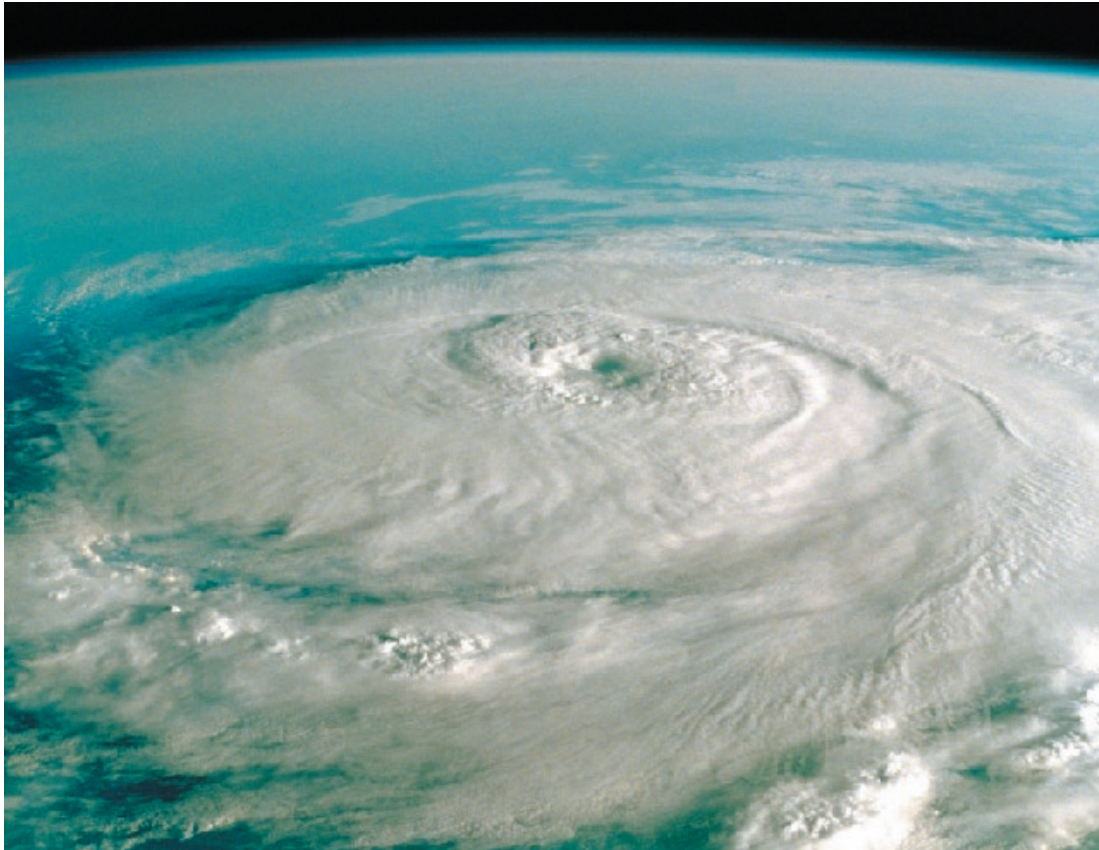


# Insurance Storm Stories







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## E&O Loss Drivers – 2004 & 2005

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_



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# Undervaluation

## 1. Marshall & Swift/Boeckh report of October, 2004

- a. 64% of homes are underinsured
- b. Homes are underinsured by 27%
- c. Commercial buildings underinsured also: 75% of buildings by 40%
- d. \$8 billion in lost revenue to the insurance industry
- e. Condition is improving due to “total component” method vs. square footage

## 2. Factors to ignore

- a. Purchase price
- b. Appraised value
- c. Mortgage balance
- d. Assessed value

## 3. Partial solutions

- a. Accurate cost estimators
- b. Update cost estimators regularly
- c. Survey customers for additions and alterations
- d. “Guaranteed replacement cost” endorsements (Often have caps though)



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**4. Resources**

- a. “Valuation Methods Don’t Measure Up.” IIABA Virtual University  
[www.iiaba.net/VU/Lib/Ins/CL/Property/AmrheinValuation1.htm](http://www.iiaba.net/VU/Lib/Ins/CL/Property/AmrheinValuation1.htm) (Login required)
- b. Marshall & Swift  
[www.marshallswift.com](http://www.marshallswift.com)
- c. ISO Home Value (Component based system)  
<http://www.isohomevalue.com>
- d. R.S. Means CostWorks Valuator  
[www.faiams.com/membersvcs/RSMMeans.cfm](http://www.faiams.com/membersvcs/RSMMeans.cfm)
- e. Xactware  
[www.xactware.com](http://www.xactware.com)
- f. Insurance to Value Blue Book International  
[www.insuretovalue.net/](http://www.insuretovalue.net/)
- g. Building cost.net  
<http://building-cost.net/>
- h. AccuCoverage (\$14.95 per estimate)  
[www.accucoverage.com](http://www.accucoverage.com)



