



## MISSISSIPPI STATE RATING BUREAU

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### BULLETIN 18-02

Date: December 31, 2018

To All Member Companies and Their Authorized  
Mississippi Agents  
To Whom it May Concern:

Mississippi – Flood TOI 02.3  
Stand Alone Commercial Flood  
SERFF #MSSR- 131708175  
SERFF #MSSR- 131707091  
Company Tracking #s listed below

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On behalf of member companies, the Mississippi State Rating Bureau filed stand-alone commercial flood forms, rules, and loss costs. This filing is now approved by the Mississippi Department of Insurance with a new and renewal effective date of 6-1-2019. Filed and approved tracking numbers are:

MSSR-131708175:

FC-2017-RRU17  
FC-2017-RRU17 (S)  
FC-2017-RLC17 MS – Sect A

MSSR-131707091:

FC-2017-OFR17 MS

The SERFF tracking numbers are provided above to allow any member company access to the filing materials via the NAIC SERFF filing system. If needed, MSRB staff can provide copies of the filing materials on request. Copies of the related ISO explanatory memorandums are attached.

Mississippi State Rating Bureau Member companies can file through the Mississippi Department of Insurance to adopt this approved change. Member companies can also file to non-adopt this change, or file for approval of some amended version (rules, loss costs, or effective date).

If there are any questions, please call the Mississippi State Rating Bureau (phone 601-981-2915) and ask for a management representative (Assistant Managers Brad Little, Tony Parker, or Manager Joe Shumaker). Explanatory materials are attached and will be added to ISO Net publications by ISO/Verisk.

***Mississippi State Rating Bureau Management***

# Commercial Flood Rules

## About This Filing

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This filing introduces Commercial Lines Manual (CLM) Division Twenty – Commercial Flood, as part of the new ISO Commercial Flood Policy program, which is being filed under the Commercial Flood line of business.

## New Rules

We are introducing the following rules:

- ◆ Rule 1., General Rules
- ◆ Rule 2., Commercial Flood Policy (and related Rating Example Appendix)
- ◆ Rule 3., Commercial Flood Policy Declarations
- ◆ Rule 4., Deductibles
- ◆ Rule 5., Property Insurance Endorsements
- ◆ Rule 6., Time Element Endorsements
- ◆ Rule 7., General Endorsements
- ◆ Rule 8., Terrorism Risk Insurance Program

## Related Filing(s)

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The following companion filings are being filed with a concurrent effective date:

- ◆ FC-2017-OFR17 (Forms)
- ◆ FC-2017-RLC17 (Loss Costs)

## Introduction

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The private flood insurance market for commercial insurance appears to be poised for significant expansion, propelled by the availability of analytic tools and reinsurance capital as well as the historically limited capacity of the National Flood Insurance Program to address the large exposures inherent in commercial properties.

ISO has developed a Commercial Flood insurance program to serve this emerging market.

## **Explanation of Changes**

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### **Rule 1., General Rules**

This rule provides general information concerning the content of CLM Division Twenty, as well as general procedures relating to premium calculation.

### **Rule 2., Commercial Flood Policy**

- ◆ Sections A. through F. summarize the Commercial Flood Policy form, FC 00 01, which is addressed in detail in the companion Forms filing.
- ◆ Section G. of this rule provides:
  - Detailed rating information supporting property damage coverage, time element coverage, blanket limits, and a combined blanket for property and time element coverages. The related Rating Example Appendix provides an example illustrating the aforementioned combined blanket scenario;
  - Instructions for rating Compliance With Ordinance Or Law, including a rate modification factor of 1.15 for contingent loss assumption. That factor is the same as the factor provided in CLM Division Five for Commercial Property's Ordinance/Law Coverage A;
  - Rating instructions and rate modification factors for increases in sub-limits (for example, furs, jewelry, damage by pollutants) and for annual aggregate limitation. Development of the factors is addressed in the companion Loss Costs filing.
  - Tables of rate modification factors, which vary based on deductible, property value, and insurance-to-value level. Development of the factors is addressed in the companion Loss Costs filing.
  - Rate modification factors for time element insurance. These factors are the same as those provided in CLM Division Five for business income/extra expense coverage.
  - Construction definitions, which are the same as those provided in CLM Division Five with respect to rating Basic Group I. The construction types addressed in the definitions have been mapped to construction features underlying modeled flood loss costs. The Loss Costs filing provides detailed information on loss cost development;
  - Community Rating System information and rate modification factors. Development of the factors is addressed in the companion Loss Costs filing.

