

HO 04 61—SCHEDULED PERSONAL PROPERTY ENDORSEMENT

(July, 2017)

Unendorsed ISO HO Forms are meant to protect types of personal property that represent a normal exposure to loss such as clothing, furniture and furnishings. Since only modest amounts of coverage are available for property that is either high-valued or particularly vulnerable to loss or destruction, the ISO Homeowner program provides the HO 04 61— Scheduled Personal Property Endorsement. The form allows an insured who owns valuable property to increase the coverage on the described property, subject to the unendorsed policy definitions, conditions, exclusions and other applicable provisions. However, the increased coverage is not subject to the basic policy's deductible.

Related Article: [Personal Articles Floater](#)

Classes of Property

As long as a detailed description exists on either the declarations or the endorsement schedule, the following classes of property are eligible for coverage:

- Jewelry
 - Furs and garments trimmed with fur or consisting principally of fur
 - Cameras, projection machines, films and related equipment
 - Musical instruments and related equipment
 - Silverware, silver-plated items, goldware, gold-plated items and pewterware
- Note:** Even when pens, pencils, flasks, smoking implements and jewelry contain silver, such items are not considered to be part of this property class.
- Golfers' equipment - clubs, balls, clothing and accessories
 - Fine arts
 - Stamps and other (philatelic) property and
 - Coins and other (numismatic) property

The ISO homeowners program is not designed to handle losses involving most business activities. Therefore, the HO 04 61 endorsement prohibits coverage for any musical instrument that is used professionally.

Example: The Partriches' home is insured by a special form homeowners policy issued by Ourbucks Mutual. The family owns some property needing extra protection, such as a large silverware set, several nice pieces of ladies jewelry and several instruments (two violins, a cello and a bass violin). All of this property is described and insured under an HO 04 61 endorsement.

The Partriches submit a claim for nearly \$6,000 when all of the instruments are stolen from a hotel lobby. The Ourbucks adjuster investigates the claim. He discovers that the instruments were at the hotel because the Partriches and their next door neighbors performed in the hotel restaurant. The four friends make up a chamber group called the Koffe-Klatch Strings and they regularly perform throughout the city. Ourbucks promptly denies the claim.

It is a particular underwriting concern when scheduled property is kept at a location that differs from the home address. The reason for having a separate location may be a practical one, such as: furs being kept at a secure fur storage location (during warm weather months), or very expensive property being kept in a bank vault. However, a different location may also be due to situations that need more investigation, such as discovering there are other ownership interests or finding a use for the property that disqualifies it for coverage under a homeowners policy.

Related Article: [ISO HO 00 03 Special Form Coverage Analysis](#)

A. Newly Acquired Property – Jewelry, Furs, Cameras and Musical Instruments Only

This form automatically extends its coverage for new property an insured acquires during the term that this form is in effect. However, the coverage is both temporary and limited and applies only to:

- Jewelry
- Furs

Related Article: [Personal Jewelry and Furs Insurance](#)

- Cameras

Related Article: [Camera Insurance](#)

- Musical Instruments

Related Article: [Musical Instruments Insurance](#)

If a specific class of property is already scheduled, newly acquired property in the same class will be covered at the lesser of the following:

- 25% of the amount of insurance for that class of property
- \$10,000.

New acquisitions that fall into the above property classes must be reported to the insurer within 30 days. The property is added as of the actual acquisition date and any additional premium is calculated according to the day the property is acquired.

Example: Lora Limbertone’s HO policy includes a HO 04 61 endorsement containing the following limits:

\$12,000 coverage for jewelry \$6,500 coverage for cameras and accessories \$7,600 for musical instruments.	
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As a gift for her husband, Lora buys a state-of-the-art electronic drum set. There is a severe thunderstorm on the day the set is delivered and set up. A nearby lightning strike causes a power surge that blacks out Lora's neighborhood and completely destroys the drum set's computer components, making it useless. The \$3,500 drum set is only eligible for \$1,900 in coverage, which is 25% of the limit schedule for that class of property (\$7,600 for musical instruments).

B. Newly Acquired Fine Arts

When fine arts are listed on this endorsement, objects that are acquired during the policy period are covered for their **actual cash value** (rather than at their applicable agreed value). However, the most that will be paid is 25% of the limit of insurance shown for fine arts. For coverage to apply, the insured must report the objects to the insurance company within 90 days and pay the additional premium from the date acquired.

Example: Raymone Bluegill's homeowner policy includes a HO 04 61 endorsement. The policy's effective date begins on June 1 and the HO 04 61 endorsement has a limit of \$20,000 for fine art coverage. On June 10, Raymone acquires a sculpture valued at \$5,700. Assuming Raymone has not reported the acquisition and the sculpture is destroyed, what would Raymone recover if the loss occurred on:

- August 28?
- September 2?
- September 13?

