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**Addendum: for use with South Carolina Property and Casualty study guide version number 24942en/24943en, per exam content outline updates effective 5/1/2023.**

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**Please note that South Carolina is changing its testing provider. Effective 5/1/2023, state insurance exams will be administered by Pearson Vue.** For additional information about exam requirements and complete exam content outlines, please review the Insurance Licensing Candidate Handbook at <https://home.pearsonvue.com/sc/insurance>.

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Note that the course chapters and exam format are also changing. The new exam will consist of 2 parts: General Knowledge and State Law. However, you will receive one overall score. The new exam breakdown is as follows:

**South Carolina Property Insurance Examination  
80 Total Questions (75 scored; 5 pretest)**

<b>CHAPTERS</b>	<b>PERCENTAGE OF EXAM</b>
<b>General Knowledge:</b>	
Insurance Terms and Related Concepts	20%
Policy Provisions and Contract Law	17%
Types of Property Policies	30%
<b>State Law:</b>	
South Carolina Laws and Regulations Pertinent to All Lines	24%
South Carolina Laws and Regulations Pertinent to Property Insurance	9%



**South Carolina Casualty Insurance Examination  
80 Total Questions (75 scored; 5 pretest)**

<b>CHAPTERS</b>	<b>PERCENTAGE OF EXAM</b>
<b>General Knowledge:</b>	
Insurance Terms and Related Concepts	20%
Policy Provisions	16%
Types of Casualty Policies, Bonds, and Related Terms	31%
<b>State Law:</b>	
South Carolina Laws and Regulations Pertinent to All Lines	24%
South Carolina Laws and Regulations Pertinent to Casualty Insurance	9%

**South Carolina Property and Casualty Insurance Examination  
145 Total Questions (130 scored; 15 pretest)**

<b>CHAPTERS</b>	<b>PERCENTAGE OF EXAM</b>
<b>General Knowledge:</b>	
Insurance Terms and Related Concepts	23%
Policy Provisions and Contract Law	19%
Types of Property Policies	17%
Types of Casualty Policies, Bonds, and Related Terms	18%
<b>State Law:</b>	
South Carolina Laws and Regulations Pertinent to All Lines	14%
South Carolina Laws and Regulations Pertinent to Property and Casualty Insurance	9%



The following are content **additions** to supplement your existing text.

## **Insurance Regulation**

### **A. Licensing**

#### **1. Process** – *addition to the existing text*

An insurance producer license is not required of any officer, director or employee of an insurer or organizations employed by insurers, provided they are not directly or indirectly involved with the actual sale of an insurance contract and **do not receive any commission**.

Furthermore, the following individuals are **exempt** from the licensing requirements:

- A director or employee of an insurer whose activities are limited to executive, administrative, managerial, or clerical;
- The director or employee of a special agent assisting insurance producers by providing technical advice and assistance to licensed insurance producers;
- A person who secures and furnishes information for group insurance or performs administrative services related to mass-marketed property and casualty insurance;
- An employer or association engaged in the administration or operation of a program of employee benefits for the employer's or association's own employees;
- Employees of insurers or organizations engaging in the inspection, rating or classification of risks, or in the supervision of the training of insurance producers and who are not individually engaged in the sale of insurance;
- A person whose activities are limited to advertising without the intent to solicit insurance;
- A nonresident who sells, solicits or negotiates a contract of insurance for commercial property and casualty risks to an insured with risks located in more than one state insured under that contract; or
- A salaried full-time employee who counsels or advises their employer relative to the insurance interests of the employer or subsidiaries.



Before a license may be issued, an applicant must

- Furnish a complete set of fingerprints to the Director; and
- Undergo a state criminal records check by the South Carolina Law Enforcement Division (SLED) and a national criminal records check by the Federal Bureau of Investigation (FBI).

Licensed insurance producers who wish to renew their current resident producer license are exempt from fingerprinting requirements, as long as the producer has already submitted their fingerprints during the initial licensing period and licenses issued are in good standing on the date of the license renewal.

