile Insurance Plan**

The Georgia Automobile Insurance Plan was created to provide automobile insurance coverage to eligible risks who seek coverage and are unable to obtain such coverage through the voluntary market (For complete eligibility requirements, see Section 20 and 36 of the Plan Manual). Eligible Georgia Automobile Insurance Plan risks are shared among companies writing automobile insurance in the state of Georgia. This Plan became effective February, 1949.

Any insurance agent holding a valid Property & Casualty license for the state of Georgia can write business through the GAAIP.

Consumers possessing a valid Georgia driver's license and a vehicle registered in Georgia are eligible to be assigned through GAAIP. For further information consumers should consult their agent or broker.

### **Georgia Workers Compensation Assigned Risk Plan**

The Georgia Workers Compensation Assigned Risk Plan exists to provide required Workers Compensation coverage for employers who do not qualify for coverage in the voluntary market. Liability is apportioned among all insurers authorized to write Workers Compensation and Employers Liability in the state.

## **B. Georgia Laws, Rules, And Regulations Pertinent To Property Insurance Only**

### **1. Cancellation and nonrenewal of policies**

#### **§ 33-24-44. Cancellation of policies generally**

(a) Except as otherwise provided in this chapter, cancellation of a policy which by its terms and conditions may be canceled by the insurer or its agent duly authorized by the insurer to effect such cancellation shall be accomplished as prescribed in this Code section.

(b) Written notice stating the time when the cancellation will be effective, which shall not be less than 30 days from the date of mailing or delivery in person of such notice of cancellation or such other specific longer period as may be provided in the contract or by statute, shall be delivered in person or by depositing the notice in the United States mails to be dispatched by at least first-class mail to the last address of record of the insured and of any lienholder, where applicable, and receiving the receipt provided by the United States Postal Service or such other evidence of mailing as prescribed or accepted by the United States Postal Service. For the purposes of this subsection, notice to the lienholder shall be considered delivered or mailed if, with the lienholder's consent, it is delivered by electronic transmittal or facsimile. Any irregularity in the notice to the lienholder shall not invalidate an otherwise valid cancellation as to the insured.

(c)(1) Any unearned premium which has been paid by the insured shall be refunded to the insured on a pro rata basis as provided in this Code section. If the return does not accompany notice of cancellation, then such return shall be made on or before the cancellation date either directly to the named insured or to the insured's agent of record. In the event the insurer elects to return such unearned premium to the insured via the insured's agent of record, such agent shall return the unearned premium to the insured either in person or by depositing such return in the mail within ten working days of receipt of the unearned premium, or within ten working days of notification from the insurer of the amount of return of unearned premium due, or on the effective date of cancellation, whichever is later. If the insured has an open account with the agent, such return of unearned premium may be applied to any outstanding balance and any remaining unearned premium shall be returned to the insured either in person or by depositing such return in the mail within ten working days of receipt of the unearned premium, or within ten working days of notification from the insurer of the amount of return of unearned premium due, or on the effective date of cancellation, whichever is later.

(2) Paragraph (1) of this subsection shall not apply if an audit or rate investigation is required or if the premiums are financed by a premium finance company. If an audit or rate investigation is required, then the refund of unearned premium shall be made within 30 days after the conclusion of the audit or rate investigation. If the premiums are financed by a premium finance company, any unearned premiums shall be tendered to the premium finance company within ten working days after cancellation.

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(3) Any insurer or agent failing to return any unearned premium as prescribed in paragraphs (1) and (2) of this subsection shall pay to the insured a penalty equal to 25 percent of the amount of the return of the unearned premium and interest equal to 18 percent per annum until such time that proper return has been made, which penalty and interest must be paid at the time the return is made; provided, however, the maximum amount of such penalty and interest shall not exceed 50 percent of the amount of the refund due. Failure to return any unearned premium shall not invalidate a notice of cancellation given in accordance with subsection (b) of this Code section.

(d) When a policy is canceled for failure of the named insured to discharge when due any of his obligations in connection with the payment of premiums for a policy or any installment of premiums due, whether payable directly to the insurer or indirectly to the agent, or when a policy that has been in effect for less than 60 days is canceled for any reason, the notice requirements of this Code section may be satisfied by delivering or mailing written notice to the named insured and any lienholder, where applicable, at least ten days prior to the effective date of cancellation in lieu of the number of days' notice otherwise required by this Code section. For the purposes of this subsection, notice to the lienholder shall be considered delivered or mailed if, with the lienholder's consent, it is delivered by electronic transmittal or facsimile. Any irregularity in the notice to the lienholder shall not invalidate an otherwise valid cancellation as to the insured.

(d.1) The notice requirements of this Code section shall not apply in any case where a binder or contract of insurance is void ab initio for failure of consideration.

(e) Notice to the insured shall not be required by this Code section when a policy is canceled by an insurance premium finance company under a power of attorney contained in an insurance premium finance agreement which has been filed with the insurer in accordance with the provisions of Chapter 22 of this title. However, the insurer shall comply with the provisions of subsection (d) of Code Section 33-22-13 pertaining to notice to a governmental agency, mortgagee, or other third party. Such notice shall be delivered in person or by depositing the notice in the United States mails to be dispatched by at least first-class mail to the last address of record of such governmental agency, mortgagee, or other third party and receiving the receipt provided by the United States Postal Service or such other evidence of mailing as prescribed or accepted by the United States Postal Service.

