

2022 Homeowners' Changes Some Big, Some Small But You Need To Know Them All

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Homeowners Policy Coverage Forms

HOMEOWNERS 14 – CONTENTS COMPREHENSIVEFORM (HO 00 14)

- New form added by ISO Program update March 2022
- Similar to the HO-4, the HO-14 is for the tenant/renter of an apartment or residence.
- **Open Peril** coverage
- Replacement Cost (RC) on personal property
- HO-4 must be endorsed with HO 04 90 & HO 05 24

Policy Definitions: Part B

Definitions: “**Business**”

Multi-part definition

- a. A trade, profession or occupation engaged in on a full-time, part-time or occasional basis;
- b. **The leasing of the mineral rights of an “insured location”;**
- c. **“Home-sharing host activities” (Airbnb, VRBO)**

Policy Definitions: Part B

Definitions: “**Business**”

ANY other activity engaged in for money or other compensation **IS** a “business” unless it is...

- Activities from which **\$5,000** or less was received in the 12 months **BEFORE** the beginning of the policy period
- Volunteer activities if no money was received other than expenses
- Home daycare if there is no compensation (mutual exchange of services is okay)
- Home daycare to a relative (compensation okay)

Policy Definitions: Part B

Definitions: “Cannabis”

- Natural and synthetic plants and product containing Tetrahydrocannabinol, or THC.
- Including, but not limited to:
 - any part of the Cannabis L. plant
 - oils or wax
 - liquids or edibles
 - marijuana



Policy Definitions: Part B

Definitions: **Home-sharing**

2022 ISO Homeowners Program update added definitions for Home-sharing

Home-sharing Host Activities – Renting or holding the “residence premises” for rental through an online app, website, or digital network

Policy Definitions: Part B

Definitions: **Home-sharing**

Home-sharing Network Platform - An online app, website, or digital network used to facilitate renting a residence (Airbnb, VRBO, Swimply...)

Home-sharing Occupant - The person (not an “insured”) renting the “residence premises” through the use of an online app, website, or digital network

Includes: accompanying persons

Definitions: “Insured”

- “You”
- “Your” resident relatives
- Anyone under 21 in “your” care or a resident relative’s care
- Full-time student if:
 - Relative under the age of 24
 - Person in your care under the age of 21; and
 - Was a resident of “your” household before moving out to attend school

Definitions: “Insured”

Limited Section II – Liability Coverage:

- Person responsible for animals or watercraft covered by the policy
- Employees using a covered vehicle
- Others using a covered vehicle on an “insured location”

Who Can Be An Insured?

Additional Insured – Student Living Away From the Residence Premises (HO 05 27)

- Coverage provided to an “insured” can be extended to a full-time student over the age of 24 with an endorsement.

Additional Insured – Household Resident (HO 04 58)

- Adds a resident of the household who is not an “insured” by definition.

Definitions: “Insured Location”

- “Residence Premises”
Locations shown in the Dec Page
- Acquired during the policy period – a “your” residence
- Any premises used by “you” in connection with the “residence premises”
- Non-owned temporary residence
- Vacant land other than farmland
- Land owned on which a one- to four-family dwelling is being built for an “insured”
- Individual or family burial vaults or plots
- Any premises occasionally rented to an “insured” for other than “business” use

What Is An Insured Location?

Under the **HO-14** (Contents Comprehensive Form)* an “insured location” is only four parts:

1. The “residence premises”
2. Premises used by “you” in connection with the “residence premises”
3. Non-owned temporary residence
4. Any premises occasionally rented to an “insured” for other than “business” use

** The HO-14 does not include vacant land, land owned by an “insured” where they are building a home to reside in, or cemetery plots in the definition of “insured location.”*

Coverage C – Special Limits Of Liability

Money, Notes and Coins	\$300
Securities, Accounts, Deeds, Papers	\$2,500
Watercraft, Trailers, Equipment	\$2,000
Trailers	\$2,000
<u>Theft</u> of Jewelry, Watches and Furs	\$2,000

Coverage C – Special Limits Of Liability

<u>Theft</u> of Firearms and Equipment	\$3,000
<u>Theft</u> of Silver, Gold, Platinum Ware	\$3,000
Business Prop – On	\$3,000
Business Property - Off	\$1,500
Antennas, tapes, wires	\$ 300