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# Trees and the Homeowners Policy

## E. Additional Coverages

### 1. Debris Removal

- b. We will also pay your reasonable expense, up to \$1,000, for the removal from the “residence premises” of:
  - (1) Your tree(s) felled by the peril of Windstorm or Hail or Weight of Ice, Snow or Sleet; or
  - (2) A neighbor’s tree(s) felled by a Peril Insured Against under Coverage C; provided the tree(s):
    - (3) Damage(s) a covered structure; or
    - (4) Does not damage a covered structure, but:
      - (a) Block(s) a driveway on the “residence premises” which prevent(s) a “motor vehicle”, that is registered for use on public roads or property, from entering or leaving the “residence premises”; or
      - (b) Block(s) a ramp or other fixture designed to assist a handicapped person to enter or leave the dwelling building.

The \$1,000 limit is the most we will pay in any one loss regardless of the number of fallen trees. No more than \$500 of this limit will be paid for the removal of any one tree.

This coverage is additional insurance.

### 3. Trees, Shrubs And Other Plants

We cover trees, shrubs, plants or lawns, on the “residence premises”, for loss caused by the following Perils Insured Against:

- a. Fire or Lightning;
- b. Explosion;
- c. Riot or Civil Commotion;
- d. Aircraft;
- e. Vehicles not owned or operated by a resident of the “residence premises”;
- f. Vandalism or Malicious Mischief; or
- g. Theft.



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We will pay up to 5% of the limit of liability that applies to the dwelling for all trees, shrubs, plants or lawns. No more than \$500 of this limit will be paid for any one tree, shrub or plant. We do not cover property grown for “business” purposes.

This coverage is additional insurance.

**SECTION I – CONDITIONS**

**B. Duties After Loss**

In case of a loss to covered property, we have no duty to provide coverage under this policy if the failure to comply with the following duties is prejudicial to us. These duties must be performed either by you, an “insured” seeking coverage, or a representative of either:

1. Give prompt notice to us or our agent;
2. Notify the police in case of loss by theft;
3. Notify the credit card or electronic fund transfer card or access device company in case of loss as provided for in **E.6. Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money** under Section I – Property Coverages;
4. Protect the property from further damage. If repairs to the property are required, you must:
  - a. Make reasonable and necessary repairs to protect the property; and
  - b. Keep an accurate record of repair expenses;



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# Signs

## 2. Property Not Covered

Covered Property does not include:

- q. The following property while outside of buildings:
  - (1) Grain, hay, straw or other crops;
  - (2) Fences, radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers, signs (other than signs attached to buildings), trees, shrubs or plants (other than “stock” of trees, shrubs or plants), all except as provided in the Coverage Extensions.

## 5. Coverage Extensions

### e. Outdoor Property

You may extend the insurance provided by this Coverage Form to apply to your outdoor fences, radio and television antennas (including satellite dishes), signs (other than signs attached to buildings), trees, shrubs and plants (other than “stock” of trees, shrubs or plants), including debris removal expense, caused by or resulting from any of the following causes of loss if they are Covered Causes of Loss:

- (1) Fire;
- (2) Lightning;
- (3) Explosion;
- (4) Riot or Civil Commotion; or
- (5) Aircraft.



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The most we will pay for loss or damage under this Extension is \$1,000, but not more than \$250 for any one tree, shrub or plant. These limits apply to any one occurrence, regardless of the types or number of items lost or damaged in that occurrence.

**C. Limits Of Insurance**

The most we will pay for loss or damage in any one occurrence is the applicable Limit of Insurance shown in the Declarations.

The most we will pay for loss or damage to outdoor signs attached to buildings is \$1,000 per sign in any one occurrence.



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# Loss Assessment

## Section I

### 7. Loss Assessment

- a. We will pay up to \$1,000 for your share of loss assessment charged during the policy period against you, as owner or tenant of the “residence premises”, by a corporation or association of property owners. The assessment must be made as a result of direct loss to property, owned by all members collectively, of the type that would be covered by this policy if owned by you, caused by a Peril Insured Against under Coverage A, other than:
  - (1) Earthquake; or
  - (2) Land shock waves or tremors before, during or after a volcanic eruption.

