

Introduction to the Dwelling Fire Policy

Dwelling Fire Policy

The Dwelling Fire Policy covers the dwelling and/or personal property of eligible homeowners, renters and condo unit owners.

In this module, we will provide an overview of the Dwelling Fire Policy product including:

- 1 An understanding of the types of property and types of occupancy covered by the Dwelling Policy.
- 2 An overview of the perils insured against in the Dwelling Policy including optional perils and perils not covered.
- 3 A review of available coverages including optional coverages as well as availability to customize the coverages and perils based on customer need and affordability.
- 4 An introduction to Difference in Conditions (DIC) policies to close the gap in coverage.
- 5 An understanding of special risk definitions and requirements.

Dwelling Policy Occupancies

The FAIR Plan Dwelling Fire Policy insures homeowners, renters and condo unit owners against loss from a number of named perils. The tabs below outline the coverages available to each of these types of policyholders. Click through each tab to learn more.

DWELLING POLICY

DWELLING RENTERS

DWELLING CONDOMINIUM

The Dwelling policy covers an individually owned one- to four-family unit dwelling with no more than five roomers or boarders in total. This can include trailer homes, mobile/manufactured homes, or floating homes used exclusively for dwelling purposes at a fixed location (meaning that these structures are not intended to be relocated). The policy covers the **dwelling** and the **personal property** of the property owner and family members residing with the owner.

Personal Property coverage must be purchased in an amount selected by the insured, as it is not automatically included in the policy.



DWELLING POLICY

DWELLING RENTERS

DWELLING CONDOMINIUM

The building owner is responsible for securing insurance for the structure of a rental property. The renters policy covers the **personal property** for someone renting the property, for which the landlord would not be responsible.



DWELLING POLICY

DWELLING RENTERS

DWELLING CONDOMINIUM

Dwelling Condominium coverage extends to **Personal Property** and **Improvements, Alterations, and Additions** (if requested). Improvements, Alterations, and Additions refer to changes made by the insured after the time of purchase to anything inside the walls of a condo unit (e.g. new flooring or cabinets, wall coverings, wall coverings such as paint or wallpaper, crown molding, etc.). Condo association bylaws typically state that the insured is responsible for Improvements, Alterations, and Additions. The Dwelling Policy provides coverage for these items for which the insured is responsible.



Dwelling Occupancy

It is important to understand the various types of **dwelling occupancy**. A dwelling is typically considered a property that is used as a home or residence. Occupancy refers to the manner in which the property is being used as a dwelling, such as whether the property is occupied by the owner or tenants, is used as a seasonal home or short term rental, or is held vacant. Click each of the icons to learn more about the types of occupancies that are eligible for coverage under a FAIR Plan Dwelling Fire Policy. Please note these are all subject to underwriting guidelines.

Owner-Occupied

Owner occupancy is defined as a building in which at least one unit is occupied by the owner.

As an example, in a four-unit building, if three units are occupied by tenants and one unit is occupied by the owner, then the building is considered **owner-occupied**.

Additional notes:

- One- to four-unit dwellings must be under one roof.

Tenant-Occupied

Tenant occupancy is defined as a building in which every unit is occupied by tenants.

Such properties that are rented for a term of less than one year are considered short term rentals, not tenant-occupied.

Vacant

A **vacant dwelling** may include one- to four-family unit dwellings including mobile/manufactured homes or floating homes under certain limited circumstances. At the time of application, the property must meet the following requirements:

- is in good condition
- is secured against trespass with all doors and windows locked
- has no broken windows
- is not boarded up

Seasonal Occupancy

Seasonal occupancy is defined as a building that is typically occupied less than three months a year.

Short Term Rental




A **short term rental** is a one- to four-family unit dwelling that is rented in part or in whole for a term of less than one year (e.g. Airbnb, room rented out to guests, etc.).

Perils Insured Against

Perils Insured Against

The FAIR Plan Dwelling Fire Policy is a **named peril policy**, which provides coverage only for damage caused by the specific causes of loss listed in the policy.

The three named perils included in the Dwelling Policy are illustrated below. Click to flip each card to learn more.

<h3>Fire or Lightning</h3> 	<h3>Internal Explosion</h3> <p>Internal Explosion means an explosion that takes place inside the covered dwelling or other covered structure on the Described Location. This could</p> 	<h3>Smoke Damage</h3> <p>Smoke Damage means sudden and accidental direct physical loss from smoke (including airborne, windborne, or wind-driven combustion by-products or particulates such</p> 
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Extended Coverages

Six additional perils comprise the Extended Coverages, which must be specifically purchased to be added to the policy. The excerpt below from a sample Declarations page illustrates the peril options that may be purchased, including the Extended Coverages.

COVERAGES AND PERILS INSURED AGAINST				
SELECTED COVERAGES		LIMITS	PERILS INSURED AGAINST	PREMIUM
<input checked="" type="checkbox"/>	A - Dwelling	\$ 1,067,000	<input checked="" type="checkbox"/> Fire or Lightning, Internal Explosion and Smoke Damage	\$ 2,936
<input checked="" type="checkbox"/>	B - Other Structures <i>see reverse</i>	\$ 80,000		
<input checked="" type="checkbox"/>	C - Personal Property	\$ 233,000	<input checked="" type="checkbox"/> Extended Coverages	\$ 95
<input type="checkbox"/>	D - Fair Rental Value	\$ 0	<input checked="" type="checkbox"/> Vandalism or Malicious Mischief	\$ 54
<input checked="" type="checkbox"/>	Ordinance or Law Coverage	\$ 80,000		
<input checked="" type="checkbox"/>	Debris Removal	\$ 40,000		
<input checked="" type="checkbox"/>				
Total Annual Premium				\$ 3,085

Click to flip the cards below to learn more about the perils included in the Extended Coverages.

Windstorm or Hail



Explosion

This peril is distinct from and replaces Internal Explosion.

Explosion refers to an explosion which occurs inside or outside a covered structure.



Riot or Civil Commotion



Aircraft Collisions

This peril refers to aircraft colliding with covered property.

This peril does not extend coverage to the aircraft.



Vehicle Collisions

This peril refers to vehicles colliding with covered property.

This peril does not extend coverage to a vehicle.



Volcanic Eruption



Vandalism or Malicious Mischief

The final peril, which must be specifically purchased to be added to the policy, is the Vandalism or Malicious Mischief peril. Note this is a single peril and one component cannot be purchased separately from the other. Additionally, Extended Coverages (as reviewed above) must be purchased in order to purchase the Vandalism or Malicious Mischief peril.

The excerpt below from a sample Declarations page illustrates the peril options that may be purchased, including Vandalism or Malicious Mischief.

COVERAGES AND PERILS INSURED AGAINST				
SELECTED COVERAGES		LIMITS	PERILS INSURED AGAINST	PREMIUM
<input checked="" type="checkbox"/>	A - Dwelling	\$ 1,067,000	<input checked="" type="checkbox"/> Fire or Lightning, Internal Explosion and Smoke Damage	\$ 2,936
<input checked="" type="checkbox"/>	B - Other Structures <i>see reverse</i>	\$ 80,000		
<input checked="" type="checkbox"/>	C - Personal Property	\$ 233,000	<input checked="" type="checkbox"/> Extended Coverages	\$ 95
<input type="checkbox"/>	D - Fair Rental Value	\$ 0	<input checked="" type="checkbox"/> Vandalism or Malicious Mischief	\$ 54
<input checked="" type="checkbox"/>	Ordinance or Law Coverage	\$ 80,000		
<input checked="" type="checkbox"/>	Debris Removal	\$ 40,000		
			Total Annual Premium	\$ 3,085

Generally speaking, vandalism refers to damage that is intentionally caused to the property of another party. An example of vandalism could be painting graffiti or breaking windows. Malicious mischief is a related term, but the damage that results from such activity may not be intended. An example could be eggs thrown at a house, even if the person throwing the eggs did not mean to cause damage.



