

## 2022 Homeowners Multistate Forms Revision

### Motor Vehicle Liability Definition Revised

In filing the ISO Homeowners 2000 Multistate General Program Revision, we introduced a revised definition of motor vehicle liability that, in addition to other changes, expanded the definition of liability to include maintenance, occupancy, operation, use, loading or unloading of such vehicle or craft by any person.

We have received feedback that, with respect to liability involving certain motor vehicles, a policyholder, while acting as a host, may have a reasonable expectation of a broader level of coverage in certain situations than is currently reflected in our provision. For example, instances where a social gathering at a policyholders' residence, which includes the serving of alcohol, results in bodily injury or property damage caused by a guest while operating certain motor vehicles, may potentially result in a liability exposure for the host policyholder.

We are revising this exclusion to address this situation.

Business Definition Revised to Address Mineral Rights

As part of its review of the of the definition of business, ISO has been monitoring the topic of hydraulic fracturing and the potential leasing of mineral rights. Under this practice, a personal lines residential owner may lease the mineral rights to their property to third party companies, and allow for these third parties to extract the natural gas (or oil) underneath the surface of the ground. The ISO Homeowners Policy Program currently does not contain provisions which specifically reference the leasing of mineral rights, nor does our manual facilitate underwriting and/or contain rating related information for this exposure. Such activity may be considered a business exposure and thus can fundamentally alter the risk assumed under the policy.

Business Definition Revised to Increase Dollar Threshold

In the ISO Homeowners 2000 Multistate General Program Revision, we revised the definition of business in response to a number of judicial decisions across the country that created coverage for business-related incidents. At that time, we revised the definition of business to not only apply to any activity involving full-time, part-time or the occasional pursuit of a trade, profession or occupation, but also to any other activity engaged in for monetary or other compensation. However, we realized that such broad-based activity also encompassed some part-time activities for which coverage is intended. Some examples of such part-time activities included babysitting, mowing lawns, and delivering newspapers. Therefore, the revised definition of business also introduced an exception to the definition for the kinds of activities which should not be considered businesses for the purpose of this insurance. One of these exceptions was "one or more activities...for which no 'insured' receives more than \$2,000 in total compensation for the 12 months before the inception date of the policy".

We have received feedback that, due to the time passed since its introduction, the \$2,000 threshold is no longer sufficient. The feedback has noted that today, insureds sometimes use online sales and auction websites, and other forums, to periodically sell consumer goods like cars, boats, furniture, or other items that may sometimes exceed \$2,000 in value.

Coverage C Special Limits and Other Dollar Threshold Changes

Model or Hobby Aircraft and Watercraft

Currently, under the ISO Homeowners Policy Program:

“ For property coverages, coverage for model or hobby aircraft is available up to the limit of liability for Coverage C - Personal Property.

“ For liability coverages, the definition of Aircraft Liability, and the corresponding exclusion for Aircraft Liability under Section II - Liability Coverages, allows for liability coverage to be made available with respect to model or hobby aircraft.

We have received feedback that, due to the increased property coverage exposure resulting from high value unmanned model or hobby aircraft such as drones, a Special Limit of Liability to Coverage C - Personal Property that addresses the exposure may be more appropriate.

We have also received feedback that, while the definition of Aircraft Liability includes an exception for model or hobby aircraft, there is no such exception for model or hobby watercraft.

Section I – Coverage C – Personal Property –  
Property Not Covered – Motor Vehicles  
Revised

In the 2011 ISO Homeowners Multistate General Program Revision, we revised Paragraph 4.c., under Section I, Coverage C - Property Not Covered to specify, in part, that coverage for portable electronic equipment that reproduces, receives or transmits audio, visual or data signals, and is designed so that it may be operated from a power source other than a "motor vehicle's" electrical system, is not subject to the related provision. However, as part of that change, a portion of the provision addressing coverage for a motor vehicle's equipment or parts while such property was in or upon the motor vehicle was removed.

#### Virtual, Digital or Electronic Currency

As virtual, digital or electronic currencies have been introduced and become more commonplace, a need has arisen for new policy language to specifically address them.

In *Kimmelman v. Wayne Insurance Group* (18 CV 1041, 9/25/2018), the Court of Common Pleas in Franklin County, Ohio, found that BitCoin, a particular brand of virtual or electronic currency, "is recognized as property by the IRS and shall be recognized as such by this Court."

