

FORMS – FILED AND APPROVED

NOVEMBER 8, 2022

COMMERCIAL INLAND MARINE

LI-CM-2022-027

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## MICHIGAN REVISED CHANGES ENDORSEMENT FILED AND APPROVED

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### KEY MESSAGE

In response to a request by the Michigan Department of Insurance and Financial Services, we are announcing the submission and approval of a revision to the ISO Commercial Inland Marine Changes endorsement in Michigan to more closely track with MCL 500.2833(1)(m).

**Filing ID:** CL-2022-OAC1

**Effective Date:** May 1, 2023

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### BACKGROUND

MICH. COMP. LAWS ANN. §500.2833(1)(m) provides, in part, that:

"(m) that if the insured and insurer fail to agree on the actual cash value or amount of the loss, either party may make a written demand that the amount of the loss or the actual cash value be set by appraisal. If either makes a written demand for appraisal, each party shall select a competent, independent appraiser and notify the other of the appraiser's identity within 20 days after receipt of the written demand. The 2 appraisers shall then select a competent, impartial umpire. If the 2 appraisers are unable to agree upon an umpire within 15 days, the insured or insurer may ask a judge of the circuit court for the county in which the loss occurred or in which the property is located to select an umpire. The appraisers shall then set the amount of the loss and actual cash value as to each item. If the appraisers submit a written report of an agreement to the insurer, the amount agreed upon shall be the amount of the loss. If the appraisers fail to agree within a reasonable time, they shall submit their differences to the umpire. Written agreement signed by any 2 of these 3 shall set the amount of the loss."

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### ISO ACTION

In endorsement CM 01 11, Michigan Changes, we revised the Appraisal condition to more closely track with MICH. COMP. LAWS ANN. §500.2833(1)(m).

Additional editorial revisions have also been made.

Refer to the attached explanatory material for complete details about the filing.

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### INSURANCE DEPARTMENT ACTION

The Michigan Department of Insurance has approved this revision as filed.

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### EFFECTIVE DATE

The ISO revision is subject to the following rule of application:

These changes are applicable to all policies written on or after May 1, 2023.

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## COMPANY ACTION

If you have authorized us to file on your behalf and decide:

- To use our revision and effective date, you are not required to file anything with the Insurance Department.
- To use our revision with a different effective date, to use our revision with modification, or to not use our revision, you must make an appropriate submission with the Insurance Department.

For guidance on submission requirements, consult the ISO State Filing Handbook.

In all correspondence with the Insurance Department on this revision, you should refer to ISO Filing Number CL-2022-OAC1 and SERFF Tracking Number ISOF-133441709, NOT this circular number. Communications with the regulator concerning a filing affecting multiple lines of business (i.e., CL, PL, AL filing designation) should specify the line(s) of business that you are addressing.

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## RATING SOFTWARE IMPACT

New attributes being introduced with this revision:

- A new edition date of an existing form number is being introduced.

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## POLICYHOLDER NOTIFICATION

If you decide to implement this revision, you should check all applicable laws for the state(s) to which this revision applies, to determine whether or not a specific policyholder notice requirement may apply. Please note that circular [LI-CL-2022-006](#) contains the ISO Guide To Renewals With Changed Conditions For Commercial Lines, which is available only as a guide to assist participating companies in complying with various conditional renewal statutes or regulations, for the major commercial lines of insurance serviced by ISO. The information in the Guide does not necessarily reflect all requirements or exceptions that may apply, and it is not intended as a substitute for your review of all applicable statutes and regulations concerning policyholder notification.

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## REVISION DISTRIBUTION

We will issue a Notice to Portfolioholders with an edition date of 5-23 (or the earliest possible subsequent date), along with any new and/or revised forms.

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## REFERENCE(S)

[LI-CL-2022-006](#) (02/22/2022) Revised Lead Time Requirements Listing

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## ATTACHMENT(S)

Filing CL-2022-OAC1

Final copy of Michigan endorsement [CM 01 11 05 23](#)

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Now, as in the past, all of our products and services are advisory, and are made available for optional use by participating insurers as a matter of individual choice. Your company must decide for itself which, if any, ISO products or services are needed or useful to its operation and how those selected for use should be applied. We urge that you be guided by the advice of your attorneys on the legal requirements.

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## CONTACT INFORMATION

If you have any questions concerning:

- The content of this circular, please contact:

Kaitlyn McCaskey  
Compliance and Product Services  
201-469-2299  
[property@verisk.com](mailto:property@verisk.com)  
[Kaitlyn.McCaskey@verisk.com](mailto:Kaitlyn.McCaskey@verisk.com)

- Other issues for this circular, please contact Customer Support:

E-mail: [info@verisk.com](mailto:info@verisk.com)

Phone: 800-888-4476

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# Revised Michigan Changes Endorsement

## Applicable Lines of Business

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This filing applies to the following lines of business:

- ◆ Agricultural Capital Assets (Output Policy)
- ◆ Businessowners
- ◆ Capital Assets Program (Output Policy)
- ◆ Commercial Fire and Allied Lines
- ◆ Commercial Flood
- ◆ Commercial Inland Marine
- ◆ Equipment Breakdown
- ◆ Farm

## About This Filing

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This filing revises various Commercial Lines endorsements in Michigan to more closely track with MCL 500.2833(1)(m) and for consistency with other ISO insurance lines.