A producer who allows their license to lapse is also exempt from fingerprint requirements as long as the producer applies for license reinstatement within **6 months** of the compliance date, meets continuing education requirements, and pays a penalty to the Director.

An individual producer license must contain

- The licensee's name, address, and personal identification number;
- The date of issuance;
- The lines of authority; and
- Any other information the Director considers necessary.

The following fees are applicable to producer licenses, appointments, and agency licenses issued in this state:

- Initial producer licensing and biennial renewal fee: **\$25**;
- General appointment and biennial fee: **\$100**; and
- Initial agency licensing and biennial renewal fee: **\$40**.

If payment of a licensing fee is rejected by a bank, the producer must reattempt to pay the fee within **30 days** of the rejection date. If payment is still rejected, the producer's license will be terminated. In order to reinstate the license, the Director may require the producer to pay the license fee, plus any charges resulting from rejection by the bank.



Initial appointment fees are due in advance of the appointment. Biennial appointment fees are due by September 13 of even numbered years. If a biennial appointment fee is not paid, the appointment must be cancelled. An insurer may reactive an appointment by paying a penalty fee of **\$250** to the Department by December 1 of the even number year.

## **2. Types of Licenses**

### **Temporary**

The Director may issue a temporary insurance license for a maximum period of **180 days** without requiring an examination if the Director considers the temporary license necessary for the servicing of an insurance business in the following cases:

- To the surviving spouse or court-appointed personal representative of a licensed producer who dies or becomes mentally or physically disabled;
- To a member or employee of a business entity licensed as an insurance producer, upon the death or disability of an individual designated in the business entity application or the license;
- To the designee of a licensed insurance producer entering active service in the U.S. armed forces; or
- Except for continuing education purposes, in any other circumstance that the Director deems necessary.

The Director may limit the authority of any temporary licensee in any way considered necessary to protect insureds and the public. The Director may revoke a temporary license if the interest of insureds or the public are endangered. A temporary license may not continue after the owner or the personal representative disposes of the business for which the temporary license was issued.

## **B. State Regulation**

### **2. Company Regulation**

#### **Unfair Claims Settlement Practices** – *addition to the existing text*

Upon receiving notification of a claim, an insurer must provide the necessary claim forms to the insured or beneficiary. If claim forms are not provided

within **20 days** of the receipt of the notice, the claimant is considered to have complied with proof of loss requirements under the policy.

## 4. Unfair and Prohibited Practices

### Fraud

A licensed insurance producer may be found guilty of a **felony** and, upon conviction, punished by **imprisonment for up to 5 years or a fine of up to \$5,000 dollars, or both**, if the producer, with the intent to injure, defraud, or deceive any insurance company or applicant for insurance:

1. Presents an insurance application knowing that it contains false or misleading information or omissions of material facts pertaining to the underwriting; or
2. Assists, abets, solicits, or conspires with another to prepare or make an application for insurance, knowing that the application contains any false or misleading information or omissions.

## General Insurance

### D. Contracts

## 3. Legal Interpretations Affecting Contracts

### Binders

A **binder** is a temporary agreement issued by an agent or insurer providing temporary coverage until a policy can be issued. A binder is usually in writing, but may be verbal. **Binders expire when the policy is issued.** However, the policy effective date would be the same as the date when the binder was issued. If the insurer declines to issue the policy, the binder expires on the date after receipt of the notice of cancellation.

## Property Insurance Basics

### C. Common Policy Provisions

## Obligations of the Insurance Company

An insurance company, in return for premium, must be fair in underwriting and must pay covered losses.

## Proof of Loss

**Proof of loss** is a sworn statement that must usually be furnished by the insured to an insurer before any loss under a policy can be paid. This form is typically used in the settlement of first-party losses, and includes the date and description of the occurrence and the amount of indemnity claimed.

The initial claim report to the insurer may be oral or in writing but the proof of loss must be in writing. The proof of loss is required near the end of the claim process.

