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**Addendum: for use with Virginia Personal Lines online ExamFX course and study guide version # 25734en, per exam content outline updates effective 3/1/2022.**

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*The following are **content additions** to supplement your existing text unless otherwise indicated:*

## **Property and Casualty Insurance Basics**

### **Binders**

Whether issued in writing or orally, binders – temporary agreements to provide coverage until a contract can be issued – cannot be issued for longer than 60 days.

Binders must include all the usual terms of the policy as to which the binder was given, together with any applicable endorsements as are designated in the binder.

### **Dwelling Policy**

#### **Selected Endorsements**

##### **Automatic Increase in Insurance**

**Automatic increase in insurance** is an endorsement that may be added to a dwelling policy to increase the amount of insurance by an annual percentage to offset the effects of inflation. This endorsement requires additional premium.

##### **Broad Theft Coverage**

The only theft coverage provided in any dwelling policy forms is theft of property that is a part of the building under the special form.

There are no policy forms that cover theft of personal property. However, broad theft coverage can be added by endorsement if the insured is the owner-occupant of the dwelling.

The endorsement will cover personal property owned by the insured or a resident of the insured's household caused by theft or attempted theft, or for vandalism or malicious mischief that results from theft or attempted theft. There is no coverage if the premises have been **vacant for more than 60 consecutive days** prior to the loss.

The broad theft endorsement can provide both on-premises and off-premises coverage. Off-premises coverage can be insured only if on-premises coverage is written. A separate limit of liability will be shown on the declarations page for both coverages.

On-premises coverage insures loss of property that is owned or used by the insured or a resident employee at the premises described in the policy. It also extends to property placed for safekeeping in a bank, trust, or safe-deposit company, a public warehouse, or an occupied dwelling not owned, occupied, or rented by the insured.

Off-premises coverage provides protection for property that is either owned or used by the insured, or owned by a resident-employee (while in a dwelling occupied by an insured or while in the employ of the insured), when it is away from the described premises.

There is **no off-premises coverage** for property at a newly acquired principal residence. However, the on-premises limit will apply automatically for 30 days, including while the property is in transit to the new location.

Certain types of property are covered only for specific amounts. If the insured requires higher limits for these items, additional coverage may be purchased. The categories of property with these special sub-limits are as follows:

For **Dwelling ('14) Policy**, the following coverage limits apply:

- \$200 for money, bank notes, bullion, gold, silver (excluding goldware and silverware), platinum, coins, and other metals;
- \$1,500 for securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, passports, tickets, and stamps;
- \$1,500 for watercraft and their trailers, furnishings, equipment, and outboard motors;
- \$1,500 for other trailers;
- \$1,500 for jewelry, watches, furs, and precious and semiprecious stones;
- \$2,500 for firearms and related equipment; and
- \$2,500 for silver and silver-plated ware, gold and gold-plated ware, and pewterware, including flatware, hollowware, tea sets, trays, and trophies.

In addition to the special limits, certain types of property are specifically excluded from coverage. The following are the types of property not covered by the broad theft endorsement:

- Animals, birds, or fish;
- Credit cards and fund transfer cards;
- Aircraft, hovercraft, and their parts (except model or hobby aircraft);
- Property while in the mail;
- Property held as a sample or for sale;
- Property specifically described and insured by any other insurance;
- Property of tenants, roomers, and boarders (other than relatives);
- Business property of the insured or resident employee;
- Property in the custody of a laundry, cleaner, tailor, presser, or dryer, except loss by burglary or robbery;
- Property at any other location owned, rented, or occupied by the insured, except if the insured is temporarily residing there;
- Motor vehicles (other than motorized vehicles used to service the premises that are not subject to motor vehicle registration, and vehicles designed to assist the handicapped); and
- Motor vehicle equipment and accessories, including sound receiving, transmitting or recording devices, while in the vehicle.

## Dwelling Under Construction

**Dwellings under construction** are eligible for coverage. However, due to the unique nature of these risks, an endorsement is required to modify some of the policy provisions. The limit of liability for a dwelling under construction is provisional, and is based on the completed value of the structure. At the time of loss, the applicable limit is a percentage of the provisional limit, based on the proportion of actual cash value of the property at the time of loss. Premium is based on an average amount of insurance during construction.

## Homeowners Policy

### H. Section I - Conditions (Property)

#### Provisions for Certain Risks

Homeowners policies that provide for the payment of the full replacement cost of the insured property must permit the insured to file a claim for the actual cash value of the property without impacting their right to file a claim for the difference between the actual cash value and the full replacement cost unless a claim for full replacement cost has been previously resolved.

