



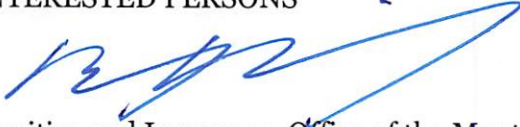
COMMISSIONER OF SECURITIES AND INSURANCE

Troy Downing
Commissioner

Office of the
Montana State Auditor

ADVISORY MEMORANDUM

To: ALL PROPERTY AND CASUALTY INSURERS
AND ALL OTHER INTERESTED PERSONS

From: TROY DOWNING 
Commissioner of Securities and Insurance, Office of the Montana State Auditor

Date: March 10, 2022

Advisory Memorandum Regarding Building Ordinance & Law Exclusions in Property and Casualty Insurance Policies

This advisory memorandum is intended to provide clarification to the insurance industry with regard to how the Office of the Montana State Auditor, Commissioner of Securities and Insurance ("CSI") reviews/approves/disapproves Building Ordinance & Law exclusions in policy form filings.

Background

It has come to the CSI's attention that there may be some confusion/misunderstanding in the insurance industry regarding what the CSI will approve/disapprove when reviewing Building Ordinance & Law exclusions in policy form filings.

Interpretation

Generally speaking, a Building Ordinance & Law exclusion in a Property and Casualty Insurance Policy means that the insurer will not pay for loss or damage caused directly or indirectly from the enforcement of any ordinance or law that increases costs of repair, etc.

The CSI will approve a Building Ordinance & Law exclusion as long as it is clear and unambiguous, thereby allowing a consumer to make an informed choice whether or not to buy a policy with a Building Ordinance & Law exclusion. Montana courts have consistently held that exclusions from coverage, being contrary to the fundamental protective purpose of an insurance policy, will be narrowly construed. Accordingly, the CSI will scrutinize Building Ordinance & Law exclusions to confirm that the policy language would not mislead a consumer into reasonably expecting there to be coverage despite the exclusion.

For questions about this advisory memorandum, please contact Deputy Insurance Commissioner Bob Biskupiak at 406-444-5438.

This advisory memorandum is informational only and does not enlarge, reduce, or otherwise modify any requirements of the Montana Insurance Code or in any way limit the authority of the CSI under applicable law. The CSI encourages insurers to consult with independent legal counsel for further guidance on the application of the Montana Insurance Code to any particular circumstance.