

**QUICK NOTES™**  
**SUPPLEMENTAL STUDY GUIDE**

**FLORIDA**

**A REVIEW SUPPLEMENT FOR THE  
FLORIDA GENERAL LINES  
STATE INSURANCE LICENSING EXAM  
(SERIES 2-20)  
(January 2016 edition)**

**What is Insurance Schools Quick Notes™ Supplemental Study Guide?**

Insurance Schools Quick Notes™ Study Guide is a comprehensive study guide that follows the Florida licensing exam content outline and covers every topic listed on the content outline.

**This supplemental study guide is designed to be used as an adjunct learning tool along with our online practice exam simulator and is not a substitute for the required Florida prelicensing education course.**

Insurance Schools Quick Notes™ Study Guide does not meet the Florida prelicensing education course requirement.

Excerpts of Florida laws and regulations cited in this study guide have been condensed to emphasize important, testable topics you will see on your state insurance exam.

This study guide should not be used as a substitute for competent legal advice.

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## GENERAL KNOWLEDGE

### I. Types of Property Policies (16% of State Exam)

#### A. Homeowners - Purpose and Eligibility

Homeowner policies are a multi-line policy, which means they combine property and casualty coverage in the same policy. They can be written to cover up to a four family structure with no more than 4 roomers or boarders. At least one unit must be owner occupied. Farm property is not eligible. A mobile home can be covered by amending coverage with an endorsement.

##### Coverage Forms:

- HO-2 (Broad Form); (broad form perils for all property)
- HO-3 (Special Form); (open peril for structures, broad perils for personal property.
- HO-4 (Contents Broad Form also known as "Tenants Form");
- HO-5 (Deluxe Form-open peril coverage for buildings and contents;
- HO-6 (Condominium Unit-Owners Form);
- HO-8 (Modified Coverage Form). (limited perils and ACV on all property)

##### Definitions:

##### Insureds -

- The named insured plus their spouse who resides there (whether or not the spouse's name is shown on the policy)
- Relatives of the named insured or the spouse who reside in the household
- Other persons under age 21 in the named insured's or a resident relative's care
- Full-time college students who are age 24, and related to the named insured

**Insured Location** - The residence premises, its grounds, others shown on the declaration page, those temporarily used (hotel room), cemetery plots & mausoleums, vacant land and premises rented to the insured for other than business use.

##### Section I - Property Coverages:

- Coverage A - Dwelling - Covers the dwelling and attached structures (garage, porch)
- Coverage B - Other structures - Those not attached (garage, shed)
- Coverage C - Personal property - Covers personal property owned or used anywhere in the world.
- Coverage D - Loss of use – Covers loss of rental income and additional living expenses.

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**Additional Coverages of the HO Forms at a Glance:**

<b>Additional Coverage</b>	<b>HO-2</b>	<b>HO-3</b>	<b>HO-4</b>	<b>HO-5</b>	<b>HO-6</b>	<b>HO-8</b>
<b>Debris Removal</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Reasonable Repairs</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Trees, Shrubs and Other Plants-max \$500 per item</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Fire Department Service Charge-\$500.</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Property Removed-30 days</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Credit Card, Fund Transfer Card, Forgery, and Counterfeit Money \$500</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Loss Assessment by Condo. Assoc.\$1,000</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Glass or Safety Glazing Material</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Collapse - abrupt damage</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	
<b>Landlord's Furnishings - max of \$2500-no theft</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>		
<b>Building Additions and Alterations</b>			<b>X</b>		<b>X</b>	
<b>Ordinance or Law</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	
<b>Grave markers - \$5,000</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	

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## Section II - Liability Coverages

**Coverage E - Personal Liability** – Minimum limit is \$100,000. Provides **world wide liability coverage** for the personal activities of the insured and family members. Provides coverage for certain incidental business activities such as a dance or painting studio, office and daycares. An endorsement is required for some of these activities. A sail boat under 26 feet, 25 horsepower outboard motor boat, rowboat and kayak would be covered for liability. Limited coverage for certain boats rented to the insured.

