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TO: All Insurers that Reported Written Premium in 2019 for HO and/or Fire Policies, Certain Rate Service Organizations, and P&C Interested Parties

RE: Notice of Informal Exposure and Comment Period – Draft Minimum Standards Applicable to Policies Insuring Owner-occupied Properties - Chapter 341 Dwelling Property and Chapter 342 – Homeowners-COMMENT PERIOD EXTENDED****

DATE: May 7, 2021

On March 19, 2021, the Bureau of Insurance began seeking feedback on draft versions of new Chapter 341-Rules Governing Dwelling Property Policies and new Chapter 342-Rules Governing Homeowners Policies to replace [Chapter 340 of Title 14 of the Virginia Administrative Code](#).

In order to allow additional time for insurers to participate, the Bureau is extending the time for insurers to provide comments on these draft rules.

This is an **informal** exposure and comment period. The formal rule-making process will take place later this year.

The Bureau would appreciate written comments by **May 31, 2021**, to:

HO-DPCComments@scc.virginia.gov.

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1 STATE CORPORATION COMMISSION, BUREAU OF INSURANCE

2 Rules Governing Standards for the Content of Dwelling Property Insurance
3 Policies

4 14VAC5-341-10. Scope and applicability.

5 A. This chapter sets forth the standards of content for policies of dwelling property
6 insurance issued to cover owner-occupied dwellings. This chapter applies to insurers
7 licensed to do business in Virginia and issuing policies of dwelling property insurance
8 pursuant to the provisions of Chapter 21 (§ 38.2-2100 et seq.) of Title 38.2 of the
9 Code of Virginia.

10 B. Compliance with this chapter is required for policies delivered or issued for delivery
11 in Virginia with effective dates on and after **January 1, 20XX**

12 C. No insurer shall represent to a prospective purchaser or a policyholder that a dwelling
13 property policy subject to the provisions of this chapter is a homeowners policy as
14 defined in § 38.2-130 of the Code of Virginia.

15 D. This chapter does not apply to policies that:

16 1. Are lender-placed;

17 2. Insure owner-occupied farms or farming operations;

18 3 Insure manufactured homes as defined in § 46.2-100 of the Code of Virginia,
19 except for policies insuring manufactured homes as defined in § 46.2-653.1 of the
20 Code of Virginia;

21 4. Are issued pursuant to Chapter 27 (§ 38.2-2700 et seq.) of Title 38.2 of the Code
22 of Virginia;

23 5. Are issued pursuant to Chapter 48 (§ 38.2-4800 et seq.) of Title 38.2 of the Code
24 of Virginia; or

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25 6. Primarily insure the personal property of renters.

26 E. Insurers shall file with the Commission all policies or endorsements for approval
27 before use.

28 F. Policies and endorsements shall not be less favorable than the provisions set forth in
29 this chapter. Insurers may provide broader and more favorable coverages, terms
30 and conditions than those set forth in this chapter.

31 **14VAC5-341-20. Severability.**

32 If a provision of this chapter or its application to a person or circumstance is for any
33 reason held to be invalid by a court, the remainder of this chapter and the application of
34 the provisions to other persons or circumstances shall not be affected.

35 **14VAC5-341-30. Definitions.**

36 The following words and terms when used in this chapter shall have the following
37 meanings unless the context clearly indicates otherwise:

38 "Actual cash value" means the amount equal to the replacement cost minus depreciation
39 of damaged or stolen property at the time of the loss.

40 "Aircraft" means a machine or device capable of atmospheric flight, including hobby or
41 model aircraft, drones, self-propelled missiles, and spacecraft.

42 "Business" means:

43 1. A trade, profession, or occupation whether full-time, part-time, or occasional activity,
44 including (i) farming, (ii) the rental of the whole or a part of the residence premises by
45 an insured, (iii) the business use of part of the residence premises, or (iv) home-
46 sharing.

47 2. "Business" shall not include:

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- 48 a. The occasional rental of the whole or a part of the residence premises for dwelling
49 purposes;
- 50 b. The rental or holding for rental of a part of the residence premises for two or more
51 roomers or boarders for use as a primary residence;
- 52 c. The rental of a part of the residence premises as a private garage;
- 53 d. The rental of a part of the residence premises as an office, school or studio; or
- 54 e. The insured's use of the residence premises for telework.

55 "Condominium unit" is a dwelling as defined in § 55.1-1900 of the Code of Virginia.

56 "Dwelling" means any residential structure specifically named in the policy.

57 "Farms, farming or farming operations" means the use of land and buildings primarily for
58 agricultural processes with the objective of raising animals to produce food and growing
59 crops for sale or distribution to the public.

60 "Fixtures" means permanently installed components of the dwelling or other structures
61 including wells; plumbing systems; pumps; air conditioning equipment, systems, and
62 parts; furnaces; hot water heaters; lighting systems; or built-in appliances and other
63 components where removal would deface or damage the dwelling.

64 "Functional replacement cost" means the cost to repair or replace the damaged dwelling
65 or other structures with less costly common construction materials and methods that are
66 functionally equivalent to materials and methods used in the original construction.

67 "Home-sharing" means rental or offering for rental of the residence premises or a part of
68 the residence premises for temporary lodging purposes made available through an
69 online-enabled application, website or digital network.

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70 "Insured" means (i) any insured named in the policy, (ii) if residents of the named
71 insured's household, the named insured's spouse if not a named insured and relatives
72 of either, and (iii) other persons under the age of 21 in the care of an insured.

73 "Motor vehicle" means every vehicle that is self-propelled or designed for self-propulsion
74 and is designed or licensed for use on public roads.

75 "Occasional rental" means: (i) rental of the residence premises or a part of the residence
76 premises for up to seven days, whether consecutive or random, in any policy term, (ii)
77 rental of the residence premises that generates revenue of up to \$2,500, or (iii) a
78 combination of (i) and (ii).

79 "Pollutant" means solid, liquid, gaseous, thermal, or radioactive irritants or contaminants,
80 including acids, alkalis, chemicals, fumes, vapors, and waste.

81 "Recreational motor vehicle" means a motor vehicle designed for recreational use off
82 public roads if not subject to motor vehicle registration.

83 "Replacement cost" means the cost to repair or replace the damaged or stolen property
84 with material of like kind and quality without deduction for depreciation.

85 "Residence employee" means an employee of an insured who provides maintenance
86 or domestic services for the residence premises.

87 "Residence premises" means the dwelling, other structures, and grounds at the location
88 named in the policy.

89 "Theft" means an act of stealing or attempt to steal, including loss of property from a
90 known place under circumstances when a probability of theft exists.

91 "Vacant" means a dwelling (i) that has not been occupied as a residence for more than
92 30 consecutive days immediately before a loss and (ii) where most of the named
93 insured's personal property has been removed such that the dwelling is not functional as

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94 a customary place of residence. A dwelling is not occupied if the dwelling is being used
95 without the permission of an insured. A dwelling under construction or being remodeled,
96 repaired or renovated is not vacant.

97 “Vandalism or malicious mischief” means the willful and malicious damage to or
98 destruction of the property excluding loss by pilferage, theft, burglary, or larceny.

99 **14VAC5-341-40. Mandatory property coverages.**

100 **A. Dwelling.** Insurers shall provide coverage for the dwelling on the residence premises
101 including fixtures.

102 1. Insurers shall also provide coverage for materials and supplies while located on
103 the residence premises and intended for use in construction, alteration, or repair
104 of the dwelling or other structures.

105 2. For a dwelling that is a condominium unit, insurers shall provide a limit of liability
106 of at least \$5,000.

107 **B. Other structures.** Insurers shall provide coverage for other structures and the
108 fixtures of other structures on the residence premises.

109 1. Insurers shall provide a limit of liability of at least 10% of the dwelling limit of
110 liability.

111 2. Insurers may exclude coverage for other structures that are used for business or
112 rented or held for rental unless the structure is (i) rented to roomers, boarders, or
113 tenants of the dwelling or (ii) rented for use solely as a private garage.

114 **C. Breakage of glass.** Insurers shall provide coverage for (i) breakage of glass or
115 safety glazing material that is part of a dwelling or other structure and (ii) damage to
116 covered property by glass that is part of a dwelling or other structure. This coverage

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117 does not increase the limit of liability that applies to the damaged covered property.

118 Insurers may exclude loss if the dwelling was vacant.

119 **D. Debris removal.** Insurers shall provide coverage for the expenses incurred for the
120 removal of debris of covered property damaged by a covered cause of loss and the
121 expense for the removal of fallen trees that damage covered property. Expenses for
122 debris removal are included within the limit of liability applicable to the damaged
123 property.

124 **E. Fire department service charges.** Insurers shall provide coverage for contractual
125 fire department service charges and volunteer fire department service charges as
126 follows:

127 1. Contractual fire department service charges where the fire department is called
128 to save or protect insured property from a covered cause of loss. Insurers may
129 limit this coverage to a residence premises not located within the limits of a city,
130 municipality, or fire protection district furnishing fire department services.

131 2. Fire department service charges made by volunteer fire departments pursuant to
132 § 38.2-2130 of the Code of Virginia.

133 3. Insurers shall provide at least \$250 of coverage for each type of fire department
134 service charges.

135 4. Insurers may not apply a deductible to the coverages in subdivisions E 1 and E
136 2 of this section.

137 **F. Ordinance or law.** Insurers shall offer ordinance or law coverage without exclusions
138 or limitations pursuant to § 38.2-2124 of the Code of Virginia at the dwelling limit of
139 liability within the policy or as an endorsement. This limit of liability is in addition to

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140 the limit of liability applicable to the dwelling. Insurers may make other limits of liability
141 available for insureds to purchase.

142 **G. Additional living expenses.** Insurers shall provide coverage of at least 10% of the
143 greater of the dwelling limit of liability or the household and personal property limit of
144 liability for the increase in necessary living expenses when the dwelling is
145 uninhabitable due to a covered cause of loss.

146 1. Insurers shall provide this coverage for the time reasonably required to return the
147 dwelling to a habitable condition or for the insured's household to become settled
148 in any permanent quarters.

149 2. Insurers shall provide additional living expense coverage for at least two weeks
150 while a civil authority limits access to the residence premises as a result of
151 damage to neighboring premises by a covered cause of loss.

152 3. Insurers may exclude living expenses that do not continue.

153 4. This coverage is not limited by the expiration date of the policy.

154 5. Insurers may not apply a deductible to this coverage.

155 **H. Fair rental value.** Insurers shall provide coverage of at least 10% of the greater of
156 the dwelling limit of liability or the household and personal property limit of liability
157 for the fair rental value of a part of the dwelling or other structures.

