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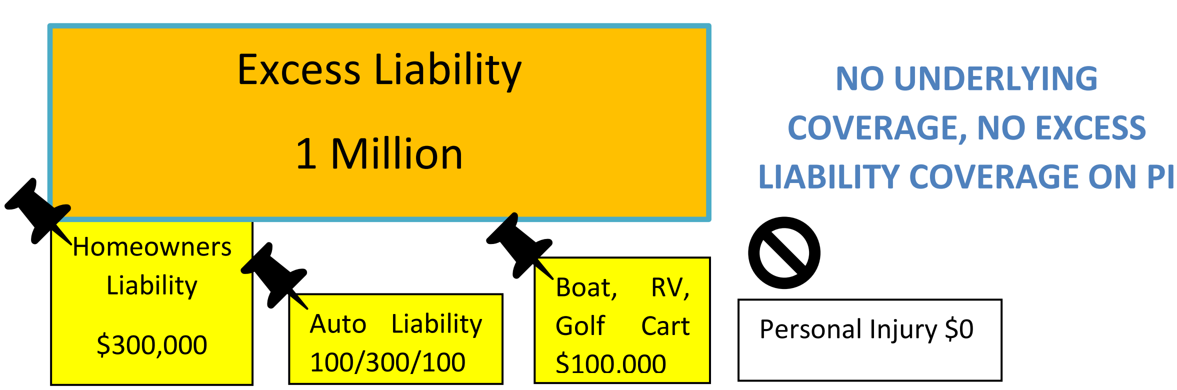
1) Excess Liability Coverage vs. Personal Umbrella Liability Coverage

A) An Excess Liability Policy offers coverage over and above the limits of an underlying personal insurance policy. The common limit is $1,000,000. The common underlying limits are 100/300/100 for car policies and $100,000 for homeowners policies.

If the loss is covered under the underlying policy, then this **excess** policy is "triggered" when the underlying limits have been exhausted. If the loss is not covered under the underlying policy, then there is no coverage. ***A straight excess policy tracks the primary insurance policy in all respects such as coverage, conditions, definitions, exclusions, etc***.

Example: John rents a large van to move his furniture to a new house. He runs into a car causing $400,000 in injuries and damage. His auto policy does not cover vans of the size he was driving, and he did not purchase the optional insurance offered by the rental store. Therefore, he has no coverage under this excess policy.

