

DWELLING POLICY PROGRAM (2002 EDITION)

SAMPLE ADVISORY NOTICE TO POLICYHOLDERS

EXPLANATORY MEMORANDUM

It has been a general practice for ISO to make available to its participating companies a Sample Advisory Notice to Policyholders ("Notice") for multistate policy form revisions. The "Notice" highlights broadenings and reductions in coverage and changes that do not alter coverage. Statute or regulation in the following states requires you to inform policyholders of changes in coverage under a renewed policy.

• Alaska	• Maryland	• New Mexico	• Utah
• Colorado*	• Massachusetts	• New York	• Vermont
• Illinois	• New Hampshire	• Rhode Island	• Wisconsin

Statute requires that a summary Disclosure Form containing an explanation of major coverages, exclusions and typical factors considered when canceling or non-renewing a policy must be on File with the Insurance Department and available, on request, to policyholders.

The attached "Notice" only highlights the multistate changes. It does not accommodate any state exceptions. State exceptions will be included within the individual state circulars announcing approval of the filing.

We provide this information to assist participating companies with their policy change disclosure practices or to help them comply with disclosure laws or regulations in some jurisdictions. The attached material is intended for use only as a guide.

The assessments we make in the "Notice" do not eliminate all uncertainty concerning whether or how insurance applies to every set of circumstances. Neither ISO's general explanations of policy intent nor opinions expressed by members of ISO's staff necessarily reflect every insurer's view or control any insurer's determination of coverage for a specific claim. ISO does not intercede in coverage disputes arising from insurance policies. If there is any conflict between the policy and this Advisory Notice to Policyholders, the provisions of the policy apply.

We DO NOT FILE the Notice on behalf of participating insurers UNLESS insurers are required to do so by statute or regulation. If a regulator requests that we make such a filing in the absence of any law or regulation, we inform the regulator that we will provide insurers with a Sample Notice accompanied by input from the regulator on the content and use of the Notice.

We listed the information in this Notice in three broad categories: I) BROADENINGS; II) REDUCTIONS; and III) OTHER CHANGES. Within each category, we listed the changes in the order that the provisions appear in the policy forms. We also highlighted optional endorsements to which substantive changes have been made.

It should be noted that Insurance Services Office, Inc. makes available advisory services to U.S. property/casualty insurers. ISO has no adherence requirements. ISO policy forms and explanatory materials are intended solely for the information and use of ISO's participating insurers, their representatives, and state regulators.

IMPORTANT: Each company should consider its present underwriting and claims procedures when deciding what items to classify in its Notice as a broadening or reduction in coverage; or as a change that does not alter coverage.

DWELLING POLICY PROGRAM
(2002 EDITION)
NOTICE TO POLICYHOLDERS

CAUTION: NO COVERAGE IS PROVIDED BY THIS NOTICE; NOR CAN IT BE CONSTRUED TO REPLACE ANY PROVISION OF YOUR POLICY. YOU SHOULD READ YOUR POLICY AND REVIEW YOUR DECLARATION PAGE FOR COMPLETE INFORMATION ON THE COVERAGES THAT YOU ARE PROVIDED. IF THERE IS A CONFLICT BETWEEN THE POLICY AND THIS SUMMARY, THE POLICY SHALL PREVAIL.

Dear Policyholder,

The form and endorsements made part of the renewal policy you have received differs from those in your former policy. Some changes give you more coverage and some reduce coverage. There are other changes that do not affect the level of coverage provided in your former policy. They were made to help you better understand your policy. This Policyholders Notice summarizes the main changes we made to your policy.

I. BROADENINGS OF COVERAGE

A. Coverages

Coverage B - Other Structures Used For Business

Coverage now applies to an other structure on the Described Location that contains commercial, manufacturing or farming property solely owned by an insured or a tenant of the dwelling. However, there is no coverage for the structure if any of the stored commercial, manufacturing or farming property includes gaseous or liquid fuel other than fuel in a vehicle or craft parked in the structure.