(f) Cancellation by the insured shall be accomplished in accordance with Code Section 33-24-44.1.

(g) Any unearned premium which has been paid by the insured may be refunded to the insured on other than a pro rata basis if:

(1) The cancellation results from failure of the insured to pay, when due, any premium to the insurer or any amount, when due, under a premium finance agreement;

(2) The policy contains language which specifies that a penalty may be charged on unearned premium; and

(3) The method of computing such penalty is filed with the Commissioner in accordance with Chapter 9 of this title.

### **§ 33-24-46. Cancellation or nonrenewal of certain property insurance policies**

(a) This Code section shall apply only to policies of insurance against direct loss to residential real property and the contents thereof, as defined and limited in standard fire policies insuring natural persons as the named insured.

(b) As used in this Code section, the term:

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(1) "Claim against a policy" means a contact with an insurer by the insured under the policy or an affected third party for the express purpose of seeking payment of proceeds under the terms of the policy in question. A report of loss or a question relating to coverage shall not independently establish a claim against a policy nor be considered as a claim under Article 2 of Chapter 6 of this title.

(2) "Nonrenewal" or "nonrenewed" means a refusal by an insurer or an affiliate of an insurer to renew. Failure of an insured to pay the premium as required of the insured for renewal after the insurer has manifested a willingness to renew by delivering a renewal policy, renewal certificate, or other evidence of renewal to the named insured or his or her representative or has offered to issue a renewal policy, certificate, or other evidence of renewal or has manifested such intention by any other means shall not be construed to be a nonrenewal.

(3) "Policies" means a policy insuring a natural person as named insured against direct loss to residential real property and the contents thereof, as defined and limited in standard fire policies as approved by the Commissioner.

(4) "Renewal" means issuance and delivery by an insurer or an affiliate of such insurer of a policy superseding at the end of the policy period a policy previously issued and delivered by the same insurer and providing no less than the coverage contained in the superseded policy or issuance and delivery of a certificate or notice extending the term of a policy beyond its policy period or term or the extension of the term of a policy beyond its policy period or term pursuant to a provision for extending the policy by payment of a continuation premium. Any policy with a policy period or term of less than six months shall, for the purposes of this Code section, be considered to have successive policy periods ending each six months following its original date of issue and, regardless of its wording, any interim termination by its terms or by refusal to accept premiums shall be a cancellation subject to this Code section. Any policy written for a term longer than one year or any policy with no fixed expiration date shall be considered as if written for successive policy periods or terms of one year and any termination by an insurer effective on an anniversary date of such policy shall be deemed a refusal to renew.

(c)(1) No notice of cancellation of a policy as to which this Code section applies shall be effective unless mailed or delivered as prescribed in Code Section 33-24-44. The insurer shall provide the reason or reasons for such cancellation as required by Chapter 39 of this title.

(2) After coverage under a policy to which this Code section applies has been in effect more than 60 days or after the effective date of a renewal policy to which this Code section applies, a notice of cancellation may be issued only for one or more of the following reasons:

(A) Nonpayment of premium;

(B) Discovery of fraud, concealment of material fact, or material misrepresentation made by or with the knowledge of the insured in obtaining the policy, continuing the policy, or presenting a claim under the policy;

(C) The occurrence of a change in the risk which substantially increases any hazard the policy insures against; or

(D) The insured violates any of the material terms or conditions of the policy.

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(d) No insurer shall refuse to renew a policy to which this Code section applies unless a written notice of nonrenewal is mailed or delivered in person to the named insured. Such notice stating the time when nonrenewal will be effective, which shall not be less than 30 days from the date of mailing or delivery of such notice of nonrenewal or such longer period as may be provided in the contract or by statute, shall be delivered in person or by depositing the notice in the United States mails to be dispatched by at least first-class mail to the last address of record of the insured and of the lienholder, where applicable, and receiving the receipt provided by the United States Postal Service or such other evidence of mailing as prescribed or accepted by the United States Postal Service. The insurer shall provide the reason or reasons for nonrenewal as required by Chapter 39 of this title.

(e) When a policy is canceled other than for nonpayment of premium or in the event of a refusal to renew or continue a policy, the insurer shall notify the named insured of his possible eligibility for insurance through the Georgia Fair Access to Insurance Requirements Plan. The notice shall accompany or be included in the notice of cancellation or the notice of intent not to renew or not to continue the policy and shall state that such notice availability of the Georgia Fair Access to Insurance Requirements Plan is given pursuant to this Code section. Included in the notice shall be the address by which the Georgia Fair Access to Insurance Requirements Plan might be contacted in order to determine eligibility.

(f) There shall be no liability on the part of and no cause of action of any nature shall arise against the Commissioner or his employees or against any insurer, its authorized representatives, its agents, its employees, or any firm, person, or corporation furnishing to the insurer information as to reasons for cancellation or nonrenewal for any statement made by any of them and in written notice of cancellation or nonrenewal or in any other communication, oral or written, specifying the reasons for cancellation or nonrenewal or providing information pertaining thereto or for statements made or evidence submitted at any formal or informal hearing conducted in connection therewith.

