CIC | PERSONAL LINES

# STUDY GUIDE

## EXAM PREP AND ANSWER KEY

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

RISK & INSURANCE
EDUCATION ALLIANCE

© 2023 by Risk & Insurance Education Alliance

Published in the United States by

Risk & Insurance Education Alliance

P.O. Box 27027

Austin, Texas 78755-2027

Telephones: 512.345.7932

800.633.2165

www.riskeducation.org

Disclaimer:

This publication is intended for general use and may not apply to every professional situation. For any legal and/or tax-related issues, consult with competent counsel or advisors in the appropriate jurisdiction or location.

Risk & Insurance Education Alliance and any organization for which this seminar is conducted shall have neither liability nor responsibility to any person or entity with respect to any loss or damage alleged to be caused directly or indirectly as a result of the information contained in this publication.

Insurance policy forms, clauses, rules, court decisions, and laws constantly change. Policy forms and underwriting rules vary across companies.

The use of this publication or its contents is prohibited without the express permission of Risk & Insurance Education Alliance.

CIC | PERSONAL LINES

# STUDY GUIDE

## EXAM PREP AND ANSWER KEY

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

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

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



RISK & INSURANCE
EDUCATION ALLIANCE

# Contents

## Tools to Assess Your Knowledge


### Section 1: Personal Residential Coverages....3

Homeowners Forms and Eligibility....3
Homeowners Policy Structure and Coverage Limits....6
ISO Homeowners 3 – Special Form....8
Section I – Property Coverages....10
Section II – Liability Coverages....17
Section 1 Self-Quiz....23

### Section 2: Personal Automobile Coverages....31

Introduction....31
The ISO Personal Auto Policy....32
Part A – Liability Coverage....34
Part B – Medical Payments/Personal Injury....37
Part C – Uninsured/Underinsured Motorists Coverage....38
Part D – Damage To Your Auto....39
Policy Provisions....42
Section 2: Self-Quiz....43

### Section 3: Personal Umbrella/Excess Liability....47

Introduction....47
Personal Umbrella/Excess Liability Concepts....48
Errors and Omissions Related to Personal Umbrella/Excess Liability Insurance....49
Section 3: Self Quiz....51



© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Answer Key


## Section 1: Personal Residential Coverages ..... 55

Homeowners Forms and Eligibility ..... 55
Homeowners Policy Structure and Coverage Limits ..... 59
ISO Homeowners 3 – Special Form ..... 61
Section I – Property Coverages ..... 63
Section II – Liability Coverages ..... 70
Section 1: Self-Quiz ..... 76

## Section 2: Personal Automobile Coverages ..... 85

Introduction ..... 85
The ISO Personal Auto Policy ..... 86
Part A – Liability Coverage ..... 88
Part B – Medical Payments/Personal Injury ..... 91
Part C – Uninsured/Underinsured Motorists Coverage ..... 91
Part D – Damage To Your Auto ..... 92
Policy Provisions ..... 95
Section 2: Self-Quiz ..... 96

## Section 3: Personal Umbrella/Excess Liability ..... 101

Introduction ..... 101
Personal Umbrella/Excess Liability Concepts ..... 102
Errors and Omissions Related to Personal Umbrella/Excess Liability Insurance ..... 103
Section 3: Self Quiz ..... 105

# Appendix

Preparing for the Final Exam ..... 109
Sample Examination Questions and Composite Answers ..... 110

Glossary of Terms ..... 111


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Tools to Assess Your Knowledge

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

© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Section 1: Personal Residential Coverages

## Homeowners Forms and Eligibility

### Check-In



**Directions:** Review the scenario and and answer the question.

A prospect rents a bungalow long-term in a vibrant town with plenty of options for recreational activities. In conversation with the prospect, it is discovered they frequently rent Jet Skis® in the summer months at a nearby lake. Which ISO Homeowners form should be quoted and offered?

- Homeowners 3 – Special Form
- Homeowners 4 – Contents Broad Form
- Homeowners 5 – Comprehensive Form
- Homeowners 14 – Contents Comprehensive Form

## Knowledge Check



**Directions:** Read the following scenarios and respond to each question part.

Miriam is purchasing a new residence and was told by her real estate agent that the community is managed by an owners' association that is financially responsible for and provides coverage for the exterior of each unit as well as other common areas. Miriam received an HO-3 quote from one agent and an HO-6 quote from another. She is not sure what to do.

**Part 1:** What information does Miriam's insurance advisor need to select the correct policy?

**Part 2:** Explain which Homeowners Policy is best suited for Miriam's new residence and identify valuable coverage points.


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

## Check-In



**Directions:** Read each true/false statement and select the correct answer.

1. The ISO HO-3 and HO-5 forms can be used to provide coverage for dwellings under construction.

   **True** **False**

2. When a dwelling is under a life estate arrangement, the Trust Coverage (HO 06 15) endorsement should be added the Homeowners Policy.

   **True** **False**

3. The Additional Interests – Residence Premises (HO 04 10) endorsement provides policy coverage, including Dwelling and Personal Liability Coverage, to a non-resident co-owner.

   **True** **False**

4. An eligible dwelling jointly owned by an owner-occupant and a non-resident deeded owner should list both owners as Named Insureds to the Homeowners Policy.

   **True** **False**

## Knowledge Check



**Directions:** Read the following scenario and respond.

Bernard owns and lives in a single-family, two-story brick home. Bernard's children have moved out, so he decides to rent rooms in his house to three college students. Is Bernard eligible for a Homeowners Policy? Explain your answer.

_____

_____

_____

_____

# Homeowners Policy Structure and Coverage Limits

## Check-In



**Directions:** Reviewing the endorsements listed on the Declarations shown on page 29 of this Learning Guide, match the endorsement to its accurate description or summary.

| | | | |
|---|---|---|---|
| HO 00 03 – Homeowners 3 – Special Form | HO 01 39 – Special Provisions – South Carolina | HO 06 48 – Residence Premises Definition | HO 03 17 – Windstorm or Hail Percentage Deductible – South Carolina |
| HO 04 95 – Limited Water Back-Up And Sump Discharge Or Overflow Coverage | HO 24 82 – Personal Injury Coverage | HO 04 90 – Personal Property Replacement Cost Loss Settlement | |

1. An endorsement to comply with state regulations:

   _____

2. Adds a separate deductible for a specified peril:

   _____

3. Base Homeowners Policy Form:

   _____

4. Mandatory revision to clarify residence premises:

   _____

5. Adds coverage for back up of water from sewers or sumps:

   _____

6. Adds Liability Coverage for libel, slander, etc.:

   _____

7. Changes loss settlement for Coverage C from ACV to RC:

   _____


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

## Check-In



**Directions:** Select the correct term(s) from the word bank to complete the statements. Terms may be used more than once or not at all.

| | | | | |
|---|---|---|---|---|
| Section I – Property Coverages | Agreement | Definitions | mandatory | percentage |
| Section II – Liability Coverages | Declarations | Conditions | optional | multiple |

1. The _____ is part of an insurance policy contains personalized information such as the policy number, coverage dates, policy limits, and deductible(s).
2. _____ help clarify who, what, how, or when coverage applies.
3. Coverages such as Dwelling, Other Structures, and Personal Property are detailed in _____.
4. Exclusions, Additional Coverages, and _____ are found in both Section I and Section II coverages.
5. State-specific Special Provisions endorsements are _____ and alter policy coverage to comply with state regulations.
6. The limits of liability for Coverage B – Other Structures, Coverage C – Personal Property, and Coverage D – Loss of Use are all based on a _____ of Coverage A.
7. Policy _____ are specific requirements or provisions that establish the rules and obligations that both the insurer and the policyholder must follow.
8. Coverage F – Medical Payments To Others is part of _____ and pays for the medical expenses of others in the event they are injured on the "insured location" or by the actions of an "insured."

# ISO Homeowners 3 – Special Form

## Check-In



**Directions:** Read the scenarios below and select whether the person in question is an "insured" or not an "insured."

1. Glen's new 15-year-old stepdaughter who lives with them

   **Is an "insured"** **Not an "insured"**

2. An 18-year-old foreign exchange student who is living with Glen's family for the school year

   **Is an "insured"** **Not an "insured"**

3. Glen's 72-year-old father who is visiting for a couple weeks

   **Is an "insured"** **Not an "insured"**

4. A dog kennel while boarding Glen's labradoodle

   **Is an "insured"** **Not an "insured"**



© 2023 RISK & INSURANCE EDUCATION ALLIANCE

## Knowledge Check



**Directions:** Read the following scenario and respond.

Delilah and Sam recently married and have decided to live in Delilah's residence. Sam's two teenage children reside with Delilah and Sam, as does Sam's elderly father. Delilah's sister is staying with them for two weeks following the birth of Delilah and Sam's newborn. In addition, Delilah has a basement apartment which is rented to a tenant. Within this scenario, who is an "insured" under Delilah's Homeowners Policy? Explain your answer(s).

_____

_____

_____

_____

_____

_____

_____

_____

# Section I – Property Coverages

## Check-In



**Directions:** Read each true/false statement and select the correct answer.

1. Land value should be included when estimating the Dwelling replacement cost since land is covered by the ISO Homeowners Policy.

   **True** **False**

2. Coverage is excluded for an Other Structure rented to the insured's co-worker for use as a parlor for his tattoo business.

   **True** **False**

3. The Permitted Incidental Occupancies – Residence Premises endorsement will give back coverage for an Other Structure that is listed for rent on VRBO.

   **True** **False**

4. If the limit of liability for Coverage A – Dwelling is $110,000, the Coverage B – Other Structures limit of liability will automatically be $11,000.

   **True** **False**

## Check-In



**Directions:** Given the scenarios below, specify the limit of liability that applies for the property and limits identified within the loss.

The insured has a theft loss, and the following property was stolen. What limits, if any, are applied after the deductible?

1. **$500 coin collection** Coverage provided up to _____
2. **$5,000 firearms** Coverage provided up to _____

The insured has a fire loss in the house and attached garage. The following property was damaged. What limits, if any, are applied after the deductible?

3. **$900 cash** Coverage provided up to _____
4. **$5,000 firearms** Coverage provided up to _____


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

## Knowledge Check



**Directions:** Read the following scenario and respond.

Melody and Jack's residence is insured on a Homeowners 3 – Special Form with a Coverage A – Dwelling Limit of $450,000. Jack uses the detached poolhouse as his office for his cryptocurrency business. Melody, a nurse, offers yoga in their attached garage for $10 per person on Sundays. Straight-line winds uprooted an oak tree, causing $30,000 in damage to the poolhouse and $10,000 in damages to the attached garage. How much will Melody and Jack's Homeowners Policy pay for these damages? Explain your answer(s). (Disregard any deductible).

_____

_____

_____

_____

_____

_____

_____

_____

## Knowledge Check



**Directions:** Read the following scenario and respond.

Elaine has a Homeowners 3 – Special Form with $100,000 for Coverage A – Dwelling. Elaine's home was significantly damaged in a covered loss. From the moment of damage until repairs are complete, the home will not be fit to live in for a total of 10 weeks. Of the weekly expenses Elaine submitted, explain which expenses are covered under Coverage D – Loss Of Use and the total amount that will be paid for this coverage part.

| | Pre-Loss Expense | Post-Loss Expense | Total Expense for 10 weeks? |
|---|---|---|---|
| Monthly Mortgage | $ 1,000/mo | $ 1,000/mo | |
| AirBnB rental (comparable) | $ 0/wk | $ 2,000/wk | |
| Meals | $ 100/wk | $ 150/wk | |
| Pet Boarding | $ 0/wk | $ 500/wk | |
| Commuting Gas | $ 100/wk | $ 150/wk | |
| Storage Fees | $ 0/wk | $ 250/wk | |
| After School Childcare | $ 0/wk | $ 250/wk | |
| Loss of Rent from Roomer | | $ 200/wk | |

Total covered expenses under Coverage D: _____



© 2023 RISK & INSURANCE EDUCATION ALLIANCE

## Check-In



**Directions:** Provide the limit of liability for each Section I – Additional Coverage below and indicate if coverage is additional to policy limits or not.

1. Trees, Shrubs, And Other Plants, and Lawns

   **Limit:** _____

   **Additional** **Not Additional**

2. Collapse

   **Limit:** _____

   **Additional** **Not Additional**

3. Landlord's Furnishings

   **Limit:** _____

   **Additional** **Not Additional**

4. Ordinance Or Law

   **Limit:** _____

   **Additional** **Not Additional**

5. Reasonable Repairs

   **Limit:** _____

   **Additional** **Not Additional**

## Check-In



**Directions:** Review the statements below. Select whether you believe the property is covered, limited, or excluded.

1. The detached garage in which your insured operates a beauty salon

   **Covered** **Limited** **Excluded**

2. $10,000 in personal property the insureds take on their vacation to Europe

   **Covered** **Limited** **Excluded**

3. The insured's 18-year-old son has personal property valued at $5,000 in his college dorm room. The insured has a $75,000 Coverage C – Personal Property limit.

   **Covered** **Limited** **Excluded**

4. Furniture and household goods valued at $10,000 your insureds keep at their mountain cabin

   **Covered** **Limited** **Excluded**


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

## Knowledge Check



**Directions:** Read the following scenario and respond to each question part.

Andrew's home is insured on a Homeowners 3 – Special Form, with $200,000 for Coverage A – Dwelling. For each of the three parts below, state (1) whether or not Section I – Property Coverage is provided by Andrew's unendorsed Homeowners Policy, (2) the coverage amount (if applicable), and (3) if any applicable endorsement could have improved coverage. Explain your answers. (Ignore deductibles and valuation.)

**Part 1:** Andrew experiences a $30,000 loss resulting from a back-up of water in his basement due to a failed sump pump.

_____

_____

_____

_____

**Part 2:** A deer crashes through Andrew's sliding glass door, causing damage to the door, wall, and personal property in the living room (TV, lamps, glass table, and sofa).

_____

_____

_____

_____

_____

_____

**Part 3:** Andrew rents a venue for a family reunion. A propellant party popper sparked a fire and caused $20,000 in damages to the venue.

_____

_____

_____

## Knowledge Check



**Directions:** Read the following scenario and respond to each question part; using a calculator is allowed.

Mac has an unendorsed Homeowners 3 – Special Form with $300,000 for Coverage A – Dwelling. He suffered extensive damage to his home from a covered loss. At the time of the loss, the replacement cost of his dwelling was determined to be $500,000. Mac's total losses are as follows:

| Loss | Replacement Cost | Actual Cash Value |
|---|---|---|
| Dwelling | $ 25,000 | $ 20,000 |
| Iron Fence | $ 5,000 | $ 3,000 |
| Personal Property | $ 15,000 | $ 10,000 |

**Part 1:** Explain how much will be paid for each of the above losses. (Ignore deductibles.)

_____

_____

_____

_____

_____

_____

**Part 2:** What changes, if any, could have been made so that Mac received better coverage?

_____

_____

_____

_____

_____

_____



© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Section II – Liability Coverages

## Check-In



**Directions:** For the scenarios below, identify whether the location in the scenario is an "insured location."

1. A hotel in Cleveland where the insured is staying while on business

   **is an "insured location"** **is not an "insured location"**

2. The mini-storage unit the insured has been renting for two years

   **is an "insured location"** **is not an "insured location"**

3. 10 acres of undeveloped land the insured will eventually be subdividing into two-acre lots

   **is an "insured location"** **is not an "insured location"**

4. The dorm where the insured's 18-year-old son lives while attending college

   **is an "insured location"** **is not an "insured location"**

5. The Firefighter's Hall the insured rents for a client appreciation banquet

   **is an "insured location"** **is not an "insured location"**

## Knowledge Check



**Directions:** Describe a scenario for each of the following offenses that will adequately demonstrate the importance of adding the Personal Injury Coverage (HO 24 82) endorsement to a Homeowners Policy.

