

EVOLVING HOUSEHOLDS

AAIS Homeowners changes reflect changes in household structure

We've come a long way from Ozzie and Harriet to Will and Grace. When standardized countrywide homeowners forms were first developed, most households were traditional families. Children, especially girls, lived with their married parents until they left to form similar households of their own. "Empty nester" parents sought to stay together in a home of their own. When they could no longer do so, their choice was to move in with family members or into a nursing home.

The definition of "insured" in standardized homeowners policies reflected all those social conventions. The definition included the named insured, his or her spouse, any relatives of the named insured residing in the household, plus anyone else under age 21 residing in the household and under the care of an insured.

Changes

That definition remained largely untouched for more than 20 years. Over that time, the structure and composition of American households underwent substantial changes. Today, it is commonly expected that young adults will spend several years living at college and/or in a residence away from their parents' homes before getting married, if they choose to marry at all. Where it was once rare and scandalous for unmarried partners to live together, it is so common today that there is hardly cause for comment.

At the same time, more and more elderly people, coping with diminished faculties but growing longevity, are moving out of their homes into assisted living facilities that provide semi-independent living among people who are not related.

In short, American society has witnessed the emergence of new types of households and transitional living arrangements.

The American Association of Insurance Services (AAIS) has helped its member companies adapt to the evolution of households and is poised to do so again.

AAIS is a national insurance advisory organization that develops policy forms and rating information used by more than 600 property/casualty companies throughout the United States.

Initiatives

In 1996, AAIS introduced the first standardized homeowners endorsement for giving insured status to residents of a household other than those encompassed in the standard definition of insured.

That endorsement allows insurers to provide coverage for personal property and for personal and premises liability (including medical payments) to a resident of a household who is not related to the named insured and does not have an insurable interest in the building property.

Among other things, the endorsement allows carriers to insure unmarried cohabitants without requiring one of the partners to purchase a renter's form.

An upcoming revision to the AAIS Homeowners

Program, due to be filed in 2005, will implement a modification to the standard definition of insured.

The modification will specify that resident relatives under age 25 are considered to be insured while enrolled full time in school away from home, provided they were residents of the insured's households before moving out, and are still financially dependent on the named insured or his or her resident spouse. The endorsement can also be used to extend insured status to resident non-relatives under age 21 in the care of an insured who are enrolled in school full time.

This change parallels one introduced a few years ago in standardized homeowners forms developed by the Insurance Services Office (ISO), Jersey City, New Jersey. The AAIS and ISO provisions differ in one respect, however.

Whereas the ISO definition of insured extends coverage until age 24 for full-time students who are related to the insured and previously resided in the household, the AAIS definition extends it for an additional year, up until age 25.

AAIS chose to use age 25 as the cut-off threshold because that is the age at which children typically become ineligible for coverage under their parents' health insurance plan. In many cases, it will be simpler for families to plan and agents to advise them if there are common ages of eligibility for homeowners and health insurance.

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Outside the house

AAIS will carry coverage for students further by introducing an endorsement that allows carriers to grant an older or part-time student who lives elsewhere insured status on his or her parents' homeowners policy.

The endorsement will allow the named insured to designate someone who does not fall under the definition of insured as an insured. He or she must have been a resident of the insured's household before moving out to attend the school identified in the schedule that appears in the endorsement.

Among other things, the endorsement will allow families to purchase coverage on their homeowners policies for part-time students and students age 25 and older, if the students are related to the named insured. The endorsement can also be used to provide coverage for non-related part-time students who are under age 21 and in the care of an insured.

Yet another endorsement option to be filed this year by AAIS will enable insurers to provide coverage for certain persons, typically elderly or handicapped, who are living in an assisted living facility, and for whom the named insured is the legal representative acting for the person in matters related to the coverage under the policy.

The assisted living endorsement provides personal property and personal liability coverage for a person related to the named insured by blood, marriage, or adoption who regularly resides at a declared assisted living facility and is therefore not a member of the named insured's household.

In addition to extending Coverage C (Personal Property) and Coverage L (Personal Liability) to the resident of the facility, the endorsement establishes separate sub-limits for loss to hearing aids, eyeglasses, wheelchairs, and other forms of personal property commonly used by residents of assisted living facilities.

In all, the enhancements to the AAIS Homeowners Program allow insurers to address the changing needs of changing American households, particularly the needs of unrelated people sharing a residence and certain related people who maintain separate residences.

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The author

Joseph S. Harrington, CPCU, is director of corporate communications for the American Association of Insurance Services in Wheaton, Illinois. He can be reached at (800) 564-AAIS, Ext. 217, or by e-mail at joeh@AAISonline.com.