158 1. Insurers shall provide this coverage for the time reasonably required to restore
159 the dwelling or other structures to a tenantable condition following damage
160 caused by a covered cause of loss.

161 2. Insurers shall provide fair rental value coverage for at least two weeks while a civil
162 authority limits access to the residence premises as a result of damage to
163 neighboring premises by a covered cause of loss.

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- 164 3. Insurers may exclude expenses that do not continue.
- 165 4. Insurers may exclude coverage for loss or expense due to cancellation of a lease
166 or agreement.
- 167 5. This coverage is not limited by the expiration date of the policy.
- 168 6. Insurers may not apply a deductible to this coverage.
- 169 **I. Trees, shrubs, plants, and lawns.** Insurers shall provide coverage for damage to
170 trees, shrubs, plants, or lawns caused by fire, lightning, explosion, riot, civil
171 commotion, aircraft, or vehicles not owned or operated by a resident of the residence
172 premises. When expanded or open causes of loss are provided, insurers shall also
173 include coverage for damage to trees, shrubs, plants, or lawns caused by vandalism
174 and malicious mischief, actual or attempted burglary, and collapse of a building.
- 175 1. Insurers shall provide a limit of liability for this coverage of at least 5.0% of the
176 dwelling limit of liability.
- 177 2. Insurers may limit the amount of coverage to no more than \$250 for each tree,
178 shrub, or plant on the residence premises, including removal of debris.
- 179 **J. Removal.** Insurers shall provide coverage for loss or damage to property while
180 removed or being removed from the residence premises because the property is
181 endangered by a covered cause of loss.
- 182 1. Coverage is provided for damage from any cause subject to the exclusions and
183 limitations permitted in this chapter.
- 184 2. Insurers shall provide this coverage for at least 30 days for each removal.
- 185 3. This coverage is not limited by the expiration date of the policy.
- 186 4. This coverage does not increase the limit of liability that applies to the damaged
187 covered property.

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188 **K. Reasonable repairs.** Insurers shall provide coverage for the cost of making
189 reasonable repairs to protect covered property from further damage when the repairs
190 are directly attributable to damage caused by a covered cause of loss. The repairs
191 are included as part of the amount of the loss.

192 **L. Cost of tear out.** If expanded or open causes of loss are provided, insurers shall
193 pay the cost incurred to tear out and replace the part of the dwelling or other structure
194 necessary to gain access to the system or appliance from which the water or steam
195 escaped if a loss to the dwelling or other structures is caused by water or steam
196 escaping from a system or appliance. Insurers may exclude loss to the system or
197 appliance from which the water or steam escapes.

198 **14VAC5-341-50. Optional coverage for household and personal property.** Insurers
199 may offer coverage for household and personal property. If offered:

200 A. Insurers shall provide coverage for household and personal property on the
201 residence premises that is owned or used by an insured.

202 B. At the request of the named insured at the time of loss, insurers shall provide
203 coverage for household and personal property owned by a:

204 1. Guest while the property is on the residence premises or

205 2. Residence employee while the property is on the residence premises.

206 C. Insurers shall provide coverage for the insured's property (i) on the residence
207 premises during an occasional rental; or (ii) on the part of the residence premises
208 occupied by roomers, boarders, or tenants.

209 D. Insurers shall provide coverage for household and personal property while it is being
210 moved to the insured's new principal residence within the United States. Insurers
211 shall provide coverage for property while it is being moved for 30 days from the date

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212 that moving the property begins. The household and personal property limit of liability
213 applies to property being moved to another location. Coverage may not be limited
214 by the expiration of the policy.

215 E. Insurers shall provide coverage for the following types of household and personal
216 property at limits of at least the following:

217 1. \$500 total per loss on cemetery property on or off the residence premises
218 including monuments, headstones, grave markers, and urns;

219 2. \$100 total per loss on coin collections, medals, gold, platinum and silver, provided,
220 however, goldware and gold-plated ware shall not be deemed to be gold and
221 silverware and silver-plated ware shall not be deemed to be silver;

222 3. \$500 total per loss on passports, tickets, or stamp collections;

223 4. \$1,000 total per loss on watercraft, except for rowboats and canoes, trailers used
224 with watercraft, and watercraft furnishings, equipment and outboard motors; and

225 5. \$500 on trailers and campers with sleeping, cooking, or dining facilities, not
226 otherwise covered in this chapter.

227 **14VAC5-341-60. Causes of loss.**

228 Insurers shall provide, at a minimum, the basic causes of loss in subsection A of this
229 section. If an insurer provides expanded causes of loss, the causes of loss may be no
230 less favorable than the causes of loss in subsections A and B of this section. If an insurer
231 provides open causes of loss, the causes of loss may be no less favorable than the
232 causes of loss in subsection C of this section. The same causes of loss shall apply to
233 the dwelling and other structures. Insurers may offer basic, expanded, or open causes
234 of loss for household and personal property.

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235 **A. Basic causes of loss.** Insurers shall provide coverage for direct loss caused by the
236 following:

237 1. Fire or lightning.

238 2. Windstorm or hail. Insurers may exclude loss to:

239 a. The interior of the dwelling or other structure or the household and personal
240 property within caused by rain, snow, sand, or dust unless the rain, snow,
241 sand, or dust enters through an opening caused by the force of wind or hail;

242 b. Windmills, wind pumps or towers; crop silos or contents; metal smokestacks;

243 c. Grain, hay, straw or other crops, when outside;

244 d. Overhead structures, including supports and screening, constructed
245 principally of cloth, metal, fiberglass or plastic erected to provide protection
246 from the elements;

247 e. Signs;

248 f. Satellite dishes; radio or television antennas and aerials, including lead-in
249 wiring, masts or towers;

250 g. Fences; seawalls, property line and other free-standing walls;

251 h. Greenhouses, hothouses, slathouses, trellises, pergolas, cabanas and
252 outdoor equipment pertaining to the service of the residence premises;

253 i. Wharves, docks, piers, boathouses, bulkheads or other structures located
254 over or partially over water and the household and personal property on or
255 within; or

256 j. Property damaged by water from sprinklered equipment or from other piping,
257 unless the equipment or piping was damaged as a direct result of wind or hail.

258 3. Explosion.

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- 259 4. Riot or civil commotion.
- 260 5. Aircraft.
- 261 6. Vehicles.
- 262 7. Sudden or accidental damage from smoke or soot, other than smoke from
- 263 agricultural smudging or industrial operations.
- 264 **B. Expanded causes of loss.** Insurers may offer the following expanded causes of
- 265 loss. If provided, coverage shall be for direct loss to the covered property from the
- 266 causes of loss listed in subsection A of this section and the following causes of loss:
- 267 1. Vandalism, malicious mischief, and burglary. Insurers may exclude loss if the
- 268 dwelling was vacant. If a covered cause of loss ensues, insurers shall provide
- 269 coverage for the ensuing loss.
- 270 2. Falling objects. Insurers may exclude loss to:
- 271 a. Property within the dwelling or other structure that is caused by a falling object
- 272 unless the falling object first damages the exterior of the roof or walls of the
- 273 dwelling or other structure; or
- 274 b. The falling object itself.
- 275 3. Weight of ice, snow, or sleet that damages the (i) dwelling, (ii) other structure, or
- 276 (iii) household and personal property contained in a dwelling or other structure if
- 277 the weight of ice, snow, or sleet first damages the dwelling or other structure.
- 278 Insurers may exclude to:
- 279 a. Awnings and their supports; or
- 280 b. Fences, pavements, patios, swimming pools, foundations, retaining walls,
- 281 bulkheads, piers, wharves or docks.

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282 4. Sudden and accidental tearing apart, cracking, burning, or bulging of a steam or
283 hot water heating system, or of an appliance for heating water, but excluding loss
284 caused by or resulting from freezing.

285 5. Freezing of plumbing, heating, air conditioning systems, and domestic appliances.
286 Insurers may exclude loss caused by or resulting from freezing while a dwelling
287 is under construction, vacant, or unoccupied for a period in excess of four
288 consecutive days unless the insured has (i) exercised due diligence in maintaining
289 heat in the dwelling or other structure or (ii) drained the systems and appliances
290 and shut off the water supply.

291 6. Accidental discharge, leakage, or overflow of water or steam from within a
292 plumbing, heating, or air conditioning system, or domestic appliance. This does
293 not include loss caused by or resulting from freezing.

294 7. Sudden and accidental injury from electrical currents artificially generated to
295 electrical appliances, devices, fixtures, and wiring.

296 8. Collapse of a dwelling or other structure or part of a dwelling or other structure,
297 that results in damage to household and personal property. Collapse does not
298 include settling, cracking, shrinkage, bulging or expansion.

299 **C. Open causes of loss.** Insurers may offer open causes of loss. If provided, insurers
300 shall provide coverage for direct loss to dwelling and other structures and may
301 exclude direct loss caused by any of the following:

302 1. Wear and tear; marring or scratching; deterioration, inherent vice; latent defect;
303 mechanical breakdown, rust, mold, wet or dry rot; pollutants, smog, smoke from
304 agricultural smudging or industrial operations; settling, cracking, shrinkage,
305 bulging or expansion of pavements, patios, foundations, walls, floors, roofs, or

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- 306 ceilings; birds, vermin, rodents, insects, or domestic animals. If a covered cause
307 of loss ensues, insurers shall provide coverage for the ensuing loss.
- 308 2. Vandalism and malicious mischief, burglary, or glass breakage if the dwelling was
309 vacant. If a covered cause of loss ensues, insurers shall provide coverage for the
310 ensuing loss.
- 311 3. Continuous or repeated seepage or leakage of water or steam over a period of
312 weeks, months or years. This exclusion does not apply to household and
313 personal property.
- 314 4. Windstorm, hail, ice, snow or sleet to any of the following property:
- 315 a. Overhead structures, including supports and screening, constructed
316 principally of cloth, metal, fiberglass or plastic erected to provide protection
317 from the elements;
- 318 b. Outdoor radio or television antennas including the lead-in wiring, masts or
319 towers;
- 320 c. Fences;
- 321 d. Seawall, property line and similar walls;
- 322 e. Greenhouses, hothouses, slathouses, trellises, pergolas, cabanas;
- 323 f. Outdoor equipment pertaining to the service of the residence premises; or
324 g. Wharves, docks, piers, boathouses, bulkheads or other structures located
325 over or partially over water and the household and personal property on or
326 within.
- 327 5. Theft of property that is not an integral part of the dwelling or other structures at
328 the time of loss or from a dwelling or other structure that is under construction.