## Notice of Claim

**Notice of claim** is a form or statement from an insured to an insurer, informing the insurer that events leading to a possible claim have occurred. The notice will include information as to how, when, and where the loss took place.

## Sources of Insurability Information

A part of the underwriting process is to determine the insurability of the applicant. Insurers have several resources for gathering information, most of which must be agreed to by the insured in writing before the insurer can use them. The following are some of the sources that may be used in the underwriting process:

- Application form;
- Motor vehicle records;
- Interviews with neighbors, friends and employers;
- Inspection of property; and
- Inspection of insurance history.

## Policy Application

The **application** is a printed form that includes questions about a prospective insured and the desired insurance coverage and limits. It provides the underwriter with information for accepting or rejecting the prospective insured and rating the desired policy. Some policies make the application part of the policy. Misrepresentations in the application can void the policy.



## Privacy Protection (Gramm-Leach-Bliley)

The **application** is a printed The Gramm-Leach-Bliley Act stipulates that in general, an insurance company may not disclose nonpublic personal information to a nonaffiliated third party except for the following reasons:

- The insurance company clearly and conspicuously discloses to the consumer in writing that information may be disclosed to a third party;
- The consumer is given the opportunity, before the time that information is initially disclosed, to direct that information not be disclosed to the third party; or
- The consumer is given an explanation of how the consumer can exercise a nondisclosure option.

The Gramm-Leach-Bliley Act requires 2 disclosures to a customer (a consumer who has an ongoing financial relationship with a financial institution):

1. When the customer relationship is established (i.e., a policy is purchased); and
2. Before disclosing protected information.

The customer must also receive an annual privacy disclosure, and have the right to opt out, or choose not to have their private information shared with other parties.

## Terrorism Risk Insurance Act (TRIA)

The purpose of the **Terrorism Risk Insurance Act** (TRIA) was to create a temporary federal program that would share the risk of loss from future terrorist attacks with the insurance industry. The act requires that all commercial insurers offer insurance coverage for acts of terrorism. The federal government will then reimburse the insurers for a portion of paid losses for terrorism.

TRIA defines an **act of terrorism** as an act certified by the Secretary of the Treasury, in concurrence with the Secretary of Homeland Security (as of 2015), and the Attorney General of the United States with the following characteristics:

- The act must be violent or dangerous to human life, property, or infrastructure;



- The act must have resulted in damage within the United States, to an air carrier as defined in the U.S. Code, to a U.S. flag vessel or other vessel based principally in the U.S. and insured under U.S. regulation, or on the premises of any U.S. mission;
- The act must have been committed by someone as part of an effort to coerce the U.S. civilian population, to influence U.S. policy, or to affect the conduct of the U.S. government by coercion; or
- The act must produce property and casualty insurance losses in excess of a specified amount.

The Terrorism Risk Insurance Act (TRIA) has been renewed and modified multiple times since 2002.

## **Auto Insurance**

### **Types of Auto**

#### Owned

**Owned autos** are those eligible vehicles titled by the insured or acquired during the policy period.

#### Nonowned

**Nonowned autos** are any private passenger auto, pickup, van, or trailer operated by or in the custody of the named insured or a family member, but that are not titled by or furnished for the regular use of the insured.

#### Hired

**Hired autos** include those that are leased, hired, rented, or borrowed from someone other than an employee or partner.

The classes **hired automobile** and **nonowned automobile** are mutually exclusive, and the distinction between the two often is misunderstood. Hired automobiles include those that are leased, hired, rented, or borrowed, *excluding* autos that are owned by employees. Autos leased, hired, rented, or borrowed *from employees* are considered nonowned automobiles. Thus, the distinction between a hired and nonowned auto does not depend on whether payment is made for the use of the auto, but rather on whether it is owned by



an employee. (This somewhat artificial distinction exists primarily for the purpose of rating and premium determination.)