(g) Return of unearned premium, if any, due to cancellations as to which this Code section applies shall be processed in accordance with Code Section 33-24-44.

(h) Notice to the insured shall not be required by this Code section when a policy is canceled by an insurance premium finance company under a power of attorney contained in an insurance premium finance agreement if notification of the existence of the premium finance agreement has been given to the insurer in accordance with the provisions of Chapter 22 of this title. However, the insurer shall comply with the provisions of subsection (d) of Code Section 33-22-13 pertaining to notice to a governmental agency, mortgagee, or other third party. Such notice shall be delivered in person or by depositing the notice in the United States mails to be dispatched by at least first-class mail to the last address of record of such governmental agency, mortgagee, or other third party and receiving the receipt provided by the United States Postal Service or such other evidence of mailing as prescribed or accepted by the United States Postal Service.

(i) Cancellation by the insured shall be accomplished as provided in Code Section 33-24-44.1.

(j) No notice refusing the renewal of a policy issued for delivery in this state shall be mailed or delivered by an insurer or its agent duly authorized to effect such notice of nonrenewal for the following reasons:

(1) Lack of, lack of potential for, or failure to agree to a writing of supporting insurance business;

(2) A change in the insurer's eligibility rules or underwriting rules, provided that this paragraph shall not apply to a change in such rules if the change applies uniformly within a specific class or territory and such change has been approved by the Commissioner under subsection (k) of this Code section; and



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(3) Two or fewer claims against the policy within the preceding 36 month period if such claims are not attributable to the negligent or intentional acts of the insured or of persons residing at the insured premises.

(k) If the insurer demonstrates to the satisfaction of the Commissioner that renewal would violate the provisions of this title or would be hazardous to its policyholders or the public, paragraph (2) of subsection (j) shall not apply.

(l)(1) If the insurer complies with subsection (d) of this Code section, no claim or action may be maintained with respect to a policy which is not renewed unless the named insured files a written notice with the insurer before the time at which nonrenewal becomes effective. The notice shall specify the manner in which the failure to renew is alleged to be unlawful under this subsection. In any subsequent action asserting a violation of subsection (c), (j), or (k) of this Code section, no violation may be alleged other than the specific allegations contained in the notice filed by the named insured.

(2) In addition to other requirements, a notice of nonrenewal shall contain the provisions of paragraph (1) of this subsection in substantially the form which follows:

### "NOTICE

Code Section 33-24-46 of the Official Code of Georgia Annotated provides that this insurer must, upon request, furnish you with the reasons for the failure to renew this policy. If you wish to assert that the nonrenewal is unlawful, you must file a written notice with this insurer before the time at which the nonrenewal becomes effective. The notice must specify the manner in which the failure to renew is alleged to be unlawful.

If you do not file the written notice, you may not later assert a claim or action against this insurer based upon an unlawful nonrenewal."

(m)(1) Notwithstanding subsection (j) of this Code section, the termination of an agency relationship shall be valid as a reason for a failure to renew a policy. In such case, if the named insured wishes to retain the policy with the particular insurer, the insured shall locate another agent of the insurer and apply for the policy with another agent of the insurer before the time at which the nonrenewal becomes effective. Upon receipt of the application, the insurer shall treat the application as a renewal and not as an original writing. Nothing in this paragraph shall abridge or supersede contractual rights of the terminated agency or the insurer, provided that these contractual rights do not adversely affect the privilege of the named insured to apply for renewal through another agent of the insurer.

(2) A notice of nonrenewal based upon the termination of an agency relationship shall contain the provisions of paragraph (1) of this subsection, in substantially the form which follows:

### "NOTICE

Your policy has not been renewed because your present agent no longer represents this insurer. You have the option of procuring coverage through your present agent or retaining this policy by applying through another agent of this insurer. Code Section 33-24-46 of the Official Code of Georgia Annotated provides that if you will locate another agent of the insurer and apply for this policy before the time at which the nonrenewal becomes effective, this insurer will treat the application as a renewal and not as an application for a new policy."

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### 2. Miscellaneous Georgia insurance laws

#### § 33-32-1. Standard fire policy

(a) No policy of fire insurance covering property located in this state shall be made, issued, or delivered unless it conforms as to all provisions and the sequence of the standard or uniform form prescribed by the Commissioner, except that, with regard to multiple line coverage providing other kinds of insurance combined with fire insurance, this Code section shall not apply if the policy contains, with respect to the fire portion of the policy, language at least as favorable to the insured as the applicable portions of the standard fire policy and such multiple line policy has been approved by the Commissioner.

(b) The Commissioner shall file and maintain on file in his office a true copy of the standard fire policy designated as such and bearing the Commissioner's authenticating certificate and signature and the date of filing. The standard fire insurance policy shall not be required for casualty insurance, marine and transportation insurance, or insurance on growing crops. Insurers issuing the standard fire insurance policy are authorized to affix to or include in such policy a written statement that the policy does not cover loss or damage caused by nuclear reaction or nuclear radiation or radioactive contamination, whether directly or indirectly resulting from an insured peril under the policy; provided, however, that nothing contained in this Code section shall be construed to prohibit the attachment to any such policy of an endorsement or endorsements specifically assuming loss or damage caused by nuclear reaction or nuclear radiation or radioactive contamination.

