



August 12, 2005

## **NEW HOMEOWNERS DISCLOSURE NOTICE REQUIRED FOR DELAWARE POLICYHOLDERS**

### **BACKGROUND**

The Delaware Insurance Department has adopted Regulation No. 702 pertaining to required disclosures for residential homeowners. As a result of this regulation which becomes effective on January 1, 2006, insurance companies will be required to provide pertinent annual disclosures to each homeowner policyholder of where there might be gaps in their homeowner's coverage. The intent is to outline to homeowners their policy's coverage limitations since there are no current laws or regulations in Delaware that require insurers to highlight any of these issues.

To briefly outline the requirements of this regulation, insurance companies will be required to inform homeowners, via a notice, of gaps in flood insurance, the absence of coverage for total destruction of their homes, limitations on insurance for theft from their homes, and the potential for their coverage to be terminated if they make certain claims on their insurance.

### **DEPARTMENT REQUIREMENTS**

In order to assist companies in developing their own notices, the following information and form wording is sufficient to insure compliance, as outlined in the insurance department's regulation:

- Insurers, upon delivery of a homeowners policy and declaration page, and not less than once annually, shall provide a notice to the policyholder entitled "Important Information About Your Homeowners Insurance". This title shall be in at least 30 point type.
- As specified in subsection 5.1.1 of Section 5.0 of the regulation, the notice shall disclose that the policy does not cover damage caused by flooding and disclose sufficient information to allow the policyholder to contact the National Flood Insurance Program in order to purchase flood insurance if so desired. The following language shall be sufficient to ensure compliance with this subsection:

"The policy does not cover damage to your property caused by flooding. Flood insurance is available to communities and property that participate in the National Flood Insurance Program ("NFIP"). Not all communities participate in the NFIP. Flood insurance may be available even if you do not live in a flood hazard area as defined by the NFIP. Please call the

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NFIP at 1-800-427-4661 to see if your community and property are eligible for coverage. If your community does not participate in the NFIP, you may contact your insurance agent or broker to see if there is other flood insurance coverage available to you.” The disclosure may also inform the policyholders that the insurer offers flood insurance as a participant in the NFIP’s “Write Your Own” program.

The disclosure required by this subsection shall be entitled “Flood Insurance”, and the subsection title shall be in 18 point type.

- Disclosure, as outlined in subsection 5.1.2, that the policy may not cover the full cost of replacement without depreciation of the property, and sufficient information to allow the policyholder to purchase such coverage from the carrier if it is offered by the carrier. The following language shall be sufficient to ensure compliance with this subsection:

“This policy may not cover the full cost of replacing your home if your home should be destroyed in an event otherwise covered by this policy. You may purchase additional coverage from us sufficient to cover the full cost of replacing your home, at an additional cost.”

The disclosure required by this subsection shall be entitled “Replacing Your Home”, and the title shall be in at least 18 point type.

- Disclosure, as outlined in subsection 5.1.3, is required of any limitations in the policy regarding reimbursement for items stolen from the property, including but not limited to jewelry, furs, fine art, etc. and sufficient information to allow the policyholder to purchase insurance which would not contain such limitation if such coverage is offered by the insurer. The following language shall be sufficient to ensure compliance with this subsection:

“This policy may not cover the value of all items stolen from your home. Please carefully review your policy to determine which items stolen from your home are not covered by this policy”.

The disclosure required by this subsection shall be entitled “Reimbursement for Stolen Items”, and the subsection title shall be in at least 18 point type.

- Disclosure, as outlined in subsection 5.1.4, is required of any formal practice followed by the insurer regarding nonrenewal of the policy on the occurrence of certain factors or on the basis of claims asserted by the policyholder. The following language shall be sufficient to ensure compliance with this subsection:

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“We have a policy of declining to renew homeowners insurance policies under the following circumstances: (list the claim activities or occurrences that are likely to cause nonrenewal of a policyholder’s policy).”

The disclosure required by this subsection shall be entitled “Nonrenewal of Your Policy”, and the subsection title shall be in at least 18 point type.

- Where a policy provides full coverage for any of the items required by sections 5.1.1 through 5.1.3, the insurer may indicate that the disclosure, as to each such item, is not applicable, or “N/A”.

**MSO<sup>®</sup> ACTION**

MSO is available to assist in the development of specific company notices. We are also available to file these notices on your behalf.

**EFFECTIVE  
DATE**

January 1, 2006. (A copy of the regulation is attached.)

**QUESTIONS**

Contact Dennis Carrigan at (800) 935-6900 or e-mail: [dcarrigan@msonet.com](mailto:dcarrigan@msonet.com).