

**PLAN OF OPERATION
OF THE
NORTH CAROLINA JOINT UNDERWRITING ASSOCIATION**

The North Carolina Joint Underwriting Association has been formulated by the insurance industry, pursuant to Article 46 of Chapter 58 of the General Statutes of North Carolina, to provide a facility for the placement of adequate Basic Property Insurance, Additional Extended Coverage, Optional Perils Coverage and Crime Insurance, as herein defined and limited, on insurable property in all geographic areas of the State, except the “Beach area” as defined in G.S. 58-45-5(2), and to provide for the participation in the Fair Access to Insurance Requirements (FAIR Plan of Insurance).

Section I – Purpose of the Plan of Operation

1. To provide a Plan of Operation whereby adequate Basic Property Insurance, Additional Extended Coverage, Optional Perils Coverage and Crime Insurance, as herein defined and limited, may be made available to property owners having insurable property in eligible areas of the State.
2. To encourage improvement of properties located in the State and to arrest the decline of properties wherever located.
3. To make public the purposes and procedures of this Plan of Operation.

Section II – Definition

1. “Insurer” means every insurer authorized to write Basic Property Insurance in North Carolina, except town and county mutual insurance associations and assessable mutual companies as authorized by G.S. 58-7-75(5)b., G.S. 58-7-75-(5)d and G.S. 58-7-75(7)b.
2. “Basic Property Insurance” means the coverage against direct loss to real and tangible personal property at a fixed location that is provided in the Standard Fire Policy and Extended Coverage Endorsement (including builders’ risk coverage), vandalism and malicious mischief insurance, appropriate classes of manufacturing risks which meet reasonable underwriting guidelines as approved therefore by the Commissioner of Insurance, including travel trailers properly set-up and tied down at a fixed location and meeting reasonable underwriting guidelines established by the Association and approved by the Commissioner, and such other classes of insurance as may be added to the Plan of Operation, with respect to said property by amendment as hereinafter provided. Basic Property Insurance does not include motor vehicles or Crime Insurance.
3. “The North Carolina Joint Underwriting Association” (hereinafter referred to as the Association), means the organization formed by insurers to administer the Plan of Operation herein set forth.
4. “Premiums Written” means gross direct premiums charged during the most recent calendar year for which data is available, as determined by the Association, with respect to property in this State, excluding the “Beach area” as defined by N.C.G.S. 58-45-5(2), on all policies of Basic Property Insurance and the Basic Property Insurance premium components of all multi-peril policies, as computed by the Association less return premiums, dividends paid or credited to policyholders, or the unused or unabsorbed portions of premium deposits.
5. “Commissioner” means the Commissioner of Insurance of the State of North Carolina.
6. “Crime Insurance” means insurance against losses resulting from robbery, burglary, larceny and similar crimes, as more specifically defined and limited in the various crime insurance policies approved by the Commissioner and issued by the Association.

**PLAN OF OPERATION
OF THE
NORTH CAROLINA JOINT UNDERWRITING ASSOCIATION**

Section III – FAIR Plan – Inspections and Reports

1. Any person having an insurable interest in real or tangible personal property at a fixed location in all geographic areas of the State, except the “Beach area” defined in G.S. 58-45-5(2), shall be entitled upon application (which application need not be in writing), in person or by his authorized representative, to the Association to an inspection of the property by the Association at no cost to the applicant. Applications from producers may be transmitted electronically upon forms and guidelines approved by the Commissioner.
2. The manner and scope of the inspections shall be prescribed by the Association with the approval of the Commissioner.
3. An inspection report shall be made for each property inspected. The report shall cover pertinent structural occupancy features, as well as the general condition of the building and surrounding structures. A representative photograph of the property may be taken during the inspection.
4. After the inspection, a copy of the completed inspection report, and any photograph, indicating the pertinent features of building construction, maintenance, occupancy and surrounding property shall be sent within five (5) business days to the Association. A copy of the inspection report shall be made available to the applicant and his agent upon request.

Section IV – FAIR Plan Business – Placement of Insurance

1. Upon approval by the Association of an application for insurance and upon receipt by the Association of the full amount of the required premium in cash, certified check, bank check, money order, the check of a licensed lending institution, or the electronic transfer of funds such as but not limited to credit card payment, electronic checks, or Automatic Clearinghouse (ACH) transfers or a check remitted by a North Carolina licensed agent, provided satisfactory evidence is submitted to the Association that a valid agent’s license from the Insurance Department is in force, the Association shall cause to be issued a policy of insurance.
- 2.A Notwithstanding any of the other provisions of the Plan, interim coverage shall be extended to eligible, occupied habitational risks upon receipt of a properly completed application and the estimated annual premium. For purposes of this paragraph of the Plan of Operation, the effective date of interim coverage shall be 12:01 am the day following the postmark affixed by the US Postal Service on the envelope carrying to the Association a properly completed application and the estimated annual premium. In the absence of such postmark, the effective date will be 12:01 am on the day the properly completed application and premium are received at the office of the Association.
- 2.B Interim coverage shall be extended to other eligible risks without further action, if:
 - i. Through no fault of the applicant, coverage has not been either offered or denied within twenty (20) calendar days after the date the request for inspection was received by the Association; and
 - ii. The applicant, at the time of requesting the inspection or at any time prior to the receipt of an inspection report indicating that the property is uninsurable, pays the estimated annual premium. For purposes of this sub-paragraph ii of the Plan of Operation, the effective date of interim coverage shall be 12:01 am of the 20th day following the postmark affixed by the US Postal Service on the envelope carrying to the Association the estimated annual premium. In the absence of such postmark, the effective date will be 12:01 am on the 20th day following the day the premium is received at the office of the Association.