#### § 33-32-4. Refund of premium payments where insured sustaining total loss of property receives less than maximum amount payable under policy

In the event of a total loss of property, if an insurer shall pay to the insured an amount less than the maximum amount authorized to be paid under an insurance policy covering the property, the insurer shall refund to the insured the difference between the amount of premiums actually paid for the insurance policy and the amount of premiums which would have been charged for a property insurance policy having a maximum amount payable equal to the amount actually paid by the insurer to the insured.

#### § 33-32-5. Amount of insurance in certain fire policies deemed conclusive as to value of property covered

(a) Whenever any policy of insurance is issued to a natural person or persons insuring a specifically described one or two family residential building or structure located in this state against loss by fire and the building or structure is wholly destroyed by fire without fraudulent or criminal fault on the part of the insured or one acting in his behalf, the amount of insurance set forth in the policy relative to the building or structure shall be taken conclusively to be the value of the property, except to the extent of any depreciation in value occurring between the date of the policy or its renewal and the loss, provided that, if loss occurs within 30 days of the original effective date of the policy, the insured shall be entitled to the actual loss sustained not exceeding the sum insured. Nothing in this Code section shall be construed as prohibiting the use of coinsurance or as preventing the insurer from repairing or replacing damaged property at its own expense without contribution on the part of the insured.

(b) Subsection (a) of this Code section shall not apply where:

(1) The building or structure is not wholly destroyed by fire;

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(2) Insurance policies are issued or renewed by more than one company insuring the same building or structure against fire and the existence of the additional insurance is not disclosed by the insured to all insurers issuing policies;

(3) Two or more buildings or structures are insured under a blanket form for a single amount of insurance; or

(4) The completed value of a building or structure is insured under a builders' risk policy.

### § 33-32-6. Tobacco crop insurance coverage

Any insurer issuing on or after April 28, 1999, a policy providing crop insurance coverage, other than federal crop insurance pursuant to 7 U.S.C. Section 1501, et seq., for tobacco crops grown in this state against loss or damage due to wind, hail, or both shall make available such coverage for a term extending until such time as the tobacco crop is harvested, either as a part of or as an optional endorsement to such policy of crop insurance.



### **120-2-66-.03 Prohibited Practices.**

(1) No insurer, broker or agent shall use underwriting criteria or guidelines to determine an applicant's or insured's acceptability for policy issuance or continuation of coverage which result in the fictitious grouping of risks and result in unfair discrimination.

(2) An insurer, broker or agent engages in the grouping of risks when a determination is made concerning an applicant's or insured's acceptability for policy issuance or continuation thereof based upon, but not limited to, any of the following:

(a) Marital status of the applicant, insured or anyone residing in the applicant's or insured's household;

(b) The applicant's or insured's length of time at an address;

(c) Employment status or lawful occupation of the applicant or insured, including the length of time employed with present employer;

(d) Level of education of the applicant or insured;

(e) Failure of applicant or insured to agree to purchase an additional policy which is not requested by the insured or applicant;

(f) Age of dwelling without proper consideration of updated mechanical and structural systems;

(g) The individual's status as a member of the United States Armed Forces, the Reserves of the United States Armed Forces or the National Guard. Nothing herein shall prohibit the use and enforcement of a war exclusion clause if included in the policy at time of issuance.

(3) Any grouping specified in the foregoing subparagraph (2) is fictitious and results in unfair discrimination if:

(a) it is:

1. not actuarially supported;

2. not relevant to risk; and

3. not based on a reasonable consideration allowed under O.C.G.A. § 33-9-4(7); or

(b) it is based in whole or in part, directly or indirectly, upon race, creed or ethnic extraction.

Authority O.C.G.A. Secs. 33-2-9, 33-6-4, 33-6-5, 33-24-46. **History.** Original Rule entitled "Prohibited Practices" adopted. F. Oct. 7, 1994; eff. Oct. 27, 1994. **Repealed** New Rule of same title adopted. F. Aug. 8, 1996; eff. Aug. 28, 1996

## C. Georgia laws, rules, and regulations pertinent to casualty insurance only

### 1. Cancellation and nonrenewal of policies

§ 33-24-45. Cancellation or nonrenewal of automobile or motorcycle policies; procedure for review by Commissioner

(a) This Code section shall apply only to those portions of an automobile policy or a motorcycle policy which relate to bodily injury and property damage liability, personal injury protection, medical payments, physical damage, and uninsured motorists' coverage.

(b) As used in this Code section, the term:

(1) "Policy" means a policy insuring a natural person as named insured or one or more related individuals resident of the same household and which provides bodily injury coverage and property damage liability coverage, personal injury protection, physical damage coverage, medical payments coverage, or uninsured motorists' protection coverage or any combination of coverages and under which the insured vehicles designated in the policy are of the following types only:

(A) Any motor vehicle of the private passenger, station wagon, or jeep type or a motorcycle that is not used as a public or livery conveyance for passengers nor rented to others; or

(B) Any other four-wheel motor vehicle with a load capacity of 1,500 pounds or less which is not used in the occupation or professional business of the insured; provided, however, that this Code section shall not apply to policies of automobile liability insurance issued under the Georgia Automobile Insurance Plan nor to any policy insuring an automobile which is one of more than four insured under a single policy nor to any policy covering garage, automobile sales agency, repair shop, service station, or public parking place operation hazards.

