

COMPARISON OF SELECT STANDARD TEXAS HOMEOWNER FORMS WITH ISO HO3

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FUN WITH FORMS

A Detailed, Accurate and Slightly
Irreverent Comparison of Texas and ISO
Homeowners Policy Language

DEFINITION OF INSURED

Which form(s) is more specific as to reference to students away from home?

HOA

HOA+

HOB

HO3 ✓

The HO3 specifically mentions a student enrolled in school full time who was a resident of the household before moving out to attend school if under the age of 24 and a relative; or 21 and in the insured's care. Property of an insured who is a student is also covered for theft if the student has been at the residence the student occupies any time during the 60 days immediately before the loss. Normally theft of property while at any other residence owned by, rented to, or occupied by an insured would be excluded on the HO3. The new ISO 2011 version has increased the time limit to 90 days.

DEFINITION OF INSURED

Which form(s) have been the subject of a court ruling that questioned whether there is coverage for persons in the care of a resident relative?

HOA

HOA+

HOB

HO3 ✓

A court ruled that “named above” in the HO3 form referred to the named insured in the policy and may not include persons in the care of a resident relative as was intended.

DEFINITION OF INSURED

ISO 2000 Version

5. "Insured means:

a. You and residents of your household who are:

- (1) Your relatives; or
- (2) Other persons under the age of 21 and in the care of any person named above;

ISO 2011 Version

5. "Insured means:

a. You and residents of your household who are:

- (1) Your relatives; or
- (2) Other persons under the age of 21 and in the care of a resident of your household who is your relative

ISO removed "named above" in the 2011 version and replaced with "in your care or the care of a resident of your household who is your relative. For example: an insured would include a resident relative (insured's resident sister) but her foster child is not a relative and would only be considered an insured if in the care of a resident relative which is part of the definition "named above". Since the court interpreted "named above" to only include the named insured in the policy this eliminated the other person under the age of 21 in the care of any person "named above".

RESIDENCE OCCUPANCY

Which form(s) would you think has the most liberal definition of Residence Occupancy?

HOA ✓

HOA+ ✓

HOB ✓

HO3

The HO3 requires the named insured to reside in the residence. Texas forms refer to “an insured who resides or intends to reside” while ISO says “you reside”. Big Difference. This allows mother, father, son or daughter, grandparent or grandchild of the owner or any combination to reside in the residence. The TX forms also allow 60 days after the effective date to reside there while the HO3 does not provide any time after the effective date.

NUMBER OF FAMILIES

Which form(s) would allow the most number of family units in addition to the insured's unit?

HOA HOA+ HOB **HO3**

How many units would that be?

1 2 **3** 4

How many family units total in the building would be allowed?

1 2 3 **4**

The HO3 allows additionally 3 and 4 family units where the insured resides in at least one of the family units.

DAMAGE TO OUTDOOR PROPERTY

Which form(s) would not provide coverage for damage to fences, lawns, trees, shrubs and plants caused by vandalism, vehicles owned or operated by the insured, falling trees or limbs, weight of ice, snow, sleet or collapse?

HOA

 HOA+

HOB

HO3

This is unexpected and is a well-hidden and troublesome exclusion in a situation where coverage would be provided by even the basic HOA. So you need to be very aware of this exclusion if you work with a company that uses this version of HOA+

PERSONAL PROPERTY OFF PREMISES

Earlier we touched on property of students away at school but which form(s) do you think would provide the broadest coverage?

HOA

HOA+

HOB

 HO3

The TX forms limit personal property off premises to 10% of Coverage B. The HO3 only limits property to 10% of Coverage C in specific situations so is broader overall.

PERSONAL PROPERTY OFF PREMISES

Which form(s) provides the broadest coverage for property at an insured's residence that is not the residence premises named in the policy?

 HOA

 HOA+

 HOB

 HO3

The HO3 only limits property at additional premises to 10% of Coverage C so is broader overall but equal as respects property at additional premises.

PERSONAL PROPERTY OFF PREMISES

Which form(s) provides the broadest coverage at a self storage facility?