B. Perils Insured Against

1. Vandalism or Malicious Mischief

The vacancy period provision in this peril is extended from 30 to 60 days. That means if your dwelling is vacant for up to 60 consecutive days and it is vandalized during that time, you are covered for that damage. (*See Part III, Other Changes, Item C.1. for more changes to this peril.*)

I. BROADENINGS OF COVERAGE (CONT'D)

2. Accidental Discharge or Overflow of Water or Steam

We will now pay to tear out and replace any part of a non-building structure covered under the policy to access a break in a plumbing system on the Described Location if the water or steam that is leaking from the system is causing damage to an insured building. **For example:** if water is leaking from a break in a water line that is on the Described Location and under a paved driveway or cement walk (a non-building structure), and that water is causing damage to the dwelling, we'll pay to: a) tear up the driveway or walk to access the break and stop the leak; and b) repair or replace that part of the driveway or walk that was disturbed.

3. Smoke

Coverage has been broadened to pay for damage caused by the emission or puffback of smoke, soot, fumes or vapors from a boiler, furnace or related equipment.

C. Conditions

Suit Against Us

We increased the time limit for an insured to bring suit against us from *one to two years*.

II. REDUCTIONS IN COVERAGE

A. Coverages

Coverage C - Property Not Covered

1. Accounts, Bank Notes, etc.,

Certain instruments that serve as a substitute for cash, such as: scrip and stored value and smart cards, are included within the items in the Property Not Covered provision for accounts and bank notes.

2. Grave Markers

In your former policy, a grave marker you own was covered either under Coverage B – Other Structures, if located on the Described Location and considered real estate, or under Coverage C – Personal Property, if not considered real estate and located on or away from the Described Location. We have revised both Coverage B and C to indicate that there is no coverage for gravemarkers.

We have introduced a new optional endorsement, DP 04 58, that pays up to \$5,000 for a covered loss to grave markers, including mausoleums, only while on the Described Location.

3. Fund Transfer Card

This term is now referred to as “*electronic fund transfer cards and access devices*” because other types of devices (for example, a personal computer) are increasingly being used to electronically transfer funds or to buy and sell goods and services.

II. REDUCTIONS IN COVERAGE (Cont'd)

B. Perils Insured Against

Freezing of Plumbing Systems and Household Appliances

Your former policy covered loss by this peril if you maintained heat in the dwelling or shut off the water supply and drained the water from all pipes and appliances when the dwelling was vacant, unoccupied or under construction. This policy continues to cover loss by this peril. However, we revised it to state that: a) it now applies to the dwelling whether it is under construction, vacant, unoccupied *or occupied* and b) the option to shut off the water supply and drain the pipes does not apply to a building on the residence premises that contains an automatic fire protective sprinkler system and c) exclude from the definition of sump pump or household appliance sump pump or related equipment, roof drain, gutter, downspout or similar fixture of equipment.

C. Exclusions

Governmental Action

We now exclude the destruction, confiscation, or seizure of covered property by order of any governmental or public authority. However, this exclusion does not apply to action taken by the authority at the time of a fire to prevent its spread.

D. Conditions/Other Insurance and Service Agreement

We added 'Service Agreement' to the Other Insurance Condition because of the proliferation of home warranties and appliance service and maintenance agreements that could result in payment by this policy and the warranty or maintenance contract when both cover the same property involved in a loss. Therefore, this insurance will be excess over any compensation you receive as a result of the service or maintenance agreement.

Suit Against Us

We also revised this condition to state that such action cannot be brought until there is full compliance with all of the terms of the policy.

III. OTHER CHANGES

The following changes were made to more explicitly express the level of coverage provided for the policy provisions noted below. However, they could result in a change in coverage depending on the circumstances of a given claim and our prior claims handling practices.

A. Property Coverages

Coverage C – Personal Property

1. Covered Property (Property Of Others)

We revised this provision to emphasize that you can apply your Coverage C limit to personal property of a guest or servant *after a loss* to such property occurs.

2. Property Not Covered

a. Platinumware

This provision is revised to apply only to platinum, not platinumware.

b. Hovercraft

We are now explicitly stating that no coverage exists for hovercrafts.

c. Motor Vehicles

Your former policy and this policy do not cover motor vehicles, their accessories and equipment except for vehicles **not** registered and not required to be registered for use on public roads or property and: 1) designed to assist the handicapped; or 2) used to service the Described Location (for example, a motorized lawn tractor, snowplow or garden cart). This provision has been revised to state that *'parts'* are included with accessories and equipment and that coverage for service vehicles only applies to a vehicle that is used *solely* to service an insured's residence.

b. Water or Steam

Water or steam transported through mains or in bulk to the Described Location is considered a utility, much like electricity and natural gas. Therefore, it is not real or personal property and as a consequence, not covered under this or your former policy. To eliminate any questions on this point, we added water and steam to the list of property not covered.