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329 14VAC5-341-70. Permitted exclusions.

330 A. Exclusions applicable to all causes of loss. For all causes of loss, insurers may
331 exclude loss caused directly or indirectly by any of the following:

332 1. Water:

333 a. Flood, ground surface water, waves, seiche, tidal water or tidal waves,
334 overflow of a body of water, or spray from any of these;

335 b. Water that backs up through sewers or drains;

336 c. Water that overflows or is discharged from a sump pump or other type of
337 system designed to remove subsurface water that is drained from the
338 foundation area;

339 c. Water below the surface of the ground including water that exerts pressure on
340 or flows, seeps, or leaks through (i) sidewalks; (ii) driveways; (iii) foundations;
341 (iv) swimming pools; (v) walls; (vi) basements or floors; or (vii) doors, windows,
342 or other openings; or

343 d. Material carried or moved by water referred to in subdivisions A 1 a through A
344 1 c of-this section.

345 e. The exclusions for water loss in subdivisions A 1 a through A 1 c of this section
346 do not apply to an ensuing loss caused by fire or explosion.

347 2. Earth movement including earthquake, volcanic eruption, landslide, mudflow, or
348 other earth movement caused by sinking, rising, shifting or expansion. Insurers
349 shall provide coverage for an ensuing loss caused by fire, explosion, or breakage
350 of glass that is a part of the dwelling or other structures.

351 3. Enforcement of ordinances or laws regulating the construction, repair, or
352 demolition of dwellings or other structures. Insurers shall provide coverage when

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353 an ordinance or law requires the use of safety glass in replacement of damaged
354 glass that is a part of the dwellings or other structures.

355 4. Interruption of power or other utility service furnished to the residence premises if
356 the interruption takes place away from the residence premises. Insurers shall
357 provide coverage for the ensuing loss if a covered cause of loss ensues on the
358 residence premises because of the power interruption.

359 5. Enemy attack by armed forces including action taken by military, naval, or air
360 forces in resisting an actual or immediately impending enemy attack, including
361 invasion, insurrection, rebellion, revolution, civil war, usurped power, or action
362 taken by governmental authority in hindering, combating or defending against the
363 event; order of civil authority except acts of destruction at the time of and for
364 preventing the spread of fire, provided that the fire did not originate from an
365 excluded cause of loss.

366 6. Nuclear reaction, nuclear radiation, or radioactive contamination as set forth in
367 § 38.2-2102 of the Code of Virginia.

368 7. Freezing, thawing, or by the pressure of ice, snow or water to fences, pavements,
369 patios, swimming pools, foundations, retaining walls, bulkheads, piers, wharves
370 or docks.

371 8. The exclusions in subdivisions A 1 through A 7 of this section apply if one or more
372 of the following concurrently contribute to the loss:

373 a. Weather conditions;

374 b. Acts or decisions including the failure to act or decide of a person, group,
375 organization or governmental body;

376 c. Faulty, inadequate or defective:

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- 377 (1) Planning, zoning, development, surveying, siting;
378 (2) Design, specifications, workmanship, repair, construction, renovation,
379 remodeling, grading, compaction;
380 (3) Materials used in repair, construction, renovation or remodeling; or
381 (4) Maintenance.

382 **B. Exclusions applicable to property losses.**

- 383 1. Insurers may exclude direct loss caused by an intentional act by a person insured
384 under the policy that was directed or committed by that person, but only with
385 respect to that person.
386 2. Insurers may exclude direct loss caused by neglect of the insured to use all
387 reasonable means to protect the property during and after a loss.

388 **C. Exclusions applicable to certain types of property.** Insurers may exclude
389 coverage for the following types of property:

- 390 1. Accounts, bills, currency including virtual or digital, deeds, evidences of debt,
391 money or securities, bullion, or manuscripts; letters of credit, bank notes, or notes
392 other than bank notes;
393 2. Aircraft and parts except insurers shall provide coverage for drones, hobby
394 aircraft, or model aircraft that are not capable of carrying people or cargo;
395 3. Animals, birds or fish;
396 4. Business property;
397 5. Electronic equipment that is permanently installed in a motor vehicle;
398 6. Tapes, wires, records, discs or other media used with electronic equipment in a
399 motor vehicle while the property is in or on a motor vehicle.

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400 7. Motor vehicles and motorized bicycles, except (i) vehicles used to service the
401 residence premises, (ii) utility trailers that are not licensed for road use, and (iii)
402 electric personal assistive mobility devices;

403 8. Property of (i) tenants and (ii) roomers and boarders not related to the insured;

404 9. Property rented to others, except as provided in subdivision 14VAC5-341-50 C;

405 10. Property that is unlawful to own or possess; or

406 11. Property that is separately described and specifically insured by this or other
407 insurance.

408 **14VAC5-341-80. Loss settlement provisions.**

409 Insurers shall include loss settlement provisions in accordance with this section.

410 **A. Actual cash value loss settlement.** Insurers shall apply actual cash value loss
411 settlement as follows:

412 1. Subject to the limit of liability, insurers may pay the smaller of the following
413 amounts:

414 a. Cost to repair or replace with like kind and quality; or

415 b. Actual cash value of the damaged property.

416 2. Insurers may apply actual cash value loss settlement to:

417 a. Household and personal property;

418 b. Outdoor radio and television antennas and aerials; satellite dishes; or

419 c. Awnings.

420 **B. Replacement cost loss settlement.** Insurers shall apply replacement cost loss
421 settlement as follows:

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- 422 1. Insurers shall apply replacement cost loss settlement to (i) property described
423 under subsections A and B of 14VAC5-341-40, (ii) fixtures, and (iii) permanently
424 installed flooring. Wall-to-wall carpeting is permanently installed flooring.
- 425 2. Insurers may limit replacement cost settlement to the following:
- 426 a. The limit of liability applicable to the dwelling or other structures;
- 427 b. The replacement cost of the dwelling or other structures or a part of the
428 dwelling or other structures on the residence premises; and intended for the
429 same occupancy and use; or
- 430 c. The amount spent in repairing or replacing the dwelling or other structures or
431 a part of the dwelling or other structures, intended for the same occupancy
432 and use.
- 433 3. The insured may assert a claim for the actual cash value of the dwelling or other
434 structures without prejudicing the insured's right to make further claim for the
435 difference between the actual cash value and the replacement cost in accordance
436 with § 38.2-2119 B of the Code of Virginia. The claim for the difference must be
437 made within six months of (i) the last date on which the insured received a
438 payment for actual cash value or (ii) date of entry of a final order of a court of
439 competent jurisdiction declaratory of the right of the insured to full replacement
440 cost, whichever shall last occur.
- 441 4. When the repair or replacement cost is \$2,500 or less, insurers shall be liable for
442 the full cost of repair or replacement before the repair or replacement has been
443 completed.
- 444 5. Insurers may apply an insurance-to-value ratio for replacement cost loss
445 settlement as follows:

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446 a. Insurers may require an insurance-to-value ratio of 80% before full
447 replacement cost loss settlement applies.

448 b. If the insurance-to-value ratio is less than 80% for the damaged dwelling or
449 other structure, an insurer may limit its liability for loss to the larger of the
450 following:

451 (1) The actual cash value of that part of the dwelling or other structures; or

452 (2) That proportion of the full cost of repair or replacement without deduction
453 for depreciation of that part of the dwelling or other structure damaged or
454 destroyed that the whole amount of insurance applicable to the dwelling or
455 other structure for the cause of loss bears to 80% of the full replacement
456 cost of the dwelling or other structure.

457 c. In calculating the 80% insurance-to-value ratio, insurers shall disregard the
458 cost of (i) excavations; (ii) underground flues and pipes; (iii) underground
459 wiring and drains; and (iv) brick, stone and concrete foundations, piers, and
460 other supports that are below the under surface of the lowest basement floor,
461 or where there is no basement that are below the surface of the ground inside
462 the foundation walls.

463 6. Insurers may provide replacement cost loss settlement on household and
464 personal property as authorized by § 38.2-2119 B of the Code of Virginia.

465 **C. Functional replacement cost lost settlement.** Insurers may offer functional
466 replacement cost loss settlement for the property described under subsections A and
467 B of 14VAC5-341-40, under the conditions outlined in this subsection.

468 1. Functional replacement cost is only permitted at the option of the insured.

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469 2. Insurers may not apply functional replacement cost loss settlement to property
470 that qualifies for an amount of insurance equal to 80% or more of the full
471 replacement cost of the dwelling or other structure.

472 3. Insurers shall provide the notice required by § 38.2-2119 C of the Code of Virginia.

473 4. Insurers may limit functional replacement cost loss settlement to the following:

474 a. The limit of liability applicable to the dwelling or other structures;

475 b. The amount necessary to repair or replace the damaged property with
476 functionally equivalent property at a lower cost than would be required to
477 replace the damaged property with material of like kind and quality; or

478 c. The amount spent in repairing or replacing the dwelling or other structure or
479 part of the dwelling or other structure intended for the same occupancy and
480 use.

481 **D. Pair or set.** Insurers shall determine loss to property that is part of a pair or set in a
482 reasonable and fair proportion of the total value of the pair or set.

483 **E. Loss payment.** Insurers shall adjust losses with the named insured and shall pay
484 the named insured unless another payee is specifically named.

485 **F. Restoration of limits of liability.** Insurers shall restore the limits of liability after a
486 loss is paid.

487 **G. Deductibles.** Insurers may apply a property deductible unless prohibited or
488 otherwise limited in this chapter. Insurers may apply a separate deductible for loss
489 caused by wind or hail. No more than one deductible may be applied to a loss.

490 **H. Settlement options.** Insurers may (i) take all or part of the damaged property at the
491 agreed or appraised value; or (ii) repair, rebuild, or replace the damaged property
492 with other of like kind and quality within a reasonable time. Within 30 days after

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493 receiving the insured's proof of loss, the insurer shall provide notice to the insured of
494 the insurer's decision to (i) take the property at the agreed or appraised value, or (ii)
495 repair, rebuild, or replace the damaged property.

496 **14VAC5-341-90. Policy conditions.**

497 **A. Statutory conditions.** Insurers shall include the following statutory conditions:

498 1. The nuclear clause set forth in § 38.2-2102 of the Code of Virginia;

499 2. The conditions set forth § 38.2-2104 of the Code of Virginia:

500 a. Assignment of the policy.

501 b. The time that coverage begins and ends.

502 3. The conditions set forth in § 38.2-2105 of the Code of Virginia:

503 a. Abandonment.

504 b. Appraisal.

505 c. Mortgagees interests and obligations.

506 d. Pro rata liability.

