INDEPENDENT INSURANCE AGENTS & BROKERS OF LOUISIANA
9818 BLUEBONNET BOULEVARD
BATON ROUGE, LA 70810
TEL: 225/819-8007
FAX: 225/819-8027
www.iiabl.com

Technical Advisory

TA 234 **Date: February 17, 2004**

SUBJECT: Homeowners in Transition Between Primary Residences

BACKGROUND: Homeowners who are moving from one principal residence to another certainly face many potential difficulties and headaches. They often give even less thought than usual to their Homeowners insurance coverage during the move. However, serious coverage gaps can arise during the transition between two principal residences, involving both property and liability. This is especially true in a cross-country move, when there can be several days or even weeks between leaving the old house and moving into the new house.

MAIN POINTS: The two primary exposures that should be examined when a homeowner is involved in a lengthy move are **personal property** and **personal liability**.

Personal Property (Coverage C). The standard Homeowners Policy provides 100% worldwide coverage for personal property, with one exception (10%) discussed below. Therefore, one way for homeowners to maintain coverage on their personal property during the transition is to keep the policy in force on their old home, until the coverage starts on their new home.

Even if the homeowner has sold their old home, keeping that policy in force for several days, or even a few weeks, should not present any difficult issues. Should the old home be damaged after the sale, but the policy of the original homeowner is still in force, the insurer will not be forced to pay a claim on the home, since the insured/old homeowner has no insurable interest in that home at the time of loss.

An alternative is to start coverage on their new home prior to canceling the insurance on the old home, such as the day of closing if the home is sold. Often, a homeowner involved in a cross-country relocation moves from a house to an apartment, so the HO-3 would be replaced by an HO-4. However, Coverage C of both policies is essentially the same.

10% limit on Coverage C. While Coverage C is 100% worldwide, there is a 10% limit on "*personal property usually located at an insured's residence, other than the* *residence premises*." If the policy on the old home is continued after the move-out, that policy would provide only 10% Coverage C limit to personal property in another residence. However, the 10% limitation does contain a 30-day exception for "*personal property in a newly acquired principal residence.*"

It is important to note that the 10% limit on Coverage C applies only while the property is located in a residence of an insured. Thus, personal property in a storage facility, or even in a moving truck or trailer, is not subject to this 10% limit. (For a detailed discussion of this topic, see the article on the IIABL website – Technical Advisory #166: "Homeowners and Property in Storage.")

Personal Liability (Coverage E). Maintaining personal liability insurance during the transition is probably as important, if not more so, than maintaining personal property coverage.

The two coverage alternatives outlined above for Coverage C would also apply to Coverage E. The homeowner can either keep the old policy in force until they arrive at the new location (and start new coverage then), or they can have the new policy start as the move begins, and have that policy's Coverage E apply during the trip and transition.

Other Issues. While personal property and personal liability are of primary concern, there are several other issues that arise during a move.

Do not cancel the current insurance based on instructions from third parties. When the homeowner sells their home at the time of the move, the mortgagee, title company, closing attorney, or other related party might inform the agency that the house has been sold, and that the insurance should be cancelled. As with any other insurance, the agency should never make a change to a policy, add or delete an insured, or cancel the policy, without explicit instructions from the insured. (See a related article on the IIABL website – Technical Advisory #225: "E&O – Dangers of Making Policy Changes Based on Information From Third Parties.")

Even if the insured requests cancellation of the current policy due to the sale of their home, the agency would be wise to inquire about the status of replacement coverage. For those insureds about to undertake a cross-country move, and who have not secured insurance at the new location, it would be imperative for the agency to point out the potential gap in coverage.

Coverage C perils while moving. With Coverage C still in force during the move, many of the possible sources of loss are covered, such as fire, theft, windstorm, etc. If the moving truck overturns, most authorities hold that the damage to personal property is the result of the vehicle peril.

However, some potential causes of loss are unique to moving, such as breakage, marring, scratching, lost items, etc., and it would be advisable for the homeowner to purchase protection from the moving company.

Territory. Since the standard Homeowners policy does not have any territorial limitations, personal property and personal liability coverage apply anywhere in the world, should the homeowner keep their current policy in force during the transition period of the move out of the USA.

NECESSARY ACTION: Circulate this Technical Advisory to all Personal Lines staff.