False imprisonment:

_____

_____

_____

_____

Libel:

_____

_____

_____

_____

Slander:

_____

_____

_____

_____

Invasion of Privacy:

_____

_____

_____

_____



© 2023 RISK & INSURANCE EDUCATION ALLIANCE

## Knowledge Check



**Directions:** Read and respond to the scenario.

Raven owns and lives in a residence in a small retirement community where the owner's association takes care of all exterior grounds and property maintenance for residents. The community allows residents to drive golf carts around the property, though it does not have a golf course. Explain whether Raven has liability coverage for the use of her two-person golf cart under her unendorsed Homeowners Policy.

_____

_____

_____

_____

_____

_____

## Check-In



**Directions:** Read each true/false statement and select the correct answer.

1. In a fit of rage, Tom's 10-year-old child damages the television. Since the child is liable for the damages, Tom's liability coverage will pay for them.

   **True** **False**

2. While at a baseball game, a spectator grabs a fly ball right from Mason's glove. Mason gets angry and pushes the spectator down the stairs. Mason only intends to knock the spectator down—not to cause him injury. Mason's liability coverage will pay for the injuries.

   **True** **False**

3. Cory is a stone mason who volunteers to assemble prefabricated steel residential wheelchair ramps for disabled veterans. While working on a ramp at a veteran's house, Cory accidentally shatters a window. Cory's liability coverage will pay for the damages.

   **True** **False**

4. Andrea knowingly sent her young child to school sick with pneumonia. Another child in the school became ill and was hospitalized. The child's parent sues Andrea for medical costs. Andrea's liability coverage will respond.

   **True** **False**

5. Susan mislabeled brownies baked with "cannabis." Three children visiting her home ate them. Susan was sued for approximately $10,000 per child. Susan's liability coverage will respond.

   **True** **False**


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

## Knowledge Check



**Directions:** Read the following scenario and respond to each question part.

Grant's residence is insured by an unendorsed Homeowners 3 – Special Form. For each scenario below, indicate how Grant's Liability Coverage will respond. If there is no coverage, indicate whether an endorsement could have provided coverage. Explain your answers.

**Part 1:** Grant is an accountant and operates his business from an office in his home. A client was injured when a light fixture in Grant's office fell from the ceiling. The client's injuries resulted in medical treatment totaling $10,000.

_____

_____

_____

_____

_____

_____

**Part 2:** Grant's residence is located by a lake and has a dock with a sitting area and a small fire pit. Grant's home is projected to be in the "path of totality" for a rare solar eclipse. Grant decided to rent out his whole home for $5,000 for two nights during the event and did so by word of mouth through friends. A guest renting Grant's home was injured when the dock railing collapsed while the guest was leaning over to look at the water. The guest has $7,500 in medical bills.

_____

_____

_____

_____

_____

_____

## Knowledge Check



**Directions:** Read the following scenarios and respond to each question part.

Andrew's residence is provided coverage under an unendorsed Homeowners 3 – Special Form. Review the two scenarios below and explain which parts of Andrew's Homeowners Policy will provide coverage (if any) for the described damage.

**Part 1:** Andrew rented a venue for a family reunion. A propellant party popper sparked a fire, causing $20,000 in damages to the venue.

_____

_____

_____

_____

_____

_____

**Part 2:** Andrew is using a borrowed ATV and utility trailer to drive fencing materials around his residential property while repairing his fence. He left the ATV idling, and it rolled into his pond, resulting in water damage to the engine.

_____

_____

_____

_____

_____

_____



© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Section 1 Self-Quiz

1. When determining eligibility for an ISO Homeowners Policy, the dwelling type, ownership, and geographic location must be considered.

   True False

2. Which one of the following is eligible for an ISO Homeowners 3 – Special Form?

   - ☐ A single-family, site-built home owned by Miriam but rented to others
   - ☐ A mobile home owned and occupied by Miriam
   - ☐ A site-built duplex Miriam owns and resides in one unit but rents the second unit to a family
   - ☐ An apartment Miriam rents as a secondary residence

3. A prospect would like a policy for a residential single-family, site-built dwelling where he resides. He has requested a policy that provides open perils coverage for Dwelling and Personal Property. Which ISO Homeowners Form should be quoted?

   - ☐ Homeowners 3 – Special Form
   - ☐ Homeowners 5 – Comprehensive Form
   - ☐ Homeowners 14 – Contents Comprehensive Form
   - ☐ Homeowners 6 – Unit-Owners Form

4. Which one of the following accurately identifies eligible occupancy of an ISO Homeowners 3 – Special Form?

   - ☐ Owner occupied with no more than two roomers or boarders
   - ☐ Tenant occupied with no more than two roomers or boarders
   - ☐ Owner occupied mobile home
   - ☐ Tenant occupied with no additional occupancy

5. The ISO Homeowners 6 – Unit-Owners Form (HO-6) Policy is typically used to insure which type of residential property?

   - ☐ A residential dwelling owned and occupied by an individual
   - ☐ A residential dwelling rented by an individual
   - ☐ A condominium building owned by a company
   - ☐ A condominium unit owned by an individual

6. In a multi-unit fire loss scenario caused by lightning, what parts of the condo unit's structure would typically be covered under Coverage A of the HO-6 policy?

   - ☐ Roofing
   - ☐ Exterior siding
   - ☐ Cabinetry and plumbing fixtures
   - ☐ Common stairwells between units

7. Clinton is the only "Named Insured" (a you) on his Homeowners Policy. Of the following, who else is a you?

   - ☐ Clinton's resident mother, Anne
   - ☐ Clinton's resident spouse, Randi
   - ☐ Clinton's resident son, Bobby
   - ☐ Clinton's roomer, Angel

8. Luca and his partner live together, but Luca's partner has no insurable interest in the dwelling where they reside. Which endorsement (if any) should be added to Luca's Homeowners Policy to provide personal property coverage, loss of use, and liability coverage to his partner, who has lived with him for over a year?

   - ☐ Additional Insured – Household Resident
   - ☐ Additional Insured – Residence Premises
   - ☐ No endorsement is needed.
   - ☐ The partner should be added as a Named Insured on the Declarations.

9. Glen's fiancée just moved in with him; they are getting married in 90 days. Glen's fiancée _____.

   **is an "insured"** **is not an "insured"**

10. Glen's spouse has not yet been added as a Named Insured to his Homeowners Policy. Glen's spouse _____.

    **is an "insured"** **is not an "insured"**


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

**Directions:** Select the correct term that completes the statement. Some words may be used more than once or not at all.

| | | |
|---|---|---|
| Section I – Property Coverage | Coverage C – Personal Property | "residence premises" |
| Coverage B – Other Structures | Coverage A – Dwelling | "business" activities |

11. Coverage B – Other Structures provides a coverage limit of up to 10% of _____ for structures detached from but located on the "residence premises."

12. Materials and supplies used to build, alter, or repair the dwelling or other structures on the "residence premises" are provided coverage under _____ when the materials are on or next to the "residence premises."

13. _____ does NOT include structures from which "business" is conducted or used to store "business" property.

14. A sublimit of 10% of _____ (or $1,500) will apply to personal property that is normally located at another residence of an "insured."

15. Which one of the following is an exception to the ISO Homeowners Policy definition of "business"?

- ☐ Louie participates in volunteer activities with Cub Scouts; he is in charge of collecting club dues from attending scouts on behalf of the Cub Scouts of America.
- ☐ Louie rents a portion of his driveway through a website and allows a renter to store their RV.
- ☐ Louie works full-time from an office in his home as a web design consultant.
- ☐ Louie's 14-year-old son charges a fee to clean up pet waste from yards on the weekends.

**Directions:** Identify which of the following would be a covered Additional Living Expense.

16. Donna's home was damaged by a fire, and she will not be able to live there for three months while remediation and repairs are underway.

| Expense | Covered | Not Covered |
|---|---|---|
| Temporary housing in an extended-stay hotel | | |
| Laundry costs since the hotel does not have laundry facilities | | |
| Storage costs for storing undamaged property | | |
| Monthly mortgage payment | | |
| Ongoing utilities for the residence | | |
| Restaurant meals, even though the hotel has a kitchenette | | |

17. Which of the following individuals may be covered under Additional Living Expense when the insured's "residence premises" becomes unfit to live in due to a covered loss to covered property?

- ☐ You and resident relatives only
- ☐ You, resident relatives, and other persons in your care (or the care of a resident relative) under 21 years old
- ☐ You and any individuals residing in the same neighborhood
- ☐ You, resident relatives, and other persons in your care over 21 years old

18. Why is it crucial for insurance advisors and policyholders to understand the limits and terms of Additional Living Expense (ALE) coverage?

- ☐ To maximize the amount of money paid out by the insurance company
- ☐ To determine the cost of relocating to a different residence
- ☐ To ensure that policyholders receive compensation for damaged property
- ☐ To effectively plan for and cover necessary living expenses during home repairs or relocation

19. Which coverage will provide for the cost of updating the plumbing throughout the kitchen to meet code after a portion of the kitchen was damaged by a covered fire loss?

- ☐ Additional Living Expense
- ☐ Reasonable Repairs
- ☐ Loss Assessment
- ☐ Ordinance Or Law


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

20. Debris Removal provides coverage for which of the following:

- ☐ Expenses associated with replacing trees, shrubs, and plants when damaged by a covered peril
- ☐ Expenses associated with the removal of damaged property and debris resulting from a covered loss
- ☐ Expenses associated with removing covered property from the residence to protect it from endangerment by a covered peril
- ☐ Expenses associated with an ordinance violation to remove yard waste and debris from the residence

**Directions:** Review the statements below. Select whether you believe the property would be covered, limited, or excluded.

21. The insured's $10,000 lawn tractor is stolen from their residence.

**Covered** **Limited** **Excluded**

22. The insured's personal watercraft, valued at $5,500, is stolen from their driveway.

**Covered** **Limited** **Excluded**

23. The insured received the $8,000 limit from the Scheduled Personal Property Endorsement for the stolen ring but wants to be paid more since the replacement value at the time of the loss was $10,000.

**Covered** **Limited** **Excluded**

24. Emilee thought that loss to all property covered under her Homeowners Policy would receive a replacement cost loss settlement. Which of the following will correct Emilee's understanding of the coverage provided by an unendorsed ISO HO-3?

- ☐ Emilee's interpretation is correct. All property receives replacement cost loss valuation.
- ☐ Personal property, non-building structures, carpets, and awnings will receive actual cash value loss valuation.
- ☐ Only the dwelling received replacement cost loss valuation.
- ☐ All property received actual cash value loss valuation.

25. After a covered loss, it is determined that Blair's dwelling coverage limit is 60% of its actual replacement cost value. Which of the following correctly describes what Blair may expect as payment for damage to her dwelling?

- ☐ Blair will receive the replacement cost of the damaged property minus the policy deductible.
- ☐ Blair will receive nothing since the dwelling was underinsured.
- ☐ Blair will receive the greater of actual cash value or an amount reduced by an insurance-to-value penalty minus the policy deductible.
- ☐ Blair will receive the lesser of actual cash value or an amount reduced by an insurance-to-value penalty minus the policy deductible.

26. Which solution will provide a homeowner with the most assurance that the dwelling is insured to a sufficient amount to qualify for replacement cost settlement?

- ☐ Insuring the dwelling to at least 80% of the estimated replacement cost
- ☐ Insuring the dwelling to 100% of the estimated replacement cost
- ☐ Adding the Specified Additional Amount Of Insurance For Coverage A endorsement and selecting an additional 25%
- ☐ Adding the Additional Limits of Liability For Coverages A, B, C, and D

27. Section II – Liability Coverages of an unendorsed ISO Homeowners Policy provides coverage when an "insured" is legally liable for which of the following:

| | Covered | Not Covered |
|---|---|---|
| False imprisonment | | |
| "Bodily injury" to others | | |
| "Bodily injury" to a resident relative | | |
| Necessary medical expenses of a person injured on the "insured location" | | |
| Slander | | |
| "Property damage" to others | | |


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

28. The Personal Injury Coverage endorsement provides coverage for which of the following?

- ☐ Defense coverage when sued for alleged invasion of privacy and liability coverage if proven legally liable
- ☐ Medical payments coverage for an injury the "insured" personally receives at the hands of another person
- ☐ Liability coverage when legally liable for a personal automobile accident
- ☐ Liability coverage when legally liable for covered "bodily injury" to others

29. According to the ISO Homeowners Policy, "aircraft liability," "hovercraft liability," "motor vehicle liability," and "watercraft liability" only pertain to bodily injury or property damage arising from ownership by an "insured" of a vehicle or craft.

True False

30. A golf cart used by a realtor while entertaining a business client on the golf course may be eligible for Liability Coverage under the ISO Homeowners Policy.

True False

31. The Incidental Low Power Recreational Motor Vehicle Liability Coverage endorsement can be used to provide Liability Coverage for an owned electric bike used on city biking trails.

True False

32. Which of the following scenarios qualifies for Personal Liability and Medical Payments To Others coverage under the ISO Homeowners Policy?

- ☐ Any personal "business" activity conducted by an insured
- ☐ Renting a portion of an "insured location" as an office for "business" purposes
- ☐ An 18-year-old resident relative of the "insured" operating a part-time, self-employed business with two additional employees
- ☐ Renting a room in the home to a tenant through traditional means, regardless of income earned

33. Which ISO Homeowners Program endorsement would be most appropriate for a homeowner seeking liability coverage for home-based "business" activities involving clerical and sales activities?

- ☐ Permitted Incidental Occupancies – Residence Premises
- ☐ Designated Business Pursuits Liability Coverage
- ☐ Structures Rented To Others – Residence Premises
- ☐ Broadened Home-Sharing Host Activities

34. The "insured" damaged the watercraft he borrowed from his friend when he hit a log close to a riverbank. His unendorsed ISO Homeowners Policy will pay up to $2,000 under Section I – Property Coverage and up to $5,000 under Section II, Additional Coverage – Damage To Property Others.

**True** **False**

35. The "insured" rented an ATV for a July 4th campout. The ATV caught fire from a misfired artillery shell-style firework. Their unendorsed Homeowners Policy will pay up to $5,000 under Section II, Additional Coverage – Damage To Property Others for this damage.

**True** **False**

**Directions:** Pair the Section II – Additional Coverage with the correct description.

| | |
|---|---|
| **A.** Claims Expense<br>**B.** First Aid Expense<br>**C.** Damage To Property Of Others<br>**D.** Loss Assessment | _____ The insurance company will pay up to $5,000 per "occurrence" for "property damage" when an "insured" causes damage to the property of others. |
| | _____ The insurance company will pay up to $2,000 for a client's portion of a loss fee charged against them (as the owner or tenant of a property) that results from "bodily injury" or "property damage" not excluded under Section II – Additional Coverages, as well as a loss fee related to liability for an act of a director, officer, or trustee if the person is elected by the neighborhood association and serves in that position without pay. |
| | _____ The insurance company will pay expenses incurred by the insurance company and the costs charged against an "insured" in legal suits that the insurance company defends. |
| | _____ The insurance company will pay expenses for first aid to others incurred by an "insured" for a "bodily injury" that is covered under the Homeowners Policy |


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Section 2: Personal Automobile Coverages

## Introduction

### Check-In



**Directions:** Indicate whether the following individuals are eligible for a Personal Auto Policy based on ownership.

| | Yes | No |
|---|---|---|
| Bob and his resident spouse, Mary, jointly own three vehicles. | | |
| Alan and Stacey own their vehicles individually. They are currently separated and do not reside together. | | |
| Casey and his roommate, Carl, jointly own a Jeep Wrangler. | | |
| Harvey does not own a vehicle but regularly uses a company car. | | |

### Knowledge Check



**Directions:** Read and respond to the scenario below. Identify whether the individual is eligible for a Personal Auto Policy, and explain your understanding of each eligibility category.