With a limit of \$20,000 for fine arts, Raymone would recover the following:

- \$5,000 for a loss to the sculpture on August 28
- \$5,000 for a loss to the sculpture on September 2
- \$0 for a loss to the sculpture on September 13

A loss on August 28 would be covered by the newly acquired provision, but coverage would be limited to 25% of the \$20,000 limit, or \$5,000. A September 2 loss, though more than 90 days from the policy inception date, is still less than 90 days from the date the sculpture was acquired, so it's still eligible for a maximum of \$5,000 coverage. For a September 13 loss, no coverage is available for the sculpture since the item was required to be reported within 90 days. When Raymone asks whether any coverage is available under the policy's Coverage C provision, he's told "no"; with the presence of the HO 04 61's fine arts limit, all such property is subject to the endorsement's provisions.

However, there is a further limitation. The sculpture loss will be paid based on its actual cash value, not its stated value.



Related Article: [Fine Arts Insurance](#)

C. Perils Insured Against

The endorsement insures against risks of direct loss to the described property. In other words, the covered property has to suffer physical harm. No coverage is extended for any of the following perils:

- Wear and tear
- Gradual deterioration
- Inherent vice
- Insects or vermin
- War, including the following and any result of the following: undeclared war; civil war; insurrection; rebellion or revolution; warlike act by a military force or military personnel; or destruction, seizure or use for a military purpose.

Note: Discharge of a nuclear weapon, REGARDLESS of the circumstances, is considered to be a warlike act; so it is not a covered source of loss.

- Nuclear hazard, to the extent set forth in the nuclear hazard clause of Section I—Conditions.

Further, the following is also excluded for loss or damage involving fine arts:

- Repair, restoration or retouching process.

Example: Insured A has an extensive collection of paintings by various French Impressionists. Many of his paintings begin to crack and fade because the humidity in his home is too low. Although he has a schedule limit of nearly \$750,000, none of the \$48,000 cost to treat and restore the paintings is covered since the event occurred over several months and involves retouching and restoration.

- Most instances of the breakage of art glass windows, glassware, statues, marble, bric-a-brac, porcelains and similar fragile articles.

However, there **is** coverage if the breakage is caused by:

Fire or lightning	Explosion
Aircraft	Collision
Windstorm	Earthquake
Theft	Derailment or overturn of a conveyance (such as a cab or train)
Flood	Malicious damage

Example: George Plushtreed rushes home to see if his order of antique crystal has been delivered. As he enters his apartment building, his doorman pulls him aside and tells him that the children from a neighboring apartment saw the crate of crystal in front of his door and pushed it down a flight of stairs. This act of vandalism would be covered by the HO 04 61.

Property At Exhibitions - There is **no coverage** for a loss, from any cause, to property on exhibition at fair grounds or premises of national or international expositions, unless the **premises** is covered by this policy. In other words, even if the peril that destroys scheduled property is an eligible cause of loss such as fire, any damage is excluded if the loss occurs while an insured is exhibiting the property.

This is an understandable coverage limitation. A fair or exhibition should have separate coverage to protect the property that is displayed at the event. Exhibitions are a huge exposure to loss considering the valuable property being accessible by the general public (theft or vandalism), the dangers of pedestrian traffic (breakage) and the perils caused by transporting the property as well as damage or loss which may affect the commercial location.

Related Article: [Fine Arts Insurance](#)

Applicable To Postage Stamps or Rare and Current Coins

There are some additional coverage restrictions faced by these property classes. Specifically, no protection is available for loss due to any of the following:

- Fading
- Creasing
- Denting
- Scratching
- Tearing or thinning
- Transfer of colors
- Inherent defect
- Dampness
- Extremes of temperature
- Depreciation
- Being handled or worked on
- Disappearance of individual stamps, coins or other articles, unless the item is either of the following:
 - described and scheduled with a specific amount of insurance
 - mounted in a volume, and the page it is attached to is also lost
- Shipping by mail other than registered mail
- Loss to property in the custody of transportation companies or
- Property that is not part of a stamp or coin collection

While the HO 04 61–Scheduled Personal Property Endorsement provides much more coverage than an unendorsed HO policy, there’s not enough premium to handle the multitude of events that can cause a substantial loss of value to collectible stamps and coins.

D. Territorial Limits

The different classes of property that are eligible for coverage under this endorsement, including fine arts, are protected worldwide.

E. Special Provisions

1. Fine Arts

The insured must agree that the covered property will only be handled by competent packers.

Note: While this is the only requirement, there’s no indication whether competent means professional or just persons who handle the property without being clumsy or irresponsible. It may have made more sense to include an exclusion against losses that could be attributed to improper packing.

2. Golfers’ Equipment

This term includes street clothes kept in a locker while an insured is playing golf.

Example: A golfer who changes clothes at the office, then leaves his business attire in his car from where they are stolen, would not have coverage under the HO 04 61 endorsement.

Golf balls are covered for loss by fire. They are also covered for burglary if there are visible marks of forcible entry into the building, room or locker.

Related Article: [Golfer's Equipment Floater](#)

3. Postage Stamps

This term includes the following that are owned by or in custody or control of the "insured":

- Due stamps
- Envelope stamps
- Official stamps
- Revenue stamps
- Match stamps
- Medicine stamps
- Covers, locals, reprints, essays and proofs as philatic property
- Other philatelic (stamp) property
- Books, pages and mounting of items described above.

