



Bulletin #16 – January 23, 2013

Homeowners Replacement Certificates

The Ohio FAIR Plan (OFP) is announcing a change to HO2 and HO3 replacement certificates. Effective April 1, 2013, in order to maintain the “insurance to value” relationship chosen by the agent and the customer, Dwelling coverage on replacement certificates will be based on this relationship rather than a flat increase.

OFP has recently upgraded their systems and chosen a new valuation vendor that will make this calculation possible.

Over time, the estimated replacement cost changes as the costs of labor and material change. To avoid changing the chosen “insurance to value” relationship, the Dwelling coverage amount must also change.

As in the past, an HO2 or HO3 policy can only be issued when coverage is at least 80% of the estimated replacement cost. If coverage is between 50% and 79%, coverage under these forms is still available, but the mandatory HO 04 56 Special Loss Settlement Form must be added. If coverage desired is less than 50%, only an HO8 policy can be written.

So that you have sufficient time to help the customer, we are sending out the replacement certificates much earlier than our normal 40 days before expiration. **Please review these new coverage amounts with your customers to make certain that the amounts are appropriate for their situations.** If any changes are needed, please fax them to the Underwriting Dept at 614-823-6084.

We believe this change is in the best interests of the consumers insured with OFP to help them maintain adequate coverage on their homes – particularly in the event of a total loss!

As always, if you have any questions, please contact OFP at 614-839-6446 or 800-282-1772.