Eli wants to insure a 2015 Ford F250 pickup. He states that his company, Luxury Lawn Service, owns the vehicle. He drives the pickup for both business and personal use.

_____

_____

_____

_____

# The ISO Personal Auto Policy

## Check-In



**Directions:** Indicate who is a "family member."

Sarah has a Personal Auto Policy. Which of the following individuals are considered a "family member" by her policy?

| | Yes | No |
|---|---|---|
| Sarah's 17-year-old unlicensed resident son, Brady | | |
| Sarah's sister, who is visiting her for a week | | |
| Sarah's adult son, Marcus, who lives in his own home | | |
| Sarah's daughter-in-law, Sherry, who is living with her for a year while Sarah's son, who is in the military, is stationed overseas | | |
| Sarah's boyfriend, Bob, who lives with her | | |



© 2023 RISK & INSURANCE EDUCATION ALLIANCE

## Check-In



**Directions:** Read and respond to the scenarios below.

Meredith is the Named Insured on an unendorsed ISO Personal Auto Policy that provides the following coverages. What coverages, if any, are provided to Meredith for each of the scenarios below?

| 1974 AMC Gremlin | 2023 Honda |
|---|---|
| Liability | Liability |
| Medical Payments | Medical Payments |
| UM/UIM | UM/UIM |
| $100 deductible OTC | $250 deductible OTC |
| | $1,000 deductible Collision |

1. Meredith trades in her Honda for a 1968 Chevrolet Camaro.

_____

_____

2. Meredith purchases a 1990 Chevrolet pickup.

_____

_____

3. Meredith buys a 2002 Winnebago motor home.

_____

_____

4. Meredith's 19-year-old resident son purchases a 2014 Toyota.

_____

_____

# Part A – Liability Coverage

## Knowledge Check



**Directions:** Read the statement below and state who is an "insured" under Keely's Personal Auto Policy for Liability Coverage. Explain your answer.

Keely, the office manager at ABC Insurance Agency, asked Janice to pick up copier paper at Office Depot. While driving Keely's car, Janice has an at-fault accident on the way to Office Depot, resulting in serious injuries to another driver. The injured person files claims against Keely (the car owner), Janice (the driver), and ABC Insurance Agency (the employer, since Janice was running an errand).

1. _____

_____

2. _____

_____

3. _____

_____



© 2023 RISK & INSURANCE EDUCATION ALLIANCE

## Check-In



**Directions:** Consider that Aaron has 250/500/100 Liability Coverage on his 2019 Dodge Durango. For each of the scenarios on the right, select the letter choice of the corresponding exclusion.

| Exclusion | Scenario |
|---|---|
| A. Use without a reasonable belief of entitlement, with exception of a "family member" | _____ Aaron argues with his neighbor and repeatedly rams his Durango into his neighbor's parked car. |
| B. Vehicles other than a "your covered auto" that "you" own or are furnished/available for your use | _____ Aaron's 16-year-old son takes his car without permission and has an at-fault accident. |
| C. "Business" use of a vehicle other than a private passenger auto, pickup, or van | _____ Aaron backs his rental car into a concrete post and damages the rental car. |
| D. Intentional damage or injury | _____ Aaron has an at-fault accident while driving his furnished company car. |
| E. "Property damage" to property rented to, used by, or in the care of that "insured" | _____ Aaron caused damage to a low clearance bridge with a tour bus he rented to take clients to dinner. |

## Knowledge Check



**Directions:** Read the following scenario and respond to each question part.

Alice and Brad are unmarried and living together in Alice's house. They have separate Personal Auto Policies (PAP) but share the keys to each other's cars. Alice borrows Brad's car for an errand and is responsible for a serious accident on the way home that results in bodily injury and property damage.

1. Does Alice have Liability Coverage under Brad's Personal Auto Policy for this accident? Explain your answer.

   _____

   _____

2. Does Alice have Liability Coverage under her Personal Auto Policy for this accident? Explain your answer.

   _____

   _____

3. Is there anything Alice's insurance agent could have done to improve coverage under Alice's Personal Auto Policy? Explain your answer.

   _____

   _____



© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Part B – Medical Payments/Personal Injury

## Knowledge Check



**Directions:** Read and respond to the following scenario.

Stuart lives in a state where both Med Pay and PIP coverages are offered but not mandatory. Which option will provide Stuart with the most comprehensive coverage? Explain your answer.

_____

_____

_____

_____

_____

_____

# Part C – Uninsured/Underinsured Motorists Coverage

## Check-In



**Directions:** Indicate whether or not the following individuals are an "insured" as defined in Part C – Uninsured Motorists Coverage.

Sam and Laura have a Personal Auto Policy with Uninsured Motorists Coverage.

| | Yes | No |
|---|---|---|
| Laura is injured when the taxi taking her to the airport is hit by an uninsured vehicle. | | |
| Sam's son, Chris, who lives across town, is hit by an uninsured vehicle while crossing the street as a pedestrian. | | |
| Sam lets his neighbor, Angie, borrow his car to run errands. While driving Sam's car, Angie is hit by an uninsured vehicle. | | |
| Laura is in the crosswalk when she is hit by an uninsured driver who runs a red light. Due to her injuries, she will require a wheelchair for several months. | | |

## Knowledge Check



**Directions:** Read and respond to the scenario below.

Tejal has a Personal Auto Policy (PAP) covering her car for Liability and Uninsured/Underinsured Motorists Coverages. While stopped at a red light, Tejal is struck from behind by another vehicle that immediately speeds away from the scene. Tejal has no idea who owns or was operating the other car. She is injured and has medical bills. Indicate whether or not Tejal's PAP provides any coverage and explain your answer.

_____

_____

_____

_____

_____



© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Part D – Damage To Your Auto

## Knowledge Check



**Directions:** Read and respond to the scenario below.

Horace owns a van. He only carries Collision Coverage with a $500 deductible under Part D of his Personal Auto Policy. Horace purchases a second vehicle—a two-year-old sedan. One day later, a deer runs onto the road and into the side of the sedan, causing damage to the exterior as well as interior damage from the deer's blood. Indicate what, if any, coverage Horace has, and explain your answers.

_____

_____

_____

_____

## Knowledge Check



**Directions:** Read each scenario below and indicate whether Part D – Coverage For Damage To Your Auto will apply to the "non-owned auto." Explain your answers.

Ernie's Personal Auto Policy provides Part D coverage for his two vehicles as follows:

| 2023 Nissan Leaf | 2018 Toyota Camry |
|---|---|
| $250 OTC | $1000 OTC |
| $500 Collision | $1000 Collision |

1. Ernie rented a vehicle while on a business trip. He left the windows down overnight, and an hours-long wind and rainstorm flooded the vehicle's interior. The vehicle is a total loss. In addition to the vehicle damage, the rental company is charging $300 in administrative fees for claim handling.

_____

_____

_____

_____



© 2023 RISK & INSURANCE EDUCATION ALLIANCE

## Knowledge Check



**Directions:** Read the following scenario and respond to each question part.

Mick owns a van. He carries Collision Coverage with a $1,000 deductible and Other Than Collision with a $500 deductible under Part D of his Personal Auto Policy. For each of the events below, indicate what coverage, if any, Mick has. Explain your answers.

1. While backing the van into a small space in a parking garage, Mick hit a pillar, damaging the van, including the custom murals painted on its side.

_____

_____

_____

_____

2. Vinyl human-rights stickers could not be removed from the rear of the van without damaging the paint.

_____

_____

_____

_____

3. Mick drives for Uber on the weekend. En route to drop a passenger off at the airport, Mick hits a curb, causing damage to his tire, wheel, and suspension.

_____

_____

_____

_____

# Policy Provisions

## Knowledge Check



**Directions:** Read the following scenario and respond.

Sasha is planning a road trip from Florida to Alaska, including a stop in Canada, and wants to make sure she's covered in case of any accidents or incidents during her journey. Explain to Sasha the geographic areas where her ISO Personal Auto Policy provides coverage and what she should keep in mind regarding coverage limits during her road trip.

_____

_____

_____

_____

_____



© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Section 2: Self-Quiz

1. Identify the three categories used to determine eligibility for a Personal Auto Policy.
   - ☐ Type of vehicle, usage, location of vehicle
   - ☐ Number of drivers, location of vehicle, driving history
   - ☐ Ownership, type of vehicle, usage
   - ☐ Driving history, ownership, usage

2. Individuals who are related (other than spouses) and live in the same household fall under what category of ownership?
   - ☐ Individually owned
   - ☐ Jointly owned
   - ☐ Trust owned
   - ☐ Relative owned

3. Policy definitions using "we," "us," and "our" refer to what?
   - ☐ Family members included in policy coverage
   - ☐ Coworkers who are also members of your household
   - ☐ Non-immediate family members of your household
   - ☐ The insurance company providing the coverage

4. Identify who would be considered a "family member" under Joseph's Personal Auto Policy.
   - ☐ Joseph's cousin, who lives with him two weeks out of the year
   - ☐ Joseph's 5-year-old daughter, Marla
   - ☐ Joseph's dog, Winston
   - ☐ Joseph's brother, who lives across the street

5. Alex is a valet attendant at Luciano's Italian restaurant. What exclusion removes Liability Coverage for Alex if an accident occurs while she is parking a customer's vehicle?

   - ☐ Damage to property rented to, used by, or in the care of that "insured"
   - ☐ Damage to owned property or property being transported by that "insured"
   - ☐ Any "insured" who intentionally causes "bodily injury" or "property damage"
   - ☐ Any "insured" while employed or otherwise engaged in the auto "business"

6. Max is babysitting for his neighbor's infant. While the baby is sleeping at home, Max borrows his neighbor's car to run out and get more formula. Unfortunately, on the way home, Max rear-ends another vehicle, causing damage to his neighbor's car. Max will have Liability Coverage in this scenario.

   **True** **False**

7. While "reasonable medical expense" is not defined in the Personal Auto Policy, it can be established by state regulation.

   **True** **False**

8. Personal Injury Protection varies by state and may offer more comprehensive benefits than Med Pay, including funeral expenses and accidental death.

   **True** **False**

9. The purpose of Uninsured/Underinsured Motorists Coverage is to:

   - ☐ Provide clients the option to protect others who elected not to purchase car insurance.
   - ☐ Provide coverage for physical damage to your car.
   - ☐ Provide Liability Coverage for physical damage to someone else's car when involved in an accident with them.
   - ☐ Allow clients the ability to purchase protection for themselves against the same potential for the loss they protect others for with their Liability Coverage.

10. Identify what a UMPD endorsement would cover from the list below:

    - ☐ Damage to personal property in the vehicle
    - ☐ Direct damage to the vehicle
    - ☐ Damage to other property
    - ☐ Loss of use of the damaged vehicle


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

11. Which term is defined as the upset of a vehicle or its impact with another vehicle or object?

- ☐ Collision
- ☐ Compensatory Damage
- ☐ Other Than Collision
- ☐ Physical Damage

12. Which form of insurance coverage would provide financial assistance to repair or replace your vehicle when a fire occurs in your garage, causing significant damage to your car?

- ☐ Collision coverage
- ☐ Uninsured Motorists coverage
- ☐ Underinsured Motorists coverage
- ☐ Other Than Collision coverage

13. Match the letter of the appropriate term with its definition.

| | |
|---|---|
| **A.** Other Than A Temporary Substitute<br><br>**B.** Optional Limits Transportation Expenses Coverage (PP 03 02)<br><br>**C.** Temporary Substitute<br><br>**D.** Towing And Labor Costs Coverage (PP 03 03) endorsement<br><br>**E.** Trip Interruption Coverage (PP 13 02) | _____ Provides selected limits of $25, $50, $75, or $100, with higher limits available for motor homes |
| | _____ Provides up to $600 for transportation expenses and expenses for lodging and meals in the event of a mechanical or electrical breakdown of the scheduled auto that occurs more than 100 miles from home and is withdrawn from use for at least 24 hours |
| | _____ This type of vehicle is a private passenger auto, pickup, van, or “trailer” in the custody of or being operated by a “you” or any “family member” and cannot be a vehicle that is furnished or available for their regular use. |
| | _____ This type of auto is any auto or “trailer” a “you” does not own but is using as a substitute for “your” own vehicle, typically due to breakdown, repair, service, loss, or damage. |
| | _____ Increases the $30/$900 limit provided by the policy to an amount selected by the insured ($40/$1,200, $50/$1,500, or $75/$2,250) |

14. Identify which one of the following losses would be covered under Part D – Coverage For Damage To Your Auto.

- ☐ Jessie is involved in an at-fault accident while driving Medicaid billed patients to their doctor appointments.
- ☐ $1,000 custom rims were stolen from Jessie's car.
- ☐ Jessie's vehicle was seized because she was using it to transport illegal narcotics across state lines.
- ☐ Jessie's tires need to be replaced after only 20,000 miles due to wear from poor alignment.

15. The Personal Auto Policy does not provide worldwide coverage. Of the list below, identify the territories that would be covered. (Note: Some covered territories may not be included.)

- ☐ Canada, The United States, Mexico, Puerto Rico
- ☐ The United States and its territories or possessions, Canada, the Dominican Republic
- ☐ Territories or possession of the United States, Canada, Guam, Puerto Rico
- ☐ Canada, Puerto Rico, the United States

16. Mexico is within the Personal Auto Policy coverage territory.

**True** **False**


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Section 3: Personal Umbrella/Excess Liability

## Introduction

### Knowledge Check



**Directions:** Read and respond to the following questions. Be sure to explain your answers.

1. Describe at least two ways offering Personal Umbrella/Excess Liability coverage to personal lines clients benefits the insurance professional.

   A. _____

   _____

   B. _____

   _____

   C. _____

   _____

2. Why is it essential not to rely solely on an Umbrella/Excess Liability Policy's name to determine the type of coverage it offers?

   _____

   _____

   _____

   _____

# Personal Umbrella/Excess Liability Concepts

## Knowledge Check



**Directions:** Read the following scenarios and determine how underlying limits and/or the SIR will apply to each. Respond to each question part.

1. Loraine holds a $1 million Personal Umbrella/Excess Policy with underlying requirements of $500,000 CSL for auto liability and $300,000 for homeowner's insurance, with a self-insured retention (SIR) of $500. She lowers her auto liability limits to $300,000 CSL and is at fault for an auto accident. The other party is successful in obtaining a $750,000 judgment. How will this loss be paid?

| | |
|---|---|
| Auto Insurance | |
| Loraine | |
| Personal Umbrella Excess | |

2. Corey has a $1 million ISO Personal Umbrella Liability Policy with a $1,000 self-insured retention (SIR). His boat policy, which previously met underlying insurance requirements and included $300,000 Watercraft Liability Coverage for his 150hp ski boat (otherwise not eligible for coverage under his Homeowners Policy), was canceled for non-payment just a few days before he had a serious at-fault boating loss with his ski boat. How will Corey's insurance program respond to this $450,000 loss? Identify the amounts each party/policy is responsible for paying.

| | |
|---|---|
| Homeowners Insurance | |
| Boat Insurance | |
| Personal Umbrella Excess | |
| Corey | |

3. Saul incurred a $50,000 loss that was not covered by his Homeowners Policy but is eligible for coverage under his Umbrella/Excess Policy. He maintained the necessary underlying coverage on his Homeowners Policy. His Umbrella Policy has a $2,000,000 coverage limit and a $250 self-insured retention (SIR). Identify the amounts each party/policy is responsible for paying.

| | |
|---|---|
| Homeowners Insurance | |
| Saul | |
| Personal Umbrella Excess | |


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Errors and Omissions Related to Personal Umbrella/Excess Liability Insurance

## Knowledge Check



**Directions:** Read the scenario below and respond to each question part.

Sarah has an ISO Personal Umbrella Liability Policy and meets the requirement of having both Homeowners and Personal Auto underlying insurance. These policies provide the only other insurance she has. Does Sarah's ISO PULP provide coverage for the following losses? Explain your answer(s).