507 e. Requirements in case loss occurs.

508 f. Suit.

509 g. When loss payable.

510 **B. Other mandatory conditions.** Insurers may include any of the following conditions.

511 **1. Death of named insured.** If a named insured dies, insurers shall modify the
512 definition of insured as follows:

513 a. The named insured includes:

514 (1) The spouse, if not already a named insured and if a resident of the
515 household at the time of the death; and

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516 (2) The legal representative with respect to the residence premises and
517 property of the deceased insured at the time of the death;

518 b. Insured also includes:

519 (1) Members of the deceased's household who were insured at the time of the
520 named insured's death, but only while residents of the residence premises;
521 and

522 (2) Persons having proper temporary custody of the insured property until the
523 appointment and qualification of the legal representative.

524 **2. Liberalization.** If an insurer adopts revisions of the forms or endorsements that
525 would broaden coverage currently provided without additional premium charge,
526 the insurer shall automatically apply the broadened coverage from the effective
527 date of the revisions.

528 **3. Modification of policy terms.** Terms or conditions that are less favorable than
529 those provided for in this chapter or the applicable statutes are amended to
530 conform to this chapter and those statutes.

531 **4. Termination provisions.** Insurers shall include the relevant termination
532 provisions in §§ 38.2-2113 and 38.2-2114 of the Code of Virginia in the policy. In
533 addition, the following apply:

534 a. Return premium calculations resulting from an insurer-initiated termination
535 shall be pro rata.

536 b. Terminations for non-payment of premium shall be calculated pro rata.

537 c. Return premium calculations resulting from an insured-initiated termination
538 may be short rate, but the penalty may not be more than 10% of the pro rata
539 premium for the expired time.

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540 d. Insurers may not refuse to renew the policy except in accordance with the
541 provisions of §§ 38.2-2113 and 38.2-2114 of the Code of Virginia.

542 **5. Waiver of subrogation.** Insurers may not invalidate the policy if the insured
543 waives, in writing, before a loss any right of recovery against a party for loss
544 occurring on the residence premises. If not waived, the insurer may require from
545 the insured an assignment of all right of recovery against a party for loss to the
546 extent that the insurer made payment.

547 **C. Permitted conditions.** Insurers may include any of the following conditions.

548 Insurers may:

- 549 1. Restrict the application of the policy to loss during the policy term.
- 550 2. Void the entire policy if, whether before or after the loss, an insured has willfully
551 concealed or misrepresented any material fact or circumstance concerning the
552 insurance or the interest of the insured in the insurance; or in case of fraud or
553 false swearing by the insured relating to the insurance.
- 554 3. Require the insured to notify the police if loss is by theft.
- 555 4. Require that coverage under the policy is excess over a service agreement, home
556 warranty, or similar service warranty.
- 557 5. Require that a bailee for hire may not benefit under the policy.
- 558 6. Elect to waive a policy provision. Any waiver of a policy provision by the insurer
559 must be in writing.
- 560 7. Exclude coverage, refuse to pay claims, or refuse to provide benefits under a
561 policy if those actions would expose the insurer to a violation of applicable
562 trade or economic sanctions, laws, or regulations, including those

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563 administered and enforced by the United States Treasury Department's Office
564 of Foreign Assets Control.

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1 STATE CORPORATION COMMISSION, BUREAU OF INSURANCE

2 Rules Governing Standards for the Content of Homeowners Insurance Policies

3 14VAC5-342-10. Scope and applicability.

4 A. This chapter sets forth the standards of content for policies of homeowners insurance,
5 including policies insuring owner-occupied condominium units. This chapter applies
6 to insurers licensed to do business in Virginia and issuing policies of homeowners
7 insurance and condominium unit-owners insurance pursuant to Chapter 21 (§ 38.2-
8 2100 et seq.) of Title 38.2 of the Code of Virginia.

9 B. Compliance with this chapter is required for policies delivered or issued for delivery in
10 Virginia with effective dates on and after **January 1, 20XX**.

11 C. Pursuant to § 38.2-130 of the Code of Virginia, homeowners insurance policies are
12 indivisible package policies that insure owner-occupied dwellings.

13 D. This chapter does not apply to policies that:

14 1. Are lender-placed;

15 2. Insure owner-occupied farms or farming operations;

16 3. Insure manufactured homes as defined in § 46.2-100 of the Code of Virginia,
17 except for policies insuring manufactured homes as defined in § 46.2-653.1 of the
18 Code of Virginia;

19 4. Primarily insure the personal property of renters;

20 5. Are issued pursuant to Chapter 27 (§ 38.2-2700 et seq.) of Title 38.2 of the Code
21 of Virginia; or

22 6. Are issued pursuant to Chapter 48 (§ 38.2-4800 et seq.) of Title 38.2 of the Code
23 of Virginia.

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24 E. Insurers shall file with the Commission all policies and endorsements for approval
25 before use.

26 F. Policies and endorsements shall not be less favorable than the provisions set forth in
27 this chapter. Insurers may provide broader and more favorable coverages, terms and
28 conditions than those set forth in this chapter.

29 **14VAC5-342-20. Severability.**

30 If a provision of this chapter or its application to a person or circumstance is for any reason
31 held to be invalid by a court, the remainder of this chapter and the application of the
32 provisions to other persons or circumstances shall not be affected.

33 **14VAC5-342-30. Definitions.**

34 The following words and terms when used in this chapter shall have the following
35 meanings unless the context indicates otherwise:

36 "Actual cash value" means the amount equal to the replacement cost minus depreciation
37 of damaged or stolen property at the time of the loss.

38 "Aircraft" means a machine or device capable of atmospheric flight, including hobby or
39 model aircraft, drones, self-propelled missiles, and spacecraft.

40 "Bodily injury" means bodily harm, sickness or disease, and includes care, loss of services
41 and resulting death.

42 "Business" means:

43 1. A trade, profession, or occupation whether full-time, part-time, or occasional activity,
44 including (i) farming or farming operations, (ii) the rental of the whole or a part of the
45 residence premises by an insured, (iii) the business use of a part of the insured
46 premises; or (iv) home-sharing.

47 2. "Business" shall not include:

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- 48 a. The occasional rental of the whole or a part of the residence premises for dwelling
49 purposes;
- 50 b. The rental or holding for rental of a part of the residence premises for two or more
51 roomers or boarders for use as a primary residence;
- 52 c. The rental of a part of the residence premises as a private garage;
- 53 d. The rental of a part of the residence premises as an office, school or studio; or
- 54 e. The insured's use of the residence premises for telework.

55 "Condominium unit" is a dwelling as defined in § 55.1-1900 of the Code of Virginia.

56 "Covered watercraft" means a (i) sailing vessel with or without auxiliary power that is less
57 than 26 feet in length; (ii) a vessel that is powered by an engine with less than 26
58 horsepower; and (iii) rowboats and canoes.

59 "Dwelling" means any residential structure specifically named in the policy.

60 "Farms, farming or farming operations" means the use of land and buildings primarily for
61 agricultural processes with the objective of raising animals to produce food and growing
62 crops for sale or distribution to the public.

63 "Fixtures" means permanently installed components of the dwelling or other structures
64 including wells; plumbing systems; pumps; air conditioning equipment, systems, and
65 parts; furnaces; hot water heaters; lighting systems; or built-in appliances and other
66 components where removal would deface or damage the dwelling.

67 "Functional replacement cost" means the cost to repair or replace the damaged dwelling
68 or other structures with less costly common construction materials and methods that are
69 functionally equivalent to materials and methods used in the original construction.

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70 “Home-sharing” means rental or offering for rental the residence premises or a part of the
71 residence premises for temporary lodging purposes made available through an online-
72 enabled application, website or digital network.

73 "Insured" means:

74 1. Any insured named in the policy, and if residents of the named insured's household,
75 the named insured's spouse if not a named insured and the relatives of either;

76 2. Other persons under the age of 21 in the care of an insured; and

77 3. Under personal liability and medical payments coverage:

78 a. A person having custody or possession of an insured's pet, unless the custody or
79 possession is in the course of the person's business or without the insured's
80 permission;

81 b. A person using or having custody or possession of an insured's covered watercraft
82 unless the use, custody or possession is in the course of the person's business or
83 without the insured's permission; and

84 c. Residence employees while engaged in the duties of their employment with
85 respect to a motor vehicle, recreational motor vehicle, or covered watercraft
86 insured under the policy.

87 "Insured premises" means:

88 1. Under property insurance coverage, any residence premises specifically named in the
89 policy; and

90 2. Under personal liability and medical payments coverages:

91 a. Any residence premises specifically named in the policy;

92 b. Any premises not owned by an insured except where an insured is temporarily
93 residing;

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- 94** c. A residence premises acquired by the named insured or named insured's spouse
95 during the policy term;
- 96** d. Individual or family cemetery plots or burial vaults owned by the named insured;
- 97** e. Unimproved land, other than land used for farming operations, owned by or rented
98 to an insured; and
- 99** f. Land, other than land used for farming operations, owned by or rented to an
100 insured on which a dwelling is being built as a residence for the insured.
- 101** "Medical expenses" means expenses for necessary medical, surgical, x-ray, dental
102 services, prosthetic devices, ambulance, hospital, professional nursing, rehabilitation,
103 pharmaceuticals, and funeral services.
- 104** "Motor vehicle" means every vehicle that is self-propelled or designed for self-propulsion
105 and is designed or licensed for use on public roads.
- 106** "Occasional rental" means: (i) rental of the residence premises or a part of the residence
107 premises for up to seven days, whether consecutive or random, in any policy term, (ii)
108 rental of the residence premises that generates revenue of up to \$2,500, or (iii) a
109 combination of (i) and (ii).
- 110** "Occurrence" means an accident, including continuous or repeated exposure to the same
111 generally harmful conditions that results in bodily injury or property damage during the
112 policy term.
- 113** "Pollutant" means solid, liquid, gaseous, thermal, or radioactive irritants or contaminants,
114 including acids, alkalis, chemicals, fumes, vapors, and waste.
- 115** "Property damage" means injury to or destruction of tangible property and loss of use of
116 tangible property.

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117 "Recreational motor vehicle" means a vehicle designed for recreational use off public
118 roads if not subject to motor vehicle registration.

119 "Replacement cost" means the cost to repair or replace the damaged or stolen property
120 with material of like kind and quality without deduction for depreciation.

121 "Residence employee" means an employee of an insured who provides maintenance or
122 domestic services for the residence premises, or who performs similar duties elsewhere
123 except in connection with an insured's business.