The limit of \$1,000 is the most we will pay with respect to any one loss, regardless of the number of assessments. We will only apply one deductible, per unit, to the total amount of any one loss to the property described above, regardless of the number of assessments.

- b. We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.
- c. Paragraph P. Policy Period under Section I – Conditions does not apply to this coverage.

This coverage is additional insurance.

## Section II

### D. Loss Assessment

- 1. We will pay up to \$1,000 for your share of loss assessment charged against you, as owner or tenant of the “residence premises”, during the policy period by a corporation or association of property owners, when the assessment is made as a result of:
  - a. “Bodily injury” or “property damage” not excluded from coverage under Section II – Exclusions;or
  - b. Liability for an act of a director, officer or trustee in the capacity as a director, officer or trustee, provided such person:



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- (1) Is elected by the members of a corporation or association of property owners; and
- (2) Serves without deriving any income from the exercise of duties which are solely on behalf of a corporation or association of property owners.

- 2. Paragraph I. Policy Period under Section II – Conditions does not apply to this Loss Assessment Coverage.
- 3. Regardless of the number of assessments, the limit of \$1,000 is the most we will pay for loss arising out of:
  - a. One accident, including continuous or repeated exposure to substantially the same general harmful condition; or
  - b. A covered act of a director, officer or trustee. An act involving more than one director, officer or trustee is considered to be a single act.
- 4. We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.



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## PAP & Storm Restrictions

### K. “Newly acquired auto”:

1. “Newly acquired auto” means any of the following types of vehicles you become the owner of during the policy period:
  - a. A private passenger auto; or
  - b. A pickup or van, for which no other insurance policy provides coverage, that:
    - (1) Has a Gross Vehicle Weight of less than 10,000 lbs.; and
    - (2) Is not used for the delivery or transportation of goods and materials unless such use is:
      - (a) Incidental to your “business” of installing, maintaining or repairing furnishings or equipment; or
      - (b) For farming or ranching.
2. Coverage for a “newly acquired auto” is provided as described below. If you ask us to insure a “newly acquired auto” after a specified time period described below has elapsed, any coverage we provide for a “newly acquired auto” will begin at the time you request the coverage.

- a. For any coverage provided in this policy except Coverage For Damage To Your Auto, a “newly acquired auto” will have the broadest coverage we now provide for any vehicle shown in the Declarations. Coverage begins on the date you become the owner. However, for this coverage to apply to a “newly acquired auto” which is in addition to any vehicle shown in the Declarations, you must ask us to insure it within 14 days after you become the owner.

If a “newly acquired auto” replaces a vehicle shown in the Declarations, coverage is provided for this vehicle without your having to ask us to insure it.

- b. Collision Coverage for a “newly acquired auto” begins on the date you become the owner. However, for this coverage to apply, you must ask us to insure it within:
  - (1) 14 days after you become the owner if the Declarations indicate that Collision Coverage applies to at least one auto. In this case, the “newly acquired auto” will have the broadest coverage we now provide for any auto shown in the Declarations.



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(2) Four days after you become the owner if the Declarations do not indicate that Collision Coverage applies to at least one auto. If you comply with the 4 day requirement and a loss occurred before you asked us to insure the “newly acquired auto”, a Collision deductible of \$500 will apply.

c. Other Than Collision Coverage for a “newly acquired auto” begins on the date you become the owner. However, for this coverage to apply, you must ask us to insure it within:

(1) 14 days after you become the owner if the Declarations indicate that Other Than Collision Coverage applies to at least one auto. In this case, the “newly acquired auto” will have the broadest coverage we now provide for any auto shown in the Declarations.

(2) Four days after you become the owner if the Declarations do not indicate that Other Than Collision Coverage applies to at least one auto. If you comply with the 4 day requirement and a loss occurred before you asked us to insure the “newly acquired auto”, an Other Than Collision deductible of \$500 will apply.



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# PAP Tree Removal

## PART E – Duties After an Accident or Loss

We have no duty to provide coverage under this policy unless there has been full compliance with the following duties:

**D.** A person seeking Coverage For Damage To Your Auto must also:

1. Take reasonable steps after loss to protect “your covered auto” or any “non-owned auto” and their equipment from further loss. We will pay reasonable expenses incurred to do this.
2. Promptly notify the police if “your covered auto” or any “non-owned auto” is stolen.
3. Permit us to inspect and appraise the damaged property before its repair or disposal.