1. Sarah has an at-fault auto accident while driving a rental car.

_____

_____

_____

2. Sarah's 15-year-old daughter has an accident while driving her motorized golf cart on the street.

_____

_____

_____

3. Sarah was injured when she was hit by an uninsured motorist.

_____

_____

_____

4. Sarah has an accident while operating a rented 150hp Jet Ski® in Mexico.

_____

_____

_____


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Section 3: Self Quiz

1. Liability Coverage refers to an insurance company's commitment to provide compensation on behalf of an "insured" in cases where either the insured themselves or another insured party is legally responsible for reimbursing a third party for "bodily injury" or "property damage."

   True False

2. Personal Umbrella/Excess Liability Policies are standardized.

   True False

3. Most Personal Umbrella/Excess Liability Policies provide coverage worldwide.

   True False

4. Identify the reasons why Umbrella/Excess Policies should be recommended by an insurance professional. Note: not *all* the reasons may be shown in any of these given lists.

   - ☐ It is cheap coverage, account retention, errors and omissions exposure
   - ☐ Catastrophic claims, account retention, revenue from commission, clients need protection
   - ☐ Clients need protection, account retention, revenue from commission, errors and omissions exposure

5. Which aspect of Personal Umbrella/Excess Liability Policies should an insurance professional closely examine to determine if coverage will follow the underlying policy's coverage?

   - ☐ Coverage limits
   - ☐ Aggregating coverage
   - ☐ Coverage of defense costs
   - ☐ Follow Form language

6. Which of the following are the most advantageous areas to compare to understand the differences among various Personal Umbrella/Excess Liability Policies? (Select all that apply.)

   - ☐ The policy limit of liability
   - ☐ The policy definitions
   - ☐ The coverage for defense
   - ☐ The policy premium

7. Which of the following would require the "insured" to pay the self-insured retention (SIR/deductible) of an ISO Personal Umbrella Liability Policy? (Select all that apply.)

   - ☐ Casey had an at-fault boating accident (in an owned watercraft) where no underlying insurance applies.
   - ☐ Casey's $750,000 bodily injury claim is covered by his underlying Homeowners Policy up to $500,000 (limit maximum).
   - ☐ Casey rear-ended another vehicle while vacationing in Australia.
   - ☐ Casey is being sued for making false statements on social media accusing the city manager of stealing money.

8. Which one of the following accurately describes the role of Personal Umbrella/Excess Liability Policies in relation to underlying insurance policies?

   - ☐ They provide additional Liability Coverage once the underlying policy limits are exhausted.
   - ☐ They replace the need for underlying insurance policies.
   - ☐ They are the primary insurance policies for all liability claims.
   - ☐ They offer identical coverage as the underlying policies.

9. In the context of the ISO Personal Umbrella Liability Policy's Insuring Agreement, what is the primary purpose of providing "Defense Coverage"?

   - ☐ To pay for damages caused by an insured's personal injury or property damage
   - ☐ To cover defense expenses incurred by the insured in a lawsuit
   - ☐ To protect an insured in case of a claim or suit brought against them
   - ☐ To provide additional coverage for injuries resulting from an accident

10. Which one of the following is an example of an exclusion that is specific to the ISO Personal Umbrella Liability Policy (PULP)?

    - ☐ Damage caused by fire, smoke, or explosion
    - ☐ Libel or slander with the knowledge that it was untrue, or that it took place before the policy period
    - ☐ Watercraft covered by "underlying insurance" at the time of the "occurrence"
    - ☐ Motorcycle rider skill training in connection with a course designed by the Motorcycle Safety Foundation


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Answer Key

© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Section 1: Personal Residential Coverages

## Homeowners Forms and Eligibility

### Check-In



**Directions:** Review the scenario and and answer the question.

A prospect rents a bungalow long-term in a vibrant town with plenty of options for recreational activities. In conversation with the prospect, it is discovered they frequently rent Jet Skis® in the summer months at a nearby lake. Which ISO Homeowners form should be quoted and offered?

- Homeowners 3 – Special Form
- Homeowners 4 – Contents Broad Form
- Homeowners 5 – Comprehensive Form
- Homeowners 14 – Contents Comprehensive Form

This prospect does not own the dwelling where they reside. Consequently, they will need a renter's policy HO-4 or HO-14. While the HO-14 may have aspects of broader coverage than the HO-4, "watercraft liability" is completely excluded. The HO-4 should be quoted for this prospect since they will likely need liability coverage while renting watercraft.

## Knowledge Check



**Directions:** Read the following scenarios and respond to each question part.

Miriam is purchasing a new residence and was told by her real estate agent that the community is managed by an owners' association that is financially responsible for and provides coverage for the exterior of each unit as well as other common areas. Miriam received an HO-3 quote from one agent and an HO-6 quote from another. She is not sure what to do.

**Part 1:** What information does Miriam's insurance advisor need to select the correct policy?

The insurance advisor should ask more questions to determine which parts of the structure are owned by the client. This can be done by obtaining a copy of the owners' association bylaws or Association Agreement to ensure an accurate understanding of which parts of the physical structure the personal lines client may own or be financially responsible for insuring.

**Part 2:** Explain which Homeowners Policy is best suited for Miriam's new residence and identify valuable coverage points.

The HO-6 policy is best suited for Miriam's new residence since the owners' association has stated financial responsibility for building exteriors and other common areas. Miriam should be counseled on the selection of Coverage A – Dwelling limits to ensure adequate coverage for all building features she owns (such as electrical and plumbing fixtures, cabinetry, and more). The advisor should be sure to identify any detached structures Miriam may own to ensure coverage is adequate under Coverage A – Dwelling. Loss Assessment will be another valuable coverage point for the insurance advisor to discuss. This coverage part will pay for financial responsibility Miriam may share for damages not covered by the association master policy.


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

## Check-In



**Directions:** Read each true/false statement and select the correct answer.

1. The ISO HO-3 and HO-5 forms can be used to provide coverage for dwellings under construction.

   (True) False

   The HO-3 and HO-5 forms may be used to provide coverage for dwellings under construction or in the course of construction, but only if the policy is issued in the name of the dwelling's intended owner-occupant after construction is complete.

2. When a dwelling is under a life estate arrangement, the Trust Coverage (HO 06 15) endorsement should be added the Homeowners Policy.

   True (False)

   The Additional Insured – Residence Premises (HO 04 41) should be added to a Homeowners Policy for dwellings under a life estate arrangement to protect the interests of the life estate and/or remaindermen.

3. The Additional Interests – Residence Premises (HO 04 10) endorsement provides policy coverage, including Dwelling and Personal Liability Coverage, to a non-resident co-owner.

   True (False)

   The Additional Interests – Residence Premises (HO 04 10) endorsement only informs the person or organization named in the Schedule (the non-resident co-owner) with notices of policy cancellation or nonrenewal and protects their financial interests (in accordance with the policy) in the event the property is damaged or destroyed.

4. An eligible dwelling jointly owned by an owner-occupant and a non-resident deeded owner should list both owners as Named Insureds to the Homeowners Policy.

   True (False)

   In the matter of dwellings jointly owned by an owner-occupant and a non-resident deeded owner, the owner-occupant will be the Named Insured on the Homeowners Policy, while the non-resident owner is added to the policy with the Additional Insured – Residence Premises endorsement (HO 04 41).

## Knowledge Check



**Directions:** Read the following scenario and respond.

Bernard owns and lives in a single-family, two-story brick home. Bernard's children have moved out, so he decides to rent rooms in his house to three college students. Is Bernard eligible for a Homeowners Policy? Explain your answer.

Bernard is not eligible for a Homeowners Policy because he is renting to more than two roomers or boarders. ISO eligibility rules state that the single-family residence eligible occupancy is the owner-occupant plus one additional family OR two roomers or boarders.



© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Homeowners Policy Structure and Coverage Limits

## Check-In



**Directions:** Reviewing the endorsements listed on the Declarations shown on page 29 of this Learning Guide, match the endorsement to its accurate description or summary.

| | | | |
|---|---|---|---|
| HO 00 03 – Homeowners 3 – Special Form | HO 01 39 – Special Provisions – South Carolina | HO 06 48 – Residence Premises Definition | HO 03 17 – Windstorm or Hail Percentage Deductible – South Carolina |
| HO 04 95 – Limited Water Back-Up And Sump Discharge Or Overflow Coverage | HO 24 82 – Personal Injury Coverage | HO 04 90 – Personal Property Replacement Cost Loss Settlement | |

1. An endorsement to comply with state regulations: HO 01 39 05 23 – Special Provisions – South Carolina

2. Adds a separate deductible for a specified peril: HO 03 17 05 23 – Windstorm or Hail Percentage Deductible – South Carolina

3. Base Homeowners Policy Form: HO 00 03 03 22 – Homeowners 3 – Special Form

4. Mandatory revision to clarify residence premises: HO 06 48 03 22 – Residence Premises Definition

5. Adds coverage for back up of water from sewers or sumps: HO 04 95 03 22 – Limited Water Back-Up

6. Adds Liability Coverage for libel, slander, etc.: HO 24 82 03 22 – Personal Injury Coverage

7. Changes loss settlement for Coverage C from ACV to RC: HO 04 90 03 22 – Personal Property Replacement Cost

## Check-In



**Directions:** Select the correct term(s) from the word bank to complete the statements. Terms may be used more than once or not at all.

| | | | | |
|---|---|---|---|---|
| Section I – Property Coverages | Agreement | Definitions | mandatory | percentage |
| Section II – Liability Coverages | Declarations | Conditions | optional | multiple |

1. The Declarations is part of an insurance policy contains personalized information such as the policy number, coverage dates, policy limits, and deductible(s).

2. Definitions help clarify who, what, how, or when coverage applies.

3. Coverages such as Dwelling, Other Structures, and Personal Property are detailed in Section I – Property Coverages.

4. Exclusions, Additional Coverages, and Conditions are found in both Section I and Section II coverages.

5. State-specific Special Provisions endorsements are mandatory and alter policy coverage to comply with state regulations.

6. The limits of liability for Coverage B – Other Structures, Coverage C – Personal Property, and Coverage D – Loss of Use are all based on a percentage of Coverage A.

7. Policy Conditions are specific requirements or provisions that establish the rules and obligations that both the insurer and the policyholder must follow.

8. Coverage F – Medical Payments To Others is part of Section II – Liability Coverages and pays for the medical expenses of others in the event they are injured on the "insured location" or by the actions of an "insured."


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# ISO Homeowners 3 – Special Form

## Check-In



**Directions:** Read the scenarios below and select whether the person in question is an "insured" or not an "insured."

1. Glen's new 15-year-old stepdaughter who lives with them

   **Is an "insured"** Not an "insured"

   Glen's step-daughter is a resident relative.

2. An 18-year-old foreign exchange student who is living with Glen's family for the school year

   **Is an "insured"** Not an "insured"

   The exchange student is a resident under 21 years old and in Glen's care.

3. Glen's 72-year-old father who is visiting for a couple weeks

   Is an "insured" **Not an "insured"**

   Glen's father is not a resident of Glen's household.

4. A dog kennel while boarding Glen's labradoodle

   Is an "insured" **Not an "insured"**

   Persons legally responsible for Glen's dog in the course of their business are not an "insured."

## Knowledge Check



**Directions:** Read the following scenario and respond.

Delilah and Sam recently married and have decided to live in Delilah's residence. Sam's two teenage children reside with Delilah and Sam, as does Sam's elderly father. Delilah's sister is staying with them for two weeks following the birth of Delilah and Sam's newborn. In addition, Delilah has a basement apartment that is rented to a tenant. Within this scenario, who is an "insured" under Delilah's Homeowners policy? Explain your answer(s).

Delilah is an "insured"; she is a "you."

Sam is an "insured"; he is Delilah's resident spouse and, therefore, is a "you."

Sam's two teenage children and his elderly father are "insureds"; they are Sam's resident relatives.

Delilah's sister is NOT an "insured"; though she is Delilah's relative, the sister is not a resident of the household.

Delilah's tenant is NOT an "insured"; though the tenant is a resident of Delilah's household, the tenant is not Delilah's relative.



© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Section I – Property Coverages

## Check-In



**Directions:** Read each true/false statement and select the correct answer.

1. Land value should be included when estimating the Dwelling replacement cost since land is covered by the ISO Homeowners Policy.

   True (False)

   The land on which a dwelling sits is NOT covered by the ISO Homeowners Policy.

2. Coverage is excluded for an Other Structure rented to the insured's co-worker for use as a parlor for his tattoo business.

   (True) False

   Coverage is excluded for Other Structures from which a "business" is being conducted.

3. The Permitted Incidental Occupancies – Residence Premises endorsement will give back coverage for an Other Structure that is listed for rent on VRBO.

   True (False)

   The Permitted Incidental Occupancies – Residence Premises endorsement can only be used for certain eligible business exposures such as an office or private studio.

4. If the limit of liability for Coverage A – Dwelling is $110,000, the limit of liability Coverage B – Other Structures will automatically be $11,000.

   (True) False

   Coverage B – Other Structures automatically provides a limit of liability of 10% of the Coverage A – Dwelling limit.

## Check-In



**Directions:** Given the scenarios below, specify the limit of liability that applies for the property and limits identified within the loss.

The insured has a theft loss, and the following property was stolen. What limits, if any, are applied after the deductible?

1. **$500 coin collection** Coverage provided up to $300
2. **$5,000 firearms** Coverage provided up to $3,000

The insured has a fire loss in the house and attached garage. The following property was damaged. What limits, if any, are applied after the deductible?

3. **$900 cash** Coverage provided up to $300
4. **$5,000 firearms** Coverage provided up to Coverage C – Limit Of Liability

## Knowledge Check



**Directions:** Read the following scenario and respond.

Melody and Jack's residence is insured on a Homeowners 3 – Special Form with a Coverage A – Dwelling Limit of $450,000. Jack uses the detached poolhouse as his office for his cryptocurrency business. Melody, a nurse, offers yoga in their attached garage for $10 per person on Sundays. Straight-line winds uprooted an oak tree, causing $30,000 in damage to the poolhouse and $10,000 in damages to the attached garage. How much will Melody and Jack's Homeowners policy pay for these damages? Explain your answer(s). (Disregard any deductible).

**Poolhouse:** The loss is not covered because Jack is conducting "business" from the poolhouse, which is an Other Structure. Jack's crypto trading and consulting activities are his trade, profession, or occupation, which makes these activities a "business" under the Homeowners policy.

**Attached garage:** $10,000 will be paid by the Homeowners Policy. Although Melody's yoga class may be a "business" (total compensation is unknown), this exposure would not impact coverage for damage to the attached garage.


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

## Knowledge Check



**Directions:** Read the following scenario and respond.

Elaine has a Homeowners 3 – Special Form with $100,000 for Coverage A – Dwelling. Elaine's home was significantly damaged in a covered loss. From the moment of damage until repairs are complete, the home will not be fit to live in for a total of 10 weeks. Of the *weekly* expenses Elaine submitted, explain which expenses are covered under Coverage D – Loss Of Use and the total amount that will be paid for this coverage part.

| | Pre-Loss Expense | Post-Loss Expense | Total Expense for 10 weeks? |
|---|---|---|---|
| Monthly Mortgage | $ 1,000/mo | $ 1,000/mo | $ 0 |
| AirBnB rental (comparable) | $ 0/wk | $ 2,000/wk | $ 20,000 |
| Meals | $ 100/wk | $ 150/wk | $ 500 |
| Pet Boarding | $ 0/wk | $ 500/wk | $ 5,000 |
| Commuting Gas | $ 100/wk | $ 150/wk | $ 500 |
| Storage Fees | $ 0/wk | $ 250/wk | $ 2,500 |
| After School Childcare | $ 0/wk | $ 250/wk | $ 2,500 |
| Loss of Rent from Roomer | | $ 200/wk | $ 2,000 |

Total covered expenses under Coverage D: $30,000

The following expenses are not covered since they are normal expenses: monthly mortgage, $100 of weekly meal expense (leaving $50 for additional meal costs), and $100 of weekly gas expense (leaving $50 for additional gas expense).

