



© iStockphoto.com

Clarifying Coverage

New mandatory personal lines endorsements offer a window into the forms development process

A report on some new mandatory policy endorsements may not excite your average man on the street, but personal lines product specialists can look forward to an important presentation on the topic during the Personal Lines roundtable at the 2014 AAIS Main Event.

While the discussion will encompass technical considerations about policy provisions and prospective filing dates, it will also touch upon and illuminate more fundamental considerations, particularly:

- When and how is it appropriate to change the “base” forms of a personal lines policy?
- At what point should policies be modified to reflect changes in society, law, technology, and other fields?

Through the subject matter of specific endorsements, participants in the Personal Lines Roundtable will get a view of, and offer their thoughts on, the practical considerations of maintaining up-to-date forms.

The Personal Lines Roundtable will also provide participants with an opportunity to meet Scott Sheldon, AAIS’s new vice president of auto, who will be introducing himself and describing the initial steps taken to lay the foundation for an AAIS Personal Auto Program.

It will also be an opportunity to meet John Kadous, AAIS’s incoming vice president of personal lines. John will be transitioning with and succeeding Deborah Summerlin, who will be retiring as vice president of personal lines in June 2014 after 35 years with AAIS.

Debi will be presenting during the Personal Lines Roundtable, along with Susan Luecke, AAIS technical lead for personal lines, and the principal developer of AAIS residential property and personal liability forms.

For information on the 2014 Main Event, and to register, go to www.aaisonline.com.

Endorsements

The specific content of the Personal Lines Roundtable will address a series of mandatory endorsements developed and filed by AAIS; seven (one for each base form) under the AAIS Homeowners Program, and five (one for each base form) under the Mobile-Homeowners Program.

The specific changes introduced by the endorsements include, where applicable:

- Revision of the property exclusion for earth movement to explicitly exclude losses arising from earth movement caused by or arising from human activity. ►

The changes being addressed by the latest endorsements have occurred outside the insurance product development process, through claims activity or the threat of new types of claims.



This revised exclusion, forms of which have been field and approved in AAIS inland marine programs, is introduced in response to reports of “man-made” earth movement arising from “hydraulic fracturing” and other processes.

- Revision of the incidental liability coverage for “costs taxed against an insured” to clarify that these do not include attorneys’ fees.

This revision is introduced in response to attempts by some claimants to claim recovery for attorneys’ fees outside of the personal liability limit.

- Revision of the “intentional injury” liability exclusion to clarify that it applies to all insureds, regardless of the legal theory of relief being pursued.

This is introduced to address attempts by some claimants to attribute the intentionally injurious acts of one insured to the negligence of another insured, and thus trigger coverage.

- Introduction of a liability exclusion for bodily injury or property damage claims arising from “electronic aggression,” the use of electronic means to injure someone.

This exclusion, first introduced in the 2011 revision of the AAIS Personal Umbrella forms, is added to the Homeowners and Mobile-Homeowners forms to address the potential for bodily injury and property damage arising from “cyber-bullying.”

Also, in forms that provide open perils coverage for structures, the new mandatory endorsements include technical revisions to the coverage for “collapse.”

Clarifications

The latest AAIS mandatory endorsements are “clarifications” of coverage, according to Luecke.

By that, she means that the endorsements are being introduced to preserve the basic intent of the coverage provided under the base forms as originally filed. For that reason, AAIS is not filing any rate changes to go along with the endorsements.

“Generally speaking, broadenings and restrictions of coverage would require some kind of a pricing adjustment,” she says.

The decision to file mandatory endorsements is, in effect, a decision not to file a comprehensive forms revision, something Luecke says AAIS seeks to do only every 10 years or so.

“The 10-year timeframe acknowledges the effort and expense it takes for companies to adopt a whole series of forms,” she says. “We know it’s not a small undertaking.”

All this means that the changes being addressed by the latest endorsements have occurred outside the insurance product development process, through claims activity or the threat of new types of claims not contemplated when the base forms were developed and filed.

While AAIS has no power to enforce the use of “mandatory” endorsements, companies that fail to use them could be subject to exposures they never intended to assume.

Participants in the Main Event Personal Lines Roundtable will learn about these latest endorsements, and have an opportunity to gain, and offer, insight into the process of how emerging risk exposures are addressed . ■