

# MASSACHUSETTS PROPERTY INSURANCE UNDERWRITING ASSOCIATION

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**Underwriting Division**

Two Center Plaza

Boston, Massachusetts 02108-1904

(617) 723-3800, MA Only (800) 392-6108, FAX (617) 557-5678

May 28, 2002

To: All Massachusetts Producers

Re: **Escaped Liquid Fuel Notice**

As you are aware, hundreds of Massachusetts homeowners each year are affected by leaks and spills from heating oil and/or other liquid fuel storage tank systems on their property. The costs associated with the resulting property damage and cleanup, and the damage to a third party can be significant and pose a serious financial burden to the homeowner.

The Homeowners Policy does not provide Section I coverage for loss to an insured's property caused by the effects of an escape of liquid fuel, unless the loss results from a Named Peril Insured Against under Coverage C – Personal Property of the policy. The policy, with few exceptions does, however, provide Section II coverage, on a per occurrence basis, up to Coverage E – Personal Liability limit of liability, for an insured's liability involving an escape of liquid fuel.

We are taking this opportunity to remind all producers that, since December 31, 1999, MPIUA has offered the ISO filed optional endorsements which limit the amount of liability coverage for escaped liquid fuel but at the same time provide broader coverage for the first party damage and related expenses caused by liquid fuel that escapes from an on premises fuel system.

The new endorsements are:

- Optional Property Remediation for Escaped Liquid Fuel and Limited Escaped Liquid Fuel Liability Coverage Endorsement HO 05 72 to be used with the Owners Forms HO 00 02, 03 and 05.
- Optional Property Remediation for Escaped Liquid Fuel and Limited Escaped Liquid Fuel Liability Coverage Endorsement HO 05 73 to be used with Tenants Form HO 00 04.
- Optional Property Remediation for Escaped Liquid Fuel and Limited Escaped Liquid Fuel Liability Coverage Endorsement HO 05 74 to be used with Condominium Unit – Owners Form HO 00 06.

The endorsements broaden coverage by automatically providing up to \$10,000 in Section I coverage for loss to insured's covered real property, including land and personal property, damaged by oil or any other liquid fuel that escapes from a fuel system on insured's property, on an aggregate basis. The same endorsements, however, provide a reduced limit of \$50,000, on an aggregate basis, in Section II coverage for damages to a third party because of bodily injury or property damage involving oil or other liquid fuel that escapes from a fuel system on insured location. Under the Homeowners Policy Form, the limit of liability for escaped liquid fuel otherwise equals Coverage E limit and is provided on an occurrence basis. The broader Section I coverage offsets the reduction in Section II coverage. Consequently, there is no additional premium for the new \$10,000 Section I coverage or credit given for the reduction in Section II coverage to \$50,000. For an additional cost, the Section I limit may be increased to \$25,000, \$50,000 or \$100,000 and Section II limit may be increased to \$100,000 or \$300,000.

Rule 616 – Optional Property Remediation For Escaped Liquid Fuel and Limited Escaped Liquid Fuel Liability Coverage on pages HO-E-6 thru HO-E-8 in the MPIUA Homeowners 2000 Program Manual Pages provides details of the coverage rule. Rate page HO-R-11 shows the additional premiums for the above-mentioned increased limits. These manual pages were distributed by MPIUA with its letter of November 27, 2001 to all producers. Enclosed is an ISO produced sample Policyholder Notice that explains the broadening and reduction in coverages resulting from use of the optional endorsements. This notice will be provided to each Policyholder whenever one of these optional endorsements is attached to a policy. Also enclosed is a copy of "IMPORTANT NOTICE FOR OIL AND/OR OTHER LIQUID FUEL USERS." Effective June 1, 2002, MPIUA will also start sending a copy of this notice to each Policyholder with the insured's Expiration Notice.

We urge you to review the potential of oil and/or other liquid fuel spills, resulting financial impact and available coverage options with your customers. We hope that the referenced and the enclosed materials will be of help in this regard.

Following your review of this material, should you have any questions, please contact our Consumer Services or Underwriting Departments.

Very truly yours,

James H. Pappas  
Vice President – Underwriting

# Massachusetts Property Insurance Underwriting Association

## HOMEOWNERS PROPERTY REMEDIATION FOR ESCAPED LIQUID FUEL AND LIMITED ESCAPED LIQUID FUEL LIABILITY COVERAGES

### ADVISORY NOTICE TO POLICYHOLDERS

THIS NOTICE DOES NOT PROVIDE COVERAGE NOR DOES THIS NOTICE REPLACE ANY PROVISIONS OF YOUR POLICY. YOU SHOULD READ YOUR POLICY AND REVIEW YOUR DECLARATIONS PAGE FOR COMPLETE INFORMATION ON THE COVERAGES YOU ARE PROVIDED WITH. IF THERE IS ANY CONFLICT BETWEEN THE POLICY AND THIS NOTICE, THE PROVISIONS OF THE POLICY SHALL PREVAIL.