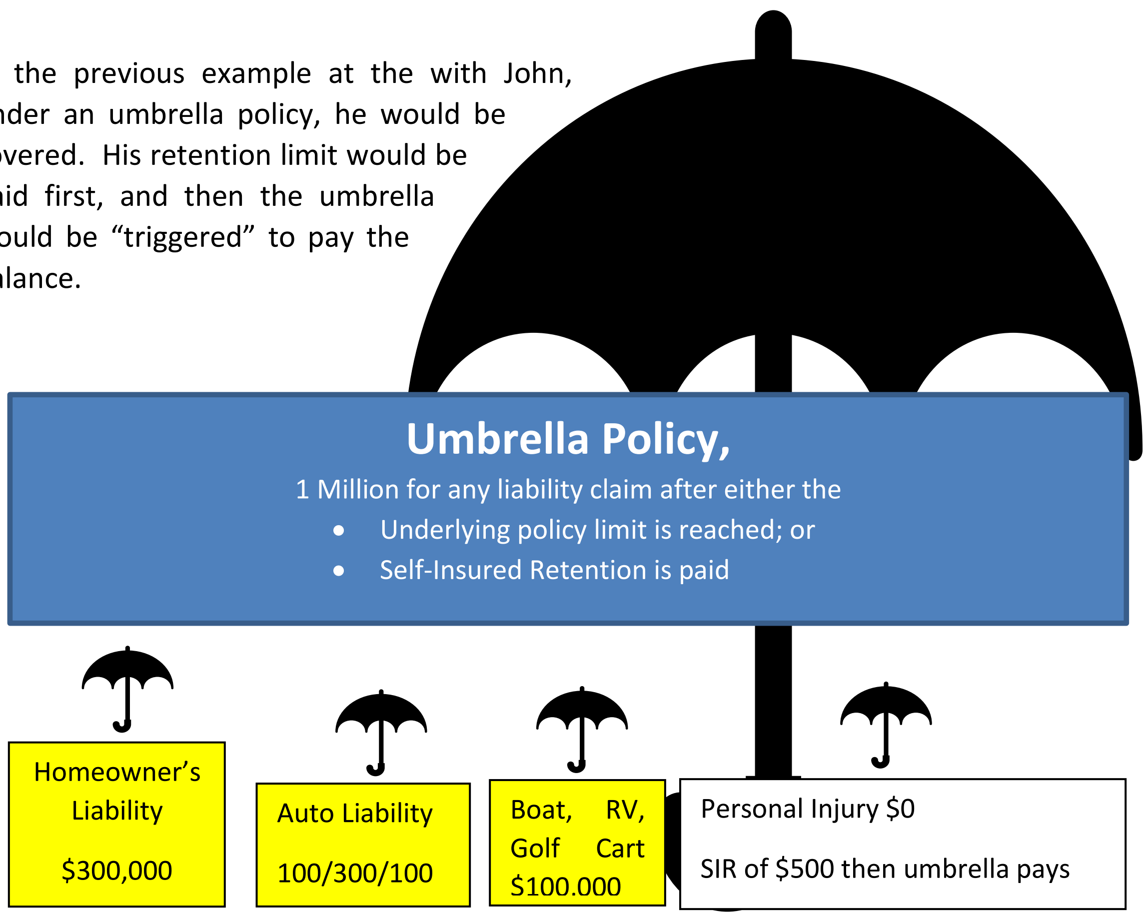


B) A Personal Umbrella Policy gives an individual greater protection against liability than that afforded by their homeowners or auto policy. Umbrella liability policies offer higher limits, usually $1,000,000 or higher, as well as expanded coverage. At the time of purchase the insured must identify any underlying liability coverage he has. The umbrella is coverage over and above those underlying limits.

Self-Insured Retention… If an umbrella policy provides coverage for circumstances that are excluded by an underlying policy (such as Personal Injury under a Homeowners), the insured pays a selected **retention limit**, typically between $250 and $10,000, ***which acts like a deductible, and the insurance company pays the loss over that amount.***

Example: Harriet is ordered to pay $250,000 to a man permanently injured when her dog crashed through her screened-in porch as the man approached the house to make a delivery. Her homeowner's policy will pay the underlying limit of $100,000. The balance of $150,000 will be paid by the umbrella policy.

In the previous example at the with John, under an umbrella policy, he would be covered. His retention limit would be paid first, and then the umbrella would be "triggered" to pay the balance.



C) Duty to Defend
A supplemental coverage at no additional charge, the liability policy includes the duty to defend. It is the obligation of the insurance company to provide an insured with defense made to claims arising under a policy. It covers all legal costs relating to a lawsuit against covered items in the policy, this does not infer the obligation to pay. Duty to defend ends when the company has paid out the limit of the policy through judgements or settlements.

2) Mobile Home Coverage – (formerly HO7)
(also known as manufactured homes) coverage and sections are the **SAME AS** most regular Homeowner's forms.

Section I covers property:

Coverage "A" is the dwelling, Coverage "B" is other structures (porch or carport), coverage "C" is for the personal property of the insured, and Coverage 'D' is loss of use.

Section II covers liability

There are two major differences: the personal property coverage (coverage C) and how losses are settled for the dwelling or mobile home.

For example, should a windstorm blow the roof off your mobile home, coverage "A" Dwelling would pay for the damage, minus a deductible. Should a neighbor fall and break an arm when entering your mobile home, Section II Liability would pay for the injury.

Coverage:

- Coverage A - States the limit for damage to the mobile home
- Coverage B - Other Structure coverage (10% of Coverage A limit)
- Coverage C - **Personal Property of the insured (*40% of Coverage A limit*)**

  (Note the difference: Unlike the HO forms that provide 50% of the Coverage A limit for personal property coverage, ***the Mobile Home policy provides 40% of Coverage A limit extended for personal property coverage)***. This is because appliances, furniture, etc., that come from the manufacturer and everything that comes in the unit from the dealer at the time of purchase is classified as Coverage A, Structure and not Coverage C, Personal Property.