**PLAN OF OPERATION
OF THE
NORTH CAROLINA JOINT UNDERWRITING ASSOCIATION**

- 2.C The estimated annual premium shall be based on the applicable existing specific or class rate in accordance with the manual rates or adjusted loss costs promulgated by the rating organization having applicable rate jurisdiction. If the coverage is presently provided under an expiring policy written through the Association, the deposit premium shall be no less than the premium charged under such policy.
3. Limits of coverage shall be provided for in rules adopted by the Board of Directors, subject to approval of the Commissioner. Such limits shall not exceed \$1.5 million aggregate liability per residential risk and \$2.5 million per commercial risk on any free-standing structure or any building unit within multiple firewall divisions, provided the aggregate insurance on structures with multiple firewall divisions shall not exceed \$6 million, as determined by the Board on real or tangible personal property in conjunction with other underwriting devices to obtain full insurable value on any individual property.

Section V – Procedure After Inspection

1. The Association shall, within ten (10) business days after receipt of the inspection report and application, advise the applicant or his agent that:
- a. The risk is acceptable, and if surcharged the improvements necessary to remove the surcharge, and will cause to be issued a policy upon receipt by the Association of the full amount of the premium; or,
 - b. The risk is not accepted, but will be acceptable if the improvements noted in the action report are made by the applicant and confirmed by re-inspection; or,
 - c. The risk is not acceptable for the reason stated in the action report.
2. In the event a risk is declined because it fails to meet reasonable underwriting standards, the Association shall so notify the applicant and his agent. Reasonable underwriting standards shall include, but not be limited to, the following:
- a. Physical condition of the property, such as its construction, heating, wiring, evidence of previous fires or general deterioration;
 - b. Its present use or housekeeping, such as vacancy or unoccupancy, overcrowding, storage of rubbish or flammable materials;
 - c. Violation of law, public policy, morals and the character or integrity of the property owner or occupant which results in increased exposure to loss;
 - d. Such other standards as may be approved from time to time by the Commissioner of Insurance.
- A risk shall not be declined for neighborhood or area location or any environmental hazard beyond the control of the property owner.
3. In the event the risk is conditionally declined because the property does not meet reasonable underwriting standards but can be improved to meet such standards, the Association shall promptly advise the applicant and his agent what improvements noted in the action report should be made to the property. Upon completion of the improvements by the applicant or property owner, the Association, when so notified, will have the property promptly re-inspected.
4. If the inspection of the property reveals that there are one or more substandard conditions, surcharges will be imposed in conformity with any substandard rating plan approved by the Commissioner. The applicant or policyholder and the producer shall be notified of any substandard conditions and what must be done to remove the charges.

**PLAN OF OPERATION
OF THE
NORTH CAROLINA JOINT UNDERWRITING ASSOCIATION**

5. If a risk is declined or the coverage will be written on the condition that the property will be improved, the Association shall, within ten (10) days, send copies of inspection and action reports to the applicant and his agent and shall advise applicant of the right of appeal and the procedure therefore.
6. No new or increased coverage shall be bound or application for new or increased coverage accepted for properties eligible for the Plan after 12:01 A.M. the following day when the center of a designated named storm is located within Longitudes 65° West and 85° West, and Latitudes 20° North and 37° North. The term “designated named storm” is a windstorm designated as a hurricane or tropical storm by the National Weather Service.

Section VI – Joint Underwriting Association

1. Each insurer shall participate in the expenses, profits and losses of the Association in the same proportion as its Premiums Written bear to the aggregate Premiums Written by all insurers in the Plan of Operation. Each member’s participation in the expenses, profits and losses of the Association shall be determined annually. Each member of the Association shall have forty-five (45) days following notice of its percent of participation within which to appeal same as otherwise provided for in Section IX. Appeals or errors found after the forty-five (45) days will result in a recalculation of the percent of participation if it benefits all members as a whole.
2. The Board of Directors, acting on behalf of the Association, shall be authorized to make a preliminary assessment upon all insurers and such further assessments as may be deemed necessary.
3. The Association shall make provisions for reserving unearned premiums and reserving for losses, including incurred but not reported losses, and loss expenses in accordance with G.S. 58-3-71, 58-3-75, and 58-3-81.

With respect to unearned premium reserves, the Association shall maintain reserves equal to the unearned portions of the gross premiums charged on unexpired or unexpired policies. The Association shall make no deductions from gross premiums in force except for original premiums canceled on risks terminated or reduced before expiration.

