

From the Editor

by Donald P. Roinestad, CPCU

Along with the many new members who have joined the Personal Lines Section this year, there is also a new editor for your newsletter. My name is Don Roinestad, and I was asked at the Winter Meeting 2000 to assume this responsibility. Everyone on the Personal Lines Section Committee joins me in thanking past editor Aaron Stein for the excellent job he has done since the newsletter's inception, and we especially appreciate the time and effort he has spent on making it a success.

This newsletter features an article that covers an area of special interest and is of value to everyone associated with personal lines. At the end of this year ISO is introducing a new series of homeowner forms (HO 2000) to replace the HO 91. To better understand the modifications and differences between the two series, an ISO

summary of the changes appeared in the November 1, 1999 issue of *Property Insurance Report*, a publication that is edited by Brian Sullivan (permission was granted by the publisher to reprint this article). The ISO summary is reproduced below in its entirety with some recent ISO updates, and is an excellent resource document for when the HO 2000 is introduced in your respective states.

We will strive to make your newsletter a tool to keep all members informed as to what is occurring in the personal lines arena. I, as well as the other members of the Personal Lines Committee, would like to hear from you in order to ensure that the Personal Lines Section is enhancing your knowledge as an insurance professional. Please contact me at e-mail don.roinestad@ekemper.com. I look forward to hearing from you. ■

Homeowners 2000 Program Summary of the Changes to the HO 91

by Brian Sullivan

Editor's note: *This article was originally published in the November 1999 issue of the Property Insurance Report and is reprinted here with permission.*

The HO 2000 Program filing will consist of:

- more than 50 changes to the policy forms, many of which will also affect a number of the endorsements in the homeowners portfolio
- twenty new optional endorsements—13 for general use, and seven for use with the Optional Home Business Coverage (Homebiz) Endorsement
- changes to the Personal Injury, Homebiz, and Lead & Fuel optional endorsements
- thirteen new rules that will complement the new endorsements
- changes to more than 15 current rules

The following information briefly summarizes what we, at ISO Personal Lines, believe are the key changes to the forms. It also highlights the themes of the new endorsements.

Special Coverage Form HO-5 To Be Reintroduced

New Form HO-5 will provide "open perils" coverage to property covered under coverages A, B, and C. It will replace the combination of Form HO-3 with Endorsement HO-15 ("open perils" on contents), but will not cover personal property for the peril of earthquake (EQ).

Business Coverage Changes

Business definition will be revised to express that a business includes a full- or part-time trade, profession, or occupation, and any other activity engaged in for money or other compensation. Certain activities, however, will not be considered a business:

- one or more activities, not described below, for which no "insured" receives more than

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Perils Insured Against and Open Perils Preclusions of Coverage

Smoke Peril will be broadened to include “the emission or puffback of smoke, soot, fumes, or vapors from a boiler, furnace, or related equipment.”

Accidental Discharge or Overflow of Water or Steam Peril

This peril is revised:

- to cover the cost to tear out and replace parts of non-building structures on the residence premises when escaping water or steam is causing damage to a covered building
- to clarify that the plumbing system and household appliances do not include sump pumps, gutters, down spouts, roof drains, or similar equipment or fixtures (This change will also be made to the freezing peril.)

In the open perils forms, the exception to the wear, tear, mechanical breakdown, latent defect, and inherent device preclusions of coverage is revised to explicitly express that discharge or overflow of water or steam from within a storm drain or water, steam, or sewer pipe that is off the residence premises is covered.

Vandalism or malicious mischief preclusion will be revised to extend the permitted vacancy period to 60 days (from 30), and clarified so that the vacancy provisions will apply, as always intended, to ensuring loss caused by a vandal’s act committed in the course of vandalism.

Section I Exclusions

Earth movement and water damage will be clarified to apply to all earth movement and water damage, whether or not caused by natural or other forces or results in substantial damage over a widespread area.

Water Damage

Sewer or drain back up provisions will be clarified to apply to:

- overflow and discharge of water from a sump system
- water and water-borne material that overflows or discharged

Intentional loss will be revised to emphasize that it applies to any loss arising out of any act “an insured commits or conspires to commit” with the intent to cause a loss.

Government action will be newly added to exclude the destruction, confiscation, or seizure of property insured under Coverage A, B, and C by order of any governmental or public authority. However, this exclusion will not apply when such action is taken to prevent the spread of fire.