- Coverage D - Loss of Use coverage
- Coverage E - Personal Liability
- Coverage F - Medical Payments

Mobile Home Policies and Homeowner's Policies:

Since mobile homes depreciate rapidly, property losses are settled on an ***actual cash value basis***. Keep in mind that a Homeowner policy property loss is settled on a replacement cost basis. You can have this policy endorsed at replacement cost.

HO forms that provide Coverage A cover 50% of that limit for personal property coverage. The Mobile Home policy provides 40% of the Coverage A limit extended for personal property coverage. Mobile homes have the appliances built in and the appliances are covered under Coverage A, an HO2, 3, 5, and 8 all have the appliances listed on Coverage C – Personal Property.

The mobile home policy is nearly identical to a homeowner's policy in coverage, conditions, perils insured against, perils excluded, and property excluded.

The fact that a mobile home IS mobile adds an interesting twist to a standard HO policy as well as potential endorsements:

Property preservation in a standard HO policy changes to include removal of the mobile home to a safer location when necessary to avoid damage from an insured against peril but limits the extra expenses to $500.

If there is no endangering peril the homeowner must contact the insurer and ask for a Transportation / Permission to Move endorsement. This adds the perils of collision, upset, stranding, and sinking to the covered perils for 30 days.

3) Differences in Conditions Policy: Purpose

A Differences in Conditions policy is designed to increase the covered perils. According to International Risk Management Institute, Inc (IRMI), there are 4 differing definitions:

1. A policy designed to broaden coverage by providing additional limits of coverage for specific perils.
2. An all risk policy designed to be purchased in addition to an existing policy.
3. An endorsement to fill gaps in an existing policy.
4. A policy designed to fill gaps between policies.

This is comparable to the umbrella policy in how it pays out. The underlying policy is primary and the Differences in Conditions policy is excess. If there is no underlying coverage, this is primary. The umbrella policy deals with liability or third party coverage, while the Differences in Conditions policy covers property of the first party.

4) National Flood Insurance Program (www.fema.gov/nfip) is managed and subsidized by the Federal Insurance Administration (FIA) which is a branch of the Federal Emergency Management Agency (FEMA). Coverage becomes effective 30 days after application is made (no waiting period on new loans or refinanced loans). Flood coverage is required by the mortgagee (a.k.a. lien holder) when it has a lien on property which is in a flood zone.

Anyone may obtain this coverage, even if they are not in a flood zone, as long as the property is in a participating community. If the community agrees to adopt flood control measures and land use regulations, the community may apply for participation.

All Washington state licensed insurance producers who sell federal flood insurance policies must comply with the minimum training requirements of the Flood Insurance Reform Act of 2004 and basic flood education.

Three hours of continuing education credits can be earned by producers who complete this required training. Go to: www.slaterinsuranceschool.com for more information on this online training course.

Licensed insurers must demonstrate to the Commissioner, upon request, that their licensed and appointed agents who sell federal flood insurance policies have complied with the minimum federal flood insurance training requirements.

Flood refers to a temporary, partial, or complete inundation of normally dry land areas by an overflow of inland or tidal waters or spray from any of these, whether driven by wind or not. Flood also includes unusual and rapid accumulation or runoff of surface water, and collapse of land as a result of erosion by flood.

Flood insurance is a single peril policy and covers losses to property (NOT THE LAND) caused by flooding. Flood coverage includes structural damage; furnace, water heater and air conditioner; flood debris clean up, and surface clean-up for carpeting and tile.

Maximum coverage under the regular program: Single Family Dwelling is $250,000 (loss valuation is on a Replacement Cost basis) and Personal Property is $100,000 (loss valuation is on an Actual Cash Value basis).

5) Earthquake Coverage Endorsement may be endorsed with any of the forms and covers damage caused by earthquake. The deductible is usually 10%. The 10 % is of the amount of coverage. So, a home with a replacement cost of $200,000 would have an earthquake deductible of $20,000.

The insured may insure the dwelling only or may cover both the dwelling and personal property. The deductible applies to the dwelling and personal property separately. All earthquakes that occur within any 72-hour period will be considered the same earthquake and subject to only one deductible.

The sale of earthquake insurance will be suspended by an insurance company following an earthquake. The reason for this is that some people might wait for a small earthquake then rush to purchase coverage, thinking that a bigger quake is about to occur.