## Temporary Substitute

The personal auto policy provides coverage for any auto or trailer not owned by an insured while used as a **temporary substitute** for any other vehicle described in the policy that is out of normal use because of breakdown, repair, servicing, loss, or destruction.

## Selected Endorsements

### Rental Reimbursement Expense

The **Rental Reimbursement** endorsement is only available if the policy includes Other Than Collision coverage. This endorsement will reimburse the insured for rental charges incurred because the covered auto is out of use due to a covered loss.

### Mobile Equipment

Under the business auto coverage form, mobile equipment is covered for liability insurance when being carried or towed by a covered auto. If a land vehicle that fits the definition of mobile equipment, but because of where or how it is being used becomes subject to compulsory insurance as if it were an auto, an insured could potentially have a coverage problem. *For example*, a bulldozer is required to have compulsory insurance because to get from one part of a job site to another, it must drive on a public road. If the insured has a Symbol 7 (Specified Auto) listed on the Declarations, that bulldozer would need to be included on the insured's vehicle schedule to be covered for liability. If it is not listed, a solution would be to use this endorsement. The bulldozer would be specifically described in the endorsement and granted coverage. Covered autos liability coverage does not apply to bodily injury, property damage, or covered pollution cost or expense resulting from the operation of any machinery or equipment that is on, attached to, or part of any of the covered autos.



## **Commercial Package Policy (CPP)**

### **B. Commercial Property**

#### Cyber First-Party Coverage

With an ever-growing reliance on technology, it is no surprise that cyberattacks and data breaches are more common than ever. Businesses that obtain and store personal, financial, or otherwise sensitive data are prone to extortion and fraud. To protect businesses and consumers, cyber insurance is made available to businesses, designed to lessen the financial impact resulting from cyberattacks and data breaches.

Cyber security insurance is broken into the following coverage types:

- **First-party cyber insurance** – Protects businesses from damages resulting from cyber losses to the business' own network or system; and
- **Third-party cyber insurance** – Covers legal expenses for lawsuits resulting from a business's inability to properly secure consumer data.

### **C. Commercial Crime**

#### **Mysterious Disappearance**

**Mysterious disappearance** in crime insurance is defined as property gone with no apparent explanation. *For example*, a bicycle is missing from the garage on the insured premises. Mysterious disappearance is the probability of theft.

#### **Workers Compensation Insurance**

##### **Work-Related vs. Non-Work-Related**

Bodily injury and occupational disease that arise out of or during employment are covered under Workers Compensation insurance. Occupational disease must be caused or aggravated by a condition of the employment. In other words, there must be a direct relationship between the job and the disease. Ordinary diseases suffered by the general public are not covered.

The following types of injuries are generally excluded from coverage:

- Injuries that occur traveling to and from work;
- Injuries that result from intoxication of the employee;
- Injuries willfully caused by the employee;

- Injuries that result from a willful failure to follow safety precautions;
- Injuries that occur from activities not a part of the job.

Penalties and/or increased benefits may be required for certain types of injuries, such as the employer's willful failure to provide required safety equipment, or to minors injured while illegally employed. These penalties must be paid by the employer, as they are excluded under Workers Compensation insurance.

## **Other Coverages and Options**

### **B. Specialty Liability Insurance**

#### **Medical Malpractice**

**Medical malpractice** coverage is written for doctors, hospitals and other medical practitioners to indemnify the insured for injuries to third parties because of any legal liability for bodily injury or death. There are several different types of medical malpractice coverage on the market today.

In the field of insurance, "professional liability" has replaced the use of the terms "malpractice insurance" and "errors and omission insurance" to describe the coverage of specialists in the various professional fields. There are professional liability policies with coverage tailored to cover the exposures of most every professional. The policies that protect those professionals in the medical field respond to actions resulting from injurious acts resulting from claims that the insured was derelict in a professional duty or the failure of a professional skill or learning, misconduct, negligence, or incompetence in the performance of a professional act.

