



September 10, 2019

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Homeowners Blanket Policy Program – Introduction of Home-sharing and Revised Reasonable Repairs

The Commissioner of Insurance has recently approved revisions to the attached HB 32 32 – Special Provisions Endorsement, which is designed for use on a mandatory basis in North Carolina with the Homeowners Blanket Policy Program. The North Carolina Homeowners Blanket Policy program is an optional program.

The revised HB 32 32 provides language to include home-sharing host activities, changes to the business definition, verbiage changes to reasonable repairs, and minor editorial changes. In that regard, please find attached the revised HB 32 32 – Special Provisions Endorsement.

These changes become effective in accordance with the following Rule of Application:

These changes are applicable with respect to all new and renewal policies becoming effective immediately.

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This program may be used only by members of the North Carolina Rate Bureau and may be used only in North Carolina.

Please see to it that this circular is brought to the attention of all interested personnel in your company.

Sincerely,

Andy Montano

Director, Personal Lines

AM:ko
Attachments
P-19-3

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY

SPECIAL PROVISIONS – NORTH CAROLINA

DEFINITIONS

Definition **B.3.** is replaced by the following:

3. "Business" includes:

- a. Any full- or part-time activity of any kind engaged in for economic gain, including the use of any part of any premises for such purposes; and
- b. "Home-sharing host activities."

The following definition is added to Paragraph **B.** in all forms:

12. "Fungi"

- a. "Fungi" means any type or form of fungus, including mold or mildew and any mycotoxins, spores, scents or by-products produced or released by fungi.
- b. Under Section **II**, this does not include any fungi that are, are on, or are contained in any good or product intended for consumption.

SECTION I – PROPERTY COVERAGES

C. Coverage C – Personal Property

4. Property Not Covered

Paragraph **c.(2)(a)** is replaced by the following:

- (a) Used to service an "insured's" residence; or

E. Additional Coverages

In all forms:

Paragraph 2. Reasonable Repairs is replaced by the following:

2. Reasonable Repairs

- a. We will pay the reasonable cost incurred by you for the necessary measures taken solely to protect covered property that is damaged by a Peril Insured Against from further damage.
- b. If the measures taken involve repair to other damaged property, we will only pay if that property is covered under this Policy and the damage is caused by a Peril Insured Against.
- c. Coverage provided under a. and b. does not:
 - (1) Increase the limit of liability that applies to the covered property; or

(2) Relieve you of your duties, in case of a loss to covered property, described in Section I – Conditions, C.4. Duties After Loss; and

is limited to the greater of:

(3) \$3,000; or

(4) 1% of the "Blanket Property Limit";

unless we grant you approval within 72 hours of your request to exceed the limit. In such circumstance we will pay only up to the additional amount for the measures we authorize.

If we fail to respond to you within 72 hours of your request to us and the damage is caused by a Peril Insured Against, you may exceed the amount stated above only up to the cost incurred by you for the reasonable repairs necessary to protect the covered property from further damage.

d. In the event such repairs are undertaken, we have the right to inspect the repairs and the removed property which, to the extent possible, you are required to retain.

10. Landlord's Furnishings

k. Accidental Discharge Or Overflow Of Water Or Steam

Paragraph **2.(d)** is replaced by the following in Form **HO 00 05:**

- (d) Caused by constant or repeated seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years; or

The following Additional Coverage is added to all forms except **HO 00 04:**

14. "Fungi", Wet Or Dry Rot, Or Bacteria

a. We will pay up to a total of \$5,000 for:

- (1) Direct physical loss to property covered under Section **I** Coverage **A** – Dwelling, Coverage **B** – Other Structures and Coverage **C** – Personal Property caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria if the direct result of a Peril Insured Against; and

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- (2) The necessary increase in costs which you incur to maintain your normal standard of living when the "residence premises" is uninhabitable due to a loss caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria which is the direct result of a Peril Insured Against.

The coverage provided above is the only coverage under Section I Coverage A – Dwelling, Coverage B – Other Structures, Coverage C – Personal Property and Coverage D – Loss Of Use for loss caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria caused directly or indirectly regardless of any other cause or event contributing concurrently or in any sequence.