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# PAP Flood Claims

## Part D – Damage to Your Auto

### INSURING AGREEMENT

- A. We will pay for direct and accidental loss to “your covered auto” or any “non-owned auto”, including their equipment, minus any applicable deductible shown in the Declarations. If loss to more than one “your covered auto” or “non-owned auto” results from the same “collision”, only the highest applicable deductible will apply. We will pay for loss to “your covered auto” caused by:
1. Other than “collision” only if the Declarations indicate that Other Than Collision Coverage is provided for that auto.
  2. “Collision” only if the Declarations indicate that Collision Coverage is provided for that auto.

If there is a loss to a “non-owned auto”, we will provide the broadest coverage applicable to any “your covered auto” shown in the Declarations.

- B. “Collision” means the upset of “your covered auto” or a “non-owned auto” or their impact with another vehicle or object.

Loss caused by the following is considered other than “collision”:

1. Missiles or falling objects;
2. Fire;
3. Theft or larceny;
4. Explosion or earthquake;
5. Windstorm;
6. Hail, water or flood;
7. Malicious mischief or vandalism;
8. Riot or civil commotion;
9. Contact with bird or animal; or
10. Breakage of glass.

If breakage of glass is caused by a “collision”, you may elect to have it considered a loss caused by “collision”.



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C. "Non-owned auto" means:

1. Any private passenger auto, pickup, van or "trailer" not owned by or furnished or available for the regular use of you or any "family member" while in the custody of or being operated by you or any "family member"; or
2. Any auto or "trailer" you do not own while used as a temporary substitute for "your covered auto" which is out of normal use because of its:
  - a. Breakdown;
  - b. Repair;
  - c. Servicing;
  - d. Loss; or
  - e. Destruction.

**TRANSPORTATION EXPENSES**

A. In addition, we will pay, without application of a deductible, up to a maximum of \$600 for:

1. Temporary transportation expenses not exceeding \$20 per day incurred by you in the event of a loss to "your covered auto". We will pay for such expenses if the loss is caused by:
  - a. Other than "collision" only if the Declarations indicate that Other Than Collision Coverage is provided for that auto.
  - b. "Collision" only if the Declarations indicate that Collision Coverage is provided for that auto.
2. Expenses for which you become legally responsible in the event of loss to a "non-owned auto". We will pay for such expenses if the loss is caused by:
  - a. Other than "collision" only if the Declarations indicate that Other Than Collision Coverage is provided for any "your covered auto".
  - b. "Collision" only if the Declarations indicate that Collision Coverage is provided for any "your covered auto".

However, the most we will pay for any expenses for loss of use is \$20 per day.



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**B.** If the loss is caused by:

1. A total theft of “your covered auto” or a “non-owned auto”, we will pay only expenses incurred during the period:
    - a. Beginning 48 hours after the theft; and
    - b. Ending when “your covered auto” or the “non-owned auto” is returned to use or we pay for its loss.
  2. Other than theft of a “your covered auto” or a “non-owned auto”, we will pay only expenses beginning when the auto is withdrawn from use for more than 24 hours.
- C.** Our payment will be limited to that period of time reasonably required to repair or replace the “your covered auto” or the “non-owned auto”.



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## Off Premises Utility Failure

### e. Utility Services

The failure of power or other utility service supplied to the described premises, however caused, if the failure occurs away from the described premises. Failure includes lack of sufficient capacity and reduction in supply.

But if the failure of power or other utility service results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

This exclusion does not apply to the Business Income coverage or to Extra Expense coverage. Instead, the Special Exclusion in Paragraph **B.4.a. (1)** applies to these coverages.



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## Fences and the Homeowners Program

- A. Coverage A and B – “Risks of direct physical loss”
- B. Loss valuation
  - 1. Coverage A: Replacement Cost
  - 2. Coverage B: ACV (Structures that are not buildings are ACV)



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## Flood Coverage – Two Acre Rule

### Flood.

- A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is the policyholder's property) from:
  - Overflow of inland or tidal waters;
  - Unusual and rapid accumulation or runoff of surface waters from any source; or
  - Mudflow; or
- Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined above.



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# Flood Coverage – RC vs. ACV

## V. Loss Settlement

### 1. Introduction

This **policy** provides three methods of settling losses: Replacement Cost, Special Loss Settlement, and **Actual Cash Value**. Each method is used for a different type of property, as explained in **a.-c.** below.

**a.** Replacement Cost loss settlement, described in **V.2.** below, applies to a single-family **dwelling** provided:

**(1)** It is your principal residence, which means that, at the time of loss, you or your spouse lived there for at least 80 percent of:

**(a)** The 365 days immediately preceding the loss; or

**(b)** The period of your ownership, if you owned the **dwelling** for less than 365 days; and

**(2)** At the time of loss, the amount of insurance in this **policy** that applies to the **dwelling** is 80 percent or more of its full replacement cost immediately before the loss, or is the maximum amount of insurance available under the **NFIP**.