### **Rule 3., Commercial Flood Policy Declarations**

This rule describes various sections of the Declarations, along with related usage information.

### **Rule 4., Deductibles**

This rule provides information on deductible options, including application of deductibles and an option for a combined property damage/time element deductible.

### **Rule 5., Property Insurance Endorsements**

This rule provides information on the following:

- ◆ Additional covered property written under the Additional Covered Property Endorsement, which is rated using the applicable building or contents rate;
- ◆ Types of property that can be excluded by means of the Additional Property Not Covered Endorsement. The value of such excluded property is not included in establishing limits of insurance;
- ◆ Limitation of coverage on property in a basement or below the lowest elevated floor (under endorsement FC 12 01 of the same description), which is company-rated using rating provisions implemented by the company in compliance with regulatory requirements;
- ◆ Endorsements used to accommodate condominium property.

### **Rule 6., Time Element Endorsements**

This rule addresses the option for dependent property coverage. The rating instructions and rate modification factors in section A.4. of this rule parallel those provided in CLM Division Five for dependent property coverage.

### **Rule 7., General Endorsements**

This rule addresses the following:

- ◆ Conforming Clause endorsements, which do not entail rate modification or premium;
- ◆ Cancellation Changes - Nonpayment Of Premium Endorsement, which does not entail rate modification or premium;
- ◆ Aggregate Limitation For Remainder Of Current Annual Policy Period Endorsement, which is company-rated using rating provisions implemented by the company in compliance with regulatory requirements.

### **Rule 8., Terrorism Risk Insurance Program**

This rule addresses the Terrorism Risk Insurance Act (TRIA), which establishes a program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance

industry. Insured losses covered by the federal program are capped at \$100 billion per year; this provision serves to limit insurers' liability for losses. All insurers providing flood insurance on commercial properties are required to participate in the federal program to the extent of making available coverage for certified acts of terrorism in accordance with the terms and conditions of coverage which otherwise apply, for all new and renewal business.

The ISO Commercial Flood Policy does not contain an exclusion or exclusionary endorsement addressing certified acts of terrorism. Accordingly, Flood losses arising from certified acts of terrorism are subject to the same terms and conditions that apply to any Flood loss under this policy.

As a condition for reimbursement under the federal program, the insurer must disclose to the policyholder the premium for losses covered, the federal share of compensation for such losses under the program and the existence of the \$100 billion cap, at the time of offer and renewal of the policy.

In addition to addressing the aforementioned information and requirements, this rule addresses use of:

- ◆ Endorsement FC 09 52, which defines certified act of terrorism, asserts the cap on insurer liability in accordance with the federal Terrorism Risk Insurance Act, and reinforces that underlying policy exclusions continue to apply; and
- ◆ Endorsement IL 09 85, which can be used to satisfy the requirement for line item disclosure. In Part I of the Schedule of IL 09 85, a premium of \$0 is intended to be shown, or the indication "Included in Commercial Flood Policy premium", as the loss costs for the ISO Commercial Flood Policy program do not contemplate a separate loss cost component for terrorism.

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ISO's staff necessarily reflect every insurer's view or control any insurer's application of manual rules.

# **Mississippi – Commercial Flood Line of Business – Loss Costs**

## **About This Filing**

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This filing introduces Commercial Lines Manual (CLM) Division Twenty – Commercial Flood, as part of the new ISO Commercial Flood Policy program, which is being filed under the Commercial Flood line of business.