(2) "Renewal" means issuance and delivery by an insurer of a policy superseding at the end of the policy period a policy previously issued and delivered by the same insurer and providing no less than the coverage contained in the superseded policy or issuance and delivery of a certificate or notice extending the term of a policy beyond its policy period or term or the extension of the term of a policy beyond its policy period or term pursuant to a provision for extending the policy by payment of a continuation premium; provided, however, that any policy with a policy period or term of less than six months shall, for the purpose of this Code section, be considered to have successive policy periods ending each six months following its original date of issue and, regardless of its wording, any interim termination by its terms or by refusal to accept premium shall be a cancellation subject to this Code section, except in case of termination under any of the circumstances specified in subsection (f) of this Code section; provided, further, that, for purposes of this Code section, any policy written for a term longer than one year or any policy with no fixed expiration date shall be considered as if written for successive policy periods or terms of one year and any termination by an insurer effective on an anniversary date of the policy shall be deemed a refusal to renew.

(c) No notice of cancellation of a policy issued for delivery in this state shall be mailed or delivered by an insurer or its agent duly authorized to effect such cancellation, except for one or more of the following reasons:

(1) The named insured failed to discharge when due any of his obligations in connection with the payment of premiums on such policy or any installment of premiums or the renewal of premiums, whether payable directly to the insurer or indirectly to the agent;

(2) The issuance was obtained through a material misrepresentation;

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(3) Any insured violated any of the terms and conditions of the policy;

(4) The named insured failed to disclose fully, if called for in the application, his record for the preceding 36 months of motor vehicle accidents and moving traffic violations;

(5) The named insured failed to disclose in his written application or in response to inquiry by his broker or by the insurer or its agent information necessary for the acceptance or proper rating of the risk;

(6) The named insured made a false or fraudulent claim or knowingly aided or abetted another in the presentation of such a claim;

(7) The named insured or any other operator either resident in the same household or who customarily operates an automobile insured under such policy:

(A) Has, within the 36 months prior to the notice of cancellation, had his driver's license under suspension or revocation;

(B) Is or becomes subject to epilepsy or heart attacks and the individual does not produce a certificate from a physician testifying to his unqualified ability to operate a motor vehicle;

(C) Has an accident record; a conviction record, criminal or traffic; or a physical, mental, or other condition which is such that his operation of an automobile might endanger the public safety;

(D) Has within a three-year period prior to the notice of cancellation been addicted to the use of narcotics or other drugs;

(E) Has been convicted or forfeited bail during the 36 months immediately preceding the notice of cancellation for:

- (i) Any felony;
- (ii) Criminal negligence resulting in death, homicide, or assault arising out of the operation of a motor vehicle;
- (iii) Operating a motor vehicle while in an intoxicated condition or while under the influence of drugs;
- (iv) Being intoxicated while in or about an automobile or while having custody of an automobile;
- (v) Leaving the scene of an accident without stopping to report;
- (vi) Theft or unlawful taking of a motor vehicle; or
- (vii) Making false statements in an application for a driver's license; or

(F) Has been convicted of or forfeited bail for three or more violations, within the 36 months immediately preceding the notice of cancellation, of any law, ordinance, or regulation limiting the speed of motor vehicles or any of the provisions of the motor vehicle laws of any state, violation of which constitutes a misdemeanor, whether or not the violations were repetitions of the same offense or different offenses;

(8) The insured automobile:

(A) Is so mechanically defective that its operation might endanger public safety;

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(B) Is used in carrying passengers for hire or compensation; provided, however, that the use of an automobile for a car pool shall not be considered use of an automobile for hire or compensation;

(C) Is used in the transportation of flammables or explosives;

(D) Is an authorized emergency vehicle; or

(E) Has changed in shape or condition during the policy period so as to increase substantially the risk.

(d) No notice of cancellation of a policy to which this Code section applies shall be effective unless mailed or delivered as prescribed in Code Section 33-24-44. The insurer shall provide the reason or reasons for such cancellation as required by Chapter 39 of this title.

(e)(1) No insurer shall refuse to renew a policy to which this Code section applies unless a written notice of nonrenewal is mailed or delivered in person to the named insured. Such notice stating the time when nonrenewal will be effective, which shall not be less than 30 days from the date of mailing or delivery of such notice of nonrenewal or such longer period as may be provided in the contract or by statute, shall be delivered in person or by depositing the notice in the United States mails to be dispatched by at least first-class mail to the last address of record of the insured and of the lienholder, where applicable, and receiving the receipt provided by the United States Postal Service or such other evidence of mailing as prescribed or accepted by the United States Postal Service.

(2) The insurer shall specify in writing the reason or reasons for such nonrenewal as required by Chapter 39 of this title.

