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BULLETIN NO. 2012-10

TO: All insurers writing property insurance subject to Alabama Act No. 2012-510 ["Homeowners Bill of Rights Act"]

FROM: Jim L. Ridling
Commissioner of Insurance 

DATE: October 16, 2012

RE: Outline of Coverage and Comprehensive Policy Checklist

EFFECTIVE: July 1, 2013

This Bulletin addresses 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, the 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 (together, the "Checklist"). Policies affected by the Act fall in the following classes of personal lines property insurance: Homeowners (owner-occupied), renters/tenants, condominiums (unit owners), dwelling fire policies, and mobile home/manufactured housing property. Farmowners policies are not specifically mentioned in the Act, and thus are not within the scope of this Bulletin.

The text of the Act is available in the "Recently Enacted Laws" list in the "Current News" portion of the ALDOI website (www.aldoi.gov).

1. Section 3 of the Act [Ala. Code § 27-22-42 (2012)] states that all affected insurance companies and the Department of Insurance must post on their respective websites the list, or an electronic link of the list, of the twelve "minimum standards" to be followed by the Department in exercising its powers and duties in regulating insurers pursuant to the Trade Practices Law, Ala. Code §§ 27-12-1 *et seq.* (1975). This list of standards is already provided on the Department's website.

2. Section 4 of the Act [Ala. Code § 27-22-43 (2012)] requires that a policyholder of a "homeowners personal lines residential property coverage insurance" policy receive from the insurer an appropriate Checklist. Section 4 delineates some specific contents that this Checklist must contain. To be in compliance with this section, an insurer may create and use its own Checklist once it has been approved by the Department, or the insurer may use

a Checklist promulgated by the Department. The Checklist promulgated by the Department is attached. If an insurer chooses to use the Department's promulgated Checklist, the insurer is not required to file any notice to the Department. If an insurer wishes to create its own Checklist, that form must be filed with the Department following the normal filing protocol through SERFF. When filing its own Checklist, an insurer must identify the differences between the insurer's proposed Checklist and the Department's Checklist.

3. An insurer's Checklist must contain all items (e.g., all coverages, all perils, all exclusions, etc.) which appear on the Department's Checklist and that apply to an insurer's individual policyholder. If an insured's individual policy does not include an exclusion that is displayed on the Department's exclusion list (e.g., sewer back-up), then it need not be displayed on that insured's Checklist. An insurer may replace the Department's language with similar words that are more appropriate to those used in the insurer's policies (e.g., an insurer's definition of RCV or ACV may be slightly different than the Department's). An insurer may add any coverages, perils, exclusions, discounts, or additional disclaimers to the Checklist that they wish, but they may not delete any items on the Department's Checklist that apply to an insured.

4. Questions concerning this Bulletin or the implementation of the Homeowners Bill of Rights Act may be directed to:

Charles Angell, Deputy Commissioner
334-240-4422
charles.angell@insurance.alabama.gov

-or-

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JLR/JFM/bc

RESIDENTIAL PROPERTY INSURANCE

OUTLINE OF COVERAGE AND COMPREHENSIVE POLICY CHECKLIST

The following is an outline of coverage and comprehensive policy checklist of your insurance policy and is for informational purposes only. Alabama law prohibits this checklist from changing any provisions of the insurance contract which is the subject of this checklist. 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. 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 this policy govern.

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

If you have questions regarding your policy, please contact your agent or insurance company. Consumer assistance is available from the Department of Insurance, Consumer Services Division, 1-334-241-4141 or ConsumerServices@insurance.alabama.gov at www.aldoi.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 agent or insurance company about other discounts for which you may be available.

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