124 "Residence premises" means (i) a dwelling, other structures, and grounds at the location
125 named in the policy; and (ii) that part of any other building occupied by the named insured
126 or spouse for residential purposes.

127 "Theft" means an act of stealing or attempt to steal, including loss of property from a
128 known place under circumstances when a probability of theft exists.

129 "Vacant" means a dwelling (i) that has not been occupied as a residence for more than
130 30 consecutive days immediately before a loss and (ii) where most of the named insured's
131 personal property has been removed such that the dwelling is not functional as a
132 customary place of residence. A dwelling is not occupied if the dwelling is being used
133 without the permission of an insured. A dwelling under construction or being remodeled,
134 repaired or renovated is not vacant.

135 "Vandalism or malicious mischief" means the willful and malicious damage to or
136 destruction of the property excluding loss by pilferage, theft, burglary, or larceny.

137 **14VAC5-342-40. Mandatory property coverages.**

138 **A. Dwelling.** Insurers shall provide coverage for the dwelling on the residence premises
139 including fixtures.

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140 1. Insurers shall also provide coverage for materials and supplies while located on
141 the residence premises and intended for use in construction, alteration, or repair
142 of the dwelling or other structures.

143 2. For a dwelling that is a condominium unit, insurers shall provide a limit of liability
144 of at least \$5,000.

145 **B. Other structures.** Insurers shall provide coverage for other structures and the
146 fixtures of other structures on the residence premises.

147 1. Insurers shall provide a limit of liability of at least 10% of the dwelling limit of liability.

148 2. Insurers may exclude coverage for other structures that are used for business or
149 rented or held for rental unless the structure is (i) rented to roomers, boarders, or
150 tenants of the dwelling or (ii) rented for use solely as a private garage.

151 **C. Household and personal property.** Insurers shall provide coverage for household
152 and personal property owned or used by an insured while it is anywhere in the world.

153 1. Insurers shall provide a limit of liability for household and personal property
154 coverage that is at least 50% of the dwelling limit of liability. For condominium
155 units, the limit of liability for household and personal property shall be determined
156 by the insured and the insurer.

157 2. At the request of the named insured at the time of loss, insurers shall provide
158 coverage for household and personal property owned by a:

159 a. Guest while in a residence occupied by an insured;

160 b. Residence employee while the property is in a residence occupied by an
161 insured; and

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- 162 c. Residence employee while the residence employee is engaged in the service
163 of an insured and the property is in the physical custody of the residence
164 employee.
- 165 3. Insurers shall provide coverage for the insured's property (i) on the residence
166 premises during an occasional rental; or (ii) on the part of the residence premises
167 occupied by roomers, boarders, or tenants.
- 168 4. Insurers shall provide coverage for household and personal property while it is
169 being moved to the insured's new principal residence within the United States.
170 Insurers shall provide coverage for property while it is being moved for 30 days
171 from the date that moving the property begins. The household and personal
172 property limit of liability applies to property being moved to another location.
173 Coverage may not be limited by the expiration of the policy.
- 174 5. Insurers shall provide coverage for household and personal property while it is
175 usually located away from the residence premises. Insurers shall provide a limit
176 of liability for this coverage that is at least 10% of the limit of liability specified for
177 household and personal property, but not less than \$1,000.
- 178 6. Insurers shall provide coverage for the following types of household and personal
179 property at limits of at least the following:
- 180 a. \$500 total per loss on cemetery property on or off the residence premises,
181 including monuments, headstones, grave markers, and urns;
- 182 b. \$100 total per loss on coin collections, medals, gold, platinum and silver,
183 provided; however, goldware and gold-plated ware shall not be deemed to be
184 gold and silverware and silver-plated ware shall not be deemed to be silver;
- 185 c. \$500 total per loss on passports, tickets, or stamp collections;

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- 186 d. \$1500 total per loss for theft of jewelry, precious and semi-precious stones, and
187 furs, and articles containing fur that represent its principal value; if open causes
188 of loss are provided, insurers may also apply this limit to misplacing or losing
189 this property;
- 190 e. \$500 total per loss for theft of guns and related accessories; if open causes of
191 loss are provided, insurers may also apply this limit to misplacing or losing this
192 property;
- 193 f. \$1,000 total per loss on watercraft, except for rowboats and canoes, trailers
194 used with watercraft, and watercraft furnishings, equipment, and motors; and
195 g. \$500 on trailers and campers with sleeping, cooking, or dining facilities, not
196 otherwise covered in this chapter.

197 **D. Debris removal.** Insurers shall provide coverage for the expenses incurred for the
198 removal of debris of covered property damaged by a covered cause of loss and the
199 expense for the removal of fallen trees that damage covered property.

- 200 1. Expenses for debris removal are included within the limit of liability applicable to
201 the damaged property, except as provided in subdivision 2 of this subsection.
- 202 2. When the amount payable for the damage to the property plus the expense of
203 debris removal exceeds the limit of liability for the damaged property, insurers shall
204 provide an additional 5.0% of the limit of liability applicable to the damaged covered
205 property for debris removal expenses.

206 **E. Fire department service charges.** Insurers shall provide coverage for contractual
207 fire department service charges and volunteer fire department service charges as
208 follows:

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- 209 1. Contractual fire department service charges where a fire department is called to
210 save or protect insured property from a covered cause of loss. Insurers may limit
211 this coverage to a residence premises not located within the limits of a city,
212 municipality, or fire protection district furnishing fire department services.
- 213 2. Fire department service charges made by volunteer fire departments pursuant to
214 § 38.2-2130 of the Code of Virginia.
- 215 3. Insurers shall provide at least \$250 of coverage for each type of fire department
216 service charges.
- 217 4. Insurers may not apply a deductible to the coverages in subdivisions E 1 and E 2
218 of this section.
- 219 **F. Ordinance or law.** Insurers shall offer ordinance or law coverage without exclusions
220 or limitations pursuant to § 38.2-2124 of the Code of Virginia at the dwelling limit of
221 liability within the policy or as an endorsement. This limit of liability is in addition to
222 the limit of liability applicable to the dwelling. Insurers may make other limits of liability
223 available for insureds to purchase.
- 224 **G. Water that backs up through sewers or drains.** Insurers shall offer coverage for
225 water that backs up through sewer or drains pursuant to § 38.2-2120 of the Code of
226 Virginia at the dwelling limit of liability within the policy or as an endorsement. This
227 limit of liability is in addition to the limit of liability applicable to the dwelling. Insurers
228 may make other limits of liability available for insureds to purchase.
- 229 **H. Additional living expenses.** Insurers shall provide coverage of at least 20% of the
230 greater of the dwelling limit of liability or the household and personal property limit of
231 liability for the increase in necessary living expenses when the dwelling is
232 uninhabitable due to a covered cause of loss.

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- 233 1. Insurers shall provide this coverage for the time reasonably required to return the
234 dwelling to a habitable condition or for the insured's household to become settled
235 in any permanent quarters.
- 236 2. Insurers shall provide additional living expense coverage for at least two weeks
237 while a civil authority limits access to the residence premises as a result of damage
238 to neighboring premises by a covered cause of loss.
- 239 3. Insurers may exclude living expenses that do not continue.
- 240 4. This coverage is not limited by the expiration date of the policy.
- 241 5. Insurers may not apply a deductible to this coverage.
- 242 I. **Fair rental value.** Insurers shall provide coverage of at least 20% of the greater of
243 the dwelling limit of liability or the household and personal property limit of liability for
244 the fair rental value of a part of the dwelling or other structures.
- 245 1. Insurers shall provide this coverage for the time reasonably required to restore the
246 dwelling or other structures to a tenantable condition following damage caused by
247 a covered cause of loss.
- 248 2. Insurers shall provide fair rental value coverage for at least two weeks while a civil
249 authority limits access to the residence premises as a result of damage to
250 neighboring premises by a covered cause of loss.
- 251 3. Insurers may exclude expenses that do not continue.
- 252 4. Insurers may exclude coverage for loss or expense due to cancellation of a lease
253 or agreement.
- 254 5. This coverage is not limited by the expiration date of the policy.
- 255 6. Insurers may not apply a deductible to this coverage.

256 **J. Trees, shrubs, plants, and lawns.** Insurers shall provide coverage for damage to
257 trees, shrubs, plants, or lawns caused by fire, lightning, explosion, riot, civil
258 commotion, vandalism, malicious mischief, theft, aircraft, or vehicles not owned or
259 operated by a resident of the premises.

260 1. Insurers shall provide a limit of liability for this coverage of at least 5.0% of the
261 dwelling limit of liability.

262 2. Insurers may limit the amount of coverage to no more than \$500 for each tree,
263 shrub, or plant on the premises, including removal of debris.

264 **K. Removal.** Insurers shall provide coverage for loss or damage to property while
265 removed or being removed from the residence premises because the property is
266 endangered by a covered cause of loss.

267 1. Coverage is provided for damage from any cause subject to the exclusions and
268 limitations permitted in this chapter.

269 2. Insurers shall provide this coverage for at least 30 days for each removal.

270 2. This coverage is not limited by the expiration date of the policy.

271 3. This coverage does not increase the limit of liability that applies to the damaged
272 covered property.

273 **L. Reasonable repairs.** Insurers shall provide coverage for the cost of making
274 reasonable repairs to protect covered property from further damage when the repairs
275 are directly attributable to damage caused by a covered cause of loss. The repairs
276 are included as part of the amount of the loss.

277 **M. Cost of tear out.** Insurers shall pay the cost incurred to tear out and replace the part
278 of the dwelling or other structure necessary to gain access to the system or appliance
279 from which the water or steam escaped if a loss to the dwelling or other structures is

280 caused by water or steam escaping from a system or appliance. Insurers may exclude
281 loss to the system or appliance from which the water or steam escapes.

282 **14VAC5-342-50. Causes of loss.**

283 Insurers shall provide open causes of loss for dwelling and other structures. Insurers may
284 provide either open causes of loss or named causes of loss for household and personal
285 property.

286 **A. Open causes of loss.** Insurers shall provide open causes of loss as follows:

287 1. Dwellings and other structures. Insurers shall provide coverage for direct loss to
288 the dwelling and other structures on the residence premises subject to the
289 exclusions and limitations permitted in this chapter.

290 2. Household and personal property. Insurers may provide coverage for direct loss
291 to household and personal property subject to the exclusions and limitations
292 permitted in this chapter.

293 **B. Named causes of loss for household and personal property.** When named
294 causes of loss are provided, insurers shall provide coverage for direct loss caused by
295 the following:

296 1. Fire or lightning.