HCA ✓

HCA+ ✓

HOB ✓

HO3 ✓

This is a tricky question and probably not fair based on the answer to the last question. The ISO 2011 version added a 10% limit to personal property located in a self storage facility so when considering the new ISO 2011 version in comparison, all the forms would be equal. If in other than a self storage facility, the full limit would apply under the HO3 and it would provide the broadest coverage. The older ISO version would also provide the broader coverage for a self storage facility since the 10% limit would not apply.

BUSINESS PERSONAL PROPERTY

Which form(s) provide the highest limit of coverage On Premises?

 HOA

 HOA+

 HOB

 HO3

All forms provide a \$2500 limit On Premises.

BUSINESS PERSONAL PROPERTY

Which form(s) provide the broadest coverage?

HOA

HOA+

HOB

HO3 

The TX forms specifically exclude samples or articles for sale and any business personal property away from the residence. The HO3 provides a \$500 limit for Off Premises coverage. The ISO 2011 version increased business personal property off premises to \$1500.

MOTOR VEHICLES

Coverage on Motor Vehicles are more limited on which form(s)?

HOA

HOA+

HOB

HO3 

Power mowers, golf carts, recreational vehicles and some farm equipment are specifically mentioned as covered on the TX forms. There could be situations when these units might be used solely to service an insured's residence or assisting the handicapped and be covered under the HO3 but not very common.

MOTOR VEHICLES

Which form(s) would cover a power mower while cutting your church lawn across town?

HOA ✓

HOA+ ✓

HOB ✓

HO3

The HO3 states “used solely to service an insured’s residence” so would not be covered to mow the church lawn. TX forms do not limit the location.

MOTOR VEHICLES

Which form(s) would cover a power mower while cutting a relatives yard across town?

 HOA

 HOA+

 HOB

 HO3

Again an unexpected answer and another tricky question based on the answer to the question above. The ISO 2011 version changed the wording “used solely to service an insured’s residence” to “solely service a residence” so coverage would depend on which ISO HO3 version is being afforded but still no coverage mowing the church lawn regardless of the version.

WATERCRAFT

If you were a boat owner, which form(s) would you want to cover damage to watercraft?

HOA

HOA+

HOB

HO3

None of these homeowner policies is a good choice

There is no clear winner here. The ISO form covers boats, trailers and equipment on and off the premises up to \$1500 but is not adequate coverage in most situations. Boaters need a separate watercraft policy which most large carriers have their own policy. TX forms have no limit but the trailer must be on the insured premises and boats must be on land on the premises. None of these homeowner policies is a good choice for an active boater

PERILS INSURED AGAINST

The Insuring Agreement for the ISO HO3 states
“We insure against risk of physical loss to property
described in Coverages A and B”. Do you see a
problem with that statement? Should the policy
provide for risk of damage or actual damage?

Risk of Damage

Actual Damage



Obviously the policy is intended to cover actual damage but apparently ISO was concerned about it enough to change the wording in the new 2011 version. ISO removed the word “risk” from the new version. The HOB still refers to all risks of physical loss however TDI has not seen the need to change the wording.

WATER DAMAGE

What policy form(s) would you not want to insure your home if you had an accidental discharge of water claim?

 HOA

HOA+

HOB

HO3

The HOA is the only form that does not provide coverage for accidental discharge of water.

WATER DAMAGE

So what policy form(s) would provide coverage for constant or repeated seepage or leakage and backup through sewers or drains?

HOA

HOA+ ✓

HOB ✓

HO3

No water coverage on the HOA. The basic HO3 policy does provide seepage or leakage but most carriers attach the Special Provisions endorsement HO 01 42 which takes the coverage away. The HO3 also specifically excludes backup through sewers or drains. There are endorsements ISO HO 04 67 to add seepage back and HO 04 69 to add water backup and sump overflow with a \$250 deductible. The new ISO 2011 version provides a new endorsement HO 04 95 which provides limited backup and sump overflow at optional limits above the \$5000 limit but the policy deductible would apply. It is likely that the HO 04 69 will go away as an option at some point.