Elaine has total Additional Living Expenses of $31,000 and total Loss Of Rental Value expenses of $2,000. Though Elaine's total additional expenses equal $33,000, the maximum coverage provided under Coverage D Expense will be $30,000 since this is the limit of liability (30% of Coverage A).

## Check-In



**Directions:** Provide the limit of liability for each Section I – Additional Coverage below and indicate if coverage is additional to policy limits or not.

1. Trees, Shrubs, And Other Plants, and Lawns

   **Limit:** 5% of Coverage A/$1,500 maximum per plant

   (Additional) Not Additional

2. Collapse

   **Limit:** Included in the limit applying to property damaged

   Additional (Not Additional)

3. Landlord's Furnishings

   **Limit:** $3,000

   Additional (Not Additional)

4. Ordinance Or Law

   **Limit:** 10% of Coverage A

   (Additional) Not Additional

5. Reasonable Repairs

   **Limit:** Included in Coverage A

   Additional (Not Additional)



© 2023 RISK & INSURANCE EDUCATION ALLIANCE

## Check-In



**Directions:** Review the statements below. Select whether you believe the property is covered, limited, or excluded.

1. The detached garage in which your insured operates a beauty salon

   Covered  Limited  **Excluded**

   An Other Structure from which a "business" is operated is excluded.

2. $10,000 in personal property the insureds take on their vacation to Europe

   **Covered**  Limited  Excluded

   Personal Property is covered anywhere in the world.

3. The insured's 18-year-old son has personal property valued at $5,000 in his college dorm room. The insured has a $75,000 Coverage C – Personal Property limit.

   Covered  **Limited**  Excluded

   Personal Property is limited to 10% of Coverage C.

4. Furniture and household goods valued at $10,000 that your insureds keep at their mountain cabin

   Covered  **Limited**  Excluded

   Personal Property is limited to 10% of Coverage C.

## Knowledge Check



**Directions:** Read the following scenario and respond to each question part.

Andrew's home is insured on a Homeowners 3 – Special Form with $200,000 for Coverage A – Dwelling. For each of the three parts below, state (1) whether or not Section I – Property Coverage is provided by Andrew's unendorsed Homeowners Policy, (2) the coverage amount (if applicable), and (3) if any applicable endorsement could have improved coverage. Explain your answers. (Ignore deductibles and valuation.)

**Part 1:** Andrew experiences a $30,000 loss resulting from a back-up of water in his basement due to a failed sump pump.

Andrew's Homeowners Policy excludes coverage for loss resulting from water that backs up through, overflows, or is otherwise discharged from a sump pump. The Limited or Broadened Water Back-Up And Sump Discharge Or Overflow Coverage endorsement could have covered this loss if added to Andrew's policy with adequate limits selected.

**Part 2:** A deer crashes through Andrew's sliding glass door, causing damage to the door, wall, and personal property in the living room (TV, lamps, glass table, and sofa).

The HO-3 provides open perils coverage for the Dwelling, and there is no applicable exclusion to this scenario. Damage to the Dwelling is covered up to the Coverage A limit of liability. However, secretions by the deer may be excluded [Perils Insured Against, A.2.c.(6)(h)].

Damage to personal property is not covered as the HO-3 is a named perils form and damage caused by animals is not a named peril.

**Part 3:** Andrew rents a venue for a family reunion. A propellant party popper sparked a fire and caused $20,000 in damages to the venue.

Section I – Property Coverage is not provided for the location in this scenario as Property Coverage for the Homeowners Policy applies to Coverage A – Dwelling (the "residence premises") and Coverage B – Other Structures (on the "residence premises").


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

## Knowledge Check



**Directions:** Read the following scenario and respond to each question part; the use of calculators is allowed.

Mac has an unendorsed Homeowners 3 – Special Form with $300,000 for Coverage A – Dwelling. He suffered extensive damage to his home from a covered loss. At the time of the loss, the replacement cost of his dwelling was determined to be $500,000. Mac's total losses are as follows:

| Loss | Replacement Cost | Actual Cash Value |
|---|---|---|
| Dwelling | $ 25,000 | $ 20,000 |
| Iron Fence | $ 5,000 | $ 3,000 |
| Personal Property | $ 15,000 | $ 10,000 |

**Part 1:** Explain how much will be paid for each of the above losses. (Ignore deductibles.)

Dwelling: The dwelling is insured only to 75% of its replacement value at the time of the loss. The insurance-to-value (ITV) formula will be used and equates to a loss value of $18,750 [Here's the math: $300k/$400k = 75%; $25,000 RC loss x 75% = $18,750.] The ACV amount of $20,000 will be paid as the ACV amount is larger than the ITV formula amount.

Fence: $3,000 ACV is paid. The unendorsed HO-3 pays ACV on non-building structures.

Personal Property: $10,000 ACV is paid. The unendorsed HO-3 pays ACV on Personal Property.

**Part 2:** What changes, if any, could have been made so that Mac received better coverage?

Dwelling: The dwelling should be insured to at least 80% replacement cost (ideally, 100%).

Fence: An endorsement could be added to insure the iron fence (a non-building structure) to replacement cost (Replacement Cost Loss Settlement For Certain Non-Building Structures On The Residence Premises).

Personal Property: An endorsement could be added to insure Personal Property to replacement cost (Personal Property Replacement Cost Loss Settlement).

# Section II – Liability Coverages

## Check-In



**Directions:** For the scenarios below, identify whether the location in the scenario is an "insured location."

1. A hotel in Cleveland where the insured is staying while on business

   **is an "insured location"** **is not an "insured location"**

   The hotel is an "insured location." Any part of a premises not owned by an "insured" where an "insured" is temporarily residing is an "insured location."

2. The mini-storage unit that the insured has been renting for two years

   **is an "insured location"** **is not an "insured location"**

   The storage unit is an "insured location." Any part of a premises used by the "Named Insured" in connection with the "residence premises" is an "insured location."

3. 10 acres of undeveloped land the insured will eventually be subdividing into two-acre lots

   **is an "insured location"** **is not an "insured location"**

   The land is an "insured location," if vacant. Vacant land, other than farmland, owned by an "insured" is an "insured location."

4. The dorm where the insured's 18-year-old son lives while attending college

   **is an "insured location"** **is not an "insured location"**

   The dorm is an "insured location." Any part of a premises not owned by an "insured" and where an "insured is temporarily residing" is an "insured location."

5. The Firefighter's Hall that the insured rents for a client appreciation banquet

   **is an "insured location"** **is not an "insured location"**

   Not an "insured location": Excluded as a premises rented to an "insured" for "business" use.


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

## Knowledge Check



**Directions:** Describe a scenario for each of the following offenses that will adequately demonstrate the importance of adding the Personal Injury Coverage (HO 24 82) endorsement to a Homeowners Policy.

False imprisonment:

Erin incorrectly accused a fellow shopper of stealing from the clothing boutique they are at. She notified store employees and assisted them with keeping the shopper from leaving by blocking the exit. The shopper sued Erin (and the store) for false imprisonment.

Libel:

Erin posted on several social media sites about a doctor she felt was racially discriminatory toward her. The doctor experienced threatening calls for months and a noticeable drop in patient appointments. The doctor sued Erin for libel.

Slander:

Erin attended her daughter's school board meeting and was overheard telling other attendees that the superintendent had a felony record involving minors. The superintendent sued Erin for slander.

Invasion of Privacy:

Erin rents her basement apartment and suspects her tenant is hiding a prohibited pet. While her tenant was at work, Erin installed cameras in the apartment. The tenant discovered the cameras and sued Erin for invasion of privacy and recording their activities without consent.

## Knowledge Check



**Directions:** Read and respond to the scenario.

Raven owns and lives in a residence in a small retirement community where the owner's association takes care of all exterior grounds and property maintenance for residents. The community allows residents to drive golf carts around the property, though it does not have a golf course. Explain whether Raven has liability coverage for the use of her two-person golf cart under her unendorsed Homeowners Policy.

As long as the golf cart is not required to be registered for road use, Liability Coverage will be provided by Raven's Homeowners Policy while Raven is operating her golf cart within the residential community where her residence is located, since the community allows legal use of the golf cart within the community. If Raven were to use her golf cart anywhere other than her community or a golf course, her Homeowners Policy would not provide Liability Coverage.

## Check-In



**Directions:** Read each true/false statement and select the correct answer.

1. In a fit of rage, Tom's 10-year-old child damages the television. Since the child is liable for the damages, Tom's liability coverage will pay for them.

   True (False)

   Liability Coverage excludes "property damage" of property owned by an "insured."

2. While at a baseball game, a spectator grabs a fly ball right from Mason's glove. Mason gets angry and pushes the spectator down the stairs. Mason only intends to knock the spectator down—not to cause him injury. Mason's liability coverage will pay for the injuries.

   True (False)

   "Bodily injury" intended by an "insured" is excluded, even if the "bodily injury" is other than intended or expected.

*continued on next page*



© 2023 RISK & INSURANCE EDUCATION ALLIANCE

## Check-In *(continued)*



**Directions:** Read each true/false statement and select the correct answer.

3. Cory is a stone mason who volunteers to assemble prefabricated steel residential wheelchair ramps for disabled veterans. While working on a ramp at a veteran's home, Cory accidentally shatters a window. Cory's liability coverage will pay for the damages.

   (True) False

   Cory's volunteer activities are not a "business," and the damage was accidental.

4. Andrea knowingly sent her young child to school sick with pneumonia. Another child in the school became ill and was hospitalized. The child's parent sues Andrea for medical costs. Andrea's liability coverage will respond.

   True (False)

   Liability coverage is excluded for "bodily injury" arising out of the transmission of a communicable disease.

5. Susan mislabeled brownies baked with "cannabis." Three children visiting her home ate them. Susan was sued for approximately $10,000 per child. Susan's liability coverage will respond.

   True (False)

   "Bodily injury" arising out of the possession by any person of any "cannabis" is excluded. Susan's possession was not under the prescription of a licensed medical professional.

## Knowledge Check



**Directions:** Read the following scenario and respond to each question part.

Grant's residence is insured by an unendorsed Homeowners 3 – Special Form. For each scenario below, indicate how Grant's Liability Coverage will respond. If there is no coverage, indicate whether an endorsement could have provided coverage. Explain your answers.

**Part 1:** Grant is an accountant and operates his business from an office in his home. A client was injured when a light fixture in Grant's office fell from the ceiling. The client's injuries resulted in medical treatment totaling $10,000.

Grant will have no liability coverage for this occurrence as "bodily injury" arising out of or in connection with a "business" engaged in by an "insured" is excluded. The Permitted Incidental Occupancies – Residence Premises endorsement would have provided both Personal Liability and Medical Payments To Others Coverage for this occurrence.

**Part 2:** Grant's residence is located by a lake and has a dock with a sitting area and a small fire pit. Grant's home is projected to be in the "path of totality" for a rare solar eclipse. Grant decided to rent out his whole home for $5,000 for two nights during the event and did so by word of mouth through friends. A guest renting Grant's home was injured when the dock railing collapsed while the guest was leaning over to look at the water. The guest has $7,500 in medical bills.

Grant will have liability coverage for this occurrence. The home is not being rented through a home-sharing network, and the Section II "business" exclusion gives back coverage for the rental of an "insured location" on an occasional basis if used only as a residence. Coverage may be provided by Coverage F – Medical Payments To Others if Grant's limit is sufficient; otherwise, liability coverage will be provided by Coverage E – Personal Liability.


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

## Knowledge Check



**Directions:** Read the following scenarios and respond to each question part.

Andrew's residence is provided coverage under an unendorsed Homeowners 3 – Special Form. Review the two scenarios below and explain which parts of Andrew's Homeowners Policy will provide coverage (if any) for the described damage.

**Part 1:** Andrew rented a venue for a family reunion. A propellant party popper sparked a fire, causing $20,000 in damages to the venue.

Section II – Liability Coverage excludes "property damage" to property rented to, occupied, or used by or in the care of an "insured" except when caused by fire, smoke, or explosion. Andrew's Homeowners Policy will provide coverage for property damage to the venue up to the Section II – Liability Coverage limit of liability.

Section I – Property Coverage is not provided for the location in this scenario as Property Coverage for the Homeowners Policy applies to Coverage A – Dwelling (the "residence premises") and Coverage B – Other Structures (on the "residence premises").

**Part 2:** Andrew is using a borrowed ATV and utility trailer to drive fencing materials around his residential property while repairing his fence. He left the ATV idling, and it rolled into his pond, resulting in water damage to the engine.

Though the ATV is property of others on the "residence premises" and is being used to service a residence, Section I – Property Coverage will not be provided by Andrew's policy because the cause of loss is not a covered peril.

Section II – Liability Coverage excludes "property damage" to property rented to, occupied, or used by or in the care of an "insured" except when caused by fire, smoke, or explosion. Section II – Additional Coverage, Damage To Property of Others provides up to $5,000 for off-road recreational "motor vehicles" not required to be registered for road use and not owned by an "insured." Andrew's Homeowners Policy may provide coverage for damage to the ATV under Section II Liability up to $5,000.

# Section 1: Self-Quiz

1. When determining eligibility for an ISO Homeowners Policy, the dwelling type, ownership, and geographic location must be considered.

True False

ISO Homeowners eligibility guidelines are not concerned with geographic location. Dwelling type, ownership, and occupancy are the three eligibility considerations.

2. Which one of the following is eligible for an ISO Homeowners 3 – Special Form?

- ☐ A single-family, site-built home owned by Miriam but rented to others
- ☐ A mobile home owned and occupied by Miriam
- ☑ A site-built duplex Miriam owns and resides in one unit but rents the second unit to a family
- ☐ An apartment Miriam rents as a secondary residence

3. A prospect would like a policy for a residential single-family, site-built dwelling where he resides. He has requested a policy that provides open perils coverage for Dwelling and Personal Property. Which ISO Homeowners Form should be quoted?

- ☐ Homeowners 3 – Special Form
- ☑ Homeowners 5 – Comprehensive Form
- ☐ Homeowners 14 – Contents Comprehensive Form
- ☐ Homeowners 6 – Unit-Owners Form

4. Which one of the following accurately identifies eligible occupancy of an ISO Homeowners 3 – Special Form?

- ☑ Owner occupied with no more than two roomers or boarders
- ☐ Tenant occupied with no more than two roomers or boarders
- ☐ Owner occupied mobile home
- ☐ Tenant occupied with no additional occupancy

5. The ISO Homeowners 6 – Unit-Owners Form (HO-6) Policy is typically used to insure which type of residential property?

- ☐ A residential dwelling owned and occupied by an individual
- ☐ A residential dwelling rented by an individual
- ☐ A condominium building owned by a company
- ☑ A condominium unit owned by an individual


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

6. In a multi-unit fire loss scenario caused by lightning, what parts of the condo unit's structure would typically be covered under Coverage A of the HO-6 policy?

   - [ ] Roofing
   - [ ] Exterior siding
   - [x] Cabinetry and plumbing fixtures
   - [ ] Common stairwells between units

7. Clinton is the only "Named Insured" (a you) on his Homeowners Policy. Of the following, who else is a you?

   - [ ] Clinton's resident mother, Anne
   - [x] Clinton's resident spouse, Randi
   - [ ] Clinton's resident son, Bobby
   - [ ] Clinton's roomer, Angel

8. Luca and his partner live together, but Luca's partner has no insurable interest in the dwelling where they reside. Which endorsement (if any) should be added to Luca's Homeowners Policy to provide personal property coverage, loss of use, and liability coverage to his partner, who has lived with him for over a year?