(3) No notice refusing the renewal of a policy issued for delivery in this state shall be mailed or delivered by an insurer or its agent duly authorized to effect such notice of nonrenewal for the following reasons:

(A) Lack of, lack of potential for, or failure to agree to a writing of supporting insurance business;

(B) A change in the insurer's eligibility rules or underwriting rules, provided that this subparagraph shall not apply to a change in such rules if the change applies uniformly within a specific class or territory and such change has been approved by the Commissioner under subparagraph (B) of paragraph (4) of this subsection;

(C) With respect to any driver or with respect to any automobile or its replacement, except when the replacement is such that together with other relevant underwriting or eligibility rules it would not have been insured as an original policy risk of the insurer, for two or fewer of the following within the preceding 36 month period:

(i) Accidents involving two or more motor vehicles in which the driver of the insured automobile under this subparagraph was not at fault;

(ii) Uninsured or underinsured motorist coverage claims;

(iii) Comprehensive coverage claims; and

(iv) Towing or road service coverage claims;

(D) Age, sex, location of residence address within the state, race, creed, national origin, ancestry, or marital status;

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(E) Lawful occupation, provided that the insured automobile is not used in such occupation and provided, further, that such automobile would have been insured as an original policy risk of the insurer when such occupation is considered together with other relevant underwriting or eligibility rules of the insurer;

(F) Military service, provided that the named insured has no change of legal residence from this state;

(G) Number of years of driving experience of a named insured or of any other operator who is either a resident in the same household or customarily an operator of an automobile insured under such policy;

(H) Accidents or violations which occurred more than 36 months prior to the expiration date or anniversary date of the policy or solely for claims paid or payable pursuant to the policy during the preceding 36 month period which did not aggregate in an amount in excess of \$750.00;

(I) One claim against the policy based on fault if such coverage has been in effect continuously for at least 36 preceding months;

(J) Notwithstanding subparagraph (I) of this paragraph, two claims against the policy based on fault if such coverage has been in effect continuously for at least 72 preceding months; and

(K) Factors not relating to the claims record, driving record, or driving ability of the named insured or of any other operator who is either a resident in the same household or customarily an operator of an automobile insured under such policy.

(4)(A) Notwithstanding paragraph (3) of this subsection, any reason set forth in subsection (c) of this Code section, relating to cancellation, shall also constitute a reason for nonrenewal.

(B) If the insurer demonstrates to the satisfaction of the Commissioner that renewal would violate the provisions of this title or would be hazardous to its policyholders or the public, subparagraph (B) or (K) of paragraph (3) shall not apply.

(5)(A) If the insurer complies with paragraph (1) of this subsection, no claim or action may be maintained with respect to a policy which is not renewed unless the named insured files a written notice with the insurer before the time at which nonrenewal becomes effective. The notice shall specify the manner in which the failure to renew is alleged to be unlawful under this subsection. In any subsequent action asserting a violation of this subsection, no violation of this subsection may be alleged other than the specific allegations contained in the notice filed by the named insured.

(B) In addition to other requirements, a notice of nonrenewal shall contain the provisions of subparagraph (A) of this paragraph, in substantially the form which follows:

### "NOTICE

Code Section 33-24-45 of the Official Code of Georgia Annotated provides that this insurer must, upon request, furnish you with the reasons for the failure to renew this policy. If you wish to assert that the nonrenewal is unlawful, you must file a written notice with this insurer before the time at which the nonrenewal becomes effective. The notice must specify the manner in which the failure to renew is alleged to be unlawful.



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If you do not file the written notice, you may not later assert a claim or action against this insurer based upon an unlawful nonrenewal."

(6)(A) Notwithstanding paragraph (3) of this subsection, the termination of an agency relationship shall be valid as a reason for a failure to renew a policy. In such case, if the named insured wishes to retain the policy with the particular insurer, the insured shall locate another agent of the insurer and apply for the policy with another agent of the insurer before the time at which the nonrenewal becomes effective. Upon receipt of the application, the insurer shall treat the application as a renewal and not as an original writing. Nothing in this subparagraph shall abridge or supersede contractual rights of the terminated agency or the insurer, provided that these contractual rights do not adversely affect the privilege of the named insured to apply for renewal through another agent of the insurer.

(B) A notice of nonrenewal based upon the termination of an agency relationship shall contain the provisions of subparagraph (A) of this paragraph, in substantially the form which follows:

### "NOTICE

Your policy has not been renewed because your present agent no longer represents this insurer. You have the option of procuring coverage through your present agent or retaining this policy by applying through another agent of this insurer. Code Section 33-24-45 of the Official Code of Georgia Annotated provides that if you will locate another agent of this insurer and apply for this policy before the time at which the nonrenewal becomes effective, this insurer will treat the application as a renewal and not as an application for a new policy."

(f) Subsection (e) of this Code section shall not apply in case of:

(1) Nonpayment of premium for the expiring policy;

(2) Failure of the insured to pay the premium as required by the insurer for renewal; or

(3) The insurer having manifested its willingness to renew by delivering a renewal policy, renewal certificate, or other evidence of renewal to the named insured or his representative or by offering to issue a renewal policy, certificate, or other evidence of renewal or having manifested such intention by any other means.

(g) Notwithstanding the failure of an insurer to comply with this Code section, termination of any coverage under the policy either by cancellation or nonrenewal shall be effective on the effective date of any other policy providing similar coverage on the same motor vehicle or any replacement of coverage.

(h) Renewal or continuation of a policy shall not constitute a waiver or estoppel with respect to ground for cancellation which existed before the effective date of the renewal or continuance.