Coverage C – Special Limits Of Liability

Model or hobby aircraft not used or designed to carry people or cargo, such as remote control (RC) aircraft	\$2,000
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Endorsements Providing Increased Amount Of Insurance

- Coverage C Increased Special Limits Of Liability – HO 04 65
- Scheduled Personal Property Endorsement – HO 04 61
- Scheduled Personal Property Endorsement (with agreed value loss settlement) – HO 04 60
- Permitted Incidental Occupancies – Residence Premises – HO 04 42
- Increased Limits On Business Property 0 HO 04 12

Coverage C: Special Limits Of Liability

Contents Comprehensive Form (HO-14)

No Coverage For:

Watercraft

Trailers

Portable electronic equipment

Media used with electronic equipment

- No distinction for “business” personal property on or away from residence
- One category for antiques, fine arts, paintings, etc.

Coverage C: Property Not Covered

Aircraft and parts
Except model or hobby aircraft

Personal property used for “home-sharing host activities”

Credit cards, electronic fund transfer cards, or access devices
(HO 2022 – no longer gives back)

Virtual or digital currency of any kind

Controlled substances including “cannabis” and other narcotic drugs,

Exclusion does not apply to

Prescription drugs used under the care of a licensed professional,

Or goods derived from hemp, such as seeds, food, clothing, oils, building materials or paper.

Additional Coverages

Debris Removal - Up to \$1,500 per tree/ \$3,000 per loss

Trees, Shrubs and Other Plants - 5% of Coverage A – Dwelling limit with a maximum of \$1,500 for any one tree, plant, or shrub

Loss Assessment - \$2,000 limit for covered perils

Additional Coverages/Supplementary Payments

Debris Removal

Reasonable Repairs

Property Removed

Trees, Shrubs, and Other Plants

Fire Department Service Charge

Loss Assessment

Collapse

Glass or Safety Glazing Material

Landlords Furnishings

Ordinance Or Law

Grave Markers

Additional Coverages: HO-14

Debris Removal

Reasonable Repairs

Hard Drive Data Recovery

Bed Bug Remediation

Property Removed

Understanding Loss Settlement

Knowing how losses will be valued is important to understanding:

- how claims may be paid to your client, and
- why quoting and writing adequate coverage limits is so important.



Loss Settlement Of Buildings – Coverages A & B

Building Insured For At Least 80% Of Its Replacement Cost At The Time Of The Loss

If the building is insured for at least 80% of its replacement cost at the time of the loss then the Loss Settlement Condition states that buildings under Coverages A and Coverages B will be valued at replacement cost without any deduction for depreciation in value.

Replacement cost will not be paid until repair or replacement is complete unless the loss is BOTH less than 5% of the limit of insurance on the building and less than \$5,000.

Insured may also choose an ACV settlement. If the insured later decides they would like to proceed with repair or replacement of the damaged dwelling and would like to claim additional coverage, the insured must notify the carrier within 180 days after the date of the loss.

Loss Settlement Of Buildings – Coverages A & B

Building Not Insured For At Least 80% Of Its Replacement Cost At The Time Of The Loss

If the building is insured for less than 80% of the full replacement cost, the applicable payment will not exceed the limit of liability and will be the GREATER of:

Actual cash value of the part of the damaged building

Or

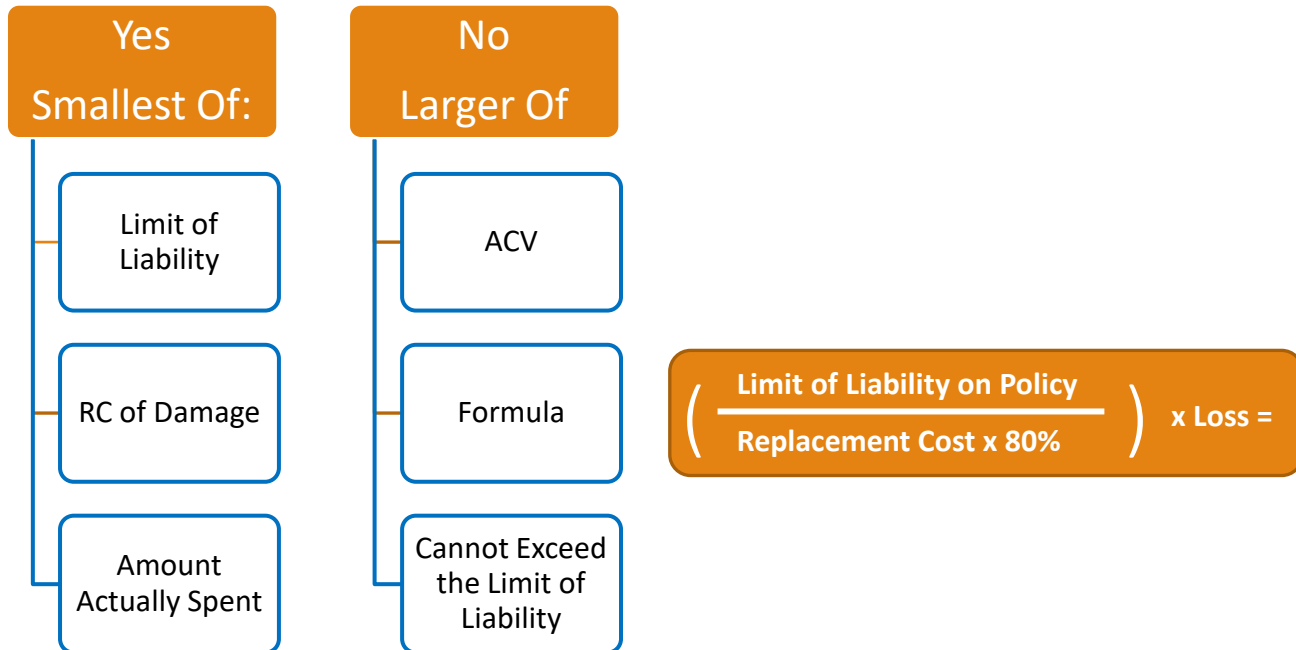
The cost to repair or replace that part of the building that was damaged, which the total amount of insurance in the policy bears to 80% of the replacement cost of the building.

Basically the coinsurance formula will be used.

Understanding Loss Settlement

Loss Settlement of Buildings covered under Dwelling and Other Structures

Building Insured for at Least 80% of its RC at the Time of the Loss?



Example

Bob's house was damaged by a fire. He carrier \$210,000 coverage on his home with a replacement cost of \$350,000. The total cost to repair his home was \$30,000. The actual cash value \$22,000. How much will the insurance company pay?

$$\frac{210,000 \text{ (did)}}{280,000 \text{ (should)}} \times \$30,000 = \$22,500.$$

280,000 (should)

Formula - \$22,500

Actual Cash Value - \$22,000

Section II – Exclusions

“Motor Vehicle” Liability

A riding lawnmower (except) being used to mow a lawn (any lawn)

“Watercraft Liability” Exclusions (except)

- Liability coverage provided for watercraft:
 - Stored; or
 - Specified in the chart on next page

TYPE OF WATERCRAFT	OWNED	RENTED	BORROWED
Sailboat	Yes Less than 26' No More than 26'	Yes	Yes
Powered by engines or motors (including water jet pumps)	25 horsepower or less – Yes More than 25 horsepower - No	Yes	Yes

Loss Assessment – Now \$2,000

Your clients, the Jones family, purchased a new home that is part of a Homeowners Association (HOA). During a neighborhood watch meeting, your client hears stories from other property owners about a past lawsuit against the HOA that resulted in each of them paying a Loss Assessment fee of \$4,000. A child was playing in one of the neighborhood parks, and a rotted board broke causing the child to fall resulting in serious injuries to the child. Having never lived within an HOA before, your client calls you and asks what coverage they have under their Homeowners Policy for Loss Assessment and how much coverage they can get.

What should you advise?

HO 04 35 –Supplemental Loss Assessment Endorsement

New Endorsements – Just To Name A Few

Specified Other Structure(s) Exclusion – HO 06 21

Other Insured Locations – HO 24 02

Limited Cannabis Property Coverage – HO 06 01

Cannabis Liability Coverage – HO 24 01

Broadened Water Back-up and Sump Discharge or Overflow Coverage – HO 06 95