   - [x] Additional Insured – Household Resident
   - [ ] Additional Insured – Residence Premises
   - [ ] No endorsement is needed.
   - [ ] The partner should be added as Named Insured on the Declarations.

9. Glen's fiancée just moved in with him; they are getting married in 90 days. Glen's fiancée is not an "insured."

   is an "insured" is not an "insured"

The fiancé is not yet Glen's spouse, nor are they Glen's relative.

10. Glen's spouse has not yet been added as a Named Insured to his Homeowners Policy. Glen's spouse is an "insured."

**is an "insured"** **is not an "insured"**

Glen's spouse (not named on the policy) is an "insured" as long as they are a resident of Glen's household.

**Directions:** Select the correct term that completes the statement. Some words may be used more than once or not at all.

| | | |
|---|---|---|
| Section I – Property Coverage | Coverage C – Personal Property | "residence premises" |
| Coverage B – Other Structures | Coverage A – Dwelling | "business" activities |

11. Coverage B – Other Structures provides a coverage limit of up to 10% of Coverage A – Dwelling for structures detached from but located on the "residence premises."

12. Materials and supplies used to build, alter, or repair the dwelling or other structures on the "residence premises" are provided coverage under Coverage A – Dwelling when the materials are on or next to the "residence premises."

13. Coverage B – Other Structures does NOT include structures from which "business" is conducted or used to store "business" property.

14. A sublimit of 10% of Coverage C – Personal Property (or $1,500) will apply to personal property that is normally located at another residence of an "insured."

15. Which one of the following is an exception to the ISO Homeowners Policy definition of "business"?

- [x] Louie participates in volunteer activities with Cub Scouts; he is in charge of collecting club dues from attending scouts on behalf of the Cub Scouts of America.
- [ ] Louie rents a portion of his driveway through a website and allows a renter to store their RV.
- [ ] Louie works full-time from an office in his home as a web design consultant.
- [ ] Louie's 14-year-old son charges a fee to clean up pet waste from yards on the weekends.


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

**Directions:** Identify which of the following would be a covered Additional Living Expense.

16. Donna's home was damaged by a fire, and she will not be able to live there for three months while remediation and repairs are underway.

| Expense | Covered | Not Covered |
|---|---|---|
| Temporary housing in an extended-stay hotel | X | |
| Laundry costs since the hotel does not have laundry facilities | X | |
| Storage costs for storing undamaged property | X | |
| Monthly mortgage payment | | X |
| Ongoing utilities for the residence | | X |
| Restaurant meals, even though the hotel has a kitchenette | | X |

17. Which of the following individuals may be covered under Additional Living Expense when the insured's "residence premises" becomes unfit to live in due to a covered loss to covered property?

- ☐ You and resident relatives only
- ☑ You, resident relatives, and other persons in your care (or the care of a resident relative) under 21 years old
- ☐ You and any individuals residing in the same neighborhood
- ☐ You, resident relatives, and other persons in your care over 21 years old

18. Why is it crucial for insurance advisors and policyholders to understand the limits and terms of Additional Living Expense (ALE) coverage?

- ☐ To maximize the amount of money paid out by the insurance company
- ☐ To determine the cost of relocating to a different residence
- ☐ To ensure that policyholders receive compensation for damaged property
- ☑ To effectively plan for and cover necessary living expenses during home repairs or relocation

19. Which coverage will provide for the cost of updating the plumbing throughout the kitchen to meet code after a portion of the kitchen was damaged by a covered fire loss?

- ☐ Additional Living Expense
- ☐ Reasonable Repairs
- ☐ Loss Assessment
- ☑ Ordinance Or Law

20. Debris Removal provides coverage for which of the following:

- [ ] Expenses associated with replacing trees, shrubs, and plants when damaged by a covered peril
- [x] Expenses associated with the removal of damaged property and debris resulting from a covered loss
- [ ] Expenses associated with removing covered property from the residence to protect it from endangerment by a covered peril
- [ ] Expenses associated with an ordinance violation to remove yard waste and debris from the residence

**Directions:** Review the statements below. Select whether you believe the property would be covered, limited, or excluded.

21. The insured's $10,000 lawn tractor is stolen from their residence.

**Covered** Limited Excluded

Personal Property covers "motor vehicles" used solely to service a residence.

22. The insured's personal watercraft, valued at $5,500, is stolen from their driveway.

Covered **Limited** Excluded

$2,000 is the Coverage – C Special Limit of Liability for watercraft.

23. The insured received the $8,000 limit from the Scheduled Personal Property Endorsement for the stolen ring but wants to be paid more since the replacement value at the time of the loss was $10,000.

Covered Limited **Excluded**

Property specifically insured elsewhere is Property Not Covered.

24. Emilee thought that loss to all property covered under her Homeowners Policy would receive a replacement cost loss settlement. Which of the following will correct Emilee's understanding of the coverage provided by an unendorsed ISO HO-3?

- [ ] Emilee's interpretation is correct. All property receives replacement cost loss valuation.
- [x] Personal property, non-building structures, carpets, and awnings will receive actual cash value loss valuation.
- [ ] Only the dwelling received replacement cost loss valuation.
- [ ] All property received actual cash value loss valuation.


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

25. After a covered loss, it is determined that Blair's dwelling coverage limit is 60% of its actual replacement cost value. Which of the following correctly describes what Blair may expect as payment for damage to her dwelling?

- ☐ Blair will receive the replacement cost of the damaged property minus the policy deductible.
- ☐ Blair will receive nothing since the dwelling was underinsured.
- ☑ Blair will receive the greater of actual cash value or an amount reduced by an insurance-to-value penalty minus the policy deductible.
- ☐ Blair will receive the lesser of actual cash value or an amount reduced by an insurance-to-value penalty minus the policy deductible.

26. Which solution will provide a homeowner with the most assurance that the dwelling is insured to a sufficient amount to qualify for replacement cost settlement?

- ☐ Insuring the dwelling to at least 80% of the estimated replacement cost
- ☐ Insuring the dwelling to 100% of the estimated replacement cost
- ☐ Adding the Specified Additional Amount of Insurance For Coverage A endorsement and selecting an additional 25%
- ☑ Adding the Additional Limits of Liability For Coverages A, B, C, and D

27. Section II – Liability Coverages of an unendorsed ISO Homeowners Policy provides coverage when an "insured" is legally liable for which of the following:

| | Covered | Not Covered |
|---|---|---|
| False imprisonment | | X |
| "Bodily Injury" to others | X | |
| "Bodily Injury" to a resident relative | | X |
| Necessary medical expenses of a person injured on the "insured location" | X | |
| Slander | | X |
| "Property damage" to others | X | |

28. The Personal Injury Coverage endorsement provides coverage for which of the following?

- [x] Defense coverage when sued for alleged invasion of privacy and liability coverage if proven legally liable
- [ ] Medical payments coverage for an injury the "insured" personally receives at the hands of another person
- [ ] Liability coverage when legally liable for a personal automobile accident
- [ ] Liability coverage when legally liable for covered "bodily injury" to others

29. According to the ISO Homeowners Policy, "aircraft liability," "hovercraft liability," "motor vehicle liability," and "watercraft liability" only pertain to bodily injury or property damage arising from ownership by an "insured" of a vehicle or craft.

True (False)

"Aircraft liability," "hovercraft liability," "motor vehicle liability," and "watercraft liability" encompass BI or PD arising from the ownership, maintenance, occupancy, use, loading, unloading, entrustment, failure to supervise, and vicarious liability of a vehicle or craft.

30. A golf cart used by a realtor while entertaining a business client on the golf course may be eligible for Liability Coverage under the ISO Homeowners Policy.

(True) False

Liability Coverages do not apply to a motor vehicle used for any "business" purpose except for a motorized golf cart while on a golfing facility.

31. The Incidental Low Power Recreational Motor Vehicle Liability Coverage endorsement can be used to provide Liability Coverage for an owned electric bike used on city biking trails.

(True) False

The Homeowners Policy excludes "motor vehicles" owned by an "insured" and used off an "insured location" unless it is a child's riding toy made for children under seven and not exceeding five mph. The Incidental Low Power Recreational Motor Vehicle Liability Coverage endorsement gives back coverage for such recreational "motor vehicles" both ON and OFF an "insured location" as long as they do not exceed 28mph.

32. Which of the following scenarios qualifies for Personal Liability and Medical Payments To Others coverage under the ISO Homeowners Policy?

- [ ] Any personal "business" activity conducted by an insured
- [ ] Renting a portion of an "insured location" as an office for "business" purposes
- [ ] An 18-year-old resident relative of the "insured" operating a part-time, self-employed business with two additional employees
- [x] Renting a room in the home to a tenant through traditional means, regardless of income earned


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

33. Which ISO Homeowners Program endorsement would be most appropriate for a homeowner seeking liability coverage for home-based "business" activities involving clerical and sales activities?

- ☐ Permitted Incidental Occupancies – Residence Premises
- ☑ Designated Business Pursuits Liability Coverage
- ☐ Structures Rented To Others – Residence Premises
- ☐ Broadened Home-Sharing Host Activities

34. The "insured" damaged the watercraft he borrowed from his friend when he hit a log close to a riverbank. His unendorsed ISO Homeowners Policy will pay up to $2,000 under Section I – Property Coverage and up to $5,000 under Section II, Additional Coverage – Damage To Property Others.

True (False)

Section I – Property Coverage will not pay for damage since the damage to the watercraft was not caused by a named peril. Section II, Additional Coverage – Damage To Property Others excludes "property damage" arising out of the ownership, maintenance, occupancy, operation, use, loading, or unloading of watercraft.

35. The "insured" rented an ATV for a July 4th campout. The ATV caught fire from a misfired artillery shell-style firework. Their unendorsed Homeowners Policy will pay up to $5,000 under Section II, Additional Coverage – Damage To Property Others for this damage.

True (False)

While Section II, Additional Coverage – Damage To Property of Others may apply to recreational motor vehicles not owned by the insured, the Section II – Liability exclusion for damage to property rented to an "insured" does not apply when damage is caused by fire, smoke, or explosion. This claim will be paid under Section II – Liability Coverage subject to the limit of liability.

**Directions:** Pair the Section II – Additional Coverage with the correct description.

| | | |
|---|---|---|
| **A.** Claims Expense<br>**B.** First Aid Expense<br>**C.** Damage to Property of Others<br>**D.** Loss Assessment | __C.__ | The insurance company will pay up to $5,000 per "occurrence" for "property damage" when an "insured" causes damage to the property of others. |
| | __D.__ | The insurance company will pay up to $2,000 for a client's portion of a loss fee charged against them (as the owner or tenant of a property) that results from "bodily injury" or "property damage" not excluded under Section II – Additional Coverages, as well as a loss fee related to liability for an act of a director, officer, or trustee if the person is elected by the neighborhood association and serves in that position without pay. |
| | __A.__ | The insurance company will pay expenses incurred by the insurance company and the costs charged against an "insured" in legal suits that the insurance company defends. |
| | __B.__ | The insurance company will pay expenses for first aid to others incurred by an "insured" for a "bodily injury" that is covered under the Homeowners Policy |


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Section 2: Personal Automobile Coverages

## Introduction

### Check-In



**Directions:** Indicate whether the following individuals are eligible for a Personal Auto Policy based on ownership.

| | Yes | No |
|---|---|---|
| Bob and his resident spouse, Mary, jointly own three vehicles. | X | |
| Resident spouses who jointly own vehicles are eligible for a Personal Auto Policy. | | |
| Alan and Stacey own their vehicles individually. They are currently separated and do not reside together. | | X |
| Since Alan and Stacey do not reside together, and each vehicle is individually owned, they are not eligible for a Personal Auto Policy together. Each must purchase their own policy. | | |
| Casey and his roommate, Carl, jointly own a Jeep Wrangler. | X | |
| Resident individuals who jointly own a vehicle are eligible for a Personal Auto Policy with the Joint Ownership Coverage endorsement. | | |
| Harvey does not own a vehicle but regularly uses a company car. | X | |
| Harvey is eligible for a Personal Auto Policy with the Named Non-owner Coverage endorsement. | | |

## Knowledge Check



**Directions:** Read and respond to the scenario below. Identify whether the individual is eligible for a Personal Auto Policy and explain your understanding of each eligibility category.

Eli wants to insure a 2015 Ford F250 pickup. He states that his company, Luxury Lawn Service, owns the vehicle. He drives the pickup for both business and personal use.

Eli is not eligible for a Personal Auto Policy. (1) Ownership: A vehicle owned by a corporation is not eligible. (2) Type of Vehicle: Although a Ford F250 may exceed 10,000 GVWR, it has an ISO symbol which makes the vehicle eligible for a Personal Auto Policy. (3) Use: He uses the truck for business. Ultimately, Eli is not eligible for a Personal Auto Policy because the vehicle is owned by a corporation.

# The ISO Personal Auto Policy

## Check-In



**Directions:** Indicate who is a "family member."

Sarah has a Personal Auto Policy. Which of the following individuals are considered a "family member" by her policy?

| | Yes | No |
|---|---|---|
| Sarah's 17-year-old unlicensed resident son, Brady | X | |
| Sarah's sister, who is visiting her for a week | | X |
| Sarah's adult son, Marcus, who lives in his own home | | X |
| Sarah's daughter-in-law, Sherry, who is living with her for a year while Sarah's son, who is in the military, is stationed overseas | X | |
| Sarah's boyfriend, Bob, who lives with her | | X |



© 2023 RISK & INSURANCE EDUCATION ALLIANCE

## Check-In



**Directions:** Read and respond to the scenarios below.

Meredith is the Named Insured on an unendorsed ISO Personal Auto Policy that provides the following coverages. What coverages, if any, are provided by Meredith for each of the scenarios below?

| 1974 AMC Gremlin | 2023 Honda |
|---|---|
| Liability | Liability |
| Medical Payments | Medical Payments |
| UM/UIM | UM/UIM |
| $100 deductible OTC | $250 deductible OTC |
| | $1,000 deductible Collision |

1. Meredith trades in her Honda for a 1968 Chevrolet Camaro.

   The 1968 Camaro will receive Liability, Med Pay, UM/UIM, OTC ($100 deductible), and Collision ($1,000 deductible) for up to 14 days.

2. Meredith purchases a 1990 Chevrolet pickup.

   The 1990 Chevy pickup will receive Liability, Med Pay, UM/UIM, OTC ($100 deductible), and Collision ($1,000 deductible) for up to 14 days.

3. Meredith buys a 2002 Winnebago motor home.

   The 2002 motor home is not a newly acquired auto since it is not a private passenger auto, pickup, van, or trailer. The policy will not provide automatic coverage.

4. Meredith's 19-year-old resident son purchases a 2014 Toyota.

   The 2014 Toyota is not a newly acquired auto since it was not acquired by a "you." The policy will not provide automatic coverage.

# Part A – Liability Coverage

## Knowledge Check



**Directions:** Read the statement below and state who is an "insured" under Keely's Personal Auto Policy for Liability Coverage. Explain your answer.

Keely, the office manager at ABC Insurance Agency, asked Janice to pick up copier paper at Office Depot. While driving Keely's car, Janice has an at-fault accident on the way to Office Depot, resulting in serious injuries to another driver. The injured person files claims against Keely (the car owner), Janice (the driver), and ABC Insurance Agency (the employer, since Janice was running an errand).