Nearly all of the policies written provide coverage on a "claims-made" basis.

One of the major differences in the coverage of a professional liability coverage compared to personal and general liability coverage is personal and general liability policies cover losses caused by the negligence of an insured but excludes coverage for acts intentionally committed by an insured.

Professional liability policies will also cover some intentional acts. (Recently we have heard of doctors amputating the wrong leg, or performing the wrong surgery.) The doctor intended to amputate that leg, but because of a misdiagnosis, or it caused damage. In the dental field, there have been some

instances where the wrong tooth was extracted. These are the kinds of intentional acts that are covered; however, criminal acts are usually specifically excluded from coverage.

Another difference is when a claim is made under a personal or general liability policy. The insurer will decide whether to defend the claim or just to pay the loss. They will usually decide on the option that is the least expensive.

In professional liability coverage, an insurer cannot settle a claim without the consent of the insured. If the insured has not given up this right (for a reduction of premium), the insured can require the insurer to defend the claim and prove in court that they are not liable. (They may want to protect their reputation as a professional in the field.)

## **Cyber Liability and Data Breach**

The ISO has recently introduced a new line of insurance that covers cyber risks, called the Internet Liability and Network Protection Policy. The policy includes 5 separate agreements listed below:

1. **Website publishing liability** — provides coverage against Internet-related publishing perils, including libel, and copyright, trademark, or service mark infringement;
2. **Network security liability** — protects the policyowner against claims for failing to maintain the security of a computer system;
3. **Replacement or restoration of electronic data** — covers the cost of replacing or restoring data lost due to a virus, malicious instruction, or denial-of-service attack;
4. **Cyber extortion** — covers expenses, including ransom payments, incurred from extortion threats; and
5. **Business income and extra expense** — provides coverage for expenses incurred as a result of an extortion threat or e-commerce incident.

Each agreement offers its own aggregate limit of coverage, subject to an overall policy limit. Defense expenses are included within the policy limits. All coverage is written on a claims-made basis, and allows the additional of endorsements for worldwide protection.



## E. Other Policies

### Mobile Homes

The **mobilehome endorsement** alters the homeowners policy to cover a mobilehome and other structures on land owned or leased by the resident of the mobilehome. The limit of liability for Coverage B (other structures) is changed to \$2,000 or 10% of the Coverage A limit, whichever is greater. This does not reduce the Coverage A limit.

The additional coverage of property removed is changed to add up to \$500 for reasonable expenses incurred in the removal and return of the mobilehome when it is necessary to avoid damage or endangered by a peril insured against. The additional coverage of ordinance or law is removed.

To be eligible, the mobile home must be designed for year-round living and must meet certain size requirements.

The coverage structure of the **Mobile Homeowners Policy** follows the structure of the Homeowners policy:

- Coverage A – States the limit of liability for damage to the mobile home;
- Coverage B – Other covered structures;
- Coverage C – Personal property of the insured\*
- Coverage D – Loss of use coverage;
- Coverage E – Personal Liability;
- Coverage F – Medical Payments to Others.

\* Note: Unlike the HO forms, the Mobile Homeowners Policy provides 40% of Coverage A. Items included in the unit (at the time of sale) are classified as Coverage A property.

The mobile homeowners policy changes the language for the **Additional Coverage Property Removed**. The policy will pay up to \$500 if the insured moves the mobile home to a safer area to protect it from loss by a covered peril. If the insured wishes to move the mobile home in a situation in which it is not threatened by an insured peril, they must contact the insurer and obtain, for additional premium, a **Transportation/Permission to Move Endorsement**. This endorsement adds the perils of collision, upset, and stranding and sinking to the perils insured against in the policy. Coverage under this endorsement



applies for a period of 30 days anywhere in continental United States or Canada. The mobile homeowners policy endorsement deletes the additional coverage for Ordinance or Law.