Any claim for such difference must be made within 6 months of the last date on which the insured received a payment for actual cash value or the date of entry of a final order of a court of competent jurisdiction declaratory of the right of the insured to full replacement cost, whichever occurs last.

#### Selected Endorsements – *new section on outline*

#### Personal Property Replacement Cost

**Personal property replacement cost endorsement** changes the actual cash value settlement on personal property, household appliances, carpeting, awnings and outdoor equipment to a replacement cost basis. Certain types of property will not benefit from this coverage, such as fine arts, antiques, memorabilia, articles that are not in good working order, and items that are stored and have become outdated or obsolete.

There is no requirement that the personal property be insured to 80% of replacement cost at the time of loss. However, some insurers require that the amount of Coverage C be increased to 70% of Coverage A amount when this endorsement is purchased.

#### Scheduled Personal Property Endorsement

If the insured requires higher limits for certain types of property, the scheduled personal property endorsement may be used to schedule individually described items or classes of items on a blanket basis. This endorsement typically provides open peril or special form coverage on listed items. The endorsement provides for the scheduling of 9 different classes of property:

- Jewelry;
- Furs;

- Cameras;
- Musical instruments;
- Silverware;
- Golfer's equipment;
- Fine arts (including porcelains and glassware);
- Postage stamps; and
- Rare and current coins.
- Newly acquired jewelry, furs, cameras, and musical instruments are covered up to the lesser of the following limits:
  - 25% of the amount of insurance for that class of property; or
  - \$10,000.

The new property must be reported within 30 days of acquisition, and the insured may be required to pay the additional premium from that date. For coverage to apply to fine arts, the report of acquisition must be provided within 90 days.

Insured perils: this endorsement insures against direct physical loss to property caused by any of the following perils:

- Wear and tear;
- Insects or vermin;
- War;
- Nuclear hazard;
- If fine arts are covered – breakage caused by fire or lightning, windstorm, earthquake or flood, explosions, and malicious damage or theft; or
- If postage stamps are covered – fading, creasing, denting or scratching, transfer of colors, and disappearance.

The following are additional benefits and features of the scheduled personal property endorsement:

- The Coverage C limits no longer apply for the property scheduled on this endorsement;
- Insured locations: scheduled personal property endorsement covers eligible property worldwide;
- Fine arts and antiques can be covered on an other than ACV basis;
- The special limits of liability no longer apply to items or classes or property scheduled; and
- No deductible will apply to a covered property loss.

## Earthquake Endorsement

**Earth movement (earthquake)** is excluded in all property policies, but usually can be purchased separately for an additional premium. The coverage can be purchased to cover the dwelling, other structures, and/or personal property. Rates generally are determined by the type of construction that determines the dwelling's vulnerability to earthquake losses. Frame buildings are less susceptible to severe damage than masonry veneer buildings. Therefore, they have lower rates for this coverage.

Earthquake coverage provided by endorsement in a homeowners form considers one or more earthquake shocks occurring within a **72-hour period** as a single earthquake.

The **deductible** under earthquake coverage is stated as a percentage of loss; however, it cannot be less than a specified minimum dollar amount (for example, \$500 in HO '11 ISO form). The deductible applies separately to buildings, other structures, personal property, and loss of use.

Masonry veneer structures are not covered by an endorsement issued for a frame dwelling. A separate endorsement is available for this type of construction.

## Permitted Incidental Occupancies Endorsement

Although certain types of incidental businesses, such as an office or studio, are permitted for eligibility, a separate **permitted incidental occupancies endorsement** must be attached to cover other structures used for business activity, remove the special limit of liability for business property and the personal liability and medical payments coverage. The limitations are eliminated only for the business described in the endorsement.

## Home Daycare Endorsement

If the insured operates a home day care business out of the insured residence, the **home day care coverage endorsement** may be attached to the policy to cover the liability exposure associated with the business. Coverage excludes loss or damage that results from sexual molestation, corporal punishment, physical or mental abuse, or draft and saddle animals – including vehicles used with such animals, motor vehicles, aircraft, or watercraft. The premium is based on the number of children kept in the home.

## Personal Injury Endorsement

**Personal injury coverage**, including injuries that result from false arrest, libel, slander, defamation of character, and invasion of privacy, may be added by endorsement.

## Watercraft Liability Endorsement

**Watercraft** endorsement provides liability protection for bodily injury or property damage caused by the ownership or use of watercraft (excluding when used to carry persons for a fee or when rented to others).

## Business Pursuits Endorsement

**Business pursuits** is an endorsement that allows an insured to extend the Section II liability coverage to certain business pursuits that occur away from the premises. It covers the activities of the insured, but will not cover the liability of a business owned by an insured.