1. Keely is an "insured" under her own Auto Policy. She is a "you."

2. Janice is an "insured" under Keely's Auto Policy since she is driving Keely's "your covered auto" with permission.

3. ABC Insurance Agency is an "insured" as an organization legally responsible for the acts or omissions of Janice.


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

## Check-In



**Directions:** Consider that Aaron has 250/500/100 Liability Coverage on his 2019 Dodge Durango. For each of the scenarios on the right, select the letter choice of the corresponding exclusion.

| Exclusions | Scenario |
|---|---|
| A. Use without a reasonable belief of entitlement, with exception of a "family member" | ___D.___ Aaron argues with his neighbor and repeatedly rams his Durango into his neighbor's parked car. |
| B. Vehicles other than a "your covered auto" that "you" own or are furnished/available for your use | ___A.___ Aaron's 16-year-old son takes his car without permission and has an at-fault accident. |
| C. "Business" use of a vehicle other than a private passenger auto, pickup, or van | ___E.___ Aaron backs his rental car into a concrete post and damages the rental car. |
| D. Intentional damage or injury | ___B.___ Aaron has an at-fault accident while driving his furnished company car. |
| E. "Property damage" to property rented to, used by, or in the care of that "insured" | ___C.___ Aaron caused damage to a low clearance bridge with a tour bus he rented to take clients to dinner. |

## Knowledge Check



**Directions:** Read the following scenario and respond to each question part.

Alice and Brad are unmarried and living together in Alice's house. They have separate Personal Auto Policies (PAP) but share the keys to each other's cars. Alice borrows Brad's car for an errand and is responsible for a serious accident on the way home that results in bodily injury and property damage.

1. Does Alice have Liability Coverage under Brad's Personal Auto Policy for this accident? Explain your answer.

   Yes. Alice is using Brad's "your covered auto" with his permission.

2. Does Alice have Liability Coverage under her Personal Auto Policy for this accident? Explain your answer.

   No. Liability Coverage is excluded under Alice's Personal Auto Policy because Brad's vehicle is available for Alice's regular use.

3. Is there anything Alice's insurance agent could have done to improve coverage under Alice's Personal Auto Policy? Explain your answer.

   Yes. The Extended Non-Owned Coverage – Vehicles Furnished Or Available For Regular Use (PP 03 06) endorsement would have provided Alice with Liability Coverage for a non-owned auto furnished or available for her regular use.


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Part B – Medical Payments/Personal Injury

## Knowledge Check



**Directions:** Read and respond to the following scenario.

Stuart lives in a state where both Med Pay and PIP coverages are offered but not mandatory. Which option will provide Stuart with the most comprehensive coverage? Explain your answer.

Personal Injury Protection is more comprehensive than Med Pay Coverage. Overall, PIP coverage is more comprehensive and often provides a wider range of limits than Part B – Medical Payments Coverage. Med Pay will generally offer payments for medical and funeral expenses, while PIP will offer those coverages plus loss of income, accidental death, replacement services, and survivors' benefits.

# Part C – Uninsured/Underinsured Motorists Coverage

## Check-In



**Directions:** Indicate whether or not the following individuals are an "insured" as defined in Part C – Uninsured Motorists Coverage.

Sam and Laura have a Personal Auto Policy with Uninsured Motorists Coverage.

| | Yes | No |
|---|---|---|
| Laura is injured when the taxi taking her to the airport is hit by an uninsured vehicle. | X | |
| Sam's son, Chris, who lives across town, is hit by an uninsured vehicle while crossing the street as a pedestrian. | | X |
| Sam lets his neighbor, Angie, borrow his car to run errands. While driving Sam's car, Angie is hit by an uninsured vehicle. | X | |
| Laura is in the crosswalk when she is hit by an uninsured driver who runs a red light. Due to her injuries, she will require a wheelchair for several months. | X | |

## Knowledge Check



**Directions:** Read and respond to the scenario below.

Tejal has a Personal Auto Policy (PAP) covering her car for Liability and Uninsured/Underinsured Motorists Coverages. While stopped at a red light, Tejal is struck from behind by another vehicle that immediately speeds away from the scene. Tejal has no idea who owns or was operating the other car. She is injured and has medical bills. Indicate whether or not Tejal's PAP provides any coverage and explain your answer.

Tejal's Personal Auto Policy will provide coverage under Uninsured Motorists (UM) Coverage. A hit-and-run vehicle is considered an "uninsured motor vehicle." Tejal will need to notify the police as required by Part E – Duties After An Accident Or Loss when seeking UM Coverage related to a hit-and-run driver. Tejal will have up to her per-person "bodily injury" limit for UM; no deductible will apply.

# Part D – Damage To Your Auto

## Knowledge Check



**Directions:** Read and respond to the scenario below.

Horace owns a van. He only carries Collision Coverage with a $500 deductible under Part D of his Personal Auto Policy. Horace purchases a second vehicle—a two-year-old sedan. One day later, a deer runs onto the road and into the side of the sedan, causing damage to the exterior as well as interior damage from the deer's blood. Indicate what, if any, coverage Horace has, and explain your answers.

Collision with an animal is considered an OTC claim (including the blood damage inside the vehicle). Although Horace does not currently carry OTC coverage, the sedan is a "newly acquired auto," and Horace's Personal Auto Policy will provide up to four days of OTC coverage with a $500 deductible.


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

## Knowledge Check



**Directions:** Read each scenario below and indicate whether Part D – Coverage For Damage To Your Auto will apply to the "non-owned auto." Explain your answers.

Ernie's Personal Auto Policy provides Part D coverage for his two vehicles as follows:

| 2023 Nissan Leaf | 2018 Toyota Camry |
|---|---|
| $250 OTC | $1000 OTC |
| $500 Collision | $1000 Collision |

1. Ernie rented a vehicle while on a business trip. He left the windows down overnight, and an hours-long wind and rainstorm flooded the vehicle's interior. The vehicle is a total loss. In addition to the vehicle damage, the rental company is charging $300 in administrative fees for claim handling.

   Ernie's Personal Auto Policy will cover this loss under Other Than "Collision" coverage with the lowest collision deductible on Ernie's policy—$250. The vehicle loss will be paid on an ACV basis. Transportation Expenses Coverage may pay the $300 administrative fees from the rental company if Ernie is legally responsible for those fees.

## Knowledge Check



**Directions:** Read the following scenario and respond to each question part.

Mick owns a van. He carries Collision Coverage with a $1,000 deductible and Other Than Collision with a $500 deductible under Part D of his Personal Auto Policy. For each of the events below, indicate what coverage, if any, Mick has. Explain your answers.

1. While backing the van into a small space in a parking garage, Mick hit a pillar, damaging the van, including the custom murals painted on its side.

   Mick's Personal Auto Policy will provide coverage for damage to Mick's van under "Collision" with a $1000 deductible. The custom murals on his van are considered "custom equipment" and will be limited to $1,500.

2. Vinyl human rights stickers could not be removed from the rear of the van without damaging the paint.

   The damage caused by the stickers would be direct and accidental, and no exclusions would apply. This occurrence would be covered by Mick's policy under Other Than Collision Coverage with a $500 deductible.

3. Mick drives for Uber on the weekend. En route to drop a passenger off at the airport, Mick hits a curb, causing damage to his tire, wheel, and suspension.

   The Personal Auto Policy provides an exclusion under Part D for loss to a "your covered auto" that occurs while the vehicle is being used as a public or livery conveyance, including while logged into a transportation network platform as a driver. This claim will not be covered by Mick's policy.


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Policy Provisions

## Knowledge Check



**Directions:** Read the following scenario and respond.

Sasha is planning a road trip from Florida to Alaska, including a stop in Canada, and wants to make sure she's covered in case of any accidents or incidents during her journey. Explain to Sasha the geographic areas where her ISO Personal Auto Policy provides coverage and what she should keep in mind regarding coverage limits during her road trip.

The coverage territory for the ISO Personal Auto Policy (for Sasha's road trip) includes the United States and Canada. As Sasha travels through each state, if she is liable for an accident, and her policy does not meet the minimum required coverage in the state where the accident occurred, her policy will comply with the compulsory coverage laws of that state.

# Section 2: Self-Quiz

1. Identify the three categories used to determine eligibility for a Personal Auto Policy.
   - ☐ Type of vehicle, usage, location of vehicle
   - ☐ Number of drivers, location of vehicle, driving history
   - ☑ Ownership, type of vehicle, usage
   - ☐ Driving history, ownership, usage

2. Individuals who are related (other than spouses) and live in the same household fall under what category of ownership?
   - ☐ Individually owned
   - ☑ Jointly owned
   - ☐ Trust owned
   - ☐ Relative owned

3. Policy definitions using "we," "us," and "our" refer to what?
   - ☐ Family members included in policy coverage
   - ☐ Coworkers who are also members of your household
   - ☐ Non-immediate family members of your household
   - ☑ The insurance company providing the coverage

4. Identify who would be considered a "family member" under Joseph's Personal Auto Policy.
   - ☐ Joseph's cousin, who lives with him two weeks out of the year
   - ☑ Joseph's 5-year-old daughter, Marla
   - ☐ Joseph's dog, Winston
   - ☐ Joseph's brother, who lives across the street

5. Alex is a valet attendant at Luciano's Italian restaurant. What exclusion removes Liability Coverage for Alex if an accident occurs while she is parking a customer's vehicle?
   - ☐ Damage to property rented to, used by, or in the care of that "insured"
   - ☐ Damage to owned property or property being transported by that "insured"
   - ☐ Any "insured" who intentionally causes "bodily injury" or "property damage"
   - ☑ Any "insured" while employed or otherwise engaged in the auto "business"


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

6. Max is babysitting for his neighbor's infant. While the baby is sleeping at home, Max borrows his neighbor's car to run out and get more formula. Unfortunately, on the way home, Max rear-ends another vehicle, causing damage to his neighbor's car. Max will have Liability Coverage in this scenario.

   True **False**

   The Personal Auto Policy doesn't want to provide coverage to someone wrongly using a vehicle without permission. A reasonable belief of entitlement must exist for Liability Coverage to apply.

7. While "reasonable medical expense" is not defined in the Personal Auto Policy, it can be established by state regulation.

   **True** False

   "Reasonable medical expense" can be established by state regulation. Generally, reasonable expenses include medical, surgical, X-rays, prosthetics, ambulance, hospital expenses, and, in some states, funeral expenses.

8. Personal Injury Protection varies by state and may offer more comprehensive benefits than Med Pay, including funeral expenses and accidental death.

   **True** False

   Personal Injury Protection varies by state and may provide offer comprehensive benefits than Med Pay, including funeral expenses, accidental death, medical expenses, etc.

9. The purpose of Uninsured/Underinsured Motorists coverage is to:

   - ☐ Provide clients the option to protect others who elected not to purchase car insurance.
   - ☐ Provide coverage for physical damage to your car.
   - ☐ Provide Liability Coverage for physical damage to someone else's car when involved in an accident with them.
   - ☑ Allow clients the ability to purchase protection for themselves against the same potential for the loss they protect others from with their Liability Coverage.

10. Identify what a UMPD endorsement would cover from the list below:

    - ☐ Damage to personal property in the vehicle
    - ☑ Direct damage to the vehicle
    - ☐ Damage to other property
    - ☐ Loss of use of the damaged vehicle

11. Which term is defined as the upset of a vehicle or its impact with another vehicle or object?

- [x] Collision
- [ ] Compensatory Damage
- [ ] Other Than Collision
- [ ] Physical Damage

12. Which form of insurance coverage would provide financial assistance to repair or replace your vehicle when a fire occurs in your garage, causing significant damage to your car?

- [ ] Collision coverage
- [ ] Uninsured Motorists coverage
- [ ] Underinsured Motorists coverage
- [x] Other Than Collision coverage

13. Match the letter of the appropriate term with its definition.

| | |
|---|---|
| **A.** Other Than A Temporary Substitute<br><br>**B.** Optional Limits Transportation Expenses Coverage (PP 03 02)<br><br>**C.** Temporary Substitute<br><br>**D.** Towing And Labor Costs Coverage (PP 03 03) endorsement<br><br>**E.** Trip Interruption Coverage (PP 13 02) | D. Provides selected limits of $25, $50, $75, or $100, with higher limits available for motor homes |
| | E. Provides up to $600 for transportation expenses and expenses for lodging and meals in the event of a mechanical or electrical breakdown of the scheduled auto that occurs more than 100 miles from home and is withdrawn from use for at least 24 hours |
| | A. This type of vehicle is a private passenger auto, pickup, van, or “trailer” in the custody of or being operated by a “you” or any “family member” and cannot be a vehicle that is furnished or available for their regular use. |
| | C. This type of auto is any auto or “trailer” a “you” does not own but is using as a substitute for “your” own vehicle, typically due to breakdown, repair, service, loss, or damage. |
| | B. Increases the $30/$900 limit provided by the policy to an amount selected by the insured ($40/$1,200, $50/$1,500, or $75/$2,250) |


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

14. Identify which one of the following losses would be covered under Part D – Coverage For Damage To Your Auto.

- ☐ Jessie is involved in an at-fault accident while driving Medicaid billed patients to their doctor appointments.
- ☑ $1,000 custom rims were stolen from Jessie's car.
- ☐ Jessie's vehicle was seized because she was using it to transport illegal narcotics across state lines.
- ☐ Jessie's tires need to be replaced after only 20,000 miles due to wear from poor alignment.

15. The Personal Auto Policy does not provide worldwide coverage. Of the list below, identify the territories that would be covered. (Note: Some covered territories may not be included.)

- ☐ Canada, The United States, Mexico, Puerto Rico
- ☐ The United States and its territories or possessions, Canada, the Dominican Republic
- ☐ Territories or possession of the United States, Canada, Guam, Puerto Rico
- ☑ Canada, Puerto Rico, the United States

16. Mexico is within the Personal Auto Policy coverage territory.

True **False**

Mexico falls outside the coverage area. The Limited Mexico Coverage (PP 03 21) endorsement does not satisfy the legal auto insurance requirements in Mexico, and the insured must additionally procure Liability Coverage from a licensed Mexican insurance provider for the endorsement's benefits to be in effect.

© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Section 3: Personal Umbrella/Excess Liability

## Introduction

### Knowledge Check



**Directions:** Read and respond to the following questions. Be sure to explain your answers.

1. Describe at least two ways offering Personal Umbrella/Excess Liability coverage to personal lines clients benefits the insurance professional.

   A. E&O reduction: Offering Personal Umbrella/Excess Liability coverage can also benefit insurance professionals by reducing their errors and omissions (E&O) exposure. By thoroughly explaining and recommending the appropriate coverage, insurance professionals reduce the risk of clients filing E&O claims due to coverage gaps or misunderstandings.

   B. Increased revenue: Selling Personal Umbrella coverage can increase an insurance professional's revenue through additional policy premiums.

   C. Increased retention: By addressing clients' needs for excess liability protection, insurance professionals enhance client satisfaction and retention, since clients are more likely to remain with an agent who offers comprehensive solutions and personalized service.

2. Why is it essential not to rely solely on an Umbrella/Excess Liability Policy's name to determine the type of coverage it offers?

   The policy's name may not accurately reflect its coverage. Key considerations include assessing the client's specific liability needs, distinguishing between "true" Umbrella vs. Excess Liability Policies, understanding any self-insured retention (SIR), identifying exclusions, and clarifying how the policy aligns with the client's underlying policies.

# Personal Umbrella/Excess Liability Concepts

## Knowledge Check



**Directions:** Read the following scenarios and determine how underlying limits and/or the SIR will apply to each. Respond to each question part.

