Personal Property Coverage Handbook

Homeowners HO-3 — Underwriting & Claims Excerpt

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1. Scope

This excerpt is the reference used by claims intake and desk adjusters to determine, at first contact, whether a reported loss is covered, which deductible applies, and whether a sublimit caps the recovery. It covers the **HO-3 Personal Property** form only.

It does not establish liability, authorise payment, or replace the policy contract. Where this handbook and the issued policy differ, the issued policy governs. Always read the coverage figures from the policy record itself rather than assuming the standard values below — endorsements routinely change them.

2. Covered perils

The HO-3 form insures the dwelling against **all risks of direct physical loss** except those specifically excluded in Section 3. Personal property is insured against the named perils below.

Peril	Covered	Notes
Fire and lightning	Yes	Includes resulting smoke damage
Windstorm and hail	Yes	Separate deductible applies in designated regions — see 4.2
Explosion	Yes	—
Riot or civil commotion	Yes	—
Damage by aircraft or vehicles	Yes	Excludes vehicles owned by an insured
Smoke	Yes	Sudden and accidental only; excludes agricultural smudging
Vandalism or malicious mischief	Yes	Excluded if dwelling vacant more than 60 consecutive days
Theft	Yes	Sublimits apply to specified categories — see 5.2
Falling objects	Yes	—
Weight of ice, snow or sleet	Yes	Damage to awnings and fences excluded
Accidental discharge of water	Yes	From a plumbing, heating or A/C system within the dwelling
Water backup from sewer or drain	**Yes, by endorsement**	**Separate sublimit — see 5.1**
Freezing of plumbing	Yes	Only if heat maintained or water supply shut off

Sudden and accidental electrical surge	Yes	Excludes damage to tubes and transistors

3. Excluded perils

The following are excluded under all HO-3 forms and cannot be restored by endorsement:

- **Flood**, surface water, waves, tidal water, and overflow of a body of water, whether driven by wind or not. Flood cover is available only through a separate policy.
- **Earth movement**, including earthquake, landslide, sinkhole and subsidence.
- **Neglect** — failure of an insured to use reasonable means to preserve property at and after the time of loss.
- **Wear and tear**, deterioration, rust, mould, wet or dry rot, and inherent vice.
- **Settling**, cracking, shrinking, bulging or expansion of pavements, foundations, walls, floors, roofs or ceilings.
- **Insects, birds, rodents and domestic animals**, including damage caused by them.
- **Ordinance or law** requiring repair or demolition beyond the pre-loss condition.
- **Intentional loss** by or at the direction of an insured.
- War, nuclear hazard, and governmental action.

Anti-concurrent causation. Where an excluded peril contributes to a loss in any sequence with a covered peril, the loss is excluded. The common case is wind-driven rain entering through an opening created by flood — that loss is a flood loss.

4. Deductibles

4.1 All Other Perils (AOP)

The AOP deductible applies to every covered loss except those governed by the separate wind and hail deductible in 4.2. Standard AOP options are **$500, $1,000, $2,500 and $5,000**. The most commonly issued figure is **$1,000**.

4.2 Wind and hail

In designated hail-exposed regions the policy carries a **separate wind and hail deductible**, which replaces the AOP deductible for any loss caused by windstorm or hail. It is expressed either as a flat amount or as a percentage of the dwelling limit.

Region	Typical wind/hail deductible
Colorado Front Range	$2,500 or 1% of dwelling limit
Texas coastal counties	2% of dwelling limit
Oklahoma and Kansas	$2,500 or 1% of dwelling limit
All other regions	AOP deductible applies

> ***Do not quote the AOP deductible on a hail loss in a designated region.*** *This is the most frequent intake error on this form. Read the deductible schedule on the policy record and confirm which of the two applies to the reported peril before stating any figure to a caller.*

5. Sublimits

A sublimit is a cap **inside** the policy limit, not an additional amount of insurance. A loss can be fully covered and still recover far less than the dwelling limit because a sublimit applies.

5.1 Water backup

Water backup from a sewer, drain or sump carries its own sublimit, separate from both the dwelling limit and the contents limit. The standard sublimit is **$10,000**, with $5,000, $25,000 and $50,000 available by endorsement.

This cover is **not** included in the base HO-3 form — it exists only where the water backup endorsement has been added. Two consequences follow, and both are routinely missed at intake:

1. A water backup loss on a policy without the endorsement is **not covered at all**, however sympathetic the circumstances.
2. Where the endorsement is present, recovery is capped at the sublimit even when the dwelling limit is many times larger. A $40,000 basement backup on a $480,000 dwelling with a $10,000 water backup sublimit recovers $10,000, less the applicable deductible.

Water backup is distinct from **accidental discharge** (a burst pipe inside the dwelling), which is covered under the base form against the full contents or dwelling limit. It is also distinct from **flood**, which is excluded entirely. Establishing which of the three occurred is the single most consequential determination at intake on a water loss.

5.2 Category sublimits on personal property

Category	Sublimit
Cash, bank notes, bullion	$250
Securities, deeds, manuscripts	$2,000
Watercraft, trailers and their equipment	$2,000
Jewellery, watches and furs — theft only	$2,500
Firearms — theft only	$3,000
Silverware and goldware — theft only	$3,000
Business property on premises	$3,000
Portable electronics	$2,000

Scheduled personal property endorsements override these category sublimits for the specific items scheduled.

6. Definitions

Actual cash value (ACV) — replacement cost less depreciation.

Replacement cost (RC) — the cost to repair or replace with materials of like kind and quality, without deduction for depreciation. Contents are settled at ACV unless the replacement cost endorsement is present.

In force — the policy was active on the **date of loss**, not on the date of report. A policy that lapsed before the loss occurred provides no cover, regardless of whether it was later reinstated.

Date of loss — the date the damage occurred, which may be materially earlier than the date it was discovered or reported. Coverage is tested against the date of loss.

Occurrence — one loss event. Damage from a single storm is one occurrence and attracts one deductible, even where it affects several parts of the property.
