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Understanding Coverage C: Personal Property

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The following is a summary review how the majority of home owner's, condo owner's and tenant's policies (I will refer to all of these as a homeowners policy) cover your personal property (the items that are put on a moving truck on moving day).

When we purchase a homeowner's policy, most of us focus on the reconstruction value of the dwelling, as that is the bank's primary concern when lending money. Traditionally, the homeowner's policy will automatically set the coverage for your contents (personal property) at 70% of the dwelling value. If your home is estimated to cost \$500,000 to rebuild, the insurance carrier normally will set the Contents coverage (Coverage C) at \$350,000. That is where many people stop thinking about this coverage until there is a loss.

What is and is not covered under this \$350,000? And are there any special limitations?

The section of the policy that covers your contents is called Section C. Section C starts by saying, "We cover personal property owned or used by an "insured" while it is anywhere in the world."

From this point on the policy then instructs us on limitations and qualifications of just how that coverage is granted.

Limitation #1: Your Contents in Other Properties You Own.

The policy after granting worldwide coverage goes on to tell us that, "Our limit of liability for personal property usually located at an "insured's" residence, other than the "residence premises," is 10% of the limit of

liability for Coverage C, or \$1000, whichever is greater." So the first catch is if you own another property, you must insure your personal property located at this location separately.

Limitation #2: Special Limits of Liability.

There is a list of small and valuable items the carriers do not want to be put on the hook for without collecting an additional premium.

The following are the limits I feel are of the greatest concern to the greatest number of people (for complete list see policy):

Item	Limit
Money, Gold & Silver	\$200
Securities & Valuable Papers	\$1,000
Jewelry lost due to Theft	\$1,000
Firearms lost due to Theft	\$2,000
Silverware & other plated ware lost due to Theft	\$2,500
ANY Item used for ANY Business purpose at ANY time located at premises.	\$2,500
ANY Item used for ANY Business purpose at ANY time located away from premises.	\$250

The items are limited to the dollar amount listed along side the description. The policy is telling you that if you wish to have full coverage for these items then you should consider, "scheduling," these types of items on what is called an "Inland Marine," floater.

Limitation #3: Contents that are Not Covered.

Next, the policy describes a list of items that it will not cover. The policy states,

"We do not cover:

- Articles separately described and specifically insured in this or other insurance; (items you have scheduled on an Inland Marine Schedule. This is to prevent double coverage)
- Animals, birds, or fish;
- Motor vehicles.
- Aircraft and parts.
- Property of roomers, boarders, and other tenants.
- Property in an apartment regularly rented.
- Business data.
- Credit cards or fund transfer cards

The policy is telling you to obtain coverage elsewhere for these items.

Limitation #4: What Perils Does Policy Protect Contents Against?

Most policies provide the following list to tell you exactly what perils your contents are protected from:

- Fire or lightning
- Theft
- Windstorm or hail
- Falling objects
- Explosion
- Weight of ice, snow, or sleet
- Riot or civil commotion
- Sudden & accidental tearing apart, cracking, burning, or bulging of a steam or hot water heating system
- Aircraft
- Freezing
- Vehicles
- Sudden and accidental damage from artificially generated electrical current
- Smoke
- Volcanic eruption
- Vandalism/ malicious mischief
- Accidental discharge or overflow of water or steam

If your contents are damaged and you cannot find the culprit among the above list then the policy does not provide coverage.

You may request "All Risk" coverage to increase you're your coverage.

Limitation #5: Perils Not Covered.

Just as the policy defines what perils are covered, **it also gives a list of causes of loss that it will not respond to** and they are losses cause by:

- Earth Movement
- Water damage, meaning:
 - Flood, surface water, waves, tidal water, overflow of a body of water, or spray form any of these, whether or not driven by wind;
 - Water which back s up through sewers or drains or which overflows from a sump; or
 - Water below the surface of the ground, including water which exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure.

- Power Failure
- Neglect
- War
- Nuclear Hazard
- Intentional Loss
- Acts or decisions, including the failure to act or decide, of any person, group, organization or government body;
- Faulty, inadequate or defective:
 - Planning, zoning, development, surveying, siting;
 - Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
 - Materials used in repair, construction, renovation, or remodeling; or
- Maintenance(lack of)

If you wish to have coverage for your contents being damaged by the above, special coverage must be purchased

Limitation #6: Replacement Cost Endorsement Conditions.

This section is often misunderstood. **Personal Property Replacement Cost:** For an additional premium, covered losses to the following property are settled at replacement cost at the time of loss.

Untouched, the policy will pay you for your items with a factor built in to account for the item's depreciation. As a marketing move, many carriers came up with a replacement cost endorsement that you can pay for to allow for your old items to be replaced by new items. This is so common we forget it is an enhancement and has its own set of conditions.

Certain items are not entitled to replacement cost coverage unless they are insured on the Inland Marine schedule mentioned earlier and they are:

- Jewelry
- Furs
- Cameras
- Musical equipment
- Silverware
- Golfer's equipment.
- Antiques
- Fine Arts
- Articles of rarity or antiquity

- Memorabilia
- Articles not maintained in good or workable condition.
- Articles that are outdated or obsolete and are stored or not being used.

These items can be scheduled with a valid and current appraisal.

The majority of homeowner's policies conform to the description above.

Summary

This summary makes it clear that one should not assume anything when it comes to protecting personal property. Take time to think about your personal property and what items are valuable to you. Left unexamined, you could be in for a big disappointment after a loss. Finally, please note that the insurance carriers know that the average claimant can only remember 33% of their personal property after a loss. If you take time to take pictures or video your home and contents, you will be well rewarded after a loss when it is time to inventory your loss.

Please contact me if you would like me to email you a home emergency worksheet that provides a helpful list for inventorying your possessions. Also please recognize that the above does not replace your policy. It is a summary designed to help you understand your coverage and facilitate a better discussion between your agent and you.

To Do:

1. Report all owned locations at which you own personal property.
2. Request All Risk coverage.
3. Create Contents Inventory with pictures.
4. Discuss items not covered with your agent if your do want coverage to cover all perils except those specifically excluded.