While the decision in *Kimmelman* is a lower trial court decision, and thus of limited precedential value, we are taking the opportunity to specifically address virtual, digital or electronic currencies in our Homeowners program.

#### Section I – Coverage D – Loss Of Use – Additional Living Expense Revised

We have received feedback that has suggested ISO consider reinforcing its Additional Living Expense provision in the ISO Homeowners Policy Program. The current language states that these expenses must be "incurred by you" which suggests that only the named insured is eligible for such coverage. The feedback expressed concerns that if the named insured dies as a result of the loss, resident family members may not receive coverage for additional living expenses since the expenses were not explicitly incurred by the named insured.

Credit Card, Electronic Fund Transfer Card or Access Device, Forgery and Counterfeit Money Coverage

Credit Card, Electronic Fund Transfer Card or Access Device, Forgery and Counterfeit Money Coverage is currently included in the ISO's Homeowners Policy forms as an additional coverage. The additional coverage was introduced at a time when the use of credit cards as a common form of payment was relatively new. The base coverage in ISO's Homeowners forms includes a limit of \$500, with increased limits available by attaching endorsement HO 04 53, Credit Card, Electronic Fund Transfer Card or Access Device, Forgery and Counterfeit Money Coverage.

We have received feedback that it has become common for many banks and financial institutions that issue credit cards to forgive or assume losses as a result of unauthorized use of a credit card.

Section I – Vacancy And Renovation, Remodeling or Repair

Currently, the ISO Homeowners Policy Program precludes coverage under Section I - Property Coverages for vandalism, malicious mischief and loss to glass or safety glazing material if the dwelling has been vacant for more than 60 consecutive days immediately before the loss. The policy provisions further state that the provision does not apply to a dwelling "being constructed".

Section I – Conditions – Loss Settlement Revised

In the ISO Homeowners 2011 general program revision, we removed references to "after application of any deductible" in Section I – Conditions, Loss Settlement, to editorially enhance consistency in conjunction with the newly-introduced provisions in the related deductible condition.

We have received feedback that this change may lead to inconsistencies in the application of the deductible, particularly with regard to the application of the 80% insurance to value requirements in the Loss Settlement Condition.

Section I – Conditions – Replacement Cost Loss Settlement Threshold Provision Revised

Currently, Section I - Conditions D. Loss Settlement, Paragraph 2.d. provides that if the repair or replacement cost is less than 5% of the amount of insurance on the building, and less than \$2,500, then the loss will be settled at replacement cost whether or not the actual repair or replacement is complete. In Personal Property Replacement Cost Loss Settlement Endorsement HO 04 90, Paragraph C.2. provides that if the repair or replacement cost is less than \$500, then the loss will be settled at replacement cost whether or not the actual repair or replacement is complete.

We have received feedback from some insurers that repair and replacement costs over time, have increased and suggested that ISO might want to consider revising the threshold for the loss settlement provisions.

Section II – Exclusions – Motor Vehicle Liability Revised to Address Riding Lawn Mowers Off Premises

In the 2000 multistate revisions to the ISO Homeowner's Policy Program, we revised Paragraph A.2.b. of the Section II exclusion to remove reference to "insured's" residence and thereby broadened coverage to apply to a motor vehicle used solely to service any residence.

We have received feedback with regard to this provision and the use of the word "solely", specifically with regard to riding lawn mowers. The feedback expressed concern with respect to when a lawn mower is used at any time for a purpose other than to service a residence. The feedback noted that there are times when insureds may use their riding lawn mower to service areas that are not residences, for example, vacant lots or local church grounds.

Section II – Liability – Watercraft Exclusion  
Revised

Over the years we have received feedback regarding our watercraft liability exclusion, particularly with respect to certain types of non-owned (rented or borrowed) watercraft, compared to other types of machinery such as all-terrain vehicles (ATVs) and snowmobiles.

In addition, we have also received feedback asking us to consider eliminating certain distinctions between water jet pumps and engine or motor types, such as outboard, inboard and inboard-outdrive engines or motors, as well as horsepower distinctions, in part to recognize new and emerging types of watercraft and related technologies. Such distinctions may sometimes pose a challenge for some policyholders, especially when renting or borrowing such watercraft.