As a side note it is interesting that in the 2011 version additional exclusions for Tsunami, Tides, Storm Surge, water from a dam, levee or seawall have been added. They want to leave no doubt that these perils are excluded.

WATER DAMAGE

Bonus Question!

If a city water main breaks in your neighborhood and causes damage to your home, what form(s) would you want to provide coverage if the dwelling is damaged?

HOA

HOA+

HOB ✓

HO3 ✓

No water coverage on the HOA. No coverage on the HOA+ since the coverage only applies to discharge from a plumbing system or household appliance. The HOB covers the dwelling since it is all risk. The HO3 covers the dwelling since there is a specific coverage provision for damage caused by water from pipes off the premises.

There is a troublesome exclusion in the HO3 that addresses faulty, defective, inadequate design or workmanship of part or all of any property on or off the residence premises.

WATER DAMAGE

Double Bonus Question!

What form(s) would provide coverage if personal property were damaged?

HOA

HOA+

HOB

HO3

None of these would provide coverage.

The HOA and HOA+ would not provide coverage for the same reasons mentioned above. The HOB would not provide coverage since coverage only applies to discharge from a plumbing system. The HO3 has a specific exclusion as regards damage to personal property from a source off the premises.

The HOC or HO5 would be the only policies that would cover both the dwelling and personal property in this example.

WINDSTORM AND HAIL

Which policy form(s) would not cover wind driven rain damage to personal property?

 HOA

 HOA+

 HOB

 HO3

No surprise here. None of the forms provide wind driven rain coverage to personal property.

WINDSTORM AND HAIL

So what policy form(s) would not provide wind driven rain coverage to the dwelling?

 HOA

HOA+

HOB

HO3

All of the forms except for the basic HOA would provide coverage for wind driven rain on the dwelling.

WINDSTORM AND HAIL

Which policy form(s) would cover cloth awnings, greenhouses, structures over water and radio, TV antennas and satellite dishes?

HOA

HOA+

HOB

HO3 

The HO3 is the only form that would cover these items as they are excluded on the TX forms.

WINDSTORM AND HAIL

So what about coverage on watercraft and equipment out in the open? What form(s) would cover those items?

HOA ✓

HOA+ ✓

HOB ✓

HO3

Watercraft and equipment would not be covered for wind coverage on the HO3 unless in a fully enclosed building. Remember from earlier comments also on TX forms that watercraft would need to be on land and on the insured premises to be covered.

FREEZING, INCLUDING ENSUING DAMAGE BY WATER

Which policy form(s) require reasonable care to
maintain heat, etc when unoccupied?

HOA

HOA+

 HOB

HO3

Tricky question. The HOB is the only form that references unoccupied.

FREEZING, INCLUDING ENSUING DAMAGE BY WATER

Which policy form(s) provide coverage for
freezing and water damage without any
restrictions or conditions?

HOA HOA+ HOB HO3

None of the forms are without restrictions or conditions

The HOA+ does not cover freezing and water damage if the break is below the surface of the ground or within or below the slab or foundation. For the HOB and HO3, actual coverage will depend on how the carrier interprets the exclusions “Changes in or extremes of temperature” and “Reasonable Care”.



FREEZING, THAWING, PRESSURE OR WEIGHT OF WATER OR ICE

The other issue that carriers dealt with this past winter had to do with freezing damage to swimming pool equipment such as pumps, filter systems and other related equipment.

Which policy form(s) reference an exclusion regarding coverage to swimming pools?

HOA

HOA+

HOB

☒ HO3

It was reported that some carriers using ISO homeowners policies had denied claims due to the exclusion of swimming pools and interpreted that pool equipment was included as part of the swimming pool. Some carriers do have specific exclusions regarding “related pool equipment”. TX forms do not have these exclusions.

THEFT

What policy form(s) would cover theft of property from an unattended vehicle?

HOA ✓

HOA+ ✓

HOB ✓

HO3 ✓

All the forms cover theft but for theft to be covered on the HOA there would need to be evidence of forcible entry. The vehicle is not considered unattended when the keys are entrusted to a parking attendant or valet.