**b.** Special loss settlement, described in **V.3.** below, applies to a single-family **dwelling** that is a manufactured or mobile home or a travel trailer.

**c.** **Actual Cash Value** loss settlement applies to a single-family **dwelling** not subject to replacement cost or special loss settlement, and to the property listed in **V.4.** below.

### 2. Replacement Cost Loss Settlement

The following loss settlement conditions apply to a single-family **dwelling** described in **V.1.a.** above:



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- a. We will pay to repair or replace the damaged **dwelling** after application of the deductible and without deduction for depreciation, but not more than the least of the following amounts:
  - (1) The **building** limit of liability shown on your **Declarations Page**;
  - (2) The replacement cost of that part of the **dwelling** damaged, with materials of like kind and quality, and for like use; or
  - (3) The necessary amount actually spent to repair or replace the damaged part of the **dwelling** for like use.
- b. If the **dwelling** is rebuilt at a new location, the cost described above is limited to the cost that would have been incurred if the **dwelling** had been rebuilt at its former location.
- c. When the full cost of repair or replacement is more than \$1,000 or more than 5 percent of the whole amount of insurance that applies to the **dwelling**, we will not be liable for any loss under **V.2.a.** above or **V.4.a.(2)** below unless and until actual repair or replacement is completed.
- d. You may disregard the replacement cost conditions above and make claim under this **policy** for loss to **dwellings** on an **actual cash value** basis. You may then make claim for any additional liability according to **V.2.a., b., and c.** above, provided you notify us of your intent to do so within 180 days after the date of loss.
- e. If the community in which your **dwelling** is located has been converted from the **Emergency Program** to the **Regular Program** during the current **policy** term, then we will consider the maximum amount of available **NFIP** insurance to be the amount that was available at the beginning of the current **policy** term.

#### 4. Actual Cash Value Loss Settlement

The types of property noted below are subject to **actual cash value** [or in the case of **V.4.a.(2)** below, proportional] loss settlement.



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a. A **dwelling**, at the time of loss, when the amount of insurance on the **dwelling** is both less than 80 percent of its full replacement cost immediately before the loss and less than the maximum amount of insurance available under the **NFIP**. In that case, we will pay the greater of the following amounts, but not more than the amount of insurance that applies to that **dwelling**:

- (1) The **actual cash value**, as defined in **II.B.2.**, of the damaged part of the **dwelling**; or
- (2) A proportion of the cost to repair or replace the damaged part of the **dwelling**, without deduction for physical depreciation and after application of the deductible.

This proportion is determined as follows: If 80 percent of the full replacement cost of the **dwelling** is less than the maximum amount of insurance available under the **NFIP**, then the proportion is determined by dividing the actual amount of insurance on the **dwelling** by the amount of insurance that represents 80 percent of its full replacement cost. But if 80 percent of the full replacement cost of the **dwelling** is greater than the maximum amount of insurance available under the **NFIP**, then the proportion is determined by dividing the actual amount of insurance on the **dwelling** by the maximum amount of insurance available under the **NFIP**.

- b. A two-, three-, or four-family **dwelling**.
- c. A **unit** that is not used exclusively for single-family **dwelling** purposes.
- d. Detached garages.
- e. Personal property.
- f. Appliances, carpets, and carpet pads.
- g. Outdoor awnings, outdoor antennas or aerials of any type, and other outdoor equipment.
- h. Any property covered under this **policy** that is abandoned after a loss and remains as debris anywhere on the **described location**.



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i. A **dwelling** that is not your principal residence.

**5. Amount of Insurance Required**

To determine the amount of insurance required for a **dwelling** immediately before the loss, do not include the value of:

- a. Footings, foundations, piers, or any other structures or devices that are below the undersurface of the lowest basement floor and support all or part of the **dwelling**;
- b. Those supports listed in **V.5.a.** above that are below the surface of the ground inside the foundation walls if there is no basement; and
- c. Excavations and underground flues, pipes, wiring, and drains.

The Coverage **D** - Increased Cost of Compliance limit of liability is not included in the determination of the amount of insurance required.



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# Flood Coverage – Deductibles

## VI. DEDUCTIBLES

A. When a loss is covered under this **policy**, we will pay only that part of the loss that exceeds your deductible amount, subject to the limit of liability that applies. The deductible amount is shown on the **Declarations Page**.