**Coverage F - Medical Payments to Others** – Minimum limit is \$1,000 each person per occurrence. Coverage is **no-fault medical payments coverage to others**. Only invitees are covered, not the insured family or tenants. Example - A neighbor helps the insured lay carpet and is injured while helping. Pays up to three years after the incident.

### Additional Coverages:

- Claims expenses
- Provides **\$250 per day** for insured to attend hearings and trials
- Premiums on bonds to defend insured
- Interest on judgment that accrues after the judgment.
- First Aid - The insurer will pay for first aid expenses incurred by an insured for first aid to others (not an insured).
- Damage To Property of Others - The insurer will pay **up to \$1,000 for accidental damage** to property of others

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## Perils Insured Against

### The Perils of the Different Homeowner Forms

Perils Covered	HO 2	HO3		HO 4	HO5		HO 6	HO 8
		Dwelling	Personal Property		Dwelling	Personal Property		
Fire	X	Open Peril	X	X	Open Peril	Open Peril	X	X
Lightning	X		X	X			X	X
Windstorm or Hail	X		X	X			X	X
Explosion	X		X	X			X	X
Riot or Civil Commotion	X		X	X			X	X
Aircraft	X		X	X			X	X
Vehicles	X		X	X			X	X
Smoke	X		X	X			X	X
Vandalism & Malicious Mischief	X		X	X			X	X
Theft	X		X	X			X	X
Volcanic Eruption	X		X	X			X	X
Falling Objects	X		X	X			X	
Weight of Ice, Snow, or Sleet	X		X	X			X	
Discharge of Water or Steam	X		X	X			X	
Sudden, Accidental Rupture	X		X	X			X	
Freezing of Plumbing and Related Systems	X		X	X			X	
Artificially Generated Electrical Current	X		X	X			X	

**Exclusions** - War, nuclear hazard, earth movement, neglect of insured, ordinance or law, flood, off-premises power shortages, and intentional acts are examples of some exclusions.

**Conditions:**

- Insurable interest (must be evident at the time of loss)
- Insured's duties after a loss (report the claim and provide proof of loss)
- Loss settlement (can be either repair, or pay at ACV or replacement cost)
- Loss to a pair or set (Clause that stipulates that partial loss to a pair or set of items will be valued in terms of the lost item, not on the basis of reduced value of the pair or set)
- Glass Replacement (includes cost of safety glass)
- Appraisal (either party may request to determine value of claim)
- Other insurance (participates in the loss)
- Suit against insurer (must be brought within two years of the claim)
- Repair or replace option; right of salvage (option of insurer)
- Loss payment (made on basis of ACV or replacement cost)
- Abandonment (insured cannot have a loss and abandon property to insurer)
- Mortgagee Clause (covers insurable interest of mortgage)
- No benefit to bailee (only covers interest of the insured in property)
- Intentional acts (always excluded if caused by insured)

**Selected Endorsements:**

- **Earthquake (HO 04 54)** - The earthquake endorsement defines a "single earthquake" as all earthquake shocks occurring within a 72-hour period. The peril of earthquake is defined to include land shock waves or tremors accompanying a volcanic eruption. The type of construction of the dwelling is a significant factor in earthquake rates. Deductibles are expressed as a percentage of the dwelling limit.
- **Identity Fraud Expense (HO 04 55)** - Provides reimbursement of expenses incurred as a result of identity theft or fraud. Covered expenses, **up to the \$15,000 limit**, include reasonable attorney fees to defend suits brought by merchants, financial institutions, or collection agencies, costs incurred to re-apply for any loans rejected solely because of incorrect credit information, lost income for time taken to meet with law enforcement officials or complete affidavits (**maximum \$200 per day; \$5,000 total**), and charges for long distance calls to report or discuss an actual identity fraud. A \$250 deductible applies.
- **Scheduled Personal Property (HO 04 61)** - This endorsement covers personal property that requires higher limits or broader coverage.
- **Personal Property Replacement Cost (HO 04 90)** - Homeowner forms provide actual cash value coverage on personal property. This endorsement provides replacement cost coverage.