## Revised Forms

We are revising the following forms:

- ◆ AG 01 25 04 21 – Michigan Changes
- ◆ BP 01 36 04 21 – Michigan Changes
- ◆ BP 47 01 04 21 – Michigan Changes – Micro-Businessowners
- ◆ CM 01 11 04 21 – Michigan Changes
- ◆ CP 01 20 04 21 – Michigan Changes
- ◆ EB 01 08 04 21 – Michigan Changes
- ◆ FC 01 21 04 21 – Michigan Changes
- ◆ FL 01 04 04 21 – Michigan Changes
- ◆ OP 01 16 04 21 – Michigan Changes

We have used a format of ~~striking through~~ deletions, underlining additions and inserting a revision bar in the left margin to indicate changes from the above-referenced editions to the 05 23 editions. Concurrent with implementation, the 05 23 editions will supersede the prior editions.

## Introduction

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At the request of the Michigan Department of Insurance and Financial Services we have revised various Commercial Lines endorsements in Michigan to more closely track our Appraisal condition provision with MCL 500.2833(1)(m).

## Background

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MICH. COMP. LAWS ANN. §500.2833(1)(m) provides, in part, that:

"(m) that if the insured and insurer fail to agree on the actual cash value or amount of the loss, either party may make a written demand that the amount of the loss or the actual cash value be set by appraisal. If either makes a written demand for appraisal, each party shall select a competent, independent appraiser and notify the other of the appraiser's identity within 20 days after receipt of the written demand. The 2 appraisers shall then select a competent, impartial umpire. If the 2 appraisers are unable to agree upon an umpire within 15 days, the insured or insurer may ask a judge of the circuit court for the county in which the loss occurred or in which the property is located to select an umpire. The appraisers shall then set the amount of the loss and actual cash value as to each item. If the appraisers submit a written report of an agreement to the insurer, the amount agreed upon shall be the amount of the loss. If the appraisers fail to agree within a reasonable time, they shall submit their differences to the umpire. Written agreement signed by any 2 of these 3 shall set the amount of the loss."

## Explanation of Changes

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In response to correspondence from the Michigan Department of Insurance and Financial Services regarding our Appraisal condition, we are revising the Appraisal conditions in various Michigan Changes commercial lines endorsements to more closely track with MICH. COMP. LAWS ANN. §500.2833(1)(m).

Also, we are further revising our Appraisal conditions in various Michigan Changes commercial lines endorsements for consistency with other ISO insurance lines that have previously been filed and approved, where applicable.

While MICH. COMP. LAWS ANN. §500.2833 applies to fire insurance policies, we are also revising the Appraisal Condition in FC 01 21, to maintain consistency with prior ISO Commercial Flood program revisions.

Additional editorial revisions are also being made.

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**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## MICHIGAN CHANGES

This endorsement modifies insurance provided under the following:

### COMMERCIAL INLAND MARINE COVERAGE PART

**A.** The Conditions of this Coverage Part that are in conflict with the statutes of the State of Michigan are amended to conform to such statutes.

**B.** Loss Condition **B. Appraisal** in the Commercial Inland Marine Conditions is replaced by the following:

#### **B. Appraisal**

If we and you disagree on the value of the property or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and independent appraiser and notify the other of the appraiser's identity within 20 days after receiving a written request from the other. The two appraisers will select a competent and impartial umpire. If they cannot agree upon an umpire within 15 days, either we or you may request that selection be made by a judge of the circuit court for the county in which the loss occurred or in which the property is located. The appraisers will state separately the value of the property and 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 within a reasonable time, 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 chosen appraiser; and
2. Bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim.

**C.** General Condition **A. Concealment, Misrepresentation Or Fraud** in the Commercial Inland Marine Conditions is replaced by the following:

#### **A. Concealment, Misrepresentation Or Fraud**

This Coverage Part is void in any case of fraud, intentional concealment or misrepresentation of a material fact by you concerning:

1. This Coverage Part;
2. The Covered Property;
3. Your interest in the Covered Property; or
4. A claim under this Coverage Part.

**D.** Wherever it appears, the phrase minimum annual premium is replaced by the phrase minimum written premium.

**E.** With respect to the:

- Commercial Articles Coverage Form
- Camera And Musical Instrument Dealers Coverage Form
- Equipment Dealers Coverage Form
- Physicians And Surgeons Equipment Coverage Form
- Signs Coverage Form
- Theatrical Property Coverage Form
- Film Coverage Form
- Floor Plan Coverage Form
- Jewelers Block Coverage Form
- Accounts Receivable Coverage Form
- Valuable Papers And Records Coverage Form

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The exclusion for dishonest or criminal act (including theft) under **B.2. Exclusions** is replaced by the following:

Dishonest or criminal act (including theft) committed by a "perpetrator".

This exclusion applies whether or not an act occurs during your normal hours of operation.