(i) When a policy is canceled other than for nonpayment of premium or in the event of a refusal to renew or continue a policy, the insurer shall notify the named insured of his possible eligibility for insurance through the Georgia Automobile Insurance Plan. Such notice shall accompany or be included in the notice of cancellation or the notice of intent not to renew or not to continue the policy and shall state that such notice of availability of the Georgia Automobile Insurance Plan is given pursuant to this Code section.

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(j) There shall be no liability on the part of and no cause of action of any nature shall arise against the Commissioner or his employees or against any insurer, its authorized representatives, its agents, its employees, or any firm, person, or corporation furnishing to the insurer information as to reasons for cancellation or nonrenewal for any statement made by any of them in any written notice of cancellation or nonrenewal or in any other communication, oral or written, specifying the reasons for cancellation or nonrenewal or providing information pertaining to the reasons for cancellation or nonrenewal or for statements made or evidence submitted at any formal or informal hearing conducted in connection with the reasons for cancellation or nonrenewal of the insured's policy.

(k) This Code section shall not apply to any policy which has been in effect less than 60 days at the time notice of cancellation is mailed or delivered by the insurer unless it is a renewal of a policy. Such policies shall be canceled in accordance with Code Section 33-24-44.

(l) Return of unearned premium, if any, due to cancellations as to which this Code section applies shall be processed in accordance with Code Section 33-24-44.

(m) Notice to the insured shall not be required by this Code section when a policy is canceled by an insurance premium finance company under a power of attorney contained in an insurance premium finance agreement if notification of the existence of the premium finance agreement has been given to the insurer in accordance with the provisions of Chapter 22 of this title. However, the insurer shall comply with the provisions of subsection (d) of Code Section 33-22-13 pertaining to notice to a governmental agency, mortgagee, or other third party. Such notice shall be delivered in person or by depositing the notice in the United States mails to be dispatched by at least first-class mail to the last address of record of such governmental agency, mortgagee, or other third party and receiving the receipt provided by the United States Postal Service or such other evidence of mailing as prescribed or accepted by the United States Postal Service.

(n) Cancellation by the insured shall be accomplished as provided in Code Section 33-24-44.1.

(o) An insured may request a review by the Commissioner if the insured believes that his or her policy has been canceled or nonrenewed in violation of this Code section. Such request must be filed with the Commissioner within 15 days of receipt of a notice of cancellation or nonrenewal. A review of the cancellation or nonrenewal shall be conducted within 30 days of said request. The Commissioner shall notify the insured and the insurer of his or her decision within the 30 day period. During the pendency of such review, the policy shall continue in full force and effect and the Commissioner shall specify by rule or regulation the method of payment of premium due and the disposition of premium refunds, if any. The Commissioner shall either require that the policy be reinstated or renewed or may uphold the nonrenewal or cancellation. In the event the Commissioner determines that an insurer's cancellation or nonrenewal action constitutes an unfair act or practice, the Commissioner may take action as authorized by this title. Following the completion of any review provided by this subsection, an insured may request a hearing pursuant to Code Section 33-2-17, and nothing in this subsection shall be deemed to waive an insured's right to request such a hearing.

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### 2. Miscellaneous Georgia insurance laws

#### § 33-34-6. Selection of motor vehicle repair facility

(a) Subject to the provisions of subsection (b) of this Code section, no insurer shall represent to a person making a claim under a motor vehicle insurance policy that the use of or the failure to use a particular repair facility or particular repair facilities may result in the nonpayment of a claim.

(b) No insurer shall require a person making a claim under a motor vehicle insurance policy to use a particular repair facility or particular repair facilities in order to settle a claim if the person making the claim can obtain the repair work on the motor vehicle at the same cost from another source.

### Rating Plans

It's important to choose a carrier that is reputable and licensed to operate in your state. If you are unsure of how a certain insurance company stacks up against the competition, many Web sites have ratings of insurance companies' financial strength. Here are a few:

[A. M. Best](#)

[Moody's Investor Services](#)

[Fitch Ratings](#)



Link to [www.iii.org](http://www.iii.org)



Link to [www.insureuonline.org](http://www.insureuonline.org)

FAQ at [www.insure.com](http://www.insure.com)

## Practice Quiz #15

1. The Chief Deputy Insurance Commissioner takes over in the event the Commissioner is absent or unable to perform his duties. ( ) True ( ) False
2. Domestic insurers must be examined by the Commissioner at least once every:
  - a. two years
  - b. three years
  - c. four years
  - d. five years
3. An agency is not required to be licensed in Georgia. ( ) True ( ) False
4. All of the following applicants are exempt from the written examination requirement **except**:
  - a. a nonresident applicant
  - b. an applicant for property and casualty license.
  - c. An applicant who has earned the CPCU designation
  - d. An applicant who has earned the CIC designation.
5. Individual applicants for license must be a Georgia resident:
  - a. at least 3 months every year
  - b. at least 6 months every year
  - c. at least 9 months every year
  - d. at least 12 months every year
6. All resident and nonresident licensees shall promptly notify the Commissioner in writing within how many days of any business address change:
  - a. 15 days
  - b. 30 days
  - c. 45 days
  - d. 60 days
7. Subagent's certificate of authority shall be renewed by the agent not more than every:
  - a. once a year
  - b. every two years
  - c. every three years
  - d. every four years
8. If found guilty of pink lining, insurers may be fined:
  - a. \$500 for each violation
  - b. \$1000 for each violation
  - c. \$5000 for each violation
  - d. \$10,000 for each violation
9. Only Property & Casualty licensed insurance agents may write business through Georgia Automobile Insurance Plan. ( ) True ( ) False
10. Insurance companies may not cancel a policy after it has been in effect for more than 60 days except for nonpayment of premium. ( ) True ( ) False

