



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Ted Nickel, Commissioner

Wisconsin.gov

MONTH XX, XXXX

Local Government Property Insurance Fund

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**NOTICE OF ALTERED POLICY TERMS
BUILDERS RISK POLICY OCI 41-104 (R 05/2013)**

NAME
ADDRESS
CITY, STATE ZIP

Policy Number: XXXXXX
Renewal Date: XX/XX/201X

Dear Insured:

Section 631.36, Wis. Stat., provides that policyholders be notified of any significant policy alterations at least 60 days prior to any anniversary (*i.e., renewal*) date if the changes are to become effective on the renewal date. In the event the renewal is sent by first class mail less than 60 days prior to the anniversary date, the policy change becomes effective 60 days after the notice is mailed. As a policyholder, you have the right to cancel coverage without penalty within the prescribed 60-day time period. After 60 days, cancellation may be subject to customary short-rate cancellation charges.

This notice is being sent to all policyholders since changes have been incorporated into the Builders Risk policy. The Builders Risk policy provides property coverage for your buildings and structures currently being constructed through the Local Government Property Insurance Fund. As you read through the reductions in coverage below please keep in mind that the Fund policy still provides much broader coverage than industry norms in many areas including, but not limited to:

- Ordinance or Law
- Surface Water
- Property Off Premises
- Property of others that you are legally or contractually obligated to insure
- Extra Expense

A brief description of the significant coverage changes are listed below.

Policy Changes That Enhance Coverage:

- **Elevator Collision.** The mechanical breakdown exclusion was revised so that coverage is provided if an elevator breaks down and causes damage to the building or contents due to the collision of the elevator with the structure.
- **Fire Exception to the Nuclear Exclusion.** An exception is provided for a fire that would otherwise not be covered by the nuclear exclusion.
- **Deductible.** If you have other Fund covered property on the same premises as the property under construction that is also damaged in the same occurrence, only the highest policy deductible will apply. Previously two policy deductibles would apply, the deductible on the Valuation Policy and the deductible on the Builders Risk policy.
- **Foundations.** The Property Not Covered exclusion related to foundations under the ground has been deleted. Therefore these foundations are now covered under the Builders Risk policy.

Description of Policy Changes That Reduce, or Potentially Reduce, Coverage:

- **Land or Water.** Land or water is now excluded property to agree with the exclusions in our reinsurance coverage where land and water is excluded. The policy was previously silent on whether there was coverage since land and water also was not mentioned in Section IV – Covered Property. This could be construed to be a reduction in coverage.
- **Pollution Exclusion.** Previously the pollution exclusion only applied to debris removal. The \$10,000 debris removal limit for extraction of pollutants and contaminants from water is now an additional coverage and excluded from debris removal. We also have added a pollution or contaminant exclusion that applies to all losses unless due to one of the “specified causes of loss.” The exclusion now tracks with the pollution exclusion in our reinsurance agreement.
- **Virus Exclusion.** An exclusion has been added for loss arising from a virus, bacterium or other micro-organism unless due to the “specified causes of loss.” The exclusion now tracks with the virus, bacterium and micro-organism exclusion in our reinsurance agreement.
- **Surface Water.** Due to a reduction in the amount of reinsurance available for flood, including surface water, it was necessary for us to reduce the amount of coverage provided under your policy for loss due to surface water to \$1,500,000 per occurrence during a 72-hour event window. This coverage and the limit is still substantially broader than the industry norm.
- **Employee Dishonesty.** Previously only embezzlement or theft was listed as excluded for dishonest acts committed by your employees. The exclusion has been expanded to exclude dishonest or criminal acts to make the exclusion track with case law related to employee dishonesty losses. The exclusion does not apply to losses arising out of the “specified causes of loss,” (e.g., vandalism).
- **Culverts.** Culverts located more 100 feet from a covered building are not covered. The policy was previously silent on whether there was coverage for culverts.
- **Anti-concurrent Causation.** Anti-concurrent causation language now applies to certain losses that are excluded in Section VI of the policy. The language applies to exclusions related to nuclear; fungus; virus; flood and surface water; war; and excluded water losses. Anti-concurrent causation language means that these losses are excluded even if another covered peril contributes to a loss arising from these excluded perils.
- **Suit Against the Fund.** The policy condition related to how long you have to bring a suit against the Fund or request a hearing has been changed to 6 months rather than the current 12 months since action against the Fund may only be pursued through judicial review under s. 227.52, Wis. Stat., commenced within six months of a final determination made by the “Fund.” This differs from requirements for private insurers.
- **Proof of Loss.** The Proof of Loss Condition was changed to state that any extension of the 90-day time period allowed for filing a Proof of Loss must be provided to you in writing for the extension to be valid. Previously the extension did not necessarily have to be provided to you in writing for it to be valid.

Description of Other Policy Changes:

- **Inspection Clause.** An inspection clause was added to Section VIII – Conditions that says that you will allow your property to be surveyed by such entities as the Insurance Services Offices or an appraisal company. The clause also clarifies that these companies do not perform safety inspections and that neither the Fund nor these companies may be sued for failing to notice safety defects. The policy was previously silent in this area.
- **Extra Expense and Ordinance or Law Coverage.** Editorial revisions were made to these coverages to clarify intent. There is no reduction in coverage.
- **No Benefit To Bailee.** This new clause was added to Section VIII – Conditions. It simply states that a bailee of any of your covered property will not benefit from their possession of your property since the policy contract is between you and the Fund.
- **Added an Additional Coverage Section X.** Additional coverages that now appear in this section are Fungus, Surface Water, and Pollutants or Contaminants.
- **Subrogation.** The condition related to subrogation has been modified to clarify when the Fund may honor waiver agreements that existed prior to a policyholder being insured by the Fund.

- **Definitions.** Definitions that changed or are new to Section IX that you should review in your new policy: “employees,” “flood,” “sinkhole collapse”, “specified causes of loss,” “surface water,” and “water damage.”

If the buildings or structures that are currently being constructed will be completed prior to the renewal date of your Builders Risk policy, please contact the ASU Group to advise them of the effective date of cancellation of the Builders Risk policy. The newly erected property will then be added to your Valuation Policy.

No coverage is provided by this summary nor can it be construed to replace any provisions of your policy. You should read your renewal policy and review your Declarations Page for complete information on the coverages you are provided. If there is any conflict between the policy and this summary, the provisions of the policy shall prevail.

The Fund’s Advisory Committee, which is comprised of 21 Fund insured members, worked with the Fund in reviewing these changes and has endorsed making the changes noted above except for the change to the surface water coverage. The Oversight Committee made the final determination that, in order to protect the solvency of the Fund, it was necessary that the Fund limit the amount of coverage available for surface water losses. If you have questions about any of the above changes, please contact the Fund Administrator at 877-229-0009, or the undersigned at (608) 264-8118, or e-mail me at Brynn.BruijnHansen@wisconsin.gov .

Please review this new policy closely when you receive your renewal policy.

Sincerely,

Brynn Bruijn-Hansen
Insurance Program Manager,
Office of the Commissioner of Insurance