Section I Conditions

Loss Settlement

This will be revised:

- to newly specify that an insured is permitted to elect the replacement cost option by notifying the insurer within 180 days after a loss of such intent
- to place added emphasis that property rebuilt at a different premises is limited to the cost of rebuilding at the original premises

Other insurance will be revised so that HO insurance is excess over amounts payable under other insurance policies and service agreements and warranties.

Section II Liability Exclusions

Vehicle and Craft Exclusions

These exclusions will undergo a major restructuring and revision, e.g.:

- The term “Motor Vehicle Registration” will be replaced with “a motor vehicle registered for use on public roads or property.”
- “Negligent Supervision” or “Failure To Supervise” will be added to the current list of excluded acts.
- The exceptions to the excluded vehicles are essentially unchanged but a few will be fine-tuned to respond to adverse case law, e.g., a vehicle “used to service an insured’s premises” will be revised to . . . “used solely to service an insured’s premises.”
- The exceptions to the excluded vehicles and crafts will not apply if used for racing or other competition; rented to others; used to carry persons or cargo for a charge; or for business.
- The exceptions to the vehicle exclusion will be broadened to provide coverage for owned motorized golf carts with a maximum attainable speed on the level ground

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A Note from Your Editor: On the Lighter Side . . .

by Donald P. Roinestad, CPCU

A friend of mine recently passed along this story to me. Fact or fiction, it is an entertaining piece that makes you shake your head in disbelief or amusement.

A Charlotte, North Carolina man, having purchased a case of very rare and very expensive cigars, insured them against fire, among other things. Within a month, having smoked his entire stockpile of cigars, and without having made even a single premium payment on the policy, the man filed a claim against the insurance company. In his claim, the man stated the cigars were lost "in a series of small fires." The insurance company refused to pay, citing the obvious reason that the man had consumed the cigars in the normal fashion. The man sued and won. In delivering the ruling, the judge, agreeing that the claim was frivolous, stated nevertheless

that the man held a policy from the company in which it had warranted that the cigars were insurable, and also guaranteed that it would insure against fire, without defining what it considered to be "unacceptable fire," and was obligated to pay the claim. Rather than endure a lengthy and costly appeal process, the insurance company accepted the ruling and paid the man \$15,000 for the rare cigars he lost in "the fires."

And now, the rest of the story . . .

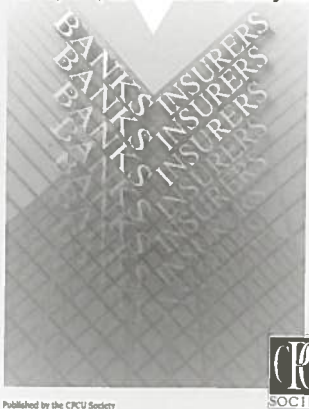
After the man cashed the check, the insurance company had him arrested on 24 counts of arson. With his own insurance claim and testimony from the previous case being used against him, the man was convicted of intentionally burning his insured property, and was sentenced to 24 months in jail and a \$24,000 fine. ■

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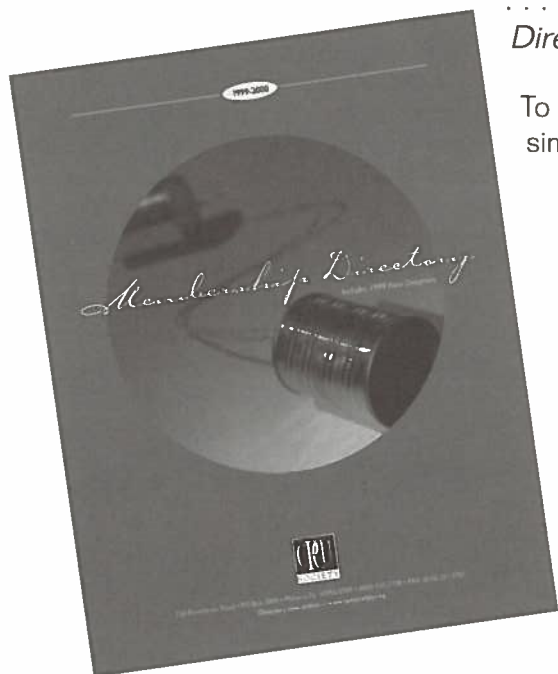
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Good News . . .



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If you would like to receive a paper copy of the directory, which includes a listing of section members by individual section, please contact the Member Resource Center at (800) 932-2728.

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