- b. The amount in a. above is the most we will pay for the cost:
 - (1) To remove "fungi", wet or dry rot, or bacteria from covered property;
 - (2) To tear out and replace any part of the building or other covered property as needed to gain access to the "fungi", wet or dry rot, or bacteria; and
 - (3) Of any testing of air or property to confirm the absence, presence or level of "fungi", wet or dry rot, or bacteria whether performed prior to, during or after removal, repair, restoration or replacement. The cost of such testing will be provided only to the extent that there is a reason to believe that there is the presence of "fungi", wet or dry rot, or bacteria.
- c. The coverage provided above applies only when such loss or costs are the result of a Peril Insured Against that occurs during the policy period and only if all reasonable means were used to save and protect the property from further damage at or after the time of the occurrence of that Peril Insured Against.
- d. If there is covered loss to covered property, not caused, in whole or in part, by "fungi", wet or dry rot, or bacteria, loss payment will not be limited by the terms of this Additional Coverage, except to the extent that "fungi", wet or dry rot, or bacteria causes an increase in the loss. Any such increase in the loss will be subject to the terms of this Additional Coverage.

This is additional insurance and is the most we will pay for the total of all loss or costs payable under the Additional Coverage regardless of the number of locations insured or the number of claims made. No deductible applies to this coverage.

(This is Additional Coverage 13. in Form HO 00 06.)

SECTION I – PERILS INSURED AGAINST

In Form HO 00 03:

A. Coverage A – Dwelling And Coverage B – Other Structures

Paragraph 2.c.(5) is replaced by the following:

- (5) Constant or repeated discharge, seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years; or

Paragraph 2.c.(6)(c) is replaced by the following:

- (c) Smog, rust, or other corrosion;

B. Coverage C – Personal Property

12. Accidental Discharge Or Overflow Of Water Or Steam

Paragraph b.(4) is replaced by the following:

- (4) Caused by constant or repeated seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years.

In Form HO 00 05:

Paragraph A.2.d. is replaced by the following:

- d. Constant or repeated seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years; or

Paragraph A.2.e.(3) is replaced by the following:

- (3) Smog, rust or other corrosion;

In Forms HO 00 04 and HO 00 06:

12. Accidental Discharge Or Overflow Of Water Or Steam

Paragraph b.(5) in Form HO 00 06 and Paragraph b.(4) in Form HO 00 04 is replaced by the following:

- (5) To a building caused by constant or repeated seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years.

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SECTION I – EXCLUSIONS

Paragraph 2. Earth Movement is replaced by the following:

2. Earth Movement

Earth Movement means:

- a. Earthquake, including land shock waves or tremors before, during or after a volcanic eruption;
- b. Landslide, mudslide or mudflow;
- c. Subsidence or sinkhole; or
- d. Any other earth movement including earth sinking, rising or shifting.

This Exclusion 2. applies regardless of whether any of the above, in 2.a. through 2.d., is caused by an act of nature, an act of man or is otherwise caused.

However, direct loss by fire, explosion or theft resulting from any of the above, in 2.a. through 2.d. is covered.

(This is Paragraph A.2. in Forms HO 00 03 and HO 00 05.)

In all forms except HO 00 05:

Paragraph 3. Water is replaced by the following:

3. Water

This means:

- a. Flood, including but not limited to flash flood, surface water, waves, including tidal wave and tsunami, seiche, tides, tidal water, overflow of any body of water, or spray from any of these, all whether or not driven by wind, including storm surge;
- b. Water which:
 - (1) Backs up through sewers or drains; or
 - (2) Overflows or is otherwise discharged from a sump, sump pump or related equipment;
- c. Water below the surface of the ground, including water which exerts pressure on, or seeps, leaks or flows through a building, sidewalk, driveway, patio, foundation, swimming pool or other structure; or
- d. Waterborne material carried or otherwise moved by any of the water referred to in 3.a. through 3.c. of this exclusion.

This Exclusion 3. applies regardless of whether any of the above, in 3.a. through 3.d., is caused by an act of nature, an act of man or is otherwise caused.