Coverage for Vandalism or Malicious Mischief is excluded if a property is vacant or unoccupied for 30 consecutive days, even if Vandalism or Malicious Mischief coverage was purchased. A dwelling being constructed is considered vacant if it is not yet furnished as minimally necessary for human habitation. A dwelling is considered unoccupied if there is no person lawfully residing in it. Property owners seeking Vandalism or Malicious Mischief coverage for a vacant or unoccupied property will need to purchase a vacancy permit.

Coverages & Coverage Options

Who is covered under the Dwelling Fire Policy?



The policy covers the "named insured" and spouse, if the spouse is a resident of the household. The "named insured" is the policyholder, or the party listed in the Declarations as the "named insured." As a reminder, the named Insured must have an Insurable Interest in the property.

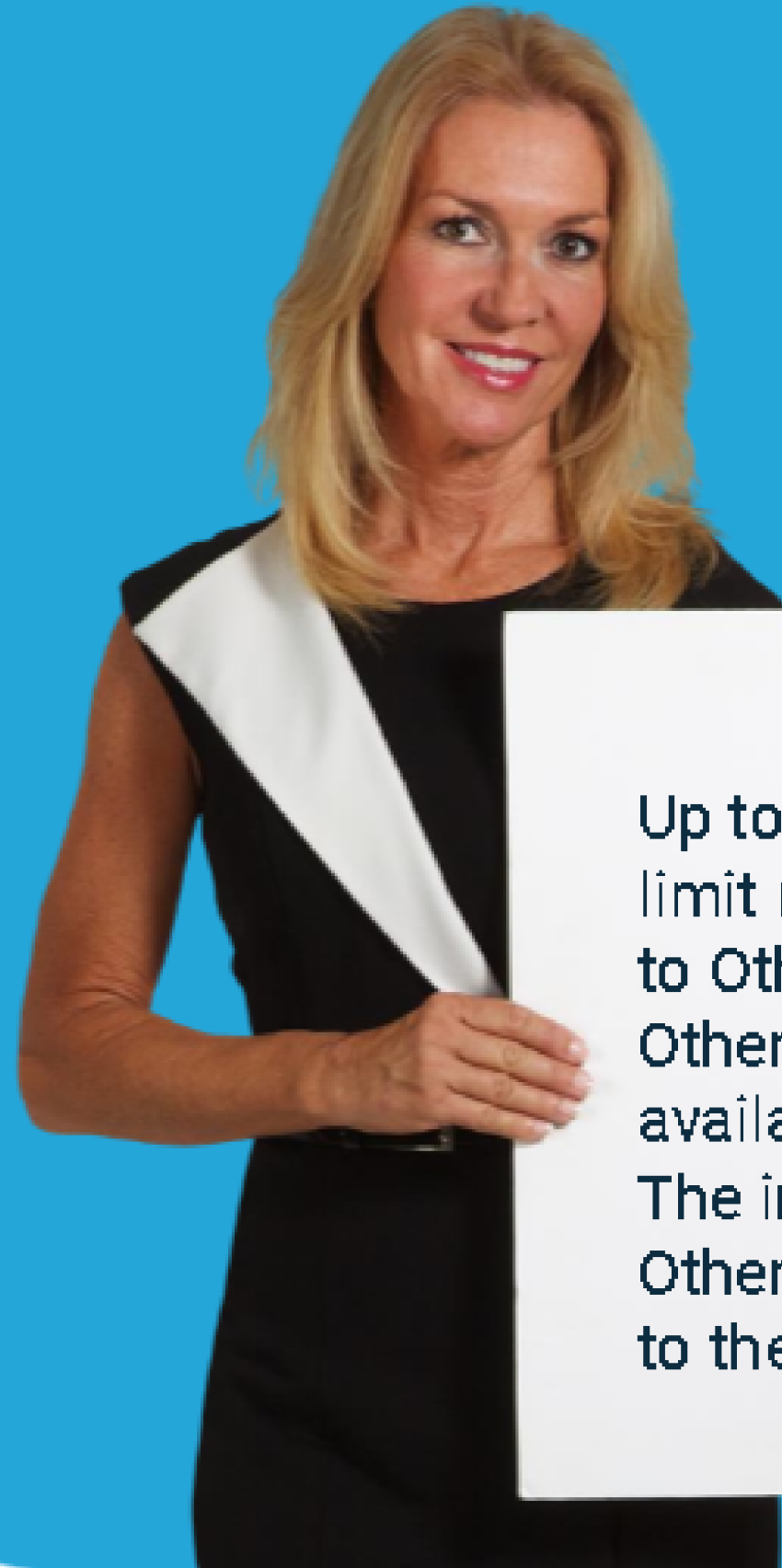
As we will learn in future lessons, other individuals may be covered under the policy in certain circumstances, such as the personal belongings of a family member who lives in the Dwelling or a guest while they are at the insured's home.

What is covered under the Dwelling Fire Policy?

The policy covers property on the "Described Location," which means the location that is listed on the Declarations page. As we will see below, this property can include the Dwelling and Other Structures on the property as well as the insured's personal property or contents.



Policy Limits



Other Structures

Up to 10% of the Coverage A – Dwelling limit may be used to pay covered losses to Other Structures. Payment made for Other Structures reduces the amount available to repair/replace the Dwelling. The insured may purchase an **optional Other Coverages** limit to apply in addition to the 10% of Coverage A limit.

1

Other Structures

2

Personal Property

3

Fair Rental Value

4

Other Coverages

5

Combined

Policy Limits



Personal Property

The insured may purchase **optional** contents coverage up to the combined \$3 million limit.

1

Other Structures

2

Personal Property

3

Fair Rental Value

4

Other Coverages

5

Combined

Policy Limits



Fair Rental Value

Up to 10% of the Coverage A – Dwelling limit may be used for loss of Fair Rental Value (FRV). Payment made for FRV reduces the amount available to repair/replace the Dwelling. The insured may purchase **optional** FRV coverage up to 50% of the Coverage A – Dwelling Limit.

1

Other Structures

2

Personal Property

3

Fair Rental Value

4

Other Coverages

5

Combined

Policy Limits

Other Coverages

The FAIR Plan also offers Other Coverages, each with their own limits. For example, Ordinance or Law coverage can be added for up to 10% of the Dwelling limit. Ordinance or Law coverage, and others, are all discussed in more detail in the “Other Coverages” lesson of this chapter.

1

Other Structures

2

Personal Property

3

Fair Rental Value

4

Other Coverages

5

Combined

Policy Limits



Combined

A combined limit of up to \$3 million is available for dwelling coverages.

1

Other Structures

2

Personal Property

3

Fair Rental Value

4

Other Coverages

5

Combined

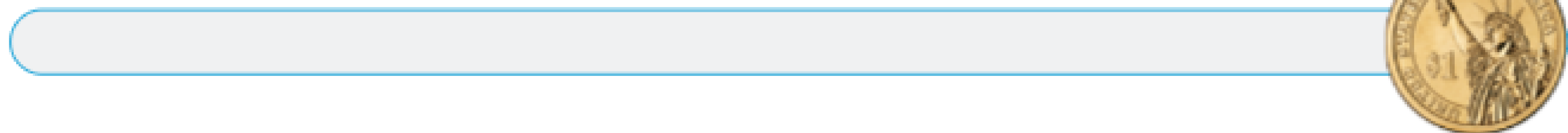
Deductibles

The Dwelling Fire Policy offers a number of deductible options. Click and drag the coin to the right to view these options.

