



# **“Where You Reside” – The “Where’s Waldo<sup>®</sup>?” Catastrophic Homeowners Policy ‘Exclusion’ That Could Bankrupt Your Insureds**

## **EXECUTIVE SUMMARY**

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### **Researched by**

Bill Wilson

The Big “I” Technical Affairs Committee  
The Big “I” Virtual University Faculty

### **Written by**

Bill Wilson, CPCU, ARM, AIM, AAM  
Assoc. VP – Education and Research and  
Director of the Big “I” Virtual University

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## Executive Summary

The cost to rebuild the average home in the United States is somewhere in the neighborhood of \$250,000. For most Americans, this is by far their most valuable asset. In order to protect that asset from loss, most consumers insure the replacement cost of their homes with a homeowners policy. Most homeowners policies cover the dwelling "where 'you' reside."

According to some interpretations and courts, if 'you' no longer reside in the dwelling, coverage on that structure immediately terminates. If you never resided in the dwelling, coverage may never have attached. This gives rise to a number of circumstances that, if this school of thought is correct, may lead to a catastrophic coverage gap for such homeowners. This is evidenced by both court decisions and real life insurance claim denials.

For example, an elderly widow was admitted to a convalescence home to recuperate from some health problems in order to be able to return home and to self-sufficiency. Her home remained her legal address and her nonresident children cared for the home, though no one lived there during her presumably temporary stay at the health care facility. After a few months, her home was totally destroyed by fire. The insurance company denied the claim on the house on the basis that she did not reside there at the time of loss.

As another example, a home was damaged by Hurricane Gustav. The homeowners had temporarily vacated the premises during remodeling though they visited the premises daily. The insurer denied the claim because the insureds were not residing there at the time of loss.

In one other example, the purchaser of a home renovated it before moving in. During the renovations, the house suffered a six-figure fire loss. The insurance company denied the claim because the insured had never resided in the house prior to the loss.

Each of these is a real-life claim where losses to homes were denied based on a lack of residency, to the complete surprise to the insured and the agent. *There is no specific exclusion for damage to a home in most homeowners policies due to a lack of residency, yet there have been court cases where such denials were upheld.* Our research has uncovered nine court cases that have concurred with similar claim denials (along with an equal number of judicial decisions overturning claim denials).

A nonresidency situation can arise unexpectedly due to illness or death, military deployment, foreclosures, relocations, etc. Even when it arises due to a routine sale, temporary rental, occupancy by a family member, divorce or separation, or transfer of ownership to a trust, given that there is no clear exclusion for most losses in most homeowners policies, most agents and virtually all insureds presume there is no coverage problem.

The purpose of the full white paper is to explore sixteen (16) very common "nonresidency" situations, the rationale for/against coverage, and potential solutions in jurisdictions where a coverage gap is presented. It is up to the reader to decide the best course of action in remedying these types of situations.

To access the full white paper, go to:

<http://www.iiaba.net/VU/Nonmember/WhereYouReside.pdf>

Questions and comments can be directed to [bill.wilson@iiaba.net](mailto:bill.wilson@iiaba.net).

- Bill Wilson, CPCU, ARM, AIM, AAM  
Assoc. VP, Education & Research  
Director, Big "I" Virtual University  
[www.independentagent.com/VU](http://www.independentagent.com/VU)  
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