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- **Home Business (HO 07 01)** - An endorsement used to cover the unique exposures of a home business. Covers increased contents value, loss of income and broader liability coverages.
- **Personal Injury** - This endorsement extends liability coverage to include libel, slander, wrongful eviction, and wrongful arrest and other non-bodily injury offenses.
- **Water Back Up and Sump Discharge or Overflow (HO 23 85)** - An endorsement may be attached to provide up to \$5,000 of coverage for losses caused by water which backs up through sewers or drains or which overflows from a sump pump, even when caused by mechanical breakdown of the pump.

## B. Dwelling Policies

**Purpose and Eligibility** - The Dwelling Policy (abbreviated as “DP”) usually used to cover landlord property or property that does not qualify for a homeowner policy. No more than four families per structure and roomers and boarders are limited to five. Occupants must purchase their own contents coverage either using a DP form or an HO policy

**Coverage Forms - Perils Insured Against** - Three different DP policies are available: DP-1 Basic, DP-2 Broad, and DP-3 Special. The covered property is the same in all of the forms; the difference is in the perils that are insured.

- **DP-1 Basic** - Provides basic perils. When a premium for Extended Coverage perils and VM&M Coverage is shown in the Declarations, these coverages become part of the perils insured against.
- **DP-2 Broad** - Covers all the named perils found in the DP-1 Basic including the Extended Coverage perils and vandalism. DP-2 adds the “**broad perils**.”
- **DP-3 Special** - This form may be called a “hybrid form” because it uses both perils approaches. The **open-peril approach** applies to Coverages A-Dwelling and B-Other Structures. The **named-peril approach**; however, is used for personal property using the broad perils.

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**Dwelling Property Perils At-A-Glance:**

<b>DP-1 (Basic)</b> (Dwelling, Other Structures & Personal Property)	<b>OPTIONAL FOR DP-1 ONLY</b>	<b>DP-2 (Broad)</b> (Dwelling, Other Structures & Personal Property) Named peril coverage using the broad perils	<b>DP-3 (SPECIAL)</b> A combination of open and named peril coverage
Fire - Covers unfriendly fires	Extended Coverage ( <b>EC Perils (listed below)</b> )	Automatically includes all of the DP-1 perils, the EC perils and VMM	Open Perils (Dwelling & Detached Structures)
Lightning - Mother Nature's electricity	Vandalism & Malicious Mischief (VMM) an endorsement - <b>no coverage if vacant for more than 60 days</b>	Plus the Broad Perils (listed below) no need for the VMM endorsement	Provides broad (not open) perils for personal property
Internal Explosion- a water tank explodes			

<b>EC Perils</b>	<b>Broad Perils</b>
<b>W</b> – Windstorm	<b>B</b> – Burglary Damage (not stolen property - <b>no coverage if vacant for more than 60 days</b> )
<b>C</b> – Civil Commotion	<b>I</b> – The weight of Ice, Snow or sleet ( <b>a bowed roof</b> )
	<b>G</b> – Glass Breakage ( <b>except when vacant for more than 60-days</b> )
<b>S</b> – Smoke	
<b>H</b> – Hail	<b>A</b> – Accidental Discharge or overflow of water or steam ( <b>clothes washer, commode overflows, pipe breaks</b> )
<b>A</b> – Aircraft	<b>F</b> – Falling Objects ( <b>a tree or other object cases loss</b> )
<b>V</b> – Vehicles ( <b>not an owners vehicle except under the DP-3</b> )	<b>F</b> – Freezing of Pipes ( <b>only if water turned off &amp; lines drained or heat left on</b> )
<b>V</b> – Volcanic Eruption	<b>E</b> – Electrical Damage ( <b>from artificially generated</b> )
<b>E</b> – Explosion	<b>C</b> – Collapse (an abrupt falling down or caving in)
<b>R</b> – Riot	<b>T</b> – Tearing Apart, Cracking, Burning or Bulging ( <b>a hot water tank overheats</b> )



