To say that canines are the worst enemy of insurance companies is a bit of an exaggeration, but an estimated one-third of all homeowners liability insurance claims stem from canines. Homeowners policies commonly exclude property coverage for damage caused by a pet. For example, the ISO Homeowners 3 – Special Form excludes damage to Coverage A- Dwelling or Coverage B – Other Structures if the loss is caused by an animal owned or kept by an insured, but there is a growing trend to address canine claims on the liability side. To protect the bottom line, many insurers are taking measures to restrict or eliminate coverage for canine-related liability claims. The Canine Liability Exclusion Endorsement (HO 24 77) included in the latest ISO Homeowners Program is just one of the varying approaches available.

**Why Exclude?**

According to the Centers for Disease Control and Prevention (CDC), about 4.5 million people in the United States are bitten by dogs each year causing 885,000 people to seek medical attention. These dog bites cost insurance companies an estimated $1 billion annually. To keep premiums competitive, the insurance market now offers a variety of solutions to limit or exclude canine liability coverage.

Beyond the current cost of canine claims, there is little encouragement that these costs will decline as an increasing number of jurisdictions adopt canine legislation. There are two types of canine legislation: Breed Specific Legislation (BSL) and the One Bite Rule.

In some jurisdictions the increasing problem of dog attacks has been addressed with legislation that is specific to a breed or multiple breeds. In hopes of reducing dog inflicted injuries and fatalities, breeds labeled as dangerous or vicious are either regulated or banned completely. Such regulations may include higher pet registration fees, minimum liability insurance requirements, mandatory muzzling in public areas such as parks, and stricter fencing regulations. This legislation impacts insurers because, in some jurisdictions, the liability for any injury or death caused by a regulated or banned dog is assigned to the owner of the dog with little regard to the circumstances surrounding the attack. An assignment of liability seriously impairs any defense that an insurer may otherwise be able to provide. Most Breed Specific Legislation applies to pit bulls with some jurisdictions also regulating Rottweilers or other notorious breeds. The vast majority of BSL is enacted at the local level; however, each military branch also has specific regulations applicable to US military installations, and in rare cases there are laws at the state level.

Many feel that Breed Specific Legislation is ineffective in preventing dog bites and related injuries and fatalities because enforcement of such regulations is impractical and costly. Any breed of dog is capable

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of docile or dangerous behavior, so targeting specific breeds does not effectively address other prevalent offenders like unneutered male dogs. Rather than singling out a specific breed, many jurisdictions have enacted legislation characteristic of the One Bite Rule. Depending on the wording of the specific law, this type of legislation may protect a dog owner from liability associated with an animal’s first attack unless there is evidence of a violent tendency.

The origin of this type of law can be traced back to English common law. The rationale being that a pet dog is a domesticated animal, and is, by definition, tamed and not expected to inflict injury. Based on this type of law, the owner of a domesticated animal such as a dog may not be held strictly liable for any damages unless there is evidence of a dangerous or vicious propensity.

While criterion for a violent tendency classification varies, many places have definitions for “vicious dog” or “dangerous dog” to assist with this determination. Though this type of law may shield a dog owner from a lawsuit on the first offense, the dog owner assumes strict liability for any subsequent occurrences. Again, this type of law impedes an insurance company’s ability to defend. The One Bite Rule applied in an unaltered state provides protection for a dog owner should the dog cause bodily injury if the owner has no indication of vicious or dangerous behavior. Under this type of rule, in order to hold the dog owner liable, the injured party must show that the dog has exhibited past violent behavior, not necessarily an attack, or has a vicious propensity. In many states or jurisdiction the One Bite Rule no longer exists in its pure form, but rather statutes and case law have modified this approach to take into consideration other indications of negligence such as a violation of leash law or other similar restrictions.

Dog bite laws are constantly changing and vary greatly from place to place. This unique legal environment creates a serious challenge to insurers. To answer this challenge and keep premiums competitive, the insurance market now offers a variety of solutions to limit or exclude canine liability coverage.

**Approaches**

Many in the insurance industry recognize canine liability as a growing exposure. Rather than a single solution, there are a variety of approaches that are currently utilized within the insurance industry.

**Eligibility**

In some cases, the high risk canine breeds are addressed through underwriting considerations. Answer “yes” to certain questions related to dog breeds and a carrier deems the client an undesirable risk. At a minimum, the list of ineligible dog breeds often includes German shepherd, pit bull, Rottweiler and Siberian husky. Breeds such as dachshunds and Chihuahua have a higher tendency to nip or bite, but these breeds do not generally cause significant injury. The notoriety of particular breeds is often linked to the extent of damage inflicted. Insurance companies that use dog breeds as an underwriting consideration may follow state or local dog statutes in determining ineligible breeds, so an insurance company may decline to write a homeowners policy for the owner of a forbidden or restricted dog breed. In other cases the insurance company maintains a list of undesirable varieties. Regardless of the basis of the list, this approach prevents owners of particular dogs from obtaining homeowners policies.