\$200 \$2,500 \$10,000

\$100 \$1,000 \$7,500 \$20,000

\$500 \$5,000 \$15,000



COVERAGE A - Dwelling

The policy states the following regarding Coverage A:

COVERAGE A - Dwelling

We cover:

1. the dwelling on the Described Location shown in the Declarations, used principally for dwelling purposes, including structures attached to the dwelling;
2. materials and supplies located on or next to the Described Location used to construct, alter or repair the dwelling or other structures on the Described Location; and
3. if not otherwise covered in this policy, building equipment and outdoor equipment used for the service of and located on the Described Location.

This coverage does not apply to land, including land on which the dwelling is located.

This means that coverage applies to the following types of property on the Described Location. Click the tabs to learn more about each item.

THE DWELLING

MATERIALS &
SUPPLIES

BUILDING &
OUTDOOR EQUIPM...

PROPERTY NOT
COVERED

The **Dwelling** structure is covered under Coverage A when:

- the Dwelling is on the Described Location
- the Dwelling is listed in the Declarations
- the structure is actually used as a dwelling

Note that the Dwelling structure is assumed to include attached structures.



This means that coverage applies to the following types of property on the Described Location. Click the tabs to learn more about each item.

THE DWELLING

MATERIALS &
SUPPLIES

BUILDING &
OUTDOOR EQUIPM...

PROPERTY NOT
COVERED

Building materials and supplies can be covered under Coverage A when:

- they are situated on or next to the Described Location
- they are used for construction related to the Dwelling or Other Structures on the Described Location



This means that coverage applies to the following types of property on the Described Location. Click the tabs to learn more about each item.

THE DWELLING	MATERIALS & SUPPLIES	BUILDING & OUTDOOR EQUIPM...	PROPERTY NOT COVERED
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Building & Outdoor Equipment can be afforded coverage under Coverage A when:

- they are not covered elsewhere in the policy
- they are situated on the Described Location
- they are used to service the Described Location



This means that coverage applies to the following types of property on the Described Location. Click the tabs to learn more about each item.

THE DWELLING	MATERIALS & SUPPLIES	BUILDING & OUTDOOR EQUIPM...	PROPERTY NOT COVERED
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This coverage does not apply to land, including land on which the Dwelling is located.



COVERAGE B - Other Structures

Coverage B covers structures on the Described Location that are separated from the dwelling by clear space. The policy includes the following provisions regarding Other Structures coverage:

COVERAGE B - Other Structures

We cover other structures on the Described Location, set apart from the dwelling by clear space. This includes structures connected to the dwelling by only a covered walkway, wall, fence, utility line, or similar connection.

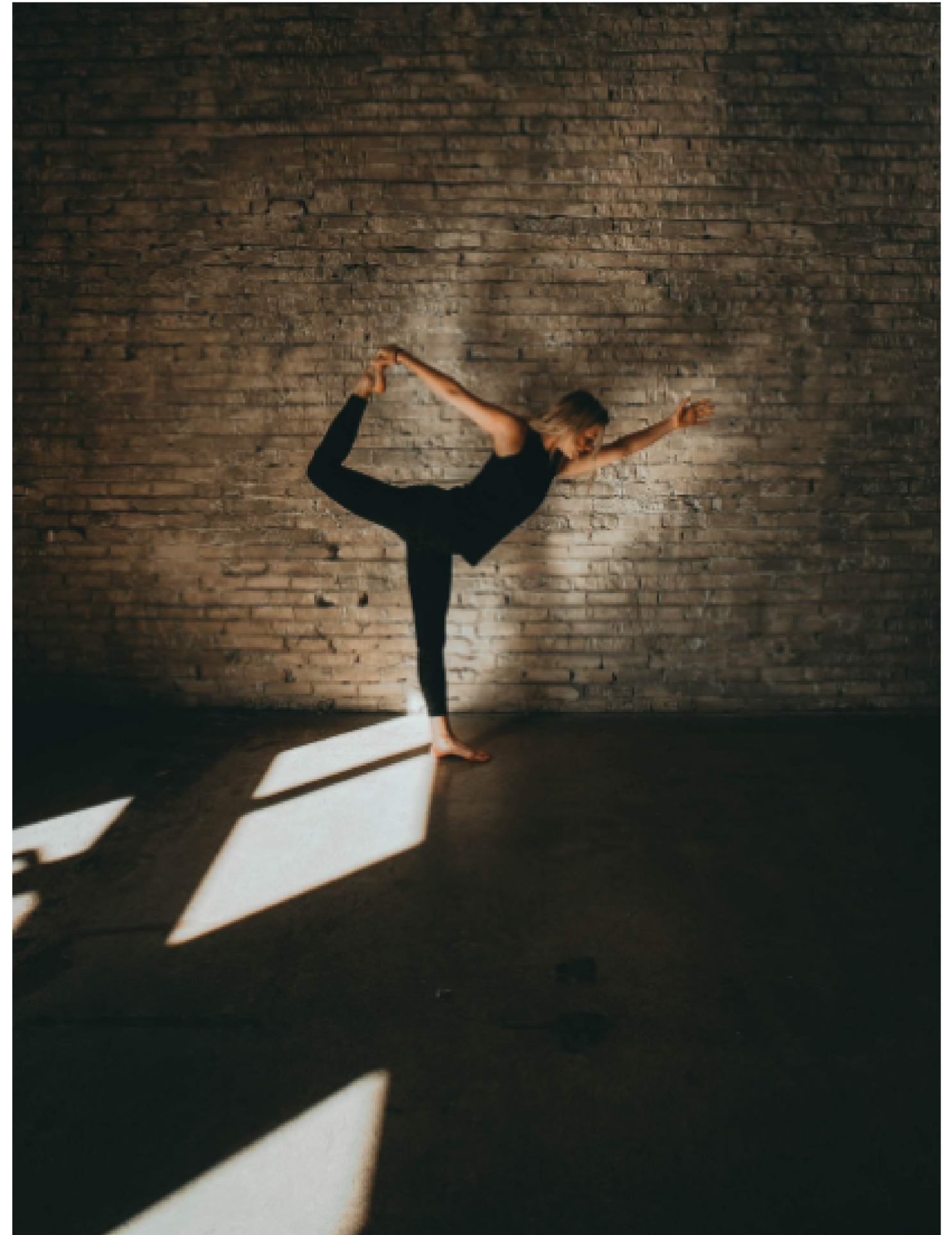
This coverage does not apply to land, including land on which the other structures are located.

We do not cover other structures:

1. used in whole or in part for commercial, professional, manufacturing or farming purposes; or
2. rented or held for rental to any person not a tenant of the dwelling, unless used solely as a private garage.

The policy states that certain types of detached structures are not covered. This includes structures that are used for commercial or professional purposes, manufacturing, or farming. For example, if the insured were to operate a mechanic's shop from his shed, the shed would not be covered under the Dwelling Policy.

Additionally, the policy does not extend coverage to an Other Structure that is used as a rental property to anyone who is not a tenant of the dwelling, unless it is rented out to be used as a private garage. This means that if the insured rented her garage to her neighbor to hold dance lessons, the garage would not be eligible for coverage under the Dwelling Policy. However, if she rented it out to her neighbor to park her vehicle, coverage could apply.