However, when a **building** under construction, alteration, or repair does not have at least two rigid exterior walls and a fully secured roof at the time of loss, your deductible amount will be two times the deductible that would otherwise apply to a completed **building**.

B. In each loss from **flood**, separate deductibles apply to the **building** and personal property insured by this **policy**.

C. The deductible does not apply to:

1. **III.C.2.** Loss Avoidance Measures;
2. **III.C.3.** Condominium Loss Assessments; or
3. **III.D.** Increased Cost of Compliance.



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# Flood Coverage – Direct Damage Only

## I. AGREEMENT

The Federal Emergency Management Agency (FEMA) provides flood insurance under the terms of the National and Flood Insurance Act of 1968 and its amendments, and Title 44 of the Code of Federal Regulations (CFR).

We will pay you for **direct physical loss by or from flood** to your insured property if you:

1. Have paid the correct premium;
2. Comply with all terms and conditions of this **policy**; and
3. Have furnished accurate information and statements.

**A. Coverage issues:**

1. Additional Living Expense
2. Business Income/Extra Expense
3. Loss of property not physically damaged (Upper floors on condo units)



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# Flood Coverage – Ordinance & Law

## D. COVERAGE D - INCREASED COST OF COMPLIANCE

### 1. General

This **policy** pays you to comply with a State or local floodplain management law or ordinance affecting repair or reconstruction of a structure suffering **flood** damage. Compliance activities eligible for payment are: elevation, floodproofing, relocation, or demolition (or any combination of these activities) of your structure. Eligible floodproofing activities are limited to:

- a. Nonresidential structures.
- b. Residential structures with **basements** that satisfy FEMA’s standards published in the Code of Federal Regulations [44 CFR 60.6 (b) or (c)].

### 2. Limit of Liability

We will pay you up to \$30,000 under this Coverage **D** - Increased Cost of Compliance, which only applies to **policies** with **building** coverage (Coverage **A**). Our payment of claims under Coverage **D** is in addition to the amount of coverage which you selected on the **application** and which appears on the **Declarations Page**. But the maximum you can collect under this **policy** for both Coverage **A** - Building Property and Coverage **D** - Increased Cost of Compliance cannot exceed the maximum permitted under the **Act**. We do not charge a separate deductible for a claim under Coverage **D**.

### 3. Eligibility

- a. A structure covered under Coverage **A** -Building Property sustaining a loss caused by a **flood** as defined by this **policy** must:
  - (1) Be a “repetitive loss structure.” A repetitive loss structure is one that meets the following conditions:
    - (a) The structure is covered by a contract of flood insurance issued under the **NFIP**.
    - (b) The structure has suffered **flood** damage on two occasions during a 10-year period which ends on the date of the second loss.



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(c) The cost to repair the **flood** damage, on average, equaled or exceeded 25 percent of the market value of the structure at the time of each flood loss.

(d) In addition to the current claim, the **NFIP** must have paid the previous qualifying claim, and the State or community must have a cumulative, substantial damage provision or repetitive loss provision in its floodplain management law or ordinance being enforced against the structure; or

(2) Be a structure that has had **flood** damage in which the cost to repair equals or exceeds 50 percent of the market value of the structure the time of the **flood**. The State or community must have a substantial damage provision in its floodplain management law or ordinance being enforced against the structure.

b. This Coverage **D** pays you to comply with State or local floodplain management laws or ordinances that meet the minimum standards of the **National Flood Insurance Program** found in the Code of Federal Regulations at 44 CFR 60.3. We pay for compliance activities that exceed those standards under these conditions:

(1) 3.a.(1) above.

(2) Elevation or floodproofing in any risk zone to preliminary or advisory **base flood** elevations provided by FEMA which the State or local government has adopted and is enforcing for **flood**-damaged structures in such areas. (This includes compliance activities in B, C, X, or D zones which are being changed to zones with **base flood** elevations. This also includes compliance activities in zones where **base flood** elevations are being increased, and a **flood**-damaged structure must comply with the higher advisory **base flood** elevation.) Increased Cost of Compliance coverage does not apply to situations in B, C, X, or D zones where the community has derived its own elevations and is enforcing elevation or floodproofing requirements for **flood**-damaged structures to elevations derived solely by the community.

(3) Elevation or floodproofing above the **base flood** elevation to meet State or local “freeboard requirements, i.e. that a structure must be elevated above the **base flood** elevation.