## **Watercraft**

Like many other policy forms, the Watercraft policy form starts with agreement and definitions, and is further divided into the following sections:

- Part A – Liability Coverage;
- Part B – Medical Payments Coverage;
- Part C (*not currently used*);
- Part D – Coverage for Damage to Your Watercraft;
- Part E – Your Duties after Accident or Loss; and
- Part F – General Provisions.

## **Definitions**

Some of the terms and definitions unique to the watercraft policy are as follows:

**Personal watercraft** – a recreational watercraft powered by an inboard motor, capable of carrying one or more persons in a sitting, standing, or kneeling position.

**Nonowned watercraft** – any watercraft, including its motor and watercraft trailer, which is not owned or available for regular use by the insured.

**Outboard motor** means any motor designed to be attached to a watercraft, including fuel tanks and electric starting equipment or controls necessary for the operation of the motor.

**Watercraft trailer** means a vehicle that is designed to be pulled by a private passenger auto, pickup or van, and transport a watercraft on land.

**Boating equipment** means accessories and other equipment (other than outboard motors) that are owned by the insured, integral to the operation and maintenance of the watercraft, and are in or upon the covered watercraft.

**Covered watercraft** – any watercraft, outboard motor, and watercraft trailer shown in the Declarations, and newly acquired property.



A watercraft, outboard motor, or watercraft trailer will be deemed to be owned by a person if leased under a written agreement to that person, and for a continuous period of at least 6 months.

## Part A – Liability Coverage

**Part A – Liability Coverage** will pay for damages for bodily injury or property damage for which any insured becomes legally liable because of a watercraft accident. As deemed appropriate, the insurer will settle or defend any claim or suit asking for these damages. In addition to the limit of liability shown in the Declarations, the insurer will pay all defense costs they incur.

Liability coverage supplementary payments are as follows, and will not reduce the limit of liability:

- Up to 10% of the limit of liability for Part A;
- Up to \$250 for the cost of bail bonds required because of an accident;
- Premiums on appeal bonds;
- Interest accruing after a judgment is entered in the suit;
- Up to \$200 a day for loss of earnings (but not other income) because of attendance at hearings or trials at the insurer's request; and
- Other reasonable expenses.

## Exclusions

Some of the main **exclusions** to liability coverage are listed below:

- Intentional bodily injury or property damage;
- Property damage to property rented to, used by, or in the care of the insured;
- Bodily injury to a person who is entitled to benefits under the Jones Act, workers compensation benefits, or Federal Longshore and Harbor Workers Compensation benefits;
- Insured's liability for a watercraft while it is being rented to others, used as a public or livery conveyance, or hired for charter;
- Losses incurred while the insured is employed or engaged in the business of selling, repairing, servicing, storing, or docking watercraft;
- Using a watercraft without a reasonable belief that the insured is entitled to do so;
- Bodily injury or property damage for an insured under a nuclear energy liability policy; and





- Watercraft that is being operated in any prearranged or organized race, stunt activity, or other speed competition.

## Part B – Medical Payments Coverage

**Part B – Medical Payments Coverage** covers expenses incurred for necessary medical and funeral services sustained by an insured. The policy will only pay for services rendered within 3 years from the date of the accident.

Part B exclusions are similar to those listed in Part A. The main distinction is that bodily injuries sustained while occupying a personal watercraft will not be covered.

## Part D – Coverage for Damage to Your Watercraft

**Part D – Coverage for Damage to Your Watercraft** pays for direct and accidental loss of the covered watercraft and boating equipment minus any applicable deductible shown in the Declarations. If loss to more than one item of covered property results from the same loss, only one deductible will apply.

The **limit of liability** for Part D will be the **lesser** of

- Amount shown in the Declarations;
- Actual cash value of the stolen or damaged property; or
- Amount necessary to repair or replace the property.

The insurer will make an adjustment for depreciation and physical condition in determining actual cash value in the event of a total loss.