The policy allows that up to 10% of the Dwelling limit can be used for losses to Other Structures. In addition, the insured can purchase additional coverage for scheduled structures with specified limits.

This is further detailed in the policy below:

You may use up to 10% of the Coverage A limit of liability for loss by a Peril Insured Against to other structures. Payment under this coverage reduces the Coverage A limit of liability by the amount paid for the same loss.

If there is a checkmark next to B - Other Structures in the Declarations, the following applies:

We cover those Other Structures described in the Schedule to the Declarations up to the Limit of Liability stated for each such structure identified in the Schedule to the Declarations.

This coverage is in addition to your ability to elect to use up to 10% of the Coverage A Limit of Liability for loss to Other Structures.

This means that coverage for other structures on the Described Location applies in different ways depending on whether the insured purchased Other Structures coverage. Click the tabs below to better understand these options.

Other Structures Coverage Not Purchased

If Other Structures coverage has **not** been purchased, then 10% of the dwelling limit can be applied in the event of a loss. This coverage is not an additional coverage to Coverage A - Dwelling. That means that if a payment is made under Coverage B - Other Structures, the Limit of Liability available for Coverage A will be reduced by the amount of that payment.

For example, in the illustration below, the insured could have \$11,118, or 10% of the Coverage A limit, available to apply to a loss to detached structures such as a garage, shed, fence, or other such structure. If payment was made for that entire amount for covered damages to a detached garage, the insured would only have \$100,069 (\$111,187 - \$11,118) available to cover any damage to the Dwelling.

If the covered loss to the garage only totalled \$5,000, then \$106,187 (\$111,187 - \$5,000) would remain available for damages to the Dwelling.

For illustration purposes only. Actual premium may vary.

COVERAGES, LIMITS, PERILS AND PREMIUMS				
SELECTED COVERAGES		LIMITS	PERILS INSURED AGAINST	PREMIUM
<input checked="" type="checkbox"/>	A - Dwelling	\$ 111,187	<input checked="" type="checkbox"/> Fire or Lightning, Internal Explosion and Smoke Damage	\$ 144
<input type="checkbox"/>	B - Other Structures	\$ 0	<input checked="" type="checkbox"/> Extended Coverages	\$ 14
<input checked="" type="checkbox"/>	C - Personal Property	\$ 56,000	<input checked="" type="checkbox"/> Vandalism or Malicious Mischief	\$ 10
<input type="checkbox"/>	D - Fair Rental Value	\$ 0		
<input type="checkbox"/>	Ordinance or Law Coverage	\$ 0		
<input type="checkbox"/>	Debris Removal (additional)	\$ 0		
<input type="checkbox"/>	Dwelling Replacement Cost	NOT INCLUDED		
<input checked="" type="checkbox"/>	Inflation Guard	INCLUDED		
<input type="checkbox"/>	Personal Property Replacement Cost	NOT INCLUDED		
<input type="checkbox"/>	Fences	\$ 0		
			Total Annual Premium	\$ 168

The premium reflects new rates. Policies with brush/wildfire exposure will experience a greater impact.

THIS IS NOT A BILL

Other Structures Coverage Purchased

If Other Structures coverage is purchased, the FAIR Plan covers those Other Structures described in the Schedule to the Declarations up to the Limit of Liability stated for each such structure identified in the Schedule to the Declarations.

Other Structure coverage is in addition to the insured's ability to elect to use up to 10% of the Coverage A Limit of Liability for loss to Other Structures.

This means that the insured could request to specifically schedule certain structures at set limits. The example below illustrates how an insured has added scheduled Other Structures coverage for a detached garage at a limit of \$25,000.

Using this example, let's say that the insured had a loss to the garage that cost \$30,000 to repair. They would first use the \$25,000 scheduled under Other Structures. Then, they could also find coverage under the Coverage B limit (10% of the Coverage A limit), which is \$150,000 x 10%, or \$15,000. If the remaining \$5,000 of the loss were paid, the Coverage B limit would be reduced to \$10,000 and the Coverage A limit would be reduced to \$145,000.

If the cost to repair were only \$20,000, the entire amount would be paid from the Other Structures limit. The remaining \$5,000 of the Other Coverage limit scheduled for the garage could not be used for any other structure. In this case, there would be no reduction to the Coverage A limit for payment of the loss to the garage.

COVERAGES, LIMITS, PERILS AND PREMIUMS				
SELECTED COVERAGES		LIMITS	PERILS INSURED AGAINST	PREMIUM
<input checked="" type="checkbox"/>	A - Dwelling	\$ 150,000	<input checked="" type="checkbox"/> Fire or Lightning, Internal Explosion and Smoke Damage	\$ 144
<input checked="" type="checkbox"/>	B - Other Structures <i>see reverse</i>	\$ 25,000	<input checked="" type="checkbox"/> Extended Coverages	\$ 14
<input checked="" type="checkbox"/>	C - Personal Property	\$ 68,000	<input checked="" type="checkbox"/> Vandalism or Malicious Mischief	\$ 10
<input type="checkbox"/>	D - Fair Rental Value	\$ 0		
<input type="checkbox"/>	Ordinance or Law C			
<input type="checkbox"/>	Debris Removal (ac			

SCHEDULE OF OTHER STRUCTURES

Coverage C - Personal Property

Personal Property Coverage

Personal Property Coverage, also known as Contents Coverage, helps pay to replace or repair the Insured's personal belongings if damaged by a covered peril.

The policy covers Personal Property that is owned or used by the insured or family members who live with the insured. The property must be on the Described Location in order to be covered for a loss. At the insured's request, the FAIR Plan will cover personal property owned by a guest or household employee while the property is on the Described Location.

The Dwelling Policy also provides coverage for Personal Property when the insured is moving to a new residence that will be covered under the policy. During the time the insured is in the process of moving, coverage could apply to property at either location for up to 30 days.

The specific provisions of this coverage are shown below.

If there is a checkmark next to C - Personal Property in the Declarations, the following applies:

COVERAGE C - Personal Property










We cover personal property usual to the occupancy as a dwelling and owned or used by you or members of your family residing with you while it is on the Described Location. At your request, we will cover personal property owned by a guest or household employee while the property is on the Described Location.

If you remove personal property from the Described Location to a newly acquired principal residence, the Coverage C limit of liability will apply at each residence for the 30 days immediately after you begin to move the property there. This time period will not extend beyond the termination of this policy. Our liability is limited to the proportion of the limit of liability that the value at each residence bears to the total value of all personal property covered by this policy.

Property Not Covered

Click to flip the cards below to learn what types of personal property are not covered by the policy.

The information on the cards are just a summary, and the policy itself has more detail and is shared after the cards for review.

Accounts, notes, currency, coins, and other similar items 	Animals, including birds or fish 	Aircraft & parts (except model or hobby aircraft not used or designed to carry people or cargo) 
Motor vehicles & motorized land conveyances (unless used to service the premises or to assist the handicapped), including equipment 	Watercraft (other than kayaks, rowboats or canoes) 	Data, including data stored in paper or digital format. Coverage may be available for blank storage media such as disks or drives. 
Credit, debit, gift, or EFT cards 	Business personal property* 	Natural or artificial lawns, plants, shrubs, or trees outside of buildings* 

Property not covered. We do not cover:

1. whether real or digital, accounts, bank notes, bills, bullion, coins, currency, deeds, evidences of debt, gold other than goldware, letters of credit, manuscripts, medals, money, notes other than bank notes, passports, personal records, platinum, securities, silver other than silverware, tickets and stamps;
2. animals, birds or fish;
3. aircraft and parts except model or hobby aircraft not used or designed to carry people or cargo;
4. motor vehicles or all other motorized land conveyances. This includes:
 - a. their equipment and accessories; or
 - b. any device or instrument for transmitting, recording, receiving or reproduction of sound or pictures which is operated by power from the electrical system of motor vehicles or all other motorized land conveyances, including:
 - i. accessories or antennas; or
 - ii. tapes, wires, records, discs or any other media for use with any such device or instrument;while in or upon the vehicle or conveyance.