297 2. Windstorm or hail. Insurers may exclude loss to the interior of the dwelling or other
298 structure or the household and personal property within caused by rain, snow,
299 sand, or dust unless the rain, snow, sand, or dust enters through an opening
300 caused by the force of wind or hail.

301 3. Explosion.

302 4. Riot or civil commotion.

303 5. Aircraft.

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- 304** 6. Vehicles.
- 305** 7. Sudden and accidental damage from soot or smoke, other than smoke from
306 agricultural smudging or industrial operation.
- 307** 8. Vandalism or malicious mischief.
- 308** 9. Falling objects. Insurers may exclude loss to:
- 309** a. Property within a dwelling or other structure caused by a falling object unless
310 the falling object first damages the exterior of the roof or walls of the dwelling
311 or other structure; or
- 312** b. The falling object itself.
- 313** 10. Weight of ice, snow, or sleet that damages household and personal property
314 contained in a dwelling or other structure if the weight of ice, snow, or sleet first
315 damages the dwelling or other structure.
- 316** 11. Sudden and accidental tearing apart, cracking, burning, or bulging of a steam or
317 hot water heating system, or of an appliance for heating water, but excluding loss
318 caused by or resulting from freezing.
- 319** 12. Freezing of plumbing, heating, air conditioning systems, and domestic appliances.
- 320** 13. Accidental discharge, leakage, or overflow of water or steam from within a
321 plumbing, heating, or air conditioning system, or domestic appliance.
- 322** 14. Sudden and accidental injury from electrical currents artificially generated to
323 electrical appliances, devices, fixtures, and wiring.
- 324** 15. Theft of household and personal property, except insurers may exclude coverage
325 for loss by theft:
- 326** a. If committed by an insured;

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- 327 b. In or to a dwelling or other structure—under construction, or of materials and
328 supplies for use in the construction, unless the dwelling is occupied;
- 329 c. If committed by (i) roomers, (ii) boarders, or (III) tenants, employees of the
330 tenants, or members of the tenants' household;
- 331 d. Of money, bullion, silver, gold, platinum, numismatic property, bank notes,
332 letters of credit, notes other than bank notes, passports, tickets, stamps,
333 jewelry, silverware, goldware, pewterware, silver-plated ware, gold-plated
334 ware, or furs while the part of the residence premises customarily occupied
335 exclusively by an insured is rented to others;
- 336 e. Of household and personal property in a location other than the residence
337 premises that is owned, rented, or occupied by an insured, except (i) while an
338 insured is temporarily residing at that location and (ii) property of a student who
339 is an insured if the student has been at that location at any time during the 45
340 days immediately before a loss; or
- 341 f. From the unauthorized use of a credit card or debit card; or loss by forgery or
342 alterations of a written promise, order, or direction to pay a sum certain in
343 money.
- 344 16. Breakage of glass that is a part of the dwelling or other structures if it results in
345 damage to household and personal property. Insurers may exclude this coverage
346 if the dwelling was vacant.
- 347 17. Collapse of a dwelling or other structure, or a part of a dwelling or other structure,
348 that results in damage to the household and personal property. Collapse does not
349 include settling, cracking, shrinkage, bulging or expansion.

350 14VAC5-342-60. Exclusions applicable to property coverages.

351 A. Exclusions applicable to open causes of loss. For policies providing open causes
352 of loss, insurers may exclude direct loss to dwelling, other structures or household
353 and personal property caused by any of the following:

354 1. Wear and tear; marring or scratching; deterioration; inherent vice; latent defect;
355 mechanical breakdown; rust; mold; wet or dry rot; pollutants; smog; smoke from
356 agricultural smudging or industrial operations; settling, cracking, shrinkage,
357 bulging, or expansion of pavements, patios, foundations, walls, floors, roofs, or
358 ceilings; birds, vermin, rodents, insects, or domestic animals. If a covered cause
359 of loss ensues, insurers shall provide coverage for the ensuing loss.

360 2. Theft in or to a dwelling under construction, or of materials or supplies for use in
361 the construction, until construction is completed, and the residence premises is
362 occupied.

363 3. Vandalism and malicious mischief or glass breakage, if the dwelling on the insured
364 premises was vacant. If a covered cause of loss ensues, insurers shall provide
365 coverage for the ensuing loss.

366 B. For policies providing open causes of loss, insurers may exclude direct loss to
367 household and personal property caused by any of the following:

368 1. Breakage of eyeglasses, glassware, statuary, marbles, bric-a-brac, porcelains and
369 similar fragile articles, except jewelry, watches, bronzes, cameras and
370 photographic lenses. This exclusion shall not apply to loss caused by or resulting
371 from the causes of loss in 14VAC5-342-50 B, earthquake, and water not otherwise
372 excluded.

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- 373 2. Dampness of atmosphere or extremes of temperature unless the loss is directly
374 caused by rain, snow, sleet or hail.
- 375 3. Refinishing, renovating or repairing property other than watches, jewelry and furs.
- 376 4. From the unauthorized use of a credit card or debit card; or loss by forgery or
377 alterations of a written promise, order, or direction to pay a sum certain in money.
- 378 5. Destruction or seizure by order of any government or public authority.
- 379 6. Collision, sinking, swamping or stranding of watercraft, trailers used with
380 watercraft, and watercraft furnishings, equipment, and motors. This exclusion
381 does not apply to collision involving a motor vehicle.

382 **C. Exclusions applicable to all causes of loss.** For all causes of loss, insurers may:

- 383 1. Exclude loss caused directly or indirectly by any of the following:
- 384 a. Water:
- 385 (1) Flood, ground surface water, waves, seiche, tidal water or tidal waves,
386 overflow of a body of water, or spray from any of these;
- 387 (2) Water that backs up through sewers or drains;
- 388 (3) Water that overflows or is discharged from a sump pump or other type of
389 system designed to remove subsurface water that is drained from the
390 foundation area;
- 391 (4) Water below the surface of the ground including water that exerts pressure
392 on or flows, seeps, or leaks through (i) sidewalks; (ii) driveways; (iii)
393 foundations; (iv) swimming pools; (v) walls; (vi) basements or floors; or (vii)
394 doors, windows, or other openings; or
- 395 (5) Material carried or moved by water referred to in subdivisions B 1 a (1)
396 through B 1 a (3) of this section;

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397 (6) The exclusions for water loss in subdivisions B 1 a (1) through B 1 a (4) of
398 this section do not apply to:

399 (a) A loss by theft; or

400 (b) An ensuing loss caused by fire or explosion.

401 b. Earth movement including earthquake, volcanic eruption, landslide, mudflow,
402 or other earth movement caused by sinking, rising, shifting or expansion.

403 Insurers shall provide coverage for:

404 (1) A loss by theft; or

405 (2) An ensuing loss caused by fire, explosion, or breakage of glass that is a
406 part of the dwelling or other structures.

407 c. Enforcement of ordinances or laws regulating the construction, repair, or
408 demolition of dwellings or other structures. Insurers shall provide coverage
409 when an ordinance or law requires the use of safety glass in replacement of
410 damaged glass that is a part of the dwellings or other structures.

411 d. Interruption of power or other utility service furnished to the insured premises if
412 the interruption takes place away from the insured premises. Insurers shall
413 provide coverage for the ensuing loss if a covered cause of loss ensues on the
414 insured premises because of the power interruption.

415 e. Enemy attack by armed forces including action taken by military, naval, or air
416 forces in resisting an actual or immediately impending enemy attack, invasion,
417 insurrection, rebellion, revolution, civil war, usurped power, or action taken by
418 governmental authority in hindering, combating or defending against the event;
419 order of civil authority except acts of destruction at the time of and for

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420 preventing the spread of fire, provided that the fire did not originate from an
421 excluded cause of loss.

422 f. Nuclear reaction, nuclear radiation or radioactive contamination as set forth in
423 § 38.2-2102 A of the Code of Virginia.

424 g. The exclusions in subdivisions B 1 a through B 1 f of this section apply if one
425 or more of the following concurrently contribute to the loss:

426 (1) Weather conditions;

427 (2) Acts or decisions, or the failure to act or decide, of a person, group,
428 organization or governmental body; or

429 (3) Faulty, inadequate, or defective:

430 (a) Planning, zoning, development, surveying, siting;

431 (b) Design, specifications, workmanship, repair, construction, renovation,
432 remodeling, grading, compaction;

433 (c) Materials used in repair, construction, renovation or remodeling; or

434 (d) Maintenance.

435 2. Exclude direct loss caused by:

436 a. Freezing of or by discharge, leakage, or overflow from the following systems or
437 appliances: (i) plumbing; (ii) heating or air conditioning systems; or (iii) domestic
438 appliances. This exclusion applies only to a dwelling that is vacant, under
439 construction, or unoccupied for four or more consecutive days, and the insured
440 has failed to (i) exercise due diligence to maintain heat in the dwelling or other
441 structures, or (ii) drain the systems and appliances and shut off the water
442 supply.

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- 443 b. Continuous or repeated seepage or leakage of water over a period of weeks,
444 months or years. This exclusion does not apply to household and personal
445 property.
- 446 c. Freezing, thawing, or by the pressure or weight of ice or water to fences,
447 pavements, patios, swimming pools, foundations, retaining walls, bulkheads,
448 piers, wharves or docks.
- 449 d. Windstorm or hail to the following property (i) overhead structures, including
450 supports and screening, constructed principally of cloth, metal, fiberglass, or
451 plastic erected to provide protection from the elements; (ii) fences; (iv)
452 seawalls; (v) property line or other free-standing walls; (vi) greenhouses,
453 hothouses, slathouses, trellises, pergolas, or cabanas; (vii) wharves, docks,
454 piers, boathouses, bulkheads, or other similar structures located over or
455 partially over water and the property on or within these structures; or (viii)
456 outdoor equipment pertaining to the service of the residence premises.
- 457 e. Neglect of the insured to use all reasonable means to protect the property
458 during and after a loss.
- 459 f. An intentional act by a person insured under the policy that was directed or
460 committed by that person, but only with respect to that person.

461 **D. Exclusions for certain types of property.** Insurers may exclude coverage for the
462 following types of property:

- 463 1. Accounts, bills, currency including virtual or digital, deeds, evidences of debt,
464 money, securities, bullion, manuscripts, letters of credit, bank notes, or notes other
465 than bank notes;

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- 466 2. Aircraft and parts except insurers shall provide coverage for drones, hobby aircraft,
467 or model aircraft that are not capable of carrying people or cargo;
468 3. Animals, birds or fish;
469 4. Business property;
470 5. Electronic equipment that is permanently installed in a motor vehicle;
471 6. Tapes, wires, records, discs or other media used with electronic equipment in a
472 motor vehicle while the property is in or on a motor vehicle.
473 7. Motor vehicles and motorized bicycles; except (i) vehicles used to service the
474 residence premises, (ii) utility trailers that are not licensed for road use, and (iii)
475 electric personal assistive mobility devices;
476 8. Property of (i) tenants and (ii) roomers and boarders not related to the insured;
477 9. Property rented to others except as provided in subdivision 14VAC5-342-40 C 3;
478 10. Property that is unlawful to own or possess; or
479 11. Property that is separately described and specifically insured by this or other
480 insurance.