Related Article: [Stamp Glossary](#)

4. Rare and Current Coins

The phrase "rare and current coins" includes the following that are owned by or in the custody or control of the "insured":

- Medals
- Paper money
- Bank notes
- Tokens of money and other numismatic property
- Coin albums
- Containers
- Frames
- Cards
- Display cabinets in use with such collections.

Related Article: [Stamp and Coin Insurance](#)

F. Conditions

1. Loss Clause

The amount of insurance under this endorsement will not be reduced, except for a total loss of a scheduled article.

Example: Sara Stonegold has an HO 04 61 endorsement for her musical instruments. The schedule amount is for \$5,000. A month after adding the endorsement to her policy, a trumpet was dropped and stepped upon by a visitor. It cost \$430 to repair. The amount was paid. A month after the trumpet incident, a case latch for her cello came loose and her cello fell out and smashed onto the sidewalk. \$1,100 in repairs was paid. Just before Christmas, her home was burglarized and all of her instruments were stolen. The total loss was \$4,890. The entire theft loss was paid by her coverage since the previous losses did not affect the total amount available.

If a scheduled item is lost or totally destroyed and a payment is made, the remaining limit is reduced by the value/payment of the lost item. Under this condition, any unearned premium will be refunded or, if the scheduled item is replaced, the unearned premium may be applied to the premium due for the replacement item.

2. Loss Settlement

Losses involving different classes of property are settled in different ways. Each class is described below.

a. Fine Arts

The insurance company will pay the amount shown on this endorsement for each scheduled article. That amount is agreed to be the value of the article.

In case of loss to a pair or set, the insurance company will pay the full amount of the set as shown in the schedule, and the insured agrees to surrender the remaining article or articles of the set to the insurance company.

This form includes a contingency for recovered fine art. Recovered items are the property of the insurer (once the loss has been settled). If the insured is interested, he or she may contact the insurer about buying the recovered item back. The two parties will work out the value of the item and proceed with the sale.

Example: Olivianna Deplacitude is happy. Her jewelry collection is, once again, complete. Several months ago, her emerald, shrimp-shaped earrings disappeared during a family reunion. Olivianna, Livid to her friends, was paid \$3,700 by Trial & Era Insurance Company. Livid had no problem with the settlement amount, but the money could not assuage the loss of the historically significant earrings. They were crafted by Leopold D'Limp, the one-armed jeweler who lost a limb during the last major battle of the 1911 War of Extreme Dependence. A few days ago, Livid heard good news from her insurer. Her recently departed great grandfather, who died of a stomach ailment, was autopsied and the earrings were found in his stomach, unharmed. Since the loss was settled, the earrings were delivered to Trial & Era. Livid immediately requested the earrings and was told that, per the endorsement terms, she could buy the earrings back. After several meetings, Livid and Trial & Era agreed on a price of \$4,250. However, Livid was taken aback when Trial & Era would only re-schedule them for \$3,800. Trial & Era insisted that Livid paid too much for them.

However, if the insured recovers the property and is satisfied with a previous settlement, the property has to be surrendered to the applicable insurer.

b. Postage Stamps or Rare and Current Coin Collection

In case of loss to any scheduled item, the amount to be paid has to be determined after such property has been lost or damaged. The settlement will pay no more than the least of the following amounts:

- The actual cash value of the property at the time of loss or damage (see note below on exception)
- The amount for which the property could reasonably be expected to be repaired to its condition immediately prior to the loss
- The amount for which the article could reasonably be expected to be replaced with one substantially identical to the article lost or damaged
- The amount of insurance.

When coins or stamps are covered on a blanket basis, the insurance company providing coverage will pay the cash market value at time of loss; but not more than a maximum limit of \$1,000 on any unscheduled coin collection; nor more than \$250 for any one stamp, coin or individual article; or any one pair, strip, block, series sheet, cover, frame or card.

Related Article: [Stamp Glossary](#)

There is an exception to the use of actual cash value. Settlement will consider the amount needed to replace the property if the HO 04 61 is attached to a homeowner policy that has been modified with a replacement cost option.

Other Property - Under the endorsement, it's assumed that the value of "other" insured property is pre-determined. The value has to be addressed if and when such property suffers a loss. The insurer has the option of settling a loss according to the most economical method among the following:

- The property's actual cash value calculated at the time of loss or damage
- The property's reasonable cost of repair as of the instant just before the loss or damage
- The article's cost to replace with substantially identical property
- The insurance limit that appears on the endorsement's schedule or declarations page.

Naturally this provision is not applied to any property under the form that is subject to replacement cost settlement.

3. Pair, Set or Parts Other Than Fine Arts

If there is a loss to a pair or a set, the insurance company has the following options: repair or replace a part in order to restore the set's "before-loss" value, or pay the difference between actual cash value of the property before and after the loss.

Parts - If there is a loss to any part of a piece of covered property that consists of several parts, the insurance company will pay for the value of the lost or damaged part.

Related Article: [Personal Articles Floater](#)

Note: HO 04 60–Scheduled Personal Property Endorsement (With Agreed Value Loss Settlement) provides a settlement option that may be more understandable to insureds. Settlement is based on the agreed value listed on the schedule.