### **New Loss Costs**

We are introducing loss costs relating to:

- ◆ Rule 2., Commercial Flood Policy

### **Actuarial Support for Factors in Companion Rule Filing**

This filing provides the actuarial support for:

- ◆ Deductible and Insurance to Value Factors
- ◆ Community Rating System (CRS) Credits
- ◆ Aggregate Annual Limit Factor
- ◆ Pricing for increased Sub-Limits

which are filed in FC-2017-RRU17.

## **Related Filing(s)**

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The following companion filings are being filed with a concurrent effective date:

- ◆ FC-2017-OFR17 (Forms)
- ◆ FC-2017-RRU17 (Rules)

## **Introduction**

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The private flood insurance market for commercial insurance appears to be poised for significant expansion, propelled by the availability of analytic tools and reinsurance capital as well as the historically limited capacity of the National Flood Insurance Program to address the large exposures inherent in commercial properties.

ISO has developed a Commercial Flood insurance program to serve this emerging market.

## **Explanation of Changes**

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### **Loss Cost Overview**

- ♦ The purpose of this filing is to provide base loss cost by flood zone and construction. The expected loss costs were generated based on AIR Inland Flood (Touchstone Version 4.2) and AIR Hurricane (Touchstone Version 4.2) models. The model output was complemented by a loading factor to include a provision for flood losses resulting from non-modeled sources.

### **Flood Deductible and Insurance-To-Value Options**

- ♦ At present, the base deductible for Commercial Fire and Allied Lines is \$500. Current deductible tables provide factors for deductibles up to \$75,000. For Flood, in order to provide deductible and insurance-to-value factors suited for pricing coverage in excess of an underlying NFIP policy, factors are provided for deductibles up to \$1,000,000.
- ♦ Because flood coverage is often provided at a lower limit relative to the property value, and the impact of a deductible varies based on the limit, a single table is provided with factors that reflect both deductible and insurance-to-value options. The insurance-to-value percentages are listed as one through four percent, then in increments of five from five percent through eighty percent. 90% and 100% coinsurance levels are also reflected on the table.

### **Community Rating System**

- ♦ The Community Rating System (CRS) is a voluntary program for National Flood Insurance Program (NFIP) participating communities. Communities are encouraged to take actions that reduce flood damages to insurable property, strengthen and support the insurance aspects of the NFIP, and encourage a comprehensive approach to floodplain management. For CRS participating communities, discount factors are provided to reflect the lower expected losses in these communities.

### **Annual Aggregate Limitation**

- ♦ A factor is provided for the Annual Aggregate Limitation option.



## **Increase in Sub-limits for Various Property Types and for Damage Due to Pollutants**

- ♦ Sub-Limits may be raised from their defaults in the policy for: Electronic Data; Valuable papers and records other than electronic data; Furs; Jewelry and precious metals; Artwork; Patterns, dies, mold, forms; or Stamps, tickets, letters of credit. There is also a sub-limit on damage due to pollutants which can be raised.

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## **Company Decision**

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We encourage each insurer to decide independently whether the judgments made and the procedures or data used by ISO in developing the enclosed loss costs are appropriate for its use. Some calculations included in this filing involve areas of ISO staff judgment. Each insurer should carefully review and evaluate its own experience in order to determine whether the ISO advisory loss costs are appropriate for its use.

The material has been developed exclusively by the staff of Insurance Services Office, Inc.

## **Attachment(s)**

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- ♦ Section A - Manual Loss Cost Page
- ♦ Section B - Actuarial Justification of Flood Zone Loss Cost
- ♦ Section C - Actuarial Justification of Factors and Miscellaneous Rules
- ♦ Appendix A - AIR Inland Flood Model
- ♦ Appendix B - AIR Hurricane Model

# Mississippi Supplement - Commercial Flood Rules

## About This Filing

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This state supplement addresses state exceptions to the ISO Commercial Flood Policy program.