481 **14VAC5-342-70. Loss settlement condition.**

482 Insurers shall include loss settlement provisions in accordance with this section.

483 **A. Actual cash value loss settlement.** Insurers shall apply actual cash value loss
484 settlement as follows:

- 485 1. Subject to the limit of liability, insurers may pay the smaller of the following
486 amounts:
487 a. Cost to repair or replace with like kind and quality; or
488 b. Actual cash value of the damaged property.
489 2. Insurers may apply actual cash value loss settlement to:

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- 490 a. Household and personal property;
- 491 b. Outdoor radio and television antennas and aerials; satellite dishes; or
- 492 c. Awnings.

493 **B. Replacement cost loss settlement.** Insurers shall apply replacement cost loss
494 settlement as follows:

495 1. Insurers shall apply replacement cost loss settlement to (i) property described
496 under subsections A and B of 14VAC5-342-40, (ii) fixtures, and (iii) permanently
497 installed flooring. Wall-to-wall carpeting is permanently installed flooring.

498 2. Insurers may limit replacement cost loss settlement to the following:

- 499 a. The limit of liability applicable to the dwelling or other structure;
- 500 b. The replacement cost of the dwelling or other structure or a part of the dwelling
501 or other structure on the residence premises; and intended for the same
502 occupancy and use; or
- 503 c. The amount spent in repairing or replacing the dwelling or other structure, or a
504 part of the dwelling or other structure, intended for the same occupancy and
505 use.

506 3. The insured may assert a claim for the actual cash value of the dwelling or other
507 structure without prejudicing the insured's right to make further claim for the
508 difference between the actual cash value and the replacement cost in accordance
509 with § 38.2-2119 B of the Code of Virginia. The claim for the difference must be
510 made within six months of (i) the last date on which the insured received a payment
511 for actual cash value or (ii) date of entry of a final order of a court of competent
512 jurisdiction declaratory of the right of the insured to full replacement cost,
513 whichever shall last occur.

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- 514 4. When the repair or replacement cost is \$2,500 or less, insurers shall be liable for
515 the full cost of repair or replacement before the repair or replacement has been
516 completed.
- 517 5. Insurers may apply an insurance-to-value ratio for replacement cost loss
518 settlement as follows:
- 519 a. Insurers may require an insurance-to-value ratio of 80% before full replacement
520 cost loss settlement applies.
- 521 b. If the insurance-to-value is less than 80% for a dwelling or other structure, an
522 insurer may limit its liability for loss to the larger of the following:
- 523 (1) The actual cash value of that part of the dwelling or other structures; or
524 (2) That proportion of the full cost of repair or replacement without deduction
525 for depreciation of that part of the dwelling or other structure damaged or
526 destroyed that the whole amount of insurance applicable to the dwelling or
527 other structure for the cause of loss bears to 80% of the full replacement
528 cost of the dwelling or other structure.
- 529 c. In calculating the 80% insurance-to-value ratio, insurers shall disregard the cost
530 of (i) excavations; (ii) underground flues and pipes; (iii) underground wiring and
531 drains; and (iv) brick, stone, and concrete foundations, piers, and other
532 supports that are below the under surface of the lowest basement floor, or
533 where there is no basement that are below the surface of the ground inside the
534 foundation walls.
- 535 6. Insurers may provide replacement cost loss settlement on household and personal
536 property as authorized by § 38.2-2119 of the Code of Virginia.

537 **C. Functional replacement cost loss settlement.** Insurers may offer functional
538 replacement cost loss settlement for the property described under subsections A and
539 B of 14VAC5-342-40, under the conditions outlined in this subsection.

540 1. Functional replacement cost is only permitted at the option of the insured.

541 2. Insurers may not apply functional replacement cost loss settlement to property that
542 qualifies for an amount of insurance equal to 80% or more of the full replacement
543 cost of the dwelling or other structure.

544 3. Insurers shall provide the notice required by § 38.2-2119 C of the Code of Virginia.

545 4. Insurers may limit functional replacement cost loss settlement to the following:

546 a. The limit of liability applicable to the dwelling or other structure;

547 b. The amount necessary to repair or replace the property with functionally
548 equivalent property at a lower cost than would be required to replace the
549 property with material of like kind and quality; or

550 c. The amount spent to repair or replace the dwelling or other structure or part of
551 the dwelling or other structure intended for the same occupancy and use.

552 **D. Pair or set.** Insurers shall determine loss to property that is part of a pair or set in a
553 reasonable and fair proportion of the total value of the pair or set.

554 **E. Loss Payment.** Insurers shall adjust losses with the named insured and shall pay the
555 named insured unless another payee is specifically named.

556 **F. Restoration of limits of liability.** Insurers shall restore the limits of liability after a
557 loss is paid.

558 **G. Deductibles.** Insurers may apply a property deductible unless prohibited or otherwise
559 limited in this chapter. Insurers may apply a separate deductible for the following

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560 causes of loss (i) wind, (ii) hail, or (iii) theft. No more than one deductible may be
561 applied to a loss.

562 **H. Settlement options.** Insurers may (i) take all or part of the damaged property at the
563 agreed or appraised value; or (ii) repair, rebuild or replace the damaged property with
564 other of like kind and quality within a reasonable time. Within 30 days after receiving
565 the insured's proof of loss, insurers shall provide notice to the insured of the insurer's
566 decision to (i) take the property at the agreed or appraised value, or (ii) repair, rebuild,
567 or replace the damaged property.

568 **14VAC5-342-80. Conditions applicable to property coverage.**

569 **A. Statutory conditions.** Insurers shall include the following statutory conditions:

570 1. The nuclear clause set forth in § 38.2-2102 of the Code of Virginia.

571 2. The conditions set forth in § 38.2-2104 of the Code of Virginia:

572 a. Assignment of the policy.

573 b. The time that coverage begins and ends.

574 3. The conditions set forth in § 38.2-2105 of the Code of Virginia:

575 a. Abandonment.

576 b. Appraisal.

577 c. Mortgagees interests and obligations.

578 d. Pro rata liability.

579 e. Requirements in case loss occurs.

580 f. Suit.

581 g. When loss payable.

582 **B.** Insurers may include any of the following conditions:

583 1. The insured shall notify the police when loss is by theft.

584 2. A bailee for hire shall not benefit under the policy.

585 **14VAC5-342-90. Personal liability coverage.**

586 **A. Insuring agreement.** Insurers shall provide personal liability coverage as follows:

587 1. Insurers shall pay on behalf of the insured all sums that the insured is legally
588 obligated to pay as damages for bodily injury or property damage caused by a
589 covered occurrence.

590 2. Insurers shall defend a suit against the insured seeking damages for bodily injury
591 or property damage, even if any of the allegations of the suit are groundless, false
592 or fraudulent.

593 3. Insurers shall investigate any claim or suit and may settle any claim or suit as it
594 deems expedient.

595 4. Insurers shall not be obligated to pay a claim or judgment after the limit of liability
596 has been exhausted by payment of judgments or settlements.

597 **B. Personal liability claims expenses.** In addition to the limit of liability applicable to
598 personal liability coverage, insurers shall provide coverage for any of following
599 personal liability claims expenses:

600 1. All expenses incurred by the insurer and all costs taxed against an insured in a suit
601 defended by the insurer;

602 2. All premiums on appeal bonds required in a suit; premiums on bonds to release
603 attachments in a suit for an amount not more than the applicable limit of liability of
604 the policy; and the cost of bail bonds required of an insured because of an
605 occurrence to which the policy applies, of at least \$250 per bail bond, except the
606 insurer shall have no obligation to apply for or furnish the bonds;

607 3. Pre-judgment interest incurred.

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608 4. Post-judgment interest on the part of a judgment that does not exceed the limit of
609 the insurer's liability; and

610 5. Reasonable expenses incurred by an insured of at least \$50 per day. Reasonable
611 expenses include (i) loss of earnings except loss of other income, (ii) vacation time,
612 and (iii) other benefit loss because of an insured's attendance at hearings or trials
613 or assistance with the investigation as requested.

614 **C. Mandatory additional personal liability coverages.** In addition to the limit of liability
615 applicable to personal liability coverage, insurers shall provide coverage for the
616 following:

617 1. Damage to property of others. Insurers shall pay for damage to property of others
618 caused by an insured during the policy period at the actual cash value or the cost
619 to repair or replace the damaged property with other property of like kind and
620 quality.

621 a. Insurers may limit this coverage to \$250 per occurrence.

622 b. Insurers may exclude damage to property of others:

623 (1) Caused intentionally by an insured 13 years of age or older;

624 (2) Rented to an insured;

625 (3) Owned by or rented to (i) roomers, (ii) boarders, (iii) tenants, or (iv) residents
626 of the insured's household;

627 (4) Arising out of (i) an act or omission in connection with a premises owned,
628 rented, or controlled by an insured other than the insured premises; (ii)
629 business pursuits or professional services; or (iii) the ownership,
630 maintenance, operation, use, loading or unloading of a vehicle, trailer or
631 semi-trailer, farming machinery or equipment, aircraft or watercraft; or

632 (5) If the property is covered elsewhere under the policy.

633 2. First aid expenses. Insurers shall pay expenses incurred by an insured at the time
634 of an occurrence for first aid to others for bodily injury covered under the policy.

635 **14VAC5-342-100. Medical payments coverage.**

636 Insurers shall provide medical payments coverage in accordance with this chapter. This
637 coverage applies:

638 A. While the person is on the insured premises with the permission of an insured; or

639 B While the person is elsewhere, if the bodily injury:

640 1. Arises out of a condition on the insured premises or the ways immediately
641 adjoining;

642 2. Is caused by the activities of an insured or by a residence employee during the
643 residence employee's employment by the insured;

644 3. Is caused by an animal owned by or in the care of an insured; or

645 4. Is sustained by a residence employee and arises out of the residence employee's
646 employment by the insured.

647 C To each person injured for reasonable medical expenses incurred for a minimum of
648 one year from the date of the occurrence.

