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BULLETIN NO. 2013-02
[REVISED]

TO: Alabama-licensed producer and surplus line brokers

FROM: Jim L. Ridling *JLR*
Commissioner of Insurance

DATE: April 17, 2013

RE: Outline of Coverage and Comprehensive Policy Checklist

EFFECTIVE: July 1, 2013

Bulletin 2013-02, issued January 28, 2013, is revised to delete signature requirements concerning the outline and checklist form. Affected portions are Sections (2) and (4) and the outline and checklist form.

Bulletin 2012-10 (October 16, 2012) addressed implementation of Alabama Act No. 2012-510 [the "Alabama Homeowners Bill of Rights Act"], now codified as Ala. Code §§ 27-22-40 through 27-22-45 (2012). Commencing with new and renewal policies effective on or after July 1, 2013, that Act requires all insurance companies authorized to transact property insurance in Alabama to provide certain policyholders with an outline of coverage and comprehensive policy checklist.

Though the Act's application is limited to admitted insurers, a stated legislative intent of the Act is "to improve homeowners['] understanding of their policies and to better enable a policyholder to understand their coverages" [Ala. Code §27-22-40(b) (2012)]. The Department has determined that this goal is also desirable in the context of homeowner coverage written on a surplus lines (non-admitted) basis. A person insured under a surplus lines policy should receive an outline of coverage and comprehensive policy checklist similar in content to the outline and checklist required of admitted insurers by the Act. This Bulletin imposes such a requirement.

1. The requirements of this Bulletin apply to new or renewal surplus line policies which become effective on or after **July 1, 2013**, in the following classes of personal lines property insurance: homeowners (owner-occupied); renters/tenants;

dwelling fire; and mobile home/manufactured housing property. Farm-owner policies and condominium (unit owner) policies are not within the scope of this Bulletin.

2. Within thirty (30) days after the policy issue date, the insured shall be provided a completed outline of coverage and policy checklist. If not furnished directly to the insured by the surplus line broker, the broker shall provide the outline and checklist to the retail producer for delivery to the insured within the thirty (30) day period.

3. In format and content, the outline and checklist must substantially conform to the attached form developed by the Department and contain all items (e.g., all types of coverage, exclusions, etc.) which apply to an individual policyholder subject to the following:

3.1 If an insured's individual policy does not include an exclusion displayed on the Department's form (e.g., sewer back-up), then that exclusion should not be displayed on the insured's outline and checklist.

3.2 The broker may replace the Department's language with similar words that are more appropriate to those used in the surplus line insurer's policy form (e.g., the insurer's definitions of RCV or ACV may be slightly different from those on the attached form).

3.3. The broker may add types of coverage, perils, exclusions, discounts, or additional disclaimers to the outline and checklist but may not delete items on the Department's form that apply to an insured.

4. A copy of the outline and checklist as provided to the insured or sent to the retail producer for delivery to the insured must be retained by the broker in the insured's policy file as a record within the scope of Ala. Code § 27-10-29 for the longer of: (i) five years following issuance of the policy as provided in Ala. Code § 27-10-29(b); or (ii) the period during which a claim can be reported on an expired policy.

5. Questions concerning this Bulletin may be directed to:

Charles Angell, Deputy Commissioner
334-240-4422
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-or-

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RESIDENTIAL PROPERTY INSURANCE

[Revised 04.2013]

OUTLINE OF COVERAGE AND COMPREHENSIVE POLICY CHECKLIST [POLICIES ISSUED UNDER ALABAMA SURPLUS LINE INSURANCE LAW]

The following is an outline of coverage and comprehensive policy checklist of your insurance policy and is for informational purposes only. Any endorsement regarding changes in types of coverage, exclusions, limitations, reductions, deductibles, coinsurance, renewal provisions, cancellation provisions, surcharges, or credits is not included in this checklist, unless otherwise indicated. **This checklist does not change any provisions of the insurance contract which is the subject of this checklist. The checklist does not operate to expand coverage beyond the coverage provided in the policy. If there is a contradiction between the checklist and the policy, the terms of the policy govern.**

Policyholders should read their policy thoroughly. Policyholders should review their insurance policy annually with their surplus lines broker to ensure they are adequately covered.