This Exclusion 3. applies to, but is not limited to, escape, overflow or discharge, for any reason, of water or waterborne material from a dam, levee, seawall or any other boundary or containment system whether natural, man-made or is otherwise made.

However, direct loss by fire, explosion or theft resulting from any of the above, in 3.a. through 3.d., is covered.

(This is Paragraph A.3. in Form HO 00 03.)

In Form HO 00 05:

Paragraph A.3. is replaced by the following:

3. Water

This means:

- a. Flood, including but not limited to flash flood, surface water, waves, including tidal wave and tsunami, seiche, tides, tidal water, overflow of any body of water, or spray from any of these, all whether or not driven by wind, including storm surge;
- b. Water which:
 - (1) Backs up through sewers or drains; or
 - (2) Overflows or is otherwise discharged from a sump, sump pump or related equipment;
- c. Water below the surface of the ground, including water which exerts pressure on, or seeps, leaks or flows through a building, sidewalk, driveway, patio, foundation, swimming pool or other structure; or
- d. Waterborne material carried or otherwise moved by any of the water referred to in 3.a. through 3.c. of this exclusion.

This Exclusion A.3. applies regardless of whether any of the above, in A.3.a. through A.3.d., is caused by an act of nature, an act of man or is otherwise caused.

This Exclusion A.3. applies to, but is not limited to, escape, overflow or discharge, for any reason, of water or waterborne material from a dam, levee, seawall or any other boundary or containment system whether natural, man-made or is otherwise made.

However, direct loss by fire, explosion or theft resulting from any of the above, in A.3.a. through A.3.d., is covered.

This exclusion does not apply to property described in Coverage C that is away from a premises or location owned, rented, occupied or controlled by an "insured".

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This exclusion applies to property described in Coverage C that is on a premises or location owned, rented, occupied or controlled by an "insured", even if weather conditions contribute in any way to produce the loss.

Paragraph 8. **Intentional Loss** is replaced by the following:

8. Intentional Loss

Intentional Loss means any loss arising out of any act an "insured" commits or conspires to commit with the intent to cause a loss.

This exclusion only applies to an "insured" who commits or conspires to commit an act with the intent to cause a loss.

(This is Paragraph A.8. in Forms HO 00 03 and HO 00 05.)

The following exclusion is added:

10. "Fungi", Wet Or Dry Rot, Or Bacteria

"Fungi", Wet Or Dry Rot, Or Bacteria means the presence, growth, proliferation, spread or any activity of "fungi", wet or dry rot, or bacteria other than as provided in Additional Coverage 13. "Fungi", Wet Or Dry Rot, Or Bacteria.

(This is Exclusion A.10. in Forms HO 00 03 and HO 00 05.)

SECTION I – CONDITIONS

C. Duties After Loss

The following is added to the end of Paragraph 8.:

However, if a state of disaster is proclaimed or declared for the State of North Carolina or for an area within the state in accordance with North Carolina law and the covered property that has sustained loss is located within the geographic area designated in the disaster proclamation or declaration, this 60-day period shall not commence until the expiration of the disaster proclamation or declaration, including all renewals of the proclamation, or ~~45 days, whichever is later~~ the expiration of the commissioner's order.

Paragraph F. **Appraisal** is replaced by the following:

F. Appraisal

If you and we fail to agree on the value or amount of any item or loss, either may demand an appraisal of such item or loss. In this event, each party will choose a competent and disinterested appraiser within 20 days after receiving a written request from the other. The two appraisers will choose a competent and impartial umpire. If they cannot agree upon an umpire within 15 days, you or we may request that a choice be made by a judge of a court of record in the state where the "residence premises" is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss. Each party will:

1. Pay its own appraiser; and
2. Bear the other expenses of the appraisal and umpire equally.

In no event will an appraisal be used for the purpose of interpreting any policy provision, determining causation or determining whether any item or loss is covered under this policy. If there is an appraisal, we still retain the right to deny the claim.

Paragraph H. **Suit Against Us** is replaced by the following:

H. Suit Against Us

No action can be brought against us unless there has been full compliance with all of the terms under Section I of this policy and the action is started within three years after the date of loss.