We do cover vehicles or conveyances not subject to motor vehicle registration which are used to service the Described Location, or are designed for assisting the handicapped.

5. watercraft, other than rowboats, kayaks and canoes;
6. data, including data stored in:
 - a. books of account, drawings or other paper records; or
 - b. electronic data processing tapes, wires, records, discs or other software media.However, we do cover the cost of blank recording or storage media, and of pre-recorded computer programs available on the retail market.
7. credit cards, gift cards, debit cards or fund transfer cards.

* The policy includes special provisions regarding Business Personal Property and Plants, Shrubs, and Trees. The sections below explain the conditions under which the Insured can purchase coverage for these otherwise excluded items.

8.

Business Personal Property

Business Personal Property is normally considered property not covered. However, the insured may purchase Permitted Incidental Occupancy coverage for certain uses.

A Permitted Incidental Occupancy is an approved use of the Dwelling for a business purpose such as a home office or in-home day care.

When such a Permitted Incidental Occupancy is approved, the FAIR Plan pays for covered loss to personal property used in connection with the purpose described in the Schedule which will be attached to the Declarations.

The personal property covered under these provisions must be located on the Described Location and must be owned or used by the insured or members of the insured's family who reside on premises.

Specific provisions related to coverage for Incidental Permitted Occupancy are shown below.

8. business personal property, meaning property of any nature that is used in your business including, without limitation, inventory and equipment.

If there is a checkmark next to Permitted Incidental Occupancy in the Declarations, the following applies:

In addition to covering personal property usual to the occupancy as a dwelling, we cover personal property usual to the occupancy of the dwelling for the purpose described in the Schedule to the Declarations for loss caused by a Peril Insured Against at the Described Location. The personal property must be owned or used by you or members of your family residing with you while it is on the Described Location. We shall not be liable for more than the limit of liability shown in the Declarations for this coverage.

9.

Plants, Shrubs and Trees

Lawns, plants, shrubs, and trees outside of buildings are considered property not covered. However, coverage can be purchased for Plants, Shrubs, and Trees.

If coverage for Plants, Shrubs, and Trees is purchased, the policy will pay for covered losses to these items up to the limit of liability in the Declarations. However, the limit for each individual plant, shrub, or tree is \$250.

The FAIR Plan does not cover property grown for commercial purposes.

Specific provisions related to coverage for Plants, Shrubs, and Trees are shown below.

Note that lawns are not included in this coverage.

9. natural or artificial lawns, plants, shrubs or trees outside of buildings.

If there is a checkmark next to Plants, Shrubs and Trees in the Declarations, the following limited exception to the above exclusion will apply:

We insure for loss caused by the Perils Insured Against to plants, shrubs and trees. We do not cover property grown for commercial purposes. We shall not be liable for more than our proportion of \$250 on any one plant, shrub or tree including expense incurred for removing debris thereof. We shall not be liable for more than the limit of liability shown in the Declarations for this coverage.

We do not insure loss to plants, shrubs or trees grown in violation of, or otherwise made illegal or unlawful by, any federal, state or local law.

Coverage D - Fair Rental Value

Introduction to Fair Rental Value

Fair Rental Value (FRV) coverage provides protection for an insured in the event that there is a covered loss and the home is uninhabitable. FRV also provides protection for an insured who is renting out the covered dwelling in such cases where a tenant is unable to remain in the home due to a covered loss.

The FAIR Plan offers FRV coverage as Coverage D, which covers the reasonable rental value of the residence that suffers a covered loss.

Fair Rental Value vs. Additional Living Expense

By contrast, the standard market offers Additional Living Expense (ALE), which covers the additional costs of living incurred by a policyholder should they be temporarily displaced from their residence due to a covered loss. The payout of FRV is the reasonable amount it would cost to rent the policyholder's residence prior to the loss. The payout on ALE, however, is based on the amount of additional expense that may be incurred to maintain the insured's normal standard of living following a loss.

Remember: the FAIR Plan does not offer ALE coverage.

How FRV Coverage Applies

Coverage D - Fair Rental Value coverage applies in one of two ways, depending on whether the insured has purchased FRV coverage. Click the tabs below to understand how coverage may apply.

Insured did not purchase FRV coverage

If Fair Rental Value coverage has **not** been purchased, then 10% of the Dwelling limit can be applied in the event of a loss. This is not additional coverage to Coverage A, meaning that any payment that is made will reduce the amount of coverage available for a loss to the Dwelling.

The illustration below contains the FRV terms in the policy, including the length of time that FRV can be allowed and the maximum amount that will be paid each month. Please read in its entirety, as it covers many common questions regarding FRV coverage.

COVERAGE D - Fair Rental Value

If a loss covered under this policy makes that part of the Described Location rented to others, held for rental or occupied by you unfit for its normal use, we cover its "Fair Rental Value", meaning the fair rental value of that part of the Described Location rented to others, held for rental or occupied by you less any expenses that do not continue while that part of the Described Location rented, held for rental or occupied by you is not fit to live in.

Payment will be for the shortest time required to repair or replace that part of the Described Location rented, held for rental or occupied by you.

We will pay no more than 1/12 of this coverage for each month the Described Location is unfit for its normal use and the amount due under this coverage shall be calculated based on a 30 day month. Payment under this coverage shall not be more than the monthly fair rental value of that part of the Described Location rented to others, held for rental or occupied by you.

If you have personal property coverage, Fair Rental Value will be determined based on an equivalent furnished property. If you do not have personal property coverage, Fair Rental Value will be determined based on an equivalent unfurnished property.

If a civil authority prohibits you from use of the Described Location as a result of direct damage to a neighboring location by a Peril Insured Against in this policy, we cover the Fair Rental Value loss for no more than two weeks.

The periods of time referenced above are not limited by the expiration of the policy.

We do not cover loss or expense due to cancellation of a lease or agreement.

You may use up to 10% of the Coverage A limit of liability for loss of Fair Rental Value. Payment under this coverage reduces the Coverage A limit of liability by the amount paid for the same loss.

Insured purchased FRV coverage

—

If the insured does elect to purchase Fair Rental Value coverage, FRV can be paid up to the amount of the chosen limit.

This coverage will apply in addition to the 10% of the Coverage A limit that may be used for loss of Fair Rental Value.

In addition to the policy terms listed above, the following applies:

You may use up to 10% of the Coverage A limit of liability for loss of Fair Rental Value. Payment under this coverage reduces the Coverage A limit of liability by the amount paid for the same loss.

If there is a checkmark next to D - Fair Rental Value in the Declarations, the following applies:

We will pay Fair Rental Value up to the Limit of Liability stated for Fair Rental Value in the Declarations.

This coverage is in addition to your ability to elect to use up to 10% of the Coverage A Limit of Liability for loss of Fair Rental Value.

Special Home Sharing Provisions

What is home sharing?

The Home Sharing Endorsement clarifies the coverage limitations or restrictions for properties that are used in “home-sharing activities,” meaning properties that are rented for a term of fewer than 365 days.