649 **14VAC5-342-110. Exclusions applicable to personal liability and medical payments**
650 **coverage.**

651 **A. Exclusions applicable to personal liability coverage.** Insurers may exclude losses
652 under personal liability coverage for:

653 1. Liability assumed by the insured under contracts or agreements that are not in
654 writing. This exclusion does not apply to liability that the insured would have had
655 without a contract or agreement.

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- 656 2. Liability assumed by the insured under a contract or agreement relating to the
657 insured's business.
- 658 3. The insured's share of any loss assessment charged against all members of any
659 property owners' association.
- 660 4. Bodily injury to a person covered or required to be covered under a workers'
661 compensation or other similar law.
- 662 5. Damage to property owned by the insured.
- 663 6. Damage to property of others in the care, custody or control of the insured.
- 664 7. Sickness, disease or death of a residence employee unless written claim is made,
665 or suit is brought against the insured within 36 months after the end of the policy
666 term.

667 **B. Exclusions applicable to medical payments coverage.** Insurers may exclude
668 losses under medical payments coverage:

- 669 1. To a person covered or required to be covered under a workers' compensation or
670 other similar law;
- 671 2. To any person covered as an insured;
- 672 3. To a person, except a residence employee, regularly residing on the insured
673 premises;
- 674 4. To a residence employee if the bodily injury occurs off the insured premises unless
675 the injury arises out of the residence employee's employment by an insured; or
- 676 5. To a person on the insured premises because an insured's business is conducted
677 on the premises or professional services are rendered on the premises.

678 **C. Exclusions applicable to personal liability and medical payments coverages.**

679 Insurers may exclude occurrences arising from:

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- 680 1. Aircraft. Insurers shall provide coverage for drones, hobby aircraft, or model
681 aircraft that are not capable of carrying people or cargo.
- 682 2. Motor vehicles or recreational motor vehicles. Insurers shall provide coverage for:
683 a. Vehicles primarily used in servicing the residence premises, while on or off the
684 residence premises;
685 b. Golf carts used for golfing purposes;
686 c. Recreational motor vehicles on an insured premises; and
687 d. Motor vehicles held in dead storage on the residence premises.
- 688 3. Watercraft that is powered by an engine with 26 or more horsepower and sailing
689 vessels more than 26 feet in length with or without auxiliary power. Insurers shall
690 provide coverage for bodily injury or property damage occurring on the insured
691 premises.
- 692 4. Rendering of or failing to render professional services.
- 693 5. Business pursuits of an insured except for incidental business activities (i)
694 conducted by an insured who is under the age of 21, (ii) that produce revenues of
695 no more than \$2,500 during the policy period, or a combination of these.
- 696 6. Any premises, owned, rented or controlled by an insured other than the insured
697 premises.
- 698 7. An act that was committed or directed by an individual insured with intent to cause
699 an occurrence.
- 700 8. War, invasion, insurrection, rebellion, revolution, civil war, usurped power, or action
701 taken by governmental authority in hindering, combating, or defending against any
702 of these events.
- 703 9. Smuggling or trafficking.

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- 704 10. Sexual molestation; corporal punishment; physical or mental abuse.
- 705 11. Transmission of a communicable disease by an insured.
- 706 12. Manufacture, delivery, use, sale, transfer, or possession of property that is
707 unlawful.
- 708 13. Manufacture, delivery, use, sale, transfer, or possession of a controlled substance,
709 except for the legitimate use of prescription drugs by a person following the orders
710 of a licensed medical provider.
- 711 14. Discharge of carbon monoxide pursuant to § 38.2-235 of the Code of Virginia.
- 712 15. Bodily injury to an insured as defined in subdivisions 1 and 2 of the definition of
713 insured.
- 714 16. Entrustment or supervision by an insured of any excluded aircraft, motor vehicle,
715 recreational motor vehicle or watercraft.
- 716 17. Vicarious liability for the actions of a minor using any excluded aircraft, motor
717 vehicle, recreational motor vehicle, or watercraft.
- 718 **14VAC5-342-120. Conditions applicable to personal liability and medical payments**
719 **coverage.**
- 720 **A. Limits of liability.** An insurer may limit its liability for personal liability coverage and
721 medical payments coverage as follows:
- 722 1. For personal liability coverage, the limit of liability that applies to an occurrence is
723 the total limit of the insurer's liability under personal liability coverage for all
724 damages as the result of an occurrence.
- 725 2. For medical payments coverage, insurers may apply a limit of liability per person
726 and a limit of liability for two or more persons as the result of an occurrence.

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727 3. For personal liability and medical payments, the limit of liability applies separately
728 to each insured against whom claim is made or suit is brought for an occurrence.

729 This does not increase the limit of liability that applies to an occurrence.

730 **B. Insured's duties.** If an occurrence, claim, or suit occurs, insurers may require an
731 insured to comply with any of the following:

732 1. To provide notice, in writing, as soon as practicable, containing details sufficient to
733 establish a notice of claim.

734 2. If claim is made or suit is brought against an insured, to promptly send to the
735 insurer every demand, notice, summons or other process received by the insured
736 or the representative of the insured.

737 3. To (i) cooperate with the insurer; (ii) at the request of the insurer to assist in making
738 settlements, in the conduct of suits, and in enforcing a right of contribution or
739 indemnity against a person or organization who may be liable to the insured; (iii)
740 attend hearings and trials; (iv) give and secure evidence; and (v) assist in obtaining
741 the attendance of witnesses.

742 4. To obtain permission of the insurer before making a voluntary payment, assuming
743 an obligation, or incurring expenses, other than first aid expenses.

744 5. Under damage to property of others, to:

745 a. Submit a sworn proof of loss within 60 days after an occurrence unless
746 extended by the insurer.

747 b. Exhibit damaged property if within the insureds' control.

748 **C. Duties under medical payments coverage.** For claims under medical payments
749 coverage, insurers may require:

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750 1. An injured person or someone on the injured person's behalf to provide details
751 about the claim, in writing if requested.

752 2. An injured person or someone on the injured person's behalf to execute
753 authorizations enabling the insurer to get copies of medical reports and records.

754 3. An injured person to submit to examinations by a medical professional selected by
755 the insurer when and as often as the insurer reasonably requires.

756 **D. Payments of medical payments coverage.** For claims under medical payments
757 coverage, insurers may pay the injured person or the person rendering medical
758 services. Payment under medical payments coverage for each occurrence:

759 1. May reduce the amount payable for a covered injury; and

760 2. Is not an admission of liability by an insured or the insurer.

761 **E. Suits.** With respect to a suit under the policy, the insurer:

762 1. May require that the insured not bring suit or action against the insurer unless the
763 insured has complied with all the provisions of the policy;

764 2. May provide that no person or organization may join the insurer as a party to an
765 action against the insured.

766 3. May require that the amount of the insured's obligation to pay has been determined
767 by (i) judgment against the insured after trial or (ii) written agreement of the
768 claimant and the insurer.

769 **F. Bankruptcy of the insured.** The insurer shall provide that its obligations under the
770 policy are not relieved by the bankruptcy or insolvency of the insured or the insured's
771 estate.

772 **G. Action against the insurer.** If execution on a judgment against the insured or his
773 personal representative is returned unsatisfied in an action brought to recover

774 damages for injury or for loss or damage during the policy term, then an action may
775 be maintained against the insurer for the amount of the judgment not exceeding the
776 amount of the applicable limit of coverage.

777 **H. Other insurance.** If more than one policy applies to an occurrence, the insurer shall
778 pay that proportion of the loss that the limit of liability of the policy bears to the total
779 amount of insurance that applies to the loss. Except, insurers may provide liability
780 coverage on an excess basis for vehicles or watercraft to which the policy applies.
781 This condition does not apply to medical payments coverage.

782 **14VAC5-342-130. Policy Conditions.**

783 **A. Concealment or fraud.** Insurers may void the entire policy if, whether before or after
784 a loss, the insured has willfully concealed or misrepresented any material fact or
785 circumstance concerning the insurance or the interest of the insured in the insurance;
786 or in case of any fraud or false swearing by the insured relating to the insurance.

787 **B. Death of the named insured.** If a named insured dies, insurers shall modify the
788 definition of insured as follows:

789 1. The named insured includes:

- 790 a. The spouse, if not already a named insured and if residing in the household at
791 the time of the death; and
792 b. The legal representative with respect to the insured premises and property of
793 the deceased insured at the time of death.

794 2. Insured also includes:

- 795 a. Members of the deceased's household who were insured at the time of the
796 named insured's death, but only while residents of the insured premises; and

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797 b. Persons having proper temporary custody of the insured property until the
798 appointment and qualification of the legal representative.

799 **C. Liberalization.** If an insurer adopts any revision to its forms or endorsements that
800 would broaden coverage currently provided without additional premium charge, the
801 insurer shall automatically apply the broadened coverage from the effective date of
802 the revisions.

803 **D. Modification of policy terms.** Terms or conditions that are less favorable than those
804 provided for in this chapter or the applicable statutes are amended to conform to this
805 chapter and those statutes.

806 **E. Policy term.** Insurers may restrict the application of the policy to loss or an
807 occurrence during the policy term.

808 **F. Service agreement or warranty.** Insurers may require that coverage under the policy
809 is excess over a service agreement, home warranty, or similar service warranty.

810 **G. Termination provisions.** Insurers shall include the relevant termination provisions in
811 §§ 38.2-2113 and 38.2-2114 of the Code of Virginia in the policy. In addition, the
812 following apply:

813 1. Return premium calculations resulting from an insurer-initiated termination shall be
814 pro rata.

815 2. Terminations for non-payment of premium shall be calculated pro rata.

816 3. Return premium calculations resulting from an insured-initiated termination may
817 be a short rate calculation, except the penalty may not be more than 10% of the
818 pro rata premium for the expired time.

819 4. Insurers may refuse to renew the policy in accordance with the provisions of
820 §§ 38.2-2113 and 38.2-2114 of the Code of Virginia.

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821 **H. Trade or economic sanctions.** Insurers may exclude coverage, refuse to pay
822 claims, or refuse to provide benefits under a policy if those actions would expose
823 the insurer to a violation of applicable trade or economic sanctions, laws, or
824 regulations, including those administered and enforced by the United States
825 Treasury Department's Office of Foreign Assets Control.

826 **I. Waiver.** If an insurer elects to waive a policy provision, the waiver must be in writing.

827 **J. Waiver of Subrogation.** Insurers may not invalidate the policy if the insured waives,
828 in writing, before a loss any right of recovery against a party for loss occurring on the
829 insured premises. If not waived, the insurer may require from the insured an
830 assignment of all right of recovery against a party for a loss or occurrence to the extent
831 that the insurer made payment.