DAMAGE BY ANIMALS

Which policy form is the most confusing in identifying what is excluded?

HOA

HOA+

HOB

HO3 

The primary difference is reference to “vermin” in the HO3. The difficulty and problem is what is “vermin”. What all is excluded? One definition would include an offensive person. The new 2011 ISO version makes it much clearer as it removes reference to “vermin” and replaces it with the following:

DAMAGE BY ANIMALS

**“Nesting or infestation, or discharge or
release of waste products or secretions by
any animals”**

LOSS WHILE DWELLING VACANT

Which policy form(s) would provide coverage on personal property even after the dwelling is vacant for more than 60 days?

HOA ✓

HOA+ ✓

HOB ✓

HO3

The primary difference here is that coverage would still apply to Personal Property on TX forms.

LOSS WHILE DWELLING VACANT

So then which policy form(s) would you say provides the broadest coverage on the dwelling after being vacant for more than 60 days?

HOA

HOA+

HOB

HO3 

The vacancy clause on the HO3 only applies to Vandalism & Malicious Mischief.

FOOD SPOILAGE

Which policy form(s) is more restrictive regarding losses from off premises damage?

HOA

HOA+

HOB

HO3 ✓

The ISO HO3 does not cover losses from off premises damage. There is an endorsement HO 04 98 Refrigerated Property Coverage that provides up to \$500 coverage subject to a \$100 deductible.

FOOD SPOILAGE

Comparing an HO3 with HO 04 98 to the other forms, which form(s) would provide the broadest coverage?

✓ HOA

HOA+

✓ HOB

HO3

The HOA and HOB would provide the broadest coverage since they provide the same off premises limit of \$500 and no deductible. The HOA+ and HO3 with HO 04 98 both have a \$100 deductible.



The solution to bridge the coverage gaps between the HOB and HO3 is the Texas 4 Pack.



THE TEXAS 4 PACK

HO 04 67 06 02

Water Damage Coverage- Texas

HO 04 68 06 02

Foundation Coverage- Texas

HO 04 69 06 02

Water Back Up and Sump Discharge or Overflow- Texas

New 2011 version HO 04 95 provides optional limits but policy deductible does apply.

HO 04 98 10 00

Refrigerated Property Coverage

Adding this package of 4 endorsements to the HO3 will help bring the HO3 into closer alignment with the HOB.

EXAMPLES OF ENHANCEMENTS TO HOA

- adding replacement cost automatically to the dwelling
- including replacement cost automatically on personal property
- adding additional perils such as accidental discharge of water and freezing and other perils
- including limited slab coverage automatically
- including limited water backup automatically
- including limited mold coverage automatically
- including Personal Injury coverage automatically

These are some of the enhancements that are available by some carriers to their HOA+ policy.

EXAMPLES OF RESTRICTIONS TO HOA

- adding or revising definitions in the policy. Example: Vacancy-
- reducing the number of days to suspend coverage
- limits for loss by theft of firearms
- total watercraft liability exclusion or specific limits
- recreational vehicle liability exclusion
- liability exclusion due to sexual molestation
- liability exclusion related to Controlled Substance
- liability exclusion arising from exposure to toxic mold
- liability exclusion from ownership or use of a trampoline
- liability exclusion for animals insured owns or keeps

These are some of the restrictions that can be found on some carriers' HOA+ policies.



EXAMPLES OF RESTRICTIONS TO HOA (CONTINUED)

- liability exclusion for ownership or use of diving boards or slides in connection with a swimming pool
- liability exclusion caused by plumbism (lead poisoning)
- liability exclusion caused by asbestos fibers or silica dust
- cosmetic damage exclusion for certain types of siding
- exclusion of seepage or leakage of water
- actual cash value coverage on roofs
- roof exclusion or limited coverage on roof

These are some additional restrictions that can be found on some carriers' HOA+ policies. These restrictions should not always be considered a negative as it may allow the carrier to provide coverage when otherwise they would not be eligible. In some cases a buyback of coverage may be offered with an additional premium charge.