Definitions

Home sharing includes, but is not limited to, properties rented out through services such as Airbnb or VRBO. The endorsement refers to "home-sharing host activities" and to a "home-sharing occupant."

1 Home-sharing host activities refers to renting out the Dwelling (or a portion of it) for a term under 365 days, whether or not the property is made available or rented through a home-sharing website.

2 A home-sharing occupant is anyone who enters into an agreement with the insured to use the Dwelling for a term under 365 days, whether or not the property is made available or rented through a home-sharing website.

Home Sharing with Coverage C

The Home Sharing Endorsement is automatically placed on every policy. Certain limitations are added to coverage for property belonging to the insured or an individual occupying the Dwelling through a home-sharing arrangement.

The policy does not cover the home-sharing occupant's property. For example, if the laptop computer owned by an Airbnb guest was damaged by a fire at the Dwelling, the policy would not pay for the damage to the guest's computer.

Additionally, the endorsement states that the policy will not pay for damage to the insured's property if it is damaged by a home-sharing occupant during their stay. For instance, if a VRBO renter had a party at the insured's property and the renter's guests tore the living room drapes and broke the legs off a chair, this damage would not be covered.

10. property of a "home-sharing occupant," or any person occupying the dwelling as a result of any "home-sharing host activities."

11. property that is damaged by a "home-sharing occupant" or during the course of "home-sharing host activities."

Home Sharing with Coverage D

The Dwelling Fire Policy states that FRV will not be paid for a loss incurred due to the cancellation of a lease. The Home Sharing Endorsement adds to this provision and clarifies the amount payable under FRV coverage when a Dwelling that is used for home-sharing arrangements sustains a loss.

In such cases, the policy states that FRV will not be paid for income loss incurred because the property can't be rented out in this manner. For example, if the covered Dwelling couldn't be listed on Airbnb for 60 days while repairs were being made, the lost reservations would not be paid.

Any FRV owed would be calculated based on the value of a standard long-term rental of the property.

The following is added to Coverage D, Fair Rental Value after "We do not cover loss or expense due to cancellation of a lease or agreement":

Fair Rental Value will be calculated as if the dwelling were occupied by a long term tenant. You will not be reimbursed for any income lost because the dwelling is not available for home-sharing host activities.

Perils Insured Against

Finally, the Home Sharing Endorsement modifies the definition of the peril of Vandalism or Malicious Mischief to be explicit that damage caused by a home-sharing occupant or their activities will not be considered to be due to vandalism and are not covered by this peril.

The following is added to Perils Insured Against:

10. Vandalism or Malicious Mischief, meaning willful and malicious damage to, or destruction of, the described property.

This peril does not include loss: . . .

e. to damage caused by "home-sharing occupants" or arising out of "home-sharing host activities."

Other Coverages

Introduction to Other Coverages

The Dwelling Fire Policy offers a number of other coverages that apply to or in addition to Coverages A, B, C and D. Some Other Coverages apply as part of the existing coverage while others are optional coverages the insured can add. Other Coverages may also be included coverages for which the insured can add a higher limit than the included amount.

These coverages are explained in the slides below. [Click through to learn more.](#)

Debris Removal



Debris Removal pays for the reasonable expenses the insured incurs for the removal of debris of covered property damaged by a covered loss.

This means that this coverage will pay for the cost to haul off materials such as carpet, drywall, flooring, roof shingles, lumber, and other such items that are damaged and must be removed to complete repairs.

Additionally, coverage could apply to haul off damaged personal property that cannot be salvaged.

Included Coverage: Debris removal expense is included in the limit of liability applying to the damaged property. This means that the insured may use any amount of the Limit of Liability for Coverage A, B, or C for debris removal, as long as the expenses are reasonable and they are a result of a covered loss.

Any payment made for debris removal expenses will reduce the available limit for the coverage involved.

Purchased Coverage: The insured may also purchase additional Debris Removal in any amount up to 5% of the combined limits of liability for Coverage A, B, and C. This coverage applies in addition to the included coverage described above.

Ordinance or Law



Ordinance or Law Coverage provides coverage for additional reconstruction costs after a covered loss to bring the Dwelling up to required residential code standards in effect at the time of rebuilding. This coverage only applies to property damaged by the covered loss, and not to any other undamaged property.

For example, if the insured dwelling was built in 1950, it is likely that building codes have changed for plumbing, electric, roofing, insulation, and other construction trades since that time. The basic policy pays to complete repairs or replacement with materials comparable to what the insured had before the loss, and does not pay for the additional costs to complete construction in line with current building codes. If a covered loss involved damage to the plumbing fixtures, the insured would likely incur these additional costs. By purchasing Ordinance or Law Coverage, these additional expenses can be paid, up to the limits for this coverage.

This coverage applies in different ways depending on whether the policy is written on a Replacement Cost basis.

- No Replacement Cost: If Dwelling Replacement Cost coverage is not included, Ordinance or Law may be purchased in any amount up to 10% of the Coverage A – Dwelling limit of liability.
- Replacement Cost: If Dwelling Replacement Cost coverage is included, Ordinance or Law Coverage must be purchased at a limit of 10% of the Coverage A – Dwelling limit of liability. This is required by Assembly Bill 2756 for all dwelling policies with an effective date of July 1, 2021 or later that include Dwelling Replacement Cost coverage. For example, if a policy has Dwelling Replacement Cost coverage and the Coverage A limit of liability is \$1,500,000, the Ordinance or Law coverage must be \$150,000, or 10% of the Coverage A limit.

At renewal, the limit will be increased if the insured purchased inflation guard.

Other Structures



The FAIR Plan covers Other Structures on the Described Location, set apart from the dwelling by clear space. This includes structures connected to the dwelling by only a covered walkway, wall, fence, utility line, or similar connection.

Other Structures could include a detached garage or shed, a fence, a patio or pool, or other such structures. Other Structures do not have to be buildings to qualify for this coverage.

Included Coverage: The insured may use up to 10% of the Coverage A limit for a covered loss to an Other Structure. A payment under this coverage will reduce the amount available under Coverage A for damage to the Dwelling.

Purchased Coverage: The insured may also purchase Other Structures Coverage for an additional premium.

This coverage is in addition to the 10% of the Coverage A limit explained above.

When submitting an application for coverage, the broker will need to list each Other Structure and the limits requested for each Other Structure, as they will be listed separately on the Declarations page.

Plants, Shrubs and Trees



Artificial or natural lawns, plants, shrubs, and trees outside buildings are considered property not covered by the policy. However, the insured may purchase Plants, Shrubs and Trees Coverage for an additional premium. Lawns are not included in this coverage.

Payment is limited to the amount of coverage purchased for all of the Plants, Shrubs, or Trees damaged in a loss, but will only pay up to \$250 for any single Plant, Shrub, or Tree, including the expense to remove its debris from the property.

The policy does not cover property grown for commercial purposes. Additionally, property grown in violation of federal, state, or local law is not covered.

Outdoor Radio and TV Equipment



Coverage for Outdoor Radio and TV Equipment can be provided under either Coverage A or Coverage B for any covered loss other than loss due to the peril of Windstorm or Hail.

The insured may purchase coverage for Outdoor Radio and TV Equipment for an additional premium in any amount desired which would cover these items including for the peril of Windstorm or Hail.

This coverage applies to radio and TV antennas and aerials, lead-in wiring, masts, and towers.

Awnings and Signs



Coverage for Awnings and Signs can be provided under Coverage A or Coverage B for any covered loss other than loss due to the peril of Windstorm or Hail.