Section I and II – Conditions – Subrogation

We have received feedback that the reference only to "person" as contained in the Subrogation Condition, which allows an insured to waive all rights of recovery against any person, could be further enhanced to expressly include reference to any person or organization to reinforce that the provision may sometimes be applicable to a condominium association or a homeowners association.



## Earthquake Endorsement Revised

In the ISO Homeowners Policy Program, earthquake deductibles are calculated by applying the percentage deductible amount to the limit of liability corresponding to Coverage A - Dwelling or Coverage C - Personal Property, whichever is greater, for Earthquake, and to the limit of liability shown in the Schedule for Loss Assessment Coverage for Earthquake. HO 04 54 and HO 04 36 currently include Schedule entries where the percentage amount of the Earthquake deductible may be entered. Further, Paragraph C. of the endorsements also specifically state how the dollar amount of the deductibles are calculated.

We have received feedback that displaying only the percentage amount of the deductible in the endorsement may cause confusion to insureds who are used to percentage deductibles only in other types of insurance, such as health insurance, where the deductible/co-insurance is often a percentage of a claim.

The feedback also indicated that many carriers may now be showing the Earthquake deductible using a dollar figure instead of the applicable percentage amount.

## Limited Theft Endorsements For Dwellings Under Construction

Limited Coverage For Theft of Personal Property Located in a Dwelling Under Construction Endorsement HO 06 07 provides an option to select coverage with respect to theft of property covered under Coverage C - Personal Property from a dwelling under construction up to the full Coverage C limit.

Following the introduction of this endorsement, we received feedback indicating interest in an additional optional endorsement that would provide theft of property covered under Coverage A - Dwelling and Coverage B - Other Structures, to complement the existing endorsement.

Broadened Water Back-Up And Sump  
Discharge or Overflow Coverage

Limited Water Back-Up and Sump Discharge or  
Overflow Coverage Endorsement HO 04 95  
currently provides coverage with respect to  
water that:

“ Originates from within the dwelling where the  
named insured resides and backs up through  
sewers and drains; or

“ Which overflows or is discharged from a sump,  
sump pump, or related equipment.

We have received feedback suggesting that we  
consider a broader water back-up endorsement  
option in the ISO Homeowners Program.

## New Replacement Cost Loss Settlement Options for Certain Structures

The ISO Homeowners policy forms currently provide replacement cost loss settlement for buildings covered under Coverage A - Dwelling and Coverage B - Other Structures, which only includes buildings on the residence premises.

There are two optional endorsements that are available in our Homeowners program to broaden Coverage B - Other Structures to also apply to structures away from the residence premises, subject to loss settlement on an actual cash value basis:

· HO 04 91, Coverage B - Other Structures Away From The Residence Premises; and

· HO 04 92, Specific Structures Away From The Residence Premises.

Additionally, replacement cost loss settlement on certain non-building structures on the residence premises is available as an option via the Replacement Cost Loss Settlement For Certain Non-Building Structures On The Residence Premises Endorsement, HO 04 43.

We have received feedback suggesting we consider developing:

· An option to provide replacement cost loss settlement for buildings away from the residence premises; and

· An option to include references to other types of non-building structures in HO 04 43.

#### Other Insured Location(s) Endorsement

Currently, in the ISO Homeowners Program:

“ The definition of "Insured Location" includes vacant land, other than farm land, owned by or rented to an "insured".

“ Section II - Coverage E, Personal Liability  
Coverage may be specifically scheduled on the Declarations for locations, other than the residence premises, where an insured resides, but which are insured for Section I Coverage under another insurance program or by another company. Such coverage may also be specifically provided when an additional residence is rented to others.

We have received feedback that under our program there is currently no means to specifically identify or schedule other locations owned or rented by the insured with respect to Section II – Personal Liability Coverage. For example, land on which only structures other than dwellings may be present

#### Excluding Other Structures on the Residence Premises

We have received feedback that suggesting that we consider introducing an option to allow specified structures to be excluded from coverage to provide increased underwriting flexibility. Specifically, there may be instances when some insurers may otherwise want to underwrite a particular risk but for one structure, for example, a dilapidated old shed, garage, barn or silo. The ability to exclude such a structure may enable an insurer to underwrite and accept a risk they would not otherwise accept.

## Motorized Bicycles and Motorized Scooters

In recent years, bicycles and scooters with motors, particularly but not exclusively electric motors, have become increasingly common, especially in urban areas.