### Property Coverages:

- **Coverage A** - Dwelling/residence and any attached structure plus building materials
- **Coverage B** - Other structures detached from the dwelling (a garage; storage bldg)
- **Coverage C** - Personal Property on the designated premises (optional coverage) (10% worldwide)
- **Coverage D** - Fair Rental Value (indirect loss coverage to cover lost rental income)
- **Coverage E** - Increased Living Expenses (an indirect loss coverage to pay the extra expenses to live elsewhere while repairs are being performed). This is optional for the DP-I form for an additional premium.

**General Exclusions** - These perils are excluded in every property loss, whether the policy uses a named-peril approach or an open-peril approach.

- Water Damage - Including floods from outside sources, whether runoff or overflow. Direct loss by fire or explosion which ensues or results from the water damage or earth movement **is COVERED**.
- Intentional losses from the standpoint of the insured
- Neglect during or after a loss (the insured must protect the property)
- Earth movement - Earthquakes, landslides, sinkhole collapses, and mine subsidence
- War - Whether declared or not
- Increased costs for upgrades required by ordinances when repairing buildings (changes in building codes)
- Nuclear damage
- Off-premises power outages that cause loss to an insured (power goes off down the street and the food in the freezer thaws)

### Conditions:

- Policy Period - States when coverage begins and ends
- Mortgage Clause - Includes the insurable interest of the mortgage
- Liberalization Clause - If a form changes enhancing coverage with no additional premium the current policies are also broadened
- Concealment or Fraud - Coverage will be void before or after the loss
- Recovered Property - Salvage belongs to the insurer after loss is paid
- Duties after a Loss - Give prompt notice to insurer, protect the property and provide proof of loss and records when requested by the insurer.
- Settlement Considerations - Will the ACV or replacement cost apply?
- Other insurance and service agreements that may apply to the same loss
- Loss Payable Clause - Covers insurable interest of lender for chattel property
- Legal Action against Insurer - Provides a time limit to bring a suit against insurer

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### Selected Endorsements:

- **Broad Theft Endorsement (DP 04 83)** - An endorsement to add theft coverage to which applies on and off the premises
- **Dwelling under Construction (DP 11 43)** - The endorsement covers a dwelling under construction with a provision that the insurer must be advised after work is completed. Occupancy of the dwelling *is permitted for 30-days after completion*.
- **Personal Liability Supplement** - This endorsement provides bodily injury and property damage liability coverage, including defense, for premises and personal activities of the insured on a “world wide” basis. Examples are falling down claims, dog bites, hunting accidents etc. Also includes \$1,000 for medical payments on a “no fault” basis to invitees.

## C. Commercial Lines

### I. Commercial Package Policy (CPP)

#### Components of a Commercial Policy:

- **Common Policy Declarations** – Apply to all sections of the policy. This includes the Named insured, address, and inception and expiration date of the coverages.
- **Common Policy Conditions** – Also applies to all of the coverages. Each coverage expands on the conditions.
- **First Named Insured** – They receive the premium and cancellation notices and are responsible for reporting and the filing of claims.
- **Monoline versus Package** – Monoline is one policy. A CPP must contain at least two or more coverage parts.

### 2. Commercial Property

Designed to cover risks that do not necessarily qualify for the businessowners policy which will be discussed later.

#### Commercial Property Conditions (CP 00 90):

- **Control of Property** - States that any act of negligence on the part of a person who is beyond the insured's direction or control will not affect the insurance.
- **Legal Action against the Insurer** - An insured must have complied with all terms of the policy. The suit must begin *within two years* following a loss.

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