This exclusion does not apply to acts of destruction by your employees (including temporary employees and leased workers) or authorized representatives; but theft by your employees (including temporary employees and leased workers) or authorized representatives is not covered.

However, with respect to loss or damage caused by or resulting from a criminal act, this exclusion only applies to the extent that a "perpetrator":

- (1) Admits, under oath; or
- (2) Is determined in any legal proceeding;

to have committed or directed the criminal act. For purposes of this exclusion, a determination in any legal proceeding includes, but is not limited to, a criminal conviction, a judgment, decree, ruling or order pronounced by any court of competent jurisdiction or an order or ruling pronounced by any administrative agency.

F. The following definition is added to the following:

- Commercial Articles Coverage Form
- Camera And Musical Instrument Dealers Coverage Form
- Equipment Dealers Coverage Form
- Physicians And Surgeons Equipment Coverage Form
- Signs Coverage Form
- Theatrical Property Coverage Form
- Film Coverage Form
- Floor Plan Coverage Form
- Jewelers Block Coverage Form
- Accounts Receivable Coverage Form
- Valuable Papers And Records Coverage Form

"Perpetrator" means:

- ~~(1)~~**a.** You, any of your partners, employees (including temporary employees and leased workers), officers, directors, trustees or authorized representatives;
- ~~(2)~~**b.** A manager or a member if you are a limited liability company; or
- ~~(3)~~**c.** Anyone else with an interest in the property, or their employees (including temporary employees and leased workers) or authorized representatives;

whether acting alone or in collusion with each other or with any other party who commits the dishonest or criminal act.

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**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## MICHIGAN CHANGES

This endorsement modifies insurance provided under the following:

### COMMERCIAL INLAND MARINE COVERAGE PART

- A.** The Conditions of this Coverage Part that are in conflict with the statutes of the State of Michigan are amended to conform to such statutes.
- B.** Loss Condition **B. Appraisal** in the Commercial Inland Marine Conditions is replaced by the following:
- B. Appraisal**
- If we and you disagree on the value of the property or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and independent appraiser and notify the other of the appraiser's identity within 20 days after receiving a written request from the other. The two appraisers will select a competent and impartial umpire. If they cannot agree upon an umpire within 15 days, we or you may request that selection be made by a judge of the circuit court for the county in which the loss occurred or in which the property is located. The appraisers will state separately the value of the property and 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 within a reasonable time, 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 chosen appraiser; and
  2. Bear the other expenses of the appraisal and umpire equally.
- If there is an appraisal, we will still retain our right to deny the claim.
- C.** General Condition **A. Concealment, Misrepresentation Or Fraud** in the Commercial Inland Marine Conditions is replaced by the following:
- A. Concealment, Misrepresentation Or Fraud**
- This Coverage Part is void in any case of fraud, intentional concealment or misrepresentation of a material fact by you concerning:
1. This Coverage Part;
  2. The Covered Property;
  3. Your interest in the Covered Property; or
  4. A claim under this Coverage Part.
- D.** Wherever it appears, the phrase minimum annual premium is replaced by the phrase minimum written premium.
- E.** With respect to the:
- Commercial Articles Coverage Form
  - Camera And Musical Instrument Dealers Coverage Form
  - Equipment Dealers Coverage Form
  - Physicians And Surgeons Equipment Coverage Form
  - Signs Coverage Form
  - Theatrical Property Coverage Form
  - Film Coverage Form
  - Floor Plan Coverage Form
  - Jewelers Block Coverage Form
  - Accounts Receivable Coverage Form
  - Valuable Papers And Records Coverage Form
- The exclusion for dishonest or criminal act (including theft) under **B.2. Exclusions** is replaced by the following:
- Dishonest or criminal act (including theft) committed by a "perpetrator".
- This exclusion applies whether or not an act occurs during your normal hours of operation.
- This exclusion does not apply to acts of destruction by your employees (including temporary employees and leased workers) or authorized representatives; but theft by your employees (including temporary employees and leased workers) or authorized representatives is not covered.

However, with respect to loss or damage caused by or resulting from a criminal act, this exclusion only applies to the extent that a "perpetrator":

- (1) Admits, under oath; or
- (2) Is determined in any legal proceeding;

to have committed or directed the criminal act. For purposes of this exclusion, a determination in any legal proceeding includes, but is not limited to, a criminal conviction, a judgment, decree, ruling or order pronounced by any court of competent jurisdiction or an order or ruling pronounced by any administrative agency.

F. The following definition is added to the following:

- Commercial Articles Coverage Form
- Camera And Musical Instrument Dealers Coverage Form
- Equipment Dealers Coverage Form
- Physicians And Surgeons Equipment Coverage Form
- Signs Coverage Form
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"Perpetrator" means:

- a. You, any of your partners, employees (including temporary employees and leased workers), officers, directors, trustees or authorized representatives;
- b. A manager or a member if you are a limited liability company; or
- c. Anyone else with an interest in the property, or their employees (including temporary employees and leased workers) or authorized representatives;

whether acting alone or in collusion with each other or with any other party who commits the dishonest or criminal act.