

COMMONWEALTH OF VIRGINIA

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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

April 19, 1993

ADMINISTRATIVE LETTER 1993-9

**TO: ALL COMPANIES LICENSED TO WRITE FIRE INSURANCE AND FIRE
INSURANCE IN COMBINATION WITH OTHER COVERAGES**

RE: BUILDING ORDINANCE OR LAW COVERAGE

For policies effective on and after July 1, 1993, §38.2-2124 of the Code of Virginia states:

Any insurer that issues or delivers in the Commonwealth a new or renewal contract or policy of fire insurance, or a new or renewal contract or policy of fire insurance in combination with other insurance coverages, shall offer in writing as an option a provision that property will be repaired or replaced in accordance with applicable ordinances or laws that regulate construction, repair or demolition.

The purpose of this letter is to inform each company licensed to write fire insurance, or fire insurance in combination with other coverages, that §38.2-2124 requires a positive offer, in writing, with each new or renewal policy. Insurers have flexibility as to the manner in which the offer is given; however, the offer must not be ambiguous or obscure and must be given not later than at the time the new or renewal policy is delivered.

The attached example may be of help in determining the kind of notice or offer that a company should use in order to comply with §38.2-2124. Notices used by individual insurers are not subject to our approval, and should not be filed with the Bureau of Insurance; however, future market conduct examinations will include a determination of whether companies are complying with the statute.

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Since many currently-approved personal lines and commercial lines policies providing fire insurance coverage do not contain an option to provide the coverage described in the statute, insurers should submit appropriate form, rule, and rate filings as soon as possible in order to comply with the July 1, 1993, effective date.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. T. Foster', with a long horizontal flourish extending to the right.

Steven T. Foster
Commissioner of Insurance

Attachment

NOTICE:

ADDITIONAL COVERAGE AVAILABLE

Coverage can now be added to your policy for increased costs to repair or replace damaged property due to the application of ordinances or laws that regulate construction, repair or demolition.

This additional coverage provides protection when a building damaged by a covered cause of loss must be repaired or rebuilt in a more costly manner because the type of construction used when the building was built does not comply with current building codes. Coverage can also be provided when laws or ordinances require the demolition of damaged buildings, including undamaged portions, prior to rebuilding in compliance with current building codes.

Contact your agent or company representative if you wish to add this coverage, or if you want additional information.