## Practice Quiz Answers

### Practice Quiz #1

1 = a                      4 = g                      7 = e                      10 = k  
2 = c                      5 = d                      8 = f  
3 = l                      6 = h                      9 = j

### Practice Quiz #2

1 = d                      3 = c                      5 = b  
2 = a                      4 = e  
  
1 = e                      4 = j                      7 = b                      10 = h  
2 = l                      5 = g                      8 = d  
3 = f                      6 = a                      9 = c  
  
1 = b                      3 = a                      5 = d  
2 = d                      4 = b  
  
1 = F                      3 = T                      5 = F  
2 = T                      4 = F

3 = Benjamin Franklin                      2 = Underwriter                      4 = Fire Mark  
5 = Lloyd's of London                      1 = Premium

### Practice Quiz #3

1 = True                      3 = True                      5 = C  
2 = false                      4 = False

### Practice Quiz #4

1 = True                      3 = True                      5 = False  
2 = False                      4 = False

### Practice Quiz #5

1 = True                      4 = True                      7 = False                      10 = False  
2 = True                      5 = True                      8 = True                      11 = True  
3 = True                      6 = False                      9 = True                      12 = True

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### Practice Quiz #6

1 = e

4 = k

7 = i

10 = f

2 = d

5 = h

8 = b

11 = l

3 = a

6 = c

9 = j

### Practice Quiz #7

TRUE. Replacement coverage assures your insurance will pay what it costs (up to policy limits) to rebuild the house at today's prices.

FALSE A valued coverage agreement means the insurer will pay you exactly the amount for which an item is insured. If the item or items increase in value, you'll still only get the agreed-upon coverage amount.

TRUE These potential disasters are area-specific and not included in most standard policies. Flood insurance is usually a separate policy, while earthquakes can be covered by purchasing an endorsement to an existing policy.

TRUE Most experts agree that renter's liability coverage should be comparable to that of a homeowner in today's lawsuit-filled society.

FALSE. Any damage or liability arising from a home-based business pursuit will likely not be covered under a standard policy. Additional coverage, called "incidental office occupancy" coverage can help in this situation.

D - All of the Above Many homeowners think about home insurance only at settlement or annual renewal, so they often forget to evaluate changing coverage needs. Others simply fail to read their policy in its entirety.

A - The Living Room. Although more fires start in the kitchen than any other room, more fatal fires begin in living rooms or family rooms. And careless smoking is often the culprit, according to The Journal of American Insurance.

C - Size of Lot The land under your house isn't at risk from fire, windstorm, lightning, theft, and the other perils covered in your policy. Its value should not affect the amount of insurance you buy.

E - A & C Above. This according to a survey of professional burglars published in Boardroom Classics' The Big Black Book of Secrets.

1-E; 2-B; 3-D; 4-A; 5-C

### Practice Quiz #8

1 = Exclusion

3 = Declarations page

5 = Endorsement

2 = definitions

4 = Insuring agreement

6 = Condition

3. medical payment coverage

2. \$50,000 / \$200,000

3. wear and tear

2. submit to a medical examination

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### Practice Quiz #9

1 = True

2 = False

3 = True

4 = False

5 = False

### Practice Quiz #10

1 = True

2 = False

3 = USA & Canada

4 = USA & Canada

5 = b. the property must be in a riot-prone zone

### Practice Quiz #11

1 = iv.

2 = False

3 = True

### Practice Quiz #12

1 = True

2 = True

3 = False

4 = True

5 = False

6 = False

7 = False

8 = True

9 = True

10 = True

11 = True

12 = True

13 = False

14 = True

15 = True

### Practice Quiz #13

1 = i

2 = j

3 = b

4 = f

5 = a

6 = g

7 = c

8 = d

9 = n

10 = k

11 = e

12 = m

13 = o

14 = h

15 = l

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### Practice Quiz #14

a. = 14	l. = 1	w. = 28	hh. = 25
b. = 11	m. = 2	x. = 19	ii. = 24
c. = 13	n. = 7	y. = 16	jj. = 41
d. = 8	o. = 15	z. = 27	kk. = 33
e. = 10	p. = 5	aa. = 18	ll. = 42
f. = 9	q. = 6	bb. = 30	mm. = 35
g. = 12	r. = 37	cc. = 29	nn. = 40
h. = 38	s. = 39	dd. = 26	oo. = 34
i. = 17	t. = 32	ee. = 22	pp. = 31
j. = 4	u. = 36	ff. = 23	qq. = 20
k. = 3	v. = 43	gg. = 21	

### Practice Quiz #15

1 = True

2 = b. three years

3 = False

4 = b. an applicant for property and casualty license

5 = b. at least 6 months every year

6 = b. 30 days

7 = c. every three years

8 = b. \$1000 for each violation

9 = True

10 = False