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- c. Under the minimum **NFIP** criteria at 44 CFR 60.3 (b)(4), States and communities must require the elevation or floodproofing of structures in unnumbered A zones to the **base flood** elevation where elevation data is obtained from a Federal, State, or other source. Such compliance activities are also eligible for Coverage **D**.
- d. This coverage will also pay for the incremental cost, after demolition or relocation, of elevating or floodproofing a structure during its rebuilding at the same or another site to meet State or local floodplain management laws or ordinances, subject to Exclusion **D.5.g.** below.
- e. This coverage will also pay to bring a **flood**-damaged structure into compliance with State or local floodplain management laws or ordinances even if the structure had received a variance before the present loss from the applicable floodplain management requirements.



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## Flood Coverage – Property Not Covered

### IV. PROPERTY NOT COVERED

We do not cover any of the following property:

1. Personal property not inside the fully enclosed **building**;
2. A **building**, and personal property in it, located entirely in, on, or over water or seaward of mean high tide if it was constructed or substantially improved after September 30, 1982;
3. Open structures, including a **building** used as a boathouse or any structure or **building** into which boats are floated, and personal property located in, on, or over water;
4. Recreational vehicles other than travel trailers described in **II.B.6.c.**, whether affixed to a permanent foundation or on wheels;
5. Self-propelled vehicles or machines, including their parts and equipment. However, we do cover self-propelled vehicles or machines not licensed for use on public roads that are:
  - a. Used mainly to service the **described location**, or
  - b. Designed and used to assist handicapped persons, while the vehicles or machines are inside a **building** at the **described location**;
6. Land, land values, lawns, trees, shrubs, plants, growing crops, or animals;
7. Accounts, bills, coins, currency, deeds, evidences of debt, medals, money, scrip, stored value cards, postage stamps, securities, bullion, manuscripts, or other valuable papers;
8. Underground structures and equipment, including wells, septic tanks, and septic systems;
9. Those portions of walks, walkways, decks, driveways, patios, and other surfaces, all whether protected by a roof or not, located outside the perimeter, exterior walls of the insured **building** or the **building** in which the insured **unit** is located;
10. Containers, including related equipment, such as, but not limited to, tanks containing gases or liquids;



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11. **Buildings or units** and all their contents if more than 49 percent of the **actual cash value** of the **building or unit** is below ground, unless the lowest level is at or above the **base flood** elevation and is below ground by reason of earth having been used as insulation material in conjunction with energy efficient building techniques;
12. Fences, retaining walls, seawalls, bulkheads, wharves, piers, bridges, and docks;
13. Aircraft or watercraft, or their furnishings and equipment;
14. Hot tubs and spas that are not bathroom fixtures, and swimming pools, and their equipment such as, but not limited to, heaters, filters, pumps, and pipes, wherever located;
15. Property not eligible for flood insurance pursuant to the provisions of the Coastal Barrier Resources Act and the Coastal Barrier Improvement Act and amendments to these acts;
16. Personal property you own in common with other **unit** owners comprising the membership of a **condominium association**.



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# Spoilage – Homeowners Policy

## SECTION I – EXCLUSIONS

- A. We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss. These exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

### 4. Power Failure

Power Failure means the failure of power or other utility service if the failure takes place off the “residence premises”. But if the failure results in a loss, from a Peril Insured Against on the “residence premises”, we will pay for the loss caused by that peril.



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# Homeowners Coverage – Replacement Cost Payments

## C. Loss Settlement

In this Condition C., the terms “cost to repair or replace” and “replacement cost” do not include the increased costs incurred to comply with the enforcement of any ordinance or law, except to the extent that coverage for these increased costs is provided in E.11. Ordinance Or Law under Section I – Property Coverages. Covered property losses are settled as follows:

1. Property of the following types:
  - a. Personal property;
  - b. Awnings, carpeting, household appliances, outdoor antennas and outdoor equipment, whether or not attached to buildings;
  - c. Structures that are not buildings; and
  - d. Grave markers, including mausoleums;

at actual cash value at the time of loss but not more than the amount required to repair or replace.

2. Buildings covered under Coverage A or B at replacement cost without deduction for depreciation, subject to the following:

- a. If, at the time of loss, the amount of insurance in this policy on the damaged building is 80% or more of the full replacement cost of the building immediately before the loss, we will pay the cost to repair or replace, after application of any deductible and without deduction for depreciation, but not more than the least of the following amounts:

- (1) The limit of liability under this policy that applies to the building;
- (2) The replacement cost of that part of the building damaged with material of like kind and quality and for like use; or
- (3) The necessary amount actually spent to repair or replace the damaged building. If the building is rebuilt at a new premises, the cost described in (2) above is limited to the cost which would have been incurred if the building had been built at the original premises.