## New Rules

We are introducing the following:

- ◆ Additional Rule A1. Mississippi Changes
- ◆ State Exception to Rule 1. General Rules

## Related Filing(s)

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The following companion filings are being filed with a concurrent effective date:

- ◆ FC-2017-OFR17 (Forms)
- ◆ FC-2017-RLC17 (Loss Costs)

## Introduction

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In multistate Rules Filing FC-2017-RRU17, we submitted multistate rules for the new ISO Commercial Flood Policy program. This state supplement accommodates provisions relating to state law and state regulators' requirements.

## Explanation of Changes

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- ◆ Additional Rule A1., Mississippi Changes, addresses usage of endorsement FC 01 23.
- ◆ The state exception to Rule 1:
  - adds a paragraph to Section D. Changes In Rates, Rules and Forms related to community or district reclassification or rate schedule changes;
  - replaces Section F. Premium Computation to provide state-specific premium computation procedures;

- replaces paragraph 2. of Section H. Policywriting Minimum Premium related to deferred premium payment plan policies;
- replaces paragraph 1.b. of Section I. Additional Premium Changes related to computing the additional premium for additional locations or amounts of insurance;
- replaces Paragraph 2.a. of Section K. Policy Cancellations related to computation of return premium for Annual And Deferred Premium Payment Plan Policies; and
- adds paragraph 4. to Section K. Policy Cancellations to provide instructions on whether canceled policies should be sent to the Company or the Mississippi State Rating Bureau.

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# Commercial Flood Policy (Private Flood Insurance)

## About This Filing

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This filing introduces the ISO Commercial Flood Policy program – a new program being filed under the Commercial Flood line of business.

## New Forms

We are introducing the following forms:

- ♦ **FC 00 01 04 18** Commercial Flood Policy
- ♦ **FC DS 00 04 18** Commercial Flood Policy Declarations (**refer to Important Information Concerning Declarations**)
- ♦ **FC DS 01 04 18** Commercial Flood Policy Supplemental Declarations (**refer to Important Information Concerning Declarations**)
- ♦ **FC 02 01 04 18** Cancellation Changes – Nonpayment Of Premium
- ♦ **FC 03 01 04 18** Combined Deductible For Property And Time Element Flood Loss
- ♦ **FC 09 52 04 18** Cap On Losses From Certified Acts Of Terrorism
- ♦ **FC 12 01 04 18** Limitation Of Coverage On Property In A Basement Or Below Lowest Elevated Floor
- ♦ **FC 12 02 04 18** Conforming Clause
- ♦ **FC 12 03 04 18** Aggregate Limitation For Remainder Of Current Annual Policy Period
- ♦ **FC 12 04 04 18** Conforming Clause (Residential Condominium Association)
- ♦ **FC 14 10 04 18** Additional Covered Property
- ♦ **FC 14 20 04 18** Additional Property Not Covered
- ♦ **FC 15 01 04 18** Business Income And Extra Expense From Dependent Properties
- ♦ **FC 17 01 04 18** Condominium Association Changes
- ♦ **FC 17 03 04 18** Condominium Commercial Unit-Owners Changes
- ♦ **IL 09 85 01 15** Disclosure Pursuant To Terrorism Risk Insurance Act

**NOTE:** Some forms or provisions addressed in this multistate part of the filing may not apply in a given jurisdiction. Please refer to the State Supplement for exceptions to the multistate material.

## Important Information Concerning Declarations

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Forms FC DS 00 (Declarations) and FC DS 01 (Supplemental Declarations) included within this filing are being submitted only for information in those jurisdictions which do not require them to be filed. For jurisdictions which require declarations to be filed, they are being filed subject to the same requirements as the other forms contained in this filing.

## Related Filing(s)

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The following companion filings are being filed with a concurrent effective date:

- ◆ FC-2017-RRU17 (Rules)
- ◆ FC-2017-RLC17 (Loss Costs)

## Introduction

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The private flood insurance market for commercial insurance appears to be poised for significant expansion, propelled by the availability of analytic tools and reinsurance capital as well as the historically limited capacity of the National Flood Insurance Program to address the large exposures inherent in commercial properties.