## Additional Coverages

This policy section also provides the following **additional coverages**:

- **Salvage expense coverage** – up to 25% of the Part D limit of liability. This coverage is additional insurance without a deductible.
- **Towing and assistance expense coverage** – if the watercraft becomes disabled, the insurer will pay reasonable expenses for
  - Towing it to the nearest repair place;
  - Delivery of gas, oil, or repair parts at the site of disablement;
  - Watercraft trailer roadside repair; and
  - The limit of coverage is \$500 for any one disablement, subject to a maximum of \$1,000 for any one policy period.

- **Personal effects coverage** – the insurer pays for direct and accidental loss to personal effects owned by the insured or the insured's guests (at insured's request). Personal effects include cameras, cell phones, clothing, fishing equipment, water skiing and other sporting equipment. It does not include, however, animals, jewelry, money, watches, or permanently attached equipment. This coverage is limited to \$500. It is additional insurance with no deductible.

## Part E – Duties after an Accident or Loss

Duties of the insured after accident or loss under the watercraft policy form are similar to any other policy form, and can be summarized as follows:

- Promptly notify the insurer of how, when, and where the accident or loss occurred;
- Cooperate with the insurer and provide any documentation as requested;
- Take reasonable steps after loss to protect the damaged property from further loss;
- Promptly notify the police, Coast Guard, or other authorities if covered property is stolen; and
- Permit the insurer to inspect and appraise the damaged property before its repair or disposal.

## Part F – General Provisions

The following general provisions apply to watercraft policies. Most of these provisions have already been discussed in other types of property and liability coverages:

- **Abandonment;**
- **Bankruptcy;**
- **Changes;**
- **Financial responsibility** – when the policy is certified as future proof of financial responsibility, it must comply with the law to the extent required;
- **Fraud;**
- **Lay-up period** – insurer will not provide coverage while a watercraft is operated during the lay-up period, or not stored in the lay-up location;
- **Legal action against insurer;**

- **Loss payable clause;**
- **Insurer's right to recover payment;**
- **Out of state coverage;**
- **Policy period;**
- **Policy territory** – coverage only applies to accidents and losses that occur within the Custom Policy Territory shown in the Declarations, or if not specified, coverage applies on land, in inland waters, in coastal waters within 12 miles of the shoreline, or in the Great Lakes within U.S., its territories or possessions, Puerto Rico, or Canada;
- **Termination** (including cancellation, nonrenewal, automatic termination, and other termination provisions);
- **Transfer of insured's interest in this policy;** and
- **Two or more watercraft policies.**

## Windstorm

Most standard homeowner policies will cover wind damage from minor natural events. This does not usually apply, however, to areas that are considered high risk, such as coastal regions, which are susceptible to hurricanes, and inland areas that are at risk from tornadoes. In these high-risk areas, certain windstorm coverage is removed from the homeowner policy and homeowners are either required or encouraged to purchase a separate windstorm policy.

The terms *wind* and *windstorm* have specific definitions that will make it easier to understand the coverages provided by homeowner and windstorm policies. **Wind** is defined as a natural and perceptible movement of air parallel to or along the ground. A **windstorm** is defined as a storm with high winds or violent gusts but with little or no rain. Wind and windstorm may be different causes of loss, so even though a homeowner policy covers wind damage, it may not cover damage from a windstorm.

Private insurance companies sell specialty coverage such as "wind and hail" or "windstorm" policies, but in states where there are no offerings from private insurers, state-sponsored insurance pools provide windstorm insurance for these areas. Windstorm policies are written with different classifications that are tied to "trigger" events.



Examples of these trigger events include

- A hurricane or tornado watch issued by the National Hurricane Center or National Weather Service;
- Sustained winds of 74 or more miles per hour; and
- A specific, declared geographic location.

## **Earthquake**

An **earthquake** is defined as a trembling or shaking of the earth that is volcanic or seismic in origin, often resulting in severe damage. It is a peril excluded by most standard property forms. Coverage for the peril of earthquake may be **added by endorsement** to most property policies, or coverage may be written in a Difference in Conditions Policy