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- b.** If, at the time of loss, the amount of insurance in this policy on the damaged building is less than 80% of the full replacement cost of the building immediately before the loss, we will pay the greater of the following amounts, but not more than the limit of liability under this policy that applies to the building:
- (1) The actual cash value of that part of the building damaged; or
  - (2) That proportion of the cost to repair or replace, after application of any deductible and without deduction for depreciation, that part of the building damaged, which the total amount of insurance in this policy on the damaged building bears to 80% of the replacement cost of the building.
- c.** To determine the amount of insurance required to equal 80% of the full replacement cost of the building immediately before the loss, do not include the value of:
- (1) Excavations, footings, foundations, piers, or any other structures or devices that support all or part of the building, which are below the undersurface of the lowest basement floor;
  - (2) Those supports described in (1) above which are below the surface of the ground inside the foundation walls, if there is no basement; and
  - (3) Underground flues, pipes, wiring and drains.
- d.** We will pay no more than the actual cash value of the damage until actual repair or replacement is complete. Once actual repair or replacement is complete, we will settle the loss as noted in **2.a.** and **b.** above. However, if the cost to repair or replace the damage is both:
- (1) Less than 5% of the amount of insurance in this policy on the building; and
  - (2) Less than \$2,500;
- we will settle the loss as noted in **2.a.** and **b.** above whether or not actual repair or replacement is complete.
- e.** You may disregard the replacement cost loss settlement provisions and make claim under this policy for loss to buildings on an actual cash value basis. You may then make claim for any additional liability according to the provisions of this Condition C. Loss Settlement, provided you notify us of your intent to do so within 180 days after the date of loss.



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However, note Florida statute passed in 2005:

*627.7011(3) In the event of a loss for which a dwelling or personal property is insured on the basis of replacement costs, the insurer shall pay the replacement cost without reservation or holdback of any depreciation in value, whether or not the insured replaces or repairs the dwelling or property.*

Key points on this statute:

- Admitted markets only
- Applies for dwellings only – not commercial
- Applies for building AND personal property coverage



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# Seepage – Homeowners Policy

## SECTION I – PERILS INSURED AGAINST

### A. Coverage A – Dwelling And Coverage B – Other Structures

1. We insure against risk of direct physical loss to property described in Coverages A and B.

### B. Coverage C – Personal Property

We insure for direct physical loss to the property described in Coverage C caused by any of the following perils unless the loss is excluded in Section I – Exclusions.

#### 2. Windstorm Or Hail

This peril includes loss to watercraft of all types and their trailers, furnishings, equipment, and outboard engines or motors, only while inside a fully enclosed building.

This peril does not include loss to the property contained in a building caused by rain, snow, sleet, sand or dust unless the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand or dust enters through this opening.



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# Mini-warehouses – Homeowners Policy

## C. Coverage C – Personal Property

### 1. Covered Property

We cover personal property owned or used by an “insured” while it is anywhere in the world. After a loss and at your request, we will cover personal property owned by:

- a. Others while the property is on the part of the “residence premises” occupied by an “insured”; or
- b. A guest or a “residence employee”, while the property is in any residence occupied by an “insured”.

### 2. Limit For Property At Other Residences

Our limit of liability for personal property usually located at an “insured’s” residence, other than the “residence premises”, is 10% of the limit of liability for Coverage C, or \$1,000, whichever is greater. However, this limitation does not apply to personal property:

- a. Moved from the “residence premises” because it is being repaired, renovated or rebuilt and is not fit to live in or store property in; or
- b. In a newly acquired principal residence for 30 days from the time you begin to move the property there.



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# Mortgagee Issues – Homeowners

## K. Mortgage Clause

1. If a mortgagee is named in this policy, any loss payable under Coverage **A** or **B** will be paid to the mortgagee and you, as interests appear. If more than one mortgagee is named, the order of payment will be the same as the order of precedence of the mortgages.
2. If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:
  - a. Notifies us of any change in ownership, occupancy or substantial change in risk of which the mortgagee is aware;
  - b. Pays any premium due under this policy on demand if you have neglected to pay the premium; and
  - c. Submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so. Paragraphs **E. Appraisal**, **G. Suit Against Us** and **I. Loss Payment** under Section **I – Conditions** also apply to the mortgagee.
3. If we decide to cancel or not to renew this policy, the mortgagee will be notified at least 10 days before the date cancellation or nonrenewal takes effect.
4. If we pay the mortgagee for any loss and deny payment to you:
  - a. We are subrogated to all the rights of the mortgagee granted under the mortgage on the property; or
  - b. At our option, we may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, we will receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.
5. Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.



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