1. Loraine holds a $1 million Personal Umbrella/Excess Policy with underlying requirements of $500,000 CSL for Auto liability and $300,000 for Homeowner's insurance, with a self-insured retention (SIR) of $500. She lowers her auto liability limits to $300,000 CSL and is at fault for an auto accident. The other party obtains a $750,000 judgment. How will this loss be paid?

| | |
|---|---|
| Auto Insurance | $300,000 |
| Loraine | $200,000 |
| Personal Umbrella Excess | $250,000 (no SIR) |

2. Corey has a $1 million ISO Personal Umbrella Liability Policy with a $1,000 self-insured retention (SIR). His boat policy, which previously met underlying insurance requirements and included $300,000 Watercraft liability coverage for his 150hp ski boat (otherwise not eligible for coverage under his Homeowners Policy), was canceled for non-payment just a few days before he had a serious at-fault boating loss with his ski boat. How will Corey's insurance program respond to this $450,000 loss? Identify the amounts each party/policy is responsible for paying.

| | |
|---|---|
| Homeowners Insurance | $0 (Excludes "watercraft liability" of owned power watercraft over 25hp) |
| Boat Insurance | $0 (Terminated for non-payment) |
| Personal Umbrella Excess | $0 (Excludes "watercraft liability" when "underlying insurance" is not provided at the time of "occurrence") |
| Corey | $450,000 |


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

3. Saul incurred a $50,000 loss not covered by his Homeowners Policy but is eligible for coverage under his Umbrella/Excess Policy. He maintained the necessary underlying coverage on his Homeowners Policy. His Umbrella Policy has a $2,000,000 coverage limit and a $250 self-insured retention (SIR). Identify the amounts each party/policy is responsible for paying.

| | |
|---|---|
| Homeowners Insurance | $0 |
| Saul | $250 (SIR) |
| Personal Umbrella Excess | $49,750 |

# Errors and Omissions Related to Personal Umbrella/Excess Liability Insurance

## Knowledge Check



**Directions:** Read the scenario below and respond to each question part.

Sarah has an ISO Personal Umbrella Liability Policy and meets the requirement of having both Homeowners and Personal Auto underlying insurance. These policies provide the only other insurance she has. Does Sarah's ISO PULP provide coverage for the following losses? Explain your answer(s).

1. Sarah has an at-fault auto accident while driving a rental car.

   Sarah will receive excess coverage from her ISO PULP. No PULP exclusion applies; Sarah has permission to use the vehicle.

2. Sarah's 15-year-old daughter has an accident while driving her motorized golf cart on the street.

   There are two possible answers, depending on the following understanding: the Personal Auto Policy provides Liability Coverage only for non-owned golf carts. The ISO Homeowners Policy will provide Liability Coverage for a golf cart that does not exceed 25mph and is used within the legal boundaries of a golfing facility or legally operated within the private residential community containing the "insured's" residence.

   Sarah will receive excess coverage if the loss is covered by her underlying Homeowners or Personal Auto Policy.

If neither of Sarah's underlying insurance policies covers this golf cart loss, Sarah's PULP will not provide excess coverage since underlying coverage was not in place at the time of a loss.

3. Sarah was injured when she was hit by an uninsured motorist.

   Sarah will only receive excess coverage from her ISO PULP only if both her underlying Personal Auto Policy and PULP have UM/UIM coverage selected and the loss is not otherwise excluded.

4. Sarah has an accident while operating a rented 150 hp Jet Ski® in Mexico.

   Sarah will receive excess coverage from her ISO PULP since the ISO Homeowners Policy provides liability coverage for watercraft over 25hp when not owned by an "insured." Her ISO Homeowners Policy qualifies as underlying Watercraft Liability Coverage because the HO policy covers the loss.


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Section 3: Self Quiz

1. Liability Coverage refers to an insurance company's commitment to provide compensation on behalf of an "insured" in cases where either the insured themselves or another insured party is legally responsible for reimbursing a third party for "bodily injury" or "property damage."

   True False

   Liability coverage is when an insurance company promises to pay on behalf of an "insured" in situations when they or another "insured" bear legal responsibility for compensating a third party for "bodily injury" or "property damage."

2. Personal Umbrella/Excess Liability Policies are standardized.

   True False

   Personal Umbrella/Excess Liability Policies are not standardized. This means that coverage and terms differ from one company to another.

3. Most Personal Umbrella/Excess Liability Policies provide coverage worldwide.

   True False

   Most Personal Umbrella/Excess Liability Policies provide worldwide coverage, which can be beneficial for travelers. However, the extent of coverage outside the United States may vary.

4. Identify the reasons why Umbrella/Excess Policies should be recommended by an insurance professional. Note: not *all* the reasons may be shown in any of these given lists.

   - ☐ It is cheap coverage, account retention, errors and omissions exposure
   - ☑ Catastrophic claims, account retention, revenue from commission, clients need protection
   - ☐ Clients need protection, account retention, revenue from commission, errors and omissions exposure

5. Which aspect of Personal Umbrella/Excess Liability Policies should an insurance professional closely examine to determine if coverage will follow the underlying policy's coverage?

   - ☐ Coverage limits
   - ☐ Aggregating coverage
   - ☐ Coverage of defense costs
   - ☑ Follow Form language

6. Which of the following are the most advantageous areas to compare to understand the differences among various Personal Umbrella/Excess Liability Policies? (Select all that apply.)

- [ ] The policy limit of liability
- [x] The policy definitions
- [x] The coverage for defense
- [ ] The policy premium

7. Which of the following would require the "insured" to pay the self-insured retention (SIR/deductible) of an ISO Personal Umbrella Liability Policy? (Select all that apply.)

- [ ] Casey had an at-fault boating accident (in an owned watercraft) where no underlying insurance applies.
- [ ] Casey's $750,000 bodily injury claim is covered by his underlying Homeowners Policy up to $500,000 (limit maximum).
- [x] Casey rear-ended another vehicle while vacationing in Australia.
- [x] Casey is being sued for making false statements on social media accusing the city manager of stealing money.

8. Which one of the following accurately describes the role of Personal Umbrella/Excess Liability Policies in relation to underlying insurance policies?

- [x] They provide additional Liability Coverage once the underlying policy limits are exhausted.
- [ ] They replace the need for underlying insurance policies.
- [ ] They are the primary insurance policies for all liability claims.
- [ ] They offer identical coverage as the underlying policies.

9. In the context of the ISO Personal Umbrella Liability Policy's Insuring Agreement, what is the primary purpose of providing "Defense Coverage"?

- [ ] To pay for damages caused by an insured's personal injury or property damage
- [ ] To cover defense expenses incurred by the insured in a lawsuit
- [x] To protect an insured in case of a claim or suit brought against them
- [ ] To provide additional coverage for injuries resulting from an accident

10. Which one of the following is an example of an exclusion that is specific to the ISO Personal Umbrella Liability Policy (PULP)?

- [ ] Damage caused by fire, smoke, or explosion
- [x] Libel or slander with the knowledge that it was untrue, or that it took place before the policy period
- [ ] Watercraft covered by "underlying insurance" at the time of the "occurrence"
- [ ] Motorcycle rider skill training in connection with a course designed by the Motorcycle Safety Foundation


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Appendix

© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Preparing for the Final Exam

Keep in mind, the most important measure of your knowledge will be witnessed in your service to your organization. Think of an exam as a tool. Use it to come to an understanding of what you know, how it affects your work, and what more you would like to know to have even greater success in the workplace.

The testing period is two hours long. You are required to earn a minimum of 140 out of 200 possible points. Questions appear in the order of presentation of the topics.

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

## Study Techniques

Here are some techniques you can use to help you prepare for the Final Exam. Apply these same techniques to each section in this Learning Guide.

1. Review the Section Goal.

2. Re-read the Introduction.

3. Review each Learning Objective.

4. Change each head and subhead into a question. Then answer the question. For example, header: Risk Financing Plans

   Question: What are some examples of risk financing plans?

5. Review each diagram, graph, and table. Interpret what you see. Ask yourself how it relates to a specific learning objective.

6. Check your answers to each Check-In activity. Correct your original answers, if necessary.

7. Check your answers to each Knowledge Check. Consider ways to improve your original answers.

8. Re-read the summary at the end of each section.

9. Check your answers for each section Self-Quiz. Correct your original answers, if necessary.

10. Review any comments, highlights, or notes you made in each section.

11. Rewrite important ideas in your own words. Find ways to relate your work experiences to those ideas.

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

## Sample Examination Questions and Composite Answers

Sample Question:

1. John has his home insured on a Homeowner 3 - Special Policy that has a $200,000 Coverage A – Dwelling limit and a $300,000 Coverage E - Liability coverage.

   Scenario A:
   The tenant occupying the apartment above John's detached garage accidentally starts a fire, resulting in $25,000 damage to the garage/apartment and $6,000 damage to the tenant's personal property. Disregarding a policy deductible, determine what coverage (if any) is provided by John's unendorsed Homeowners Policy. Explain your answer.

   Sample Answer A:

   While fire is a covered peril, the Homeowners policy does not cover another structure rented or held for rental to others unless used solely as a private garage. The tenant's property is not covered as the homeowner policy excludes property of tenants.

   Scenario B:
   During John's vacation, his neighbor, who was taking care of his dog as a favor, failed to close the gate, resulting in John's dog escaping and biting a child. The parents of the injured child have filed a $500,000 lawsuit against both John and his neighbor for the child's bodily injury. Explain whether John's Homeowner Policy will cover both him and his neighbor and for how much (if any).

   Sample Answer B:

   John is an "insured" and is provided coverage for bodily injury caused by his dog. The neighbor is also an "insured" while caring for John's dog as the neighbor is not in the business of caring for animals. The maximum the policy will pay is the $300,000 per occurrence limit. Defense coverage will also be provided and is in addition to the limit of liability.


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

# Glossary of Terms

Actual Cash Value (ACV): The value of property based on the damaged property's replacement cost value, less depreciation according to the age of the property, or results in a reduction in value for normal wear and tear of the property just before the loss

Aggregate Limit: A coverage limit that applies per occurrence but is also the maximum limit the policy/insurance company is obligated to per policy term

Automobile Financial Responsibility Law: Laws or regulations imposed by state governments to ensure that a party can cover the cost of potential financial liabilities resulting from automobile accidents

Bailee: A person or organization that has possession of the property of others (such as an auto repair shop)

Beneficiary (trust): A party that receives a trust's assets when a trustor dies

Builders Risk Policy (insurance): An insurance coverage option that provides property coverage for structures in the course of construction. Buildings in the course of construction may include new construction, renovation or remodeling, as installation. Exact coverage and limitations vary by policy.

Compensatory Damages: There are two categories of compensatory damages: (1) special damages or actual measurable costs and (2) general damages such as intangible costs like pain and suffering.

Compulsory: Required by law or rule

Condo Owners Association (COA): A legal entity formed by the owners of individual units within a condominium complex (or townhome community) that manages the maintenance and use of shared facilities and construction

Creator (trust): An individual who establishes a trust; may also be called a trustor, settlor, or grantor

Duty to Act in Good Faith: (as it applies to text) a responsibility to provide reasonable and truthful information as it relates to the insurer

Duty of Care: (as it applies to text) a responsibility to diligent documentation, service, and to maintain insurance coverage according to direction

Endorsement: a change to the policy that alters policy coverage to broaden, restrict, clarify coverage, or to comply with state-specific regulations

Exception: Policy language that follows an exclusion which grants limited coverage back by stating what the exclusion does not apply to

**Exclusion:** Policy language that removes coverage for certain activities, property, or types of losses (perils)

**Fiduciary Duty:** (as it applies to text) a legal and/or ethical responsibility to another party to competently act in their best financial interest and without conflict, when a special relationship of trust exists

**Force-placed Insurance**: Also referred lender-placed insurance; an insurance that a lender, bank, or loan servicer puts in place on a property when the property owner's existing insurance is canceled, has expired, or is considered inadequate, and the borrower fails to obtain a replacement policy

**Functional Replacement Cost Value (FRC or FRCV):** the cost to replace damaged property with less costly common construction materials and methods that are functionally equivalent to property damaged

**Grantor (trust):** An individual who establishes a trust; may also be called a trustor, settlor, or creator

**Gross Vehicle Weight Rating:** The maximum weight a vehicle is designed to safely carry according to the vehicle manufacturer and includes the total weight of the vehicle plus passengers, vehicle fluids, accessories, and cargo

**Insurable Interest:** A party's financial or legal interest in a person or property should injury or damage occur

**Liability Insurance:** insurance that provides financial protection against legal claims of bodily injury or property damage to others

**Lienholder**: A party that has a financial interest in property (generally through a loan or security). The interest (i.e., the loan) gives the party (i.e., the lienholder) certain rights to possession (or repossession) if the debt is not repaid.

**Life Tenant (life estate):** An individual with insurable interest in property owned by a life estate and who retains the right to use and occupy the property for the duration of their life

**Litigation Costs**: Legal costs or fees that accumulate while pursuing or defending a legal claim

**Loss Assessment Fee:** A fee charged by an owners association to cover the costs associated with repairing or replacing damaged property or liability claims of bodily injury or property damage

**Master Policy:** An insurance policy purchased by a condo (or other property) owners association that provides property coverage for damage to common areas, liability coverage for the association, and often times Directors and Offices coverage for the board members

**Named Perils**: a type of insurance coverage that specifies (or lists) the specific perils that property will receive coverage for


© 2023 RISK & INSURANCE EDUCATION ALLIANCE

Open Perils: A type of insurance coverage that provides property coverage for all perils except what is excluded

Parametric Insurance: A type of insurance that provides loss payment based on predefined parameters, offering immediate claims payment for specific risks (such as flood, wind, and earthquake)

Perils: An event that causes or has the potential to cause damage or loss

Predicted Log Cruises: A type of watercraft event where participants use environmental information and other factors to predict how long it will take them to sail from one point to another, and the person with the least variation wins

Pre-judgment Interest: A dollar amount that accrues from the date of injury or damage to the time that judgment is determined

Property Insurance: Insurance that provides protection to tangible property

Proprietary Forms: Insurance coverage forms that are unique to and owned by the insurance company that designed/wrote them

Public or Livery Conveyance: The use of a vehicle for transporting people or goods for a fee (or hire)—consider an Uber, Lyft, Taxi, or delivery service

Punitive or Exemplary Damages: Monetary damages awarded by the courts to either punish the wrong doer or to set an example, so others will not engage in the same conduct

Remaindermen (life estate): An individual (a party) that is entitled to the assets held under a life estate after all obligations have been fulfilled

Replacement Cost (RC): The cost to repair or replace damaged buildings with like kind and quality materials

Residential Cooperative: A type of housing arrangement where tenant collective own (as shareholders) and manage the residential building where they reside. Residents own their shares that correspond to their housing unit rather than as traditional home/unit owners.

Retroactive Coverage: Insurance coverage that will apply earlier than a specified date

Settlor (trust): An individual who establishes a trust; may also be called a trustor, creator, or grantor

Special Relationship: The common law relationship that may arise in insurance when a client compensates an insurance professional for coverage, relies on their expertise, or maintains a long-term business association indicating dependency on the professional's expertise

**Subrogation:** The right of an insurance company to recover an amount of money paid to an insured for a loss when the loss is someone else's fault. Equitable subrogation is based on the common law right to recover; contractual subrogation is based on a written document that authorizes a right to recover.

**Tangible:** 1. (a) capable of being perceived, especially by the sense of touch; (b) substantially real; or 2. capable of being appraised at an actual or approximate value *(Merriam-Webster)*

**Trust:** An obligation that binds a person (trustee) to deal with property in a particular way for the benefit of another person or class of persons (of which he himself may be a member) whose interests are protected by the equitable jurisdiction of the courts. A trust is a disposition of property to a person (trustee) or persons jointly (trustees) in whom the legal title then vests in the confidence that the benefits will be applied to the advantage of one or more other persons (beneficiaries) or some other object permitted by law.

**Trustee (trust):** An individual who manages a trust; often an attorney or accountant

**Trustor (trust):** An individual who establishes a trust; may also be called a settlor, creator, or grantor

**Vicarious Liability:** Indirect liability for the actions of another party


© 2023 RISK & INSURANCE EDUCATION ALLIANCE