**Commonly Blacklisted Breeds:**

- German shepherd
- Pit bull
- Rottweiler
- Siberian husky or husky-type
- Akita
- Chow Chow
- Doberman
- Presa Canario

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Policy Language

Under Medical Payments to Others, the ISO Homeowners Policy excludes off-premises coverage for damages caused by an animal the insured owns or is in the insured’s custody. Many insurers expand this exclusion. In some cases the exclusion applies to both the Personal Liability and Medical Payments Coverage.

Other insurers alter the policy language with a different approach. For example, a company may exclude any liability arising from certain animals. Though applicable to all animals, as it pertains to canines, the list of excluded animals may include any animal that is illegal to acquire or own, breeds that are named or controlled by any ordinance or law because of a safety concern, any animal that has previously killed or seriously harmed a human or domestic animal, or any animal that has been trained to fight or kill. Other commonly excluded animals are primates, anything venomous, and other species that are not generally domesticated such as exotic animals. This type of policy language excludes a claim that stems from any insured owning, acquiring or keeping an excluded animal.

Because most consider Medical Payment to Others to be a goodwill type of coverage, the animal or canine exclusion is not always applicable to that coverage, so there may be some coverage available to assist with medical bills. In most dog bite claims, the coverage provided under Medical Payments to Others is inadequate since the average hospital stay cost for treatment of a dog bite is over $18,000 according to a December 2010 report from the Agency for Healthcare Research and Quality.

ISO Homeowners Endorsement

The 2011 ISO Homeowners Program introduced an endorsement to answer the growing concerns over dog bites. Rather than excluding coverage that was previously provided, the intent of this endorsement is to provide additional homeowners policy options to owners of certain types of dogs that are ineligible for a homeowners policy. Rather than classifying the prospect as “undesirable” based on the blacklisted canine, the insurance company could offer to write the coverage with the Canine Exclusion Endorsement (HO 24 77) attached as a stipulation for coverage. This protects the insurance company from the undesirable exposure, yet allows dog owners a better selection of coverage alternatives. The ISO endorsement excludes only canine-related liability that specifically pertains to a scheduled canine. The endorsement must include the name and description of the dog that is to be excluded. Under the ISO Rules, this endorsement may only be enforced if there is an acknowledgement of the endorsement signed by the named insured.

AAIS Homeowners Endorsement

AAIS has a similar endorsement with a July 2011 edition date. Unlike the ISO endorsement, in the optional endorsement Exclusion- Injury or Damage Arising Out of a Canine (HO 2001), the canine is not specially named; a description is still required in the endorsement schedule. The named insured must sign the endorsement for the exclusion to apply.

Beyond the Homeowners Policy

In the past, the personal umbrella policy often bridged the gap in coverage left by canine exclusions in the homeowners policy; don’t assume this is still the case. Coverage for canine-related liability is sometimes also excluded in a personal umbrella policy. As with the homeowners policy, there are different approaches to excluding coverage. Some umbrella policies use an endorsement to remove coverage while some build a restriction into the policy language.
AAIS introduced two endorsements that many states have approved for implementation beginning October 1, 2011. The Exclusion with Limited Exception – Injury or Damage Arising Out of a Canine (PU 0704) endorsement causes the personal umbrella policy to act as a following form in regards to canine liability. When this endorsement is added to a personal umbrella policy, there is only excess coverage for canine-related claims, so a claim excluded by the underlying policy would not trigger coverage by the personal umbrella policy. Unlike the ISO Homeowners endorsement that excludes coverage for a scheduled canine, this AAIS Personal Umbrella endorsement is not limited to a scheduled canine but rather applies to any canine. Many companies have similar endorsements.

AAIS has a more restrictive endorsement, Exclusion – Injury or Damage Arising Out of a Canine (PU 07 05), that excludes any bodily injury or property damage claim that results from actual contact with a canine. Using this endorsement, the Personal Umbrella Policy could be more restrictive than the underlying policy.

**Pet Liability Insurance**

Found under several names, including dog owners’ liability, canine liability, and pet liability, there are insurance companies that offer options to cover dog or pet related liability exposures. Premium for such a policy is based on the breed of the dog, age, weight and bite history. Although some companies offer coverage at lower rates, this coverage can be expensive with the annual premium often starting at $750 to $1,000 for one dog. Coverage provided varies greatly by company as many of these policies are written as a manuscript policy rather than using standard coverage forms.

The need for canine liability has created a niche market with insurance companies and agencies specializing in assisting dog owners. A few carriers provide coverage for the gap in canine liability coverage left by other policies such as the homeowners policy. Some agencies specialize in matching dog owners with insurance companies that have more forgiving eligibility requirements.

Considering the large number of dog owners in the United States and the exposures to loss and potential coverage gaps that emanate from dog ownership, it quickly becomes apparent that insurance agents, service representatives and account managers have a very serious role in providing insurance protection and education for these exposures. Having a thorough understanding of the magnitude of the canine exposures, canine legislation in your area, and the insurance products described in this article will assist in successfully meeting the needs of clients that are dog owners.

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