B. Other Coverages

1. Collapse

We revised this coverage to define collapse and to state that: a) a building or part of a building in danger of falling down or caving in is not considered collapse; and b) the terms 'hidden decay' and 'hidden insect or vermin damage' do not include decay or damage which an insured is aware of before the building collapses.

III. OTHER CHANGES (Cont'd)

2. *Ordinance or Law*

Your former policy and this policy provide a limited amount of coverage for increased construction costs you incur to upgrade damaged property to comply with federal, state or local building codes. However, we do not cover the costs incurred to comply with codes that deal with the affects of pollutants *on* an insured structure. We modified this exception to coverage to point out that the costs to deal with the effects of pollutants *'in or on'* an insured structure are not covered.

C. Perils Insured Against

1. *Vandalism or Malicious Mischief*

This peril now explicitly expresses that any ensuing loss caused by any intentional and wrongful act committed by vandals in the course of the vandalism or malicious mischief is not covered when the premises has been vacant for a period of more than 60 consecutive days. *For example*, assume during the third month of a dwelling's vacancy, vandals entered the house and spray-painted the walls and destroyed the furnace. Assume too that two weeks later, long after the vandals have left, the water in the pipes in the house froze, because of the lack of heat and extremely cold weather, and break in a number of places. Shortly thereafter, warm weather thaws the frozen pipes and water leaks from the breaks causing damage to the floors and walls of the dwelling. Because the dwelling was vacant for more than 60 consecutive days, there is NO coverage for: a) the damage to the walls and furnace caused by the vandals and b) the ensuing loss to the floors and walls caused by the water that leaked from the broken pipes due to lack of heat.

2. *Mechanical Breakdown, Latent Defect and Inherent Vice (Form 3 and Endorsements DP 04 65)*

In addition to the perils named above, we added the phrase *'any quality in property that causes it to damage or destroy itself'* to emphasize the meaning of the technical terms *'latent defect'* and *'inherent vice'*.

3. *Sudden and Accidental Damage From Artificially Generated Electrical Current*

To reflect changes in terminology and technology that have occurred over the past 20 years, we added the phrase *'electronic components or circuitry that are part of appliances, fixtures, computers, home entertainment units or other types of electronic apparatus'* to the existing term, *'tubes and transistors'*.

D. Exclusions

1. *Introductory Paragraph*

To emphasize that the exclusions named in the policy apply to both catastrophic and non-catastrophic loss situations, this paragraph is revised to state that the exclusions apply *whether or not* the excluded event causes widespread damage or affects a substantial area.

III. OTHER CHANGES (Cont'd)

2. *Water Damage*

We revised the 'water back-up' and 'subsurface water' exclusions to state that they also apply to damage caused by *water-borne material*. In addition, we revised the 'sump overflow' exclusion to state that it applies to water and water-borne material that overflows *or is discharged* from a sump, sump pump or related equipment.

3. *Earth Movement and Water Damage*

To point out that coverage is excluded not only for naturally occurring events, we added language to these exclusions to indicate that they apply even if the excluded event is *caused by or results from human or animal forces*.

4. *Intentional Loss*

We added text to this exclusion to point out that there is no coverage for ALL insureds if an insured commits or conspires to commit damage that results in an otherwise covered loss.

-----*End of Policy Forms Policyholders Notice*-----

REVISED ENDORSEMENTS - BROADENINGS

While most endorsements have been revised, the following endorsements have undergone changes that affect the level of coverage provided in the former editions:

**A. DP 04 72 – Broad Theft Coverage; and
DP 04 73 – Limited Theft Coverage**

The limits of liability applying to the following types of property are increased from:

- \$1,000 to \$1,500 for securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, personal records, passports, tickets and stamps;
- \$1,000 to \$1,500 for watercraft of all types, including their trailers, furnishings, equipment and outboard engines or motors;
- \$1,000 to \$1,500 for trailers or semi-trailers not used with watercraft;
- \$1,000 to \$1,500 for theft of jewelry, watches, furs, precious and semiprecious stones; and
- \$2,000 to \$2,500 for theft of firearms and related equipment.