

Technical Advisory

TA 125

August 14, 1998

SUBJECT: ISO Year 2000 Limitation Endorsements

BACKGROUND: The Louisiana Department of Insurance (LDI) recently agreed in principle to approve the ISO Year 2000 exclusions subject to a final technical review and the promulgation of a LDI bulletin instructing companies in the use of the new Year 2000 endorsements.

MAIN POINTS: Following is a summary abstract prepared by the IIAA Technical Affairs Committee on Year 2000 limitation endorsements for primary lines of coverage. Please be aware that ISO has additional Year 2000 limitation endorsements in other more specialized coverage lines. In addition, individual companies may have their own Year 2000 limitation endorsements which may differ from the ISO endorsements. Non-admitted insurance companies may use their own Year 2000 limitation endorsements without the review or approval of LDI. These non-admitted company Year 2000 limitation endorsements may be substantially different (more restrictive?) than the ISO limitation endorsements.

IIAL initially filed objections with LDI with regard to approval of the ISO Year 2000 exclusion endorsements. IIAL had two concerns. First, the original ISO exclusions were all very broad in nature. IIAL felt that a range of limitation endorsements should be available so that absolute exclusions were not placed on every policy. IIAL took the position that appropriate endorsements should be used on appropriate risks using more or less restrictive limitation endorsements. Second, IIAL was concerned that companies would add broad Year 2000 limitation endorsements to all policies.

Based in large part on the objections of IIAL, the Louisiana Department of Insurance held hearings to determine whether or not the Year 2000 limitation endorsements should be approved. As a result of pressure brought to bear by LDI and other state insurance departments, ISO filed additional less restrictive Year 2000 endorsements. These additional endorsements provided

more options for underwriters to match appropriate limitation endorsements with appropriate exposures.

LDI has agreed in principle to approve the ISO Year 2000 endorsement subject to several conditions:

1. LDI will complete its normal technical review process of the endorsement forms.
2. LDI will not approve personal lines Year 2000 exclusion endorsements with the exception of business-related personal lines exposures.
3. LDI will promulgate a bulletin instructing companies on how to use the Year 2000 endorsements.

The LDI bulletin will advise companies that blanket use of broad Year 2000 limitation endorsements will not be approved.

Companies must individually underwrite specific risks and use the appropriate Year 2000 endorsements.

Companies which indiscriminately apply broad limitation endorsements will be subject to market conduct investigation and possible disciplinary action by LDI. IIAL will issue a Technical Advisory providing the LDI bulletin when it becomes available.

**NECESSARY
ACTION:**

Please circulate this Technical Advisory to Commercial Lines agency personnel. Discuss with your insurance companies how they will underwrite and utilize Year 2000 limitations endorsements. Develop agency procedures to monitor the use of Year 2000 endorsements and how to notify customers of Year 2000 coverage limitations.