Motorized bicycles generally fall into two categories. Some are fully self-propelled by a motor. Others are what is known as pedal-assisted. Pedal-assisted bicycles, in general, are only occasionally propelled by an electric motor attached to the wheel or the hub of the bicycle, and usually require pedaling to initiate and/or continue the motion of the vehicle. Motorized scooters are generally propelled solely by their motors.

We believe that motorized bicycles and motorized scooters present hazards very similar to those presented by other motor vehicles designed for recreational use and not generally subject to motor vehicle registration. Therefore, we are making changes to address these vehicle's exposures in a similar manner, as well as giving insurers additional options in addressing these types of vehicles.

## Property and Liability Revisions Addressing Cannabis

As laws are passed in more and more states generally designed to make cannabis possession, growth and use legal at the state level for medical and/or adult recreational use, some insurers have expressed an interest in policy changes to address these new exposures, along with additional coverage options.

Currently, under the ISO Homeowners Policy Program, Section II Liability Coverages contains a Controlled Substances Exclusion, addressing bodily injury and property damage arising out of Controlled Substances. Under this provision, controlled substances includes, but is not limited to, marijuana.

Section I - Property Coverages, does not currently contain provisions to address controlled substances.

New Contents Comprehensive Coverage Form    In 2016 ISO surveyed 610 millennials (ages 18-39) to learn about their coverage needs, attitudes, usage, and typical understanding of personal auto, renters and homeowners insurance products. We found, in part, that based on changes in demographics of this generation, including more millennials living at home with their parents, an increased participation in home sharing and ridesharing, and a desire to save money and be cost efficient, there may be opportunities to create personal lines products that may be of interest to and address some of the unique coverage needs of this generation.

As a result of our research, including evaluating these consumer survey results and obtaining feedback from various personal lines insurers, ISO staff determined that creating such coverage options may be beneficial in the marketplace and help insurers meet some of the changing needs of millennials and other generations.

Incorporating Home-sharing Host Activities  
Amendatory Endorsements into Base  
Homeowners Forms

In 2016, ISO introduced mandatory Home-Sharing Host Activities Amendatory Endorsements, to be attached to each of our applicable underlying Homeowners Policy forms. These amendatory endorsements addressed, in part, the newly emerging exposures related to home-sharing host activities. The amendatory endorsements amended certain property and liability coverage provisions under each ISO Homeowners Policy forms with respect to home-sharing exposures not historically contemplated under our program.

At the time, the new mandatory endorsements were accompanied by a corresponding series of new, optional Broadened Home-Sharing Host Activities Coverage endorsements which buy back certain coverages when home-sharing exposures exist.

## Withdrawn Endorsements

Currently, HO 12 45, Change Endorsement, is to be used when an endorsement is added after the effective date of the policy. Generally, the purpose of the Change Endorsement is to document the date a policy change is to become effective.

HO 12 76, Homeowners Rating Information, serves rating, statistical and checking (auditing) purposes, and was designed to enable companies to adapt, supplement, or relocate the rating information for compatibility with their individual policy writing and processing procedures.

HO 04 62, Scheduled Personal Property Endorsement, was designed to provide an extra page to enter scheduled personal property. However, personal property and pertinent information can now be entered on HO 04 61 Scheduled Personal Property Coverage.

HO 04 14, Special Computer Coverage, provides open perils coverage for computer equipment. This form was first introduced at a time when personal computers were both less common and significantly more costly than they are today. Open perils coverage for computers will still be available via:

• Homeowners 5 - Comprehensive Form HO 00 05

• Special Personal Property Coverage HO 05 24 (which can be attached to Homeowners 4 - Contents Broad Form HO 00 04); and

• Unit-Owners Coverage C Special Coverage (which can be attached to Homeowners 6 - Unit-Owners Coverage Form HO 00 06).

HO 04 85, Fire Department Clause is currently available for use by insurers in a limited number of jurisdictions where a policyholder subscribes or contracts for fire protection for an additional fee. In general, HO 04 85 adds a condition that the name insured maintains a subscription contract for fire protective services during the term of the policy.

Several insurers provided us with feedback that



the issue of a subscription contract for fire protective services tends to be more typically relevant with respect to public protection classification considerations as opposed to a coverage consideration.