ISO has developed a Commercial Flood insurance program to serve this emerging market.

## Explanation of Changes

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### FC 00 01 Commercial Flood Policy

Following are some noteworthy features of this policy form:

- ◆ The policy provides property damage insurance and an option for time element insurance.
- ◆ Covered Property includes property in a basement unless excluded or sub-limited by endorsement.
- ◆ Covered business personal property must be located in the insured building. (Property in the open can be added by endorsement.)

- ◆ Covered Property does not include any building (including its contents) located on or over a body of water, unless added by endorsement.
- ◆ The Flood cause of loss includes:
  - The overflow of inland and tidal waters from a natural or man-made body of water;
  - The unusual or rapid accumulation of surface waters from any source;
  - Mudslide and mudflow caused by certain flooding as specified in the policy;
  - Water and waterborne material that is discharged from a sewer, drain, sump, sump pump or related equipment, caused by certain flooding as specified in the policy;
  - Water under the ground surface pressing on or flowing or seeping through Covered Property, resulting from certain flooding as specified in the policy; and
  - Collapse or sinking of land along the shore of a body of water caused by certain flooding as specified in the policy. (However, coverage does not include the cost of restoring or remediating the land.)
- ◆ There is no coverage for a Flood that begins before the inception date of the policy or within 72 hours after the inception date, unless prior flood insurance was in effect for the affected location for at least 72 hours immediately prior to the inception date of the policy, without a lapse in coverage. A similar provision applies to locations added to the policy at renewal or mid-term.
- ◆ The policy provides several coverage extensions, which are designed to be subject to the limit of insurance applicable to the insured property:
  - Debris removal;
  - Removal for preservation of property;
  - Loss avoidance expenses;
  - Electronic data;
  - Valuable papers and records other than electronic data;
  - Glass (temporary plates or boards and certain related work); and
  - Personal effects and property of others.
- ◆ Compliance With Ordinance Or Law is a series of options, selected by Declarations entry. Limits for increased cost of construction and demolition cost are separate from property limits. Contingent loss assumption is designed to be subject to the building limit.
- ◆ Under the option for time element insurance, which is selected by Declarations entry, coverage includes:

- Business income and extra expense;
- Ingress and egress including civil authority, up to four weeks;
- Extended business income, up to sixty days; and
- Increased period of restoration due to ordinance or law, if increased cost of construction coverage also applies to the building.
- ◆ All time element coverages are designed to be subject to the time element limit of insurance.
- ◆ The Limits Of Insurance section recognizes that property damage and time element insurance may be written subject to a single Limit.
- ◆ An option for an annual aggregate limitation (over the entire policy or by location) is activated by Declarations entry.
- ◆ Various types of property and coverage (such as furs, jewelry, artwork, electronic data) are subject to special sub-limits, which can be increased by Declarations entry. Further, damage by pollutants is subject to a sub-limit of \$10,000 at each described premises, which can be increased by Declarations entry.
- ◆ Flat dollar deductibles apply by location. A building can be identified as a separate location.
- ◆ Coinsurance is optional, activated by Declarations entry.
- ◆ Valuation is at Actual Cash Value subject to exceptions for stock, glass, antiques and tenants' improvements and betterments. Replacement Cost is an option activated by Declarations entry.
- ◆ Cancellation is subject to 10 day's notice for nonpayment of premium and 45 days' notice for other reasons, subject to any state requirements as addressed in a State Supplement to this filing.
- ◆ Nonrenewal is subject to 45 days' notice, subject to any state requirements as addressed in a State Supplement to this filing.
- ◆ Coverage can be written on a primary basis (by executing the Underlying Insurance Waiver via the Declarations) or as excess over the maximum limit that can be insured under a National Flood Insurance Program (NFIP) policy. In the event of other insurance (other than NFIP insurance), FC 00 01 covers on a proportionate share basis.

#### **FC DS 00 and FC DS 01 Declarations and Supplemental Declarations**

The Declarations and Supplemental Declarations support all coverages addressed in Commercial Flood Policy form FC 00 01.