As with antennas and television equipment, the insured may purchase Awnings and Signs Coverage in any amount desired for an additional premium, which would provide coverage for damage by the peril of Windstorm or Hail.

Improvements, Alterations and Additions



If the insured is a Condominium Unit owner or tenant of the Described Location, they may use up to 10% of the Coverage C limit of liability for loss by a Peril Insured Against for Improvements, Alterations, and Additions, made or acquired at their expense, to that part of the Described Location used only by the insured.

Improvements, Alterations, and Additions are changes made to a condo unit by the unit owner, or to a rented unit by the tenant. This could include installing cabinets, upgrading the flooring, and other similar changes to the unit at the tenant or unit owner's expense.

Payment under this coverage reduces the Coverage C limit of liability by the amount paid for the same loss.

Condominium unit owners may also purchase Improvements, Alterations, and Additions coverage in any amount to cover improvements, alterations, and additions made to the Described Location. This coverage applies in addition to the 10% of Coverage C limit described above. Any payment is still limited by the total combined coverage limit of \$3 million.

Permitted Incidental Occupancy



As we have discussed previously, business personal property is excluded in the Dwelling policy. However, an insured can purchase, at an additional premium, coverage for a Permitted Incidental Occupancy.

When scheduled on the Declarations, coverage is provided for personal property used in connection with the approved incidental occupancy.

Incidental occupancies refer to a room or area inside the Dwelling being used for business purposes. They could include studios or offices for business or professional purposes. They could also include small service businesses such as a barber or beauty shop, day care, tailor, tutor, and other similar operations.

The maximum coverage available is \$10,000.

Making Up for Gaps in Coverage

The Dwelling Fire Policy doesn't cover everything

As you will recall from previous lessons, the Dwelling Fire Policy covers the following perils:

- 1 Fire and Lightning
- 2 Internal Explosion
- 3 Smoke Damage

And for an additional premium, coverage can be provided for the following perils:

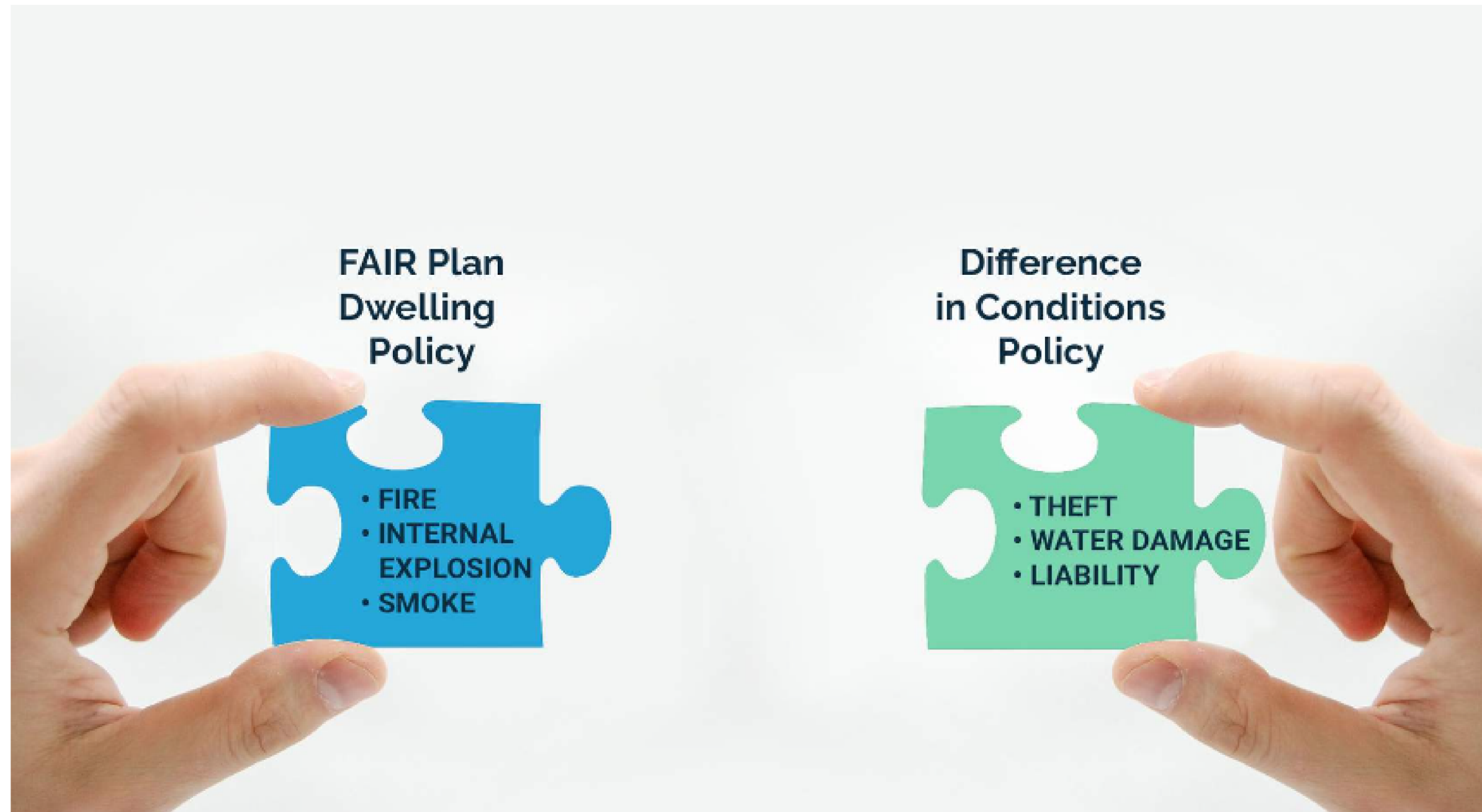
- 1 Windstorm or Hail
- 2 Explosion
- 3 Riot or Civil Commotion
- 4 Aircraft
- 5 Vehicles
- 6 Volcanic Eruption
- 7 Vandalism or Malicious Mischief

But there are a number of perils that are not insured against and coverages that are not provided by the Dwelling Fire Policy. The chart below compares the FAIR Plan's Dwelling Fire Policy with the common HO-3 policy published by ISO. Perils such as Theft; Falling Objects; Weight of Ice, Snow or Sleet; Accidental Discharge of Water or Steam; Freezing; and Artificial Current are not available under the FAIR Plan policy, nor is coverage for Personal Liability, Medical Payments or Damage to the Property of Others.

PERILS INSURED AGAINST (not all-inclusive)	CFP POLICY	ISO HO-3
DWELLING		
All physical loss unless specifically excluded (including water damage)	no coverage	✓
Fire or Lightning	✓	✓
Smoke	✓	✓
Internal Explosion	✓	✓
Extended Coverage (winstorm or hail, explosion, riot, aircraft, vehicles)	Optional	✓
Vandalism or Malicious Mischief	Optional	✓
CONTENTS		
Fire or Lightning	✓	✓
Smoke	✓	✓
Internal Explosion	✓	✓
Extended Coverage (winstorm or hail, explosion, riot, aircraft, vehicles)	Optional	✓
Vandalism or Malicious Mischief	Optional	✓
Theft	no coverage	✓
Falling Objects	no coverage	✓
Weight of Ice, Snow or Sleet	no coverage	✓
Accidental Discharge or Overflow of Water or Steam	no coverage	✓
Freezing	no coverage	✓
Sudden Accidental Damage from Artificially Generated Electrical Current	no coverage	✓
LIABILITY COVERAGES		
Personal Liability	no coverage	✓
Medical Payments to Others	no coverage	✓
Damage to Property of Others	no coverage	\$1,000 Limit

Difference in Conditions (DIC) Policies

Difference In Conditions policies, commonly known as DIC policies, are available from many admitted carriers. DIC policies complement FAIR Plan policies so that a consumer who purchases both a FAIR Plan Dwelling policy and a DIC policy has the same or similar coverage as a traditional homeowners (HO) policy.