If you have questions regarding your policy, please contact your surplus line broker or the insurance company. Consumer assistance is also available from the Department of Insurance, Consumer Services Division, **334-241-4141** or **ConsumerServices@insurance.alabama.gov**.

OUTLINE OF COVERAGE

| <u>Covered Property</u> | <u>Limits of Insurance</u> | <u>Loss Settlement Basis (ACV or RCV)*</u> |
|---|--------------------------------------|--|
| Dwelling | _____ | _____ |
| Other Structures (Detached from Dwelling) | _____ | _____ |
| Personal Property (Contents) | _____ | _____ |
| Roof Repair/Replacement Settlement Basis: | | _____ |
| Deductible Amounts (\$): | Hurricane/Named Windstorm = \$ _____ | |
| | Other Property Perils = \$ _____ | |

*RCV = Replacement Cost Value, or the cost to repair or replace your home, other structures or contents with like kind and quality. This is not the Market Value or Mortgage Value of your home.

*ACV = Actual Cash Value, or RCV at the time of loss minus depreciation. This is not the Market Value or Mortgage Value of your home.

PERILS COVERED BY YOUR POLICY

Items marked with a **Y** (Yes) indicate coverage is included in your policy; those perils marked with an **N** (No) indicate coverage is not included. **Special limits and loss settlement exceptions may apply to certain limits. Refer to your policy for details. If there is a contradiction between this checklist and your policy, the terms of your policy govern.**

| <u>Peril</u> | <u>Dwelling Coverage</u> | <u>Other Structures Coverage</u> | <u>Contents Coverage</u> |
|---------------|--------------------------|----------------------------------|--------------------------|
| Fire | — | — | — |
| Lightning | — | — | — |
| Explosion | — | — | — |
| Wind and Hail | — | — | — |
| Flood | — | — | — |
| Earthquake | — | — | — |
| Collapse | — | — | — |
| Mold | — | — | — |
| Theft | — | — | — |

OTHER COVERAGES IN YOUR POLICY

Special limits and loss settlement exceptions may apply. Refer to your policy for details. **If there is a contradiction between this Checklist and your policy, the terms of your policy govern.**

| <u>Coverage</u> | <u>Yes or No</u> | <u>Limit of Insurance</u> | <u>Time Limit (if applicable)</u> |
|------------------------------------|------------------|---------------------------|-----------------------------------|
| Debris Removal | — | _____ | _____ |
| Loss Assessment | — | _____ | _____ |
| Additional Living Expenses | — | _____ | _____ |
| Medical Payments coverage | — | _____ | _____ |
| Personal Liability Insurance | — | _____ | _____ |
| Building Ordinance or Law coverage | — | _____ | _____ |

SOME EXCLUSIONS, LIMITATIONS, AND/OR REDUCTIONS IN COVERAGE

(Other Exclusions, Limitations and/or Reductions in coverage may apply)

- Removal of fallen trees is excluded unless they damage your house or outbuilding or block access to your property
- Limitations exist on coverage amounts for jewelry, guns, silverware, cash, coins, certain types of collections, art, and computers/equipment
- Property and Liability Coverage for Automobiles, Watercraft, Aircraft is limited or excluded
- RCV Property claims are settled on an ACV basis until you repair or replace the property
- Losses to insured property intentionally caused by an insured are excluded
- Losses due to neglect are excluded.
- Losses to the dwelling caused by water or sewage from outside the dwelling that backs up through sewers and drains are excluded

SOME DISCOUNTS AVAILABLE TO REDUCE YOUR POLICY PREMIUM

Y (Yes) or N (No) indicates whether you currently receive these discounts. Ask your surplus line broker or insurance company about other discounts for which you may qualify.

| | <u>Yes or No</u> |
|--|-------------------------|
| Multiple qualifying policies with the same insurer | — |
| Fire/Smoke/Burglar Alarm | — |
| Wind Mitigation Features | — |

Surplus line insurer: _____

Policy number: _____

Effective date: _____ **Policy issue date:** _____