Note that Option A and Option B in the declarations provide a means of showing coverage written subject to specific or blanket limits.

**FC 02 01 Cancellation Changes – Nonpayment Of Premium**

This endorsement, which increases notice of cancellation to 45 days in the event of nonpayment of premium, can be used on an elective basis or when a Conforming Clause (FC 12 02 and FC 12 04 discussed below) is endorsed to the policy.

**FC 03 01 Combined Deductible For Property And Time Element Flood Loss**

The base policy (FC 00 01) provides for writing a flat dollar deductible on property damage loss and contains a 72-hour clause within the "period of restoration" definition for business income loss. Endorsement FC 03 01 amends the policy by providing for a flat dollar deductible to apply to combined property and time element losses, and eliminates the aforementioned 72-hour provision within the "period of restoration" definition.

**FC 09 52 Cap On Losses From Certified Acts Of Terrorism**

This endorsement is the Commercial Flood monoline version of current ISO endorsement IL 09 52 01 15, which applies to several commercial property lines of business. The ISO Commercial Flood Policy program does not contain an exclusion or exclusionary endorsement addressing certified acts of terrorism. Accordingly, Flood losses arising from certified acts of terrorism are subject to the same terms and conditions that apply to any Flood loss under this policy. Endorsement FC 09 52 defines certified act of terrorism, asserts the cap on insurer liability in accordance with the federal Terrorism Risk Insurance Act, and reinforces that underlying policy exclusions (nuclear hazard exclusion, for example) continue to apply. (Refer to the explanation under IL 09 85, near the end of this explanatory memorandum, for additional and related information.)

**FC 12 01 Limitation Of Coverage On Property In A Basement Or Below  
Lowest Elevated Floor**

This endorsement enables imposing a sub-limit on Covered Property located in a basement or below the lowest elevated floor. The Schedule of FC 12 01 accommodates identification of the building and location within the building, and the corresponding sub-limit.

**FC 12 02 Conforming Clause and FC 12 04 Conforming Clause (Residential  
Condominium Association)**

In general, federally regulated lending institutions may request that an insurer provide certification of strict equivalency to NFIP coverage, with respect to mortgaged property located in a Special Flood Hazard Area (SFHA). For that situation, the conforming clause in these endorsements provides that if any provision of the Commercial Flood Policy (including endorsements) is in conflict



with the applicable NFIP policy form, such provision is amended to conform to such form. The clause does not apply to any amount of coverage in excess of the maximum amount of insurance available for the property under the NFIP, or in excess of the amount of the outstanding principal balance of the mortgage loan, whichever is less. The endorsements define the terms "regulated lending institution" and "SFHA", and identify/define the applicable NFIP policy form.

**FC 12 03 Aggregate Limitation For Remainder Of Current Annual Policy Period**

As indicated in the explanatory material for the base policy form, FC 00 01, the policy contains the option to write coverage subject to an annual aggregate limitation, using the Declarations. In the event that the amount of annual aggregate limitation is exhausted or reduced in the payment of losses from a Flood(s) that commenced during the current annual policy period, endorsement FC 12 03 can be used to provide an additional annual aggregate limitation, which would apply during the period from the inception date of the endorsement until the end of the current annual policy period.

**FC 14 10 Additional Covered Property**

This endorsement can be used to add certain property as Covered Property. The Schedule of the endorsement provides for identifying such property using the corresponding paragraph reference from the policy's Property Not Covered section, and specifying whether the additional insured property is being covered under Building coverage or Personal Property coverage.

**FC 14 20 Additional Property Not Covered**

This endorsement can be used to add certain property as Property Not Covered by means of its Schedule. A related manual rule (addressed in the companion Rules filing) limits such property to:

- ◆ Property located in a basement or below the lowest elevated floor;
- ◆ The value of improvements, alterations or repairs being performed by a named individual or organization. This includes existing real property that will be demolished or permanently removed in the course of making the improvements, alterations or repairs;
- ◆ Glass which is not part of a building or structure;
- ◆ Metals in ingots, pigs, billets or scraps;
- ◆ Property of others;
- ◆ Stock;
- ◆ Tenants' improvements and betterments; and

- ◆ Any type of property for which more specific property damage coverage is available.