*The policy you have just applied for or received has:*

- *added coverage for damage to your property caused by the escape of certain petroleum products that may be found in or on your home, your residential unit in an apartment, condominium or cooperative building, your household or personal property, other real property you own that is covered in this policy and land on which your home or unit or covered personal property is located; and*
- *reduced liability coverage for injury to another person, or damage to the property of others, that is caused by the escape of certain petroleum products emanating from an insured location such as your house, any other premises where you are living but which you do not own, or vacant land that you own.*

### **ESCAPED FUEL REMEDIATION**

If liquid fuel escapes from a fuel storage system on your property, loss or damage caused by the escaped fuel to your home, personal property, any other one, two, three or four family dwelling building you own and insure for remediation coverage will be covered. Additionally, your land on which the house, other structures or other dwelling building you own are situated will be covered for loss or damage. Coverage will apply when the fuel storage tanks, vessels and/or containers on your property have a total combined storage capacity of 100 or more U.S. gallons of liquid fuel. Coverage will also be provided for:

1. The cost of making temporary repairs to stop the further escape of liquid fuel, or to retard or stop the spread of escaped liquid fuel.
2. Reasonable expenses to test, monitor or assess the effects of escaped liquid fuel, required by law, or when a governmental agency or a court of law requests, orders or demands that you do so.

3. Loss or damage to your trees, shrubs and plants that are not grown for business; and
4. Additional living expenses you incur to maintain your normal standard of living.

However, there will be no coverage:

1. For a reduction in the market value of your house and any other dwelling building you own, including the land on which they are situated, or your personal property, whether or not such property has been damaged;
2. For damages resulting from the loss of a pending sale of your house and, if covered under this policy, other dwelling buildings, other structures and your personal property;
3. To replace any of the escaped fuel;
4. For any expense you incur to demolish, repair or replace any part of your fuel system; and
5. For any damages resulting from an escape of liquid fuel from one or more containers, tanks or vessels or related lines or parts that are connected to or a part of a motor vehicle, motorized land conveyance or watercraft.

#### Our limit of liability

We will provide up to \$10,000 of coverage. Higher Limits are available for an additional cost. The limit is the most we will pay for the total of all loss, damage or expense caused by the escape of liquid fuel from your fuel system during the policy period regardless of the number of locations insured under your policy, the number of escapes of liquid fuel you discover or learn of during the policy period or the number of claims made.

#### Your Deductible

We will apply a deductible amount of the greater of \$250 or the amount that applies to the peril of fire.

#### **ESCAPED FUEL LIABILITY COVERAGE**

1. We have limited your coverage when a claim is made or a suit is brought against you by another person alleging damages because bodily injury or property damage arising out of the escape of liquid fuel from your fuel storage system when the fuel storage tanks, vessels and/or containers have a total combined storage capacity of 100 or more U.S. gallons of liquid fuel and the fuel is used to heat or cool your dwelling, heat water, cook food, or power your motor vehicle, recreational vehicle or boat not used in any business.

2. Where the limit of liability for your previous escaped fuel liability coverage was provided on an occurrence basis, the new limit of liability is provided on an aggregate basis. This means that the limit for liability coverage is the most we will pay for all damages resulting from the total of all bodily injury or property damage, occurring during the entire policy period, that is caused by the escape of liquid fuel from your fuel system. This aggregate limit is the most we will pay regardless of the number of locations insured under the policy, number of insureds, number of persons injured by escaped fuel, number of persons whose property is damaged escaped fuel or the number of claims made against you.

We provide up to \$50,000 of coverage. Higher limits are available for an additional cost.

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**IMPORTANT NOTICE**

**FOR OIL AND/OR OTHER LIQUID FUEL USERS**

Dear Policyholder:

As you may be aware, hundreds of Massachusetts homeowners each year are affected by leaks and spills from heating oil and/or other liquid fuel storage tank systems on their property. The costs associated with the resulting cleanup, property damage and damage to a third party can be significant and pose a serious financial burden to the homeowner.

We encourage you to consult your insurance agent to review insurance coverage options available to you to protect against this risk. If you do not have an agent, please contact our Customer Service Department at 1 800 392 6108.

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