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Paragraph **J. Loss Payment** is replaced by the following:

J. Loss Payment

We will adjust all losses with you. We will pay you unless some other person is named in the policy or is legally entitled to receive payment. We will pay within 60 days after the amount is finally determined.

This amount may be determined by:

- 1. Reaching an agreement with you;
- 2. Entry of a final judgment; or
- 3. The filing of an appraisal award with us.

SECTION II – EXCLUSIONS

A. "Motor Vehicle Liability"

Paragraph **2.b.** is replaced in all forms by the following:

- b. Used to service an "insured's" residence;

E. Coverage E – Personal Liability And Coverage F – Medical Payments To Others

Paragraph **1. Expected Or Intended Injury** is replaced in all forms by the following:

1. Expected Or Intended Injury

"Bodily injury" or "property damage" which is intended by or which may reasonably be expected to result from the intentional acts or omissions or criminal acts or omissions of one or more "insured" persons. This exclusion applies even if:

- a. The "insured" persons lack the mental capacity to govern their own conduct;
- b. The "bodily injury" or "property damage" is of a different kind, quality or degree than intended or reasonably expected; or
- c. The "bodily injury" or "property damage" is sustained by a different person or entity than intended or reasonably expected.

This exclusion applies regardless of whether or not an "insured" person is actually charged with, or convicted of, a crime.

If the Broadened Home-sharing Host Activities Coverage Endorsement is not made a part of this Policy, Paragraph **2. "Business"** is replaced by the following:

2. "Business"

- a. "Bodily injury" or "property damage" arising out of or in connection with a "business" engaged in by an "insured".

This Exclusion **E.2.** applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the "business".

- b. With respect to other than "home-sharing host activities", this Exclusion **E.2.** does not apply to:

- (1) The rental or holding for rental of an "insured location";
 - (a) On an occasional basis if used only as a residence;
 - (b) In part for use only as a residence, unless a single-family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or
 - (c) In part, as an office, school, studio or private garage; and
- (2) An insured minor involved in part-time, self-employed "business" pursuits normally undertaken by minors, unless the minor is employed by a "business". A minor means a person who has not attained his or her 19th birthday (or age 23 if a full-time student);

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If the Broadened Home-sharing Host Activities Coverage Endorsement is made a part of this Policy, Paragraph 2. "Business" is replaced by the following:

2. "Business"

a. "Bodily injury" or "property damage" arising out of or in connection with a "business" engaged in by an "insured".

This Exclusion E.2. applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the "business".

b. This Exclusion E.2. does not apply to:

(1) "Home-sharing host activities";

(2) With respect to other than "home-sharing host activities":

(a) The rental or holding for rental of an "insured location":

(i) On an occasional basis if used only as a residence;

(ii) In part, for use only as a residence, unless a single family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or

(iii) In part, as an office, school, studio or private garage; and

(b) An insured minor involved in part-time, self-employed "business" pursuits normally undertaken by minors, unless the minor is employed by a "business". A minor means a person who has not attained his or her 19th birthday (or age 23 if a full-time student);

The following exclusion is added:

9. "Fungi", Wet Or Dry Rot, Or Bacteria

"Bodily injury" or "property damage" arising directly or indirectly, in whole or in part, out of the actual, alleged or threatened inhalation of, ingestion of, contact with, exposure to, existence of or presence of any "fungi", wet or dry rot, or bacteria.

SECTIONS I AND II – CONDITIONS

Paragraph E. Assignment is replaced by the following:

E. Assignment

1. Assignment of this Policy will not be valid unless we give our written consent.

2. The benefits of this Policy that may be available to you following a covered loss may not be assigned unless:

a. All duties listed in Section I – Conditions, C. Duties After Loss are performed by you, and;

b. An inspection of the damage has been conducted by an adjuster authorized by us, or we give our written consent.

The following Condition is added:

H. Choice Of Law

This policy is issued in accordance with the laws of North Carolina and covers property or risks principally located in North Carolina. Any and all claims or disputes in any way related to this policy shall be governed by the laws of North Carolina.

All other provisions of this policy apply.

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