#### **FC 15 01 Business Income And Extra Expense From Dependent Properties**

This endorsement can be used to extend business income and extra expense coverage when a suspension of the insured's operations is caused by physical loss by Flood to property at the premises of a dependent property identified in the Schedule. Dependent properties, as defined in the endorsement, are contributing locations, recipient locations, manufacturing locations and leader locations. With respect to contributing and recipient properties, coverage can also be extended to certain secondary dependencies (the situation in which operations of the insured's supplier or outlet are suspended due to loss by Flood at a property they depend on for supplies or as an outlet, leading to suspension of the insured's operations).

#### **FC 17 01 Condominium Association Changes**

This endorsement amends various provisions of the base policy to accommodate the coverage needs of a condominium association. Accordingly, under FC 17 01, Building coverage for a condominium association includes certain types of property within a unit if the Condominium Association Agreement requires the association to provide insurance. Business Personal Property includes personal property owned by the association or owned indivisibly by all unit-owners, but does not include personal property owned only by a unit-owner. Other noteworthy provisions:

- ◆ An insurance trustee is recognized under the Loss Payment Condition;
- ◆ In the event of insurance carried by a unit-owner, covering the same property as the association's insurance, the latter coverage is intended to be primary;
- ◆ The insurer waives its rights to recover payment from any unit-owner of the insured condominium; and
- ◆ An act or omission by a unit-owner will not void the policy or be a condition to recovery under the policy, except with respect to unit-owners acting within the scope of their authority on behalf of the association.

#### **FC 17 03 Condominium Commercial Unit-Owners Changes**

This endorsement amends various provisions of the base policy to accommodate the coverage needs of a condominium commercial unit-owner. Accordingly, under FC 17 03, Building coverage does not apply. Business Personal Property is amended by omitting tenants' improvements and betterments, and limiting building fixtures, improvements and alterations to those owned by the unit-owner. Certain property contained within a unit is not covered under the unit-owner's insurance, if the Condominium Association Agreement requires the association to insure it. Other noteworthy provisions:

- ◆ In the event of insurance carried by the condominium association, covering the same property as the unit-owner's insurance, the latter coverage is intended to be excess; and
- ◆ The policy's Mortgageholders condition is deleted.

**IL 09 85 Disclosure Pursuant To Terrorism Risk Insurance Act**

The Terrorism Risk Insurance Act (TRIA) establishes a program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance industry. Insured losses covered by the federal program are capped at \$100 billion per year; this provision serves to limit insurers' liability for losses. All insurers providing flood insurance on commercial properties are required to participate in the federal program to the extent of making available coverage for certified acts of terrorism in accordance with the terms and conditions of coverage which otherwise apply, for all new and renewal business.

The ISO Commercial Flood Policy does not contain an exclusion or exclusionary endorsement addressing certified acts of terrorism. Accordingly, Flood losses arising from certified acts of terrorism are subject to the same terms and conditions that apply to any Flood loss under this policy.

As a condition for reimbursement under the federal program, the insurer must disclose to the policyholder the premium for losses covered, the federal share of compensation for such losses under the program and the existence of the \$100 billion cap, at the time of offer and renewal of the policy.

Endorsement IL 09 85, which currently applies to several commercial lines of business, can be used to satisfy the requirement for such line item disclosure. (As addressed in our companion Rules filing: In Part I of the Schedule of IL 09 85, a premium of \$0 is intended to be shown, or the indication "Included in Commercial Flood Policy premium", as the loss costs provided in the Manual for the ISO Commercial Flood Policy program do not contemplate a separate loss cost component for terrorism. ISO's Commercial Flood Policy program does not include optional endorsements for exclusion of certified acts of terrorism coverage.)

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