Comprehensive Personal Liability (CPL) Policies

Comprehensive Personal Liability (CPL) policies are available to supplement FAIR Plan Dwelling policies. A typical homeowners policy is a package policy that includes both property coverages and liability coverages. Because the Dwelling Fire Policy is not a package policy, there is no coverage for the potential liability exposures an insured may have. A CPL policy will protect the insured from claims brought against them by a third party for property damage or bodily injury.

If your insurance client does not wish to purchase a full Difference in Conditions policy and wishes to supplement his or her FAIR Plan policy with a policy that covers comprehensive personal liability, including occasional workers' compensation liability, coverage is available.

Most liability claims are not for catastrophic losses and the limits that are typically available will be sufficient to protect an insured for most incidents. An excess policy can respond after the limits of the underlying policy have been exhausted for those potentially catastrophic claims. An insured can purchase an excess policy through a company such as Lloyds of London.

Additional Coverage Options

A policyholder has additional coverage options we have not yet discussed. These options are discussed below.

Actual Cash Value and Replacement Cost Value

The Dwelling Fire Policy is an Actual Cash Value (ACV) policy, unless the policyholder selects Replacement Cost Value (RCV) coverage.

Click the tabs below to learn more about each type of coverage.

ACTUAL CASH VALUE

REPLACEMENT COST VALUE

PERSONAL PROPERTY RCV

The Dwelling Fire Policy is an **Actual Cash Value (ACV)** policy, unless the policyholder selects the Dwelling Replacement Cost coverage.

Actual Cash Value coverage pays the cost to repair or replace the damaged part of the dwelling under Coverage A or B, minus a deduction for age and physical depreciation. Depreciation only applies to building materials that typically would be replaced during the ownership of the building.

As an example, say the cost to replace wood flooring that was damaged in a loss is \$10,000. The flooring was 20 years old and the adjuster determined that a deduction of \$2,500 should be taken for the age and condition of the flooring. In this case, the insured would be paid \$7,500. In an ACV policy, the depreciation is non-recoverable, meaning that the insured does not have the opportunity to collect the depreciation withheld after repairs are complete.



ACTUAL CASH VALUE

REPLACEMENT COST VALUE

PERSONAL PROPERTY RCV

Replacement Cost Value (RCV) coverage pays the cost to replace the damaged property with materials of like kind and quality, without any deduction for depreciation.

Under RCV coverage, depreciation withheld is recoverable, meaning that initially, the FAIR Plan will apply depreciation. Then, when repairs or replacement of the damaged structure is complete, the FAIR Plan will reimburse the policyholder for the replacement cost holdback subject to the policy terms and conditions.

In the previous example, under RCV coverage, the insured could submit documentation showing the completion of repairs to the wood floor and collect the \$2,500 initially withheld.



ACTUAL CASH VALUE

REPLACEMENT COST VALUE

PERSONAL PROPERTY RCV

Personal Property Replacement Cost coverage pays for covered losses to Personal Property at RCV. As with RCV coverage for structures, the initial payment will be for the actual cash value of the damaged or destroyed contents, and the holdback will be paid to the insured once the damaged or destroyed contents are replaced.



Extended Dwelling Coverage Endorsement

The FAIR Plan offers Extended Dwelling Coverage by endorsement. This coverage increases the available limit of liability for Coverage A – Dwelling by 25%. The premium for this coverage is the same as if the insured purchased the higher limits without the endorsement. For example, if the insured purchased \$1,000,000 in coverage plus this extended coverage, the premium would be the same as if the insured purchased \$1,250,000 in coverage in the first instance.

The FAIR Plan does NOT offer Extended Dwelling Replacement Cost Coverage, which would potentially provide replacement cost coverage at a fixed percentage over the current policy limits. The FAIR Plan does not offer this because the FAIR Plan does not pay out over the policy limit under any circumstances. This is noted on the Dwelling New Business Quotation form as seen in the example below.



Inflation Guard

While the FAIR Plan does not determine the appropriate amount of coverage that an insured should request, it is important that the property have adequate limits in the event of a loss. As the cost to repair or rebuild the property can fluctuate with the market, a mechanism like Inflation Guard is helpful in ensuring that coverage limits keep up with construction costs.

Inflation Guard automatically increases the Limits of Liability for Coverage A – Dwelling (and, if present, Ordinance or Law coverage) at each renewal. The increase is a percentage determined by a third-party vendor to reflect inflationary changes in the cost of construction. If it is determined that construction costs have not increased (or have decreased), there will be no change in the policy limits.

Click the tabs below to learn more about Inflation Guard.

How much does Inflation Guard cost? —

There is no cost for this coverage, but any increase in the amount of the limits for Coverage A or Ordinance or Law Coverage due to an Inflation Guard adjustment will result in an increased premium.

What if Inflation Guard causes the policy to exceed the \$3 million max? —

If the policy has both Inflation Guard coverage and Replacement Cost coverage, and the Inflation Guard adjustment causes the total policy limits to exceed \$3,000,000, the FAIR Plan will automatically remove the Inflation Guard. It is up to the insured to advise the FAIR Plan if the insured wants the \$3,000,000 total limits to be allocated differently between the coverages. The maximum limit will remain \$3,000,000.

Does the insured have to have Inflation Guard? —

Inflation Guard is available on both ACV and RCV policies. It is included in the application process unless the broker specifically declines it **and** the policy is written at Actual Cash Value.

On policies with Dwelling Replacement Cost coverage and combined limits of liability below \$3,000,000, Inflation Guard coverage is mandatory.

As a reminder, the law requires that if an insured has Replacement Cost coverage, they must have an Ordinance or Law limit of 10% of the Coverage A limit.



The FAIR Plan does not guarantee the sufficiency or accuracy of any percentage increase applied, or of any coverage limits.

Special Risk Definitions & Requirements

Placing dwelling coverage with the FAIR Plan requires that certain conditions are met. This section will review some of those requirements. As a reminder, all eligibility is subject to underwriting guidelines.

High Value Home Guidelines

For risks with a total combined limit of coverage over \$1.5 million, the limit of liability for Coverage A - Dwelling must be equal to or greater than the replacement cost estimate.



The FAIR Plan does not validate the accuracy of the replacement cost estimate provided. It is the brokers' responsibility to determine appropriate limits of coverage.

Dwellings Used for Storage

Dwellings used exclusively for personal storage with no intent of occupancy are not eligible for coverage.



Mobile Homes

Mobile homes are eligible for coverage under the Dwelling Fire Policy, subject to its coverage terms and limits.

The mobile home must be secured permanently to the foundation with no access to the underfloor space in order to qualify for coverage.



Mobile homes are not eligible for Dwelling Replacement Cost Coverage.

Floating Homes

Floating homes are eligible for coverage provided that they meet the following requirements:

- ✓ The floating home is designed and built to be used as a residential building.
- ✓ It is relatively stationary.
- ✓ It has no ability to power itself.
- ✓ The floating home is dependent on utilities from the shore.
- ✓ It has a permanent and continuous connection to a sewage system on shore.