With respect to loss reserves, the Association will charge as a liability loss reserves in an amount equal to the aggregate of the estimated amounts payable on all outstanding claims reported to it which arose out of any contract of insurance made by it, and in addition thereto an amount fairly estimated as necessary to provide for unreported losses incurred on or prior to the date of such determination and including, both as to reported and unreported claims, an amount estimated as necessary to provide for the expense of adjusting such claims.

With respect to loss and loss expense reserves, the Association shall include in its liabilities the aggregate estimated amounts due or to become due on account of all known losses and claims and loss expenses incurred but not paid, including the estimated liability of any notice received by the Association of the occurrence of any event which may result in a loss, and the aggregate amounts of liability for all losses and loss expenses incurred but on which no notice has been received, estimated in accordance with the Association's prior experience.

Consistent with the reserving practices identified above and in accordance with the Association’s existing procedures, the Association will make an annual determination of the

**PLAN OF OPERATION
OF THE
NORTH CAROLINA JOINT UNDERWRITING ASSOCIATION**

amount of its Members' equity or deficit. The Association will maintain five open policy fiscal years to facilitate the processing of loss reserves or loss handling expenses. To close the fifth open policy fiscal year, the Association may, in its discretion, make a distribution of equity to Members who participated in that fiscal year or an assessment of Members to fund any existing deficit. All such distributions or assessments shall require approval of the Board of Directors.

4. The Association shall invest open reserves and Members' equity funds in government securities, U. S. Government Federal Agency, Nations Treasury Reserves and Nations Government Reserves or other U. S. Government backed securities. The Underwriting Association shall be authorized to purchase reinsurance on behalf of its members, provided such reinsurance is authorized by a majority of the Directors.
5. Final Year Closeout Procedures of the Association: The FAIR Plan will retain members' equity to help cover losses caused by future hurricanes. Staff will recommend the amount of the members' equity threshold to the Board of Directors. As a basis of its recommendation staff will use the most recent 10 years to 25 years event of the Probable Maximum Loss study unless the Association's past hurricane experience suggests the members' equity threshold is inadequate. Staff will present the developed members' equity threshold for approval to the Accounting and Fiscal Affairs Committee when it meets in conjunction with the Annual Board of Directors meeting (November). This Committee will thereafter present its recommendation to the Board of Directors. As Of November 2009 - The current threshold is \$75,000,000. Staff will use the following formula to determine the total members' equity: $\text{Members' Equity} + \text{Unearned Premium Reserves} = \text{Total Members' Equity}$. This information will be found on the Exhibit 3B of the Beach Plan's Financial Statement at September 30 of the current year. If the Total Members' Equity is less than the Members' Equity Threshold, then staff will recommend to the Board of Directors that no final settlement be processed. Staff will recommend that policy years remain open until the Total Members' Equity is greater than the Members' Equity Threshold. When the Total Members' Equity exceeds the Members' Equity Threshold, then staff will recommend to the Board of Directors that the oldest open year be processed for final settlement. Staff will present its recommendation for the final settlement to the Accounting and Fiscal Affairs Committee when it meets in conjunction with at the Annual Board of Directors meeting (November). This Committee will thereafter present its recommendation to the Board of Directors. As directed by the Board of Directors, staff will process The final settlement in the month of December after the Board of Directors meeting.

Section VII – Standard Policy Coverage

1. All policies for Basic Property Insurance, including Additional Extended Coverage and Optional Perils Coverage shall be on standard policy forms and shall be issued for a term of one year or three years. Short-term policies also may be issued. All policies will be issued according to guidelines approved by the Commissioner of Insurance, State of North Carolina and issued according to the rules of the North Carolina Rate Bureau or such other approved advisory organization having applicable rate and rule jurisdiction. Crime policies shall be approved by the Commissioner and issued by the Association; and shall not be more restrictive than those previously available under the Federal Crime Insurance Program authorized by Public Law 91-609.
2. Subject to limitations imposed by Section IV, paragraph 3, the insurance coverages provided through the Association shall not extend beyond the actual cash value of the insured property at the time of loss or damage, except that upon a determination that the insured property meets

**PLAN OF OPERATION
OF THE
NORTH CAROLINA JOINT UNDERWRITING ASSOCIATION**

reasonable underwriting guidelines as approved therefore by the Commissioner of Insurance, and if the insured so elects, such coverages shall be provided for real property (exclusive of mobile homes) on a replacement cost basis. Policies for replacement cost will be written subject to the terms of standard property insurance policies.

Section VIII – Cancellation

1. Grounds for cancellation by the Association shall be limited to:
 - a. Cause which would have been grounds for non-acceptance of the risk under the Plan of Operation had such cause been known at the time of acceptance; or,
 - b. Non-payment of premium; or,
 - c. Evidence of incendiarism; or,
 - d. Misrepresentation of any material fact either before or after loss; or,
 - e. A finding on the basis of satisfactory evidence that changes in the physical condition of the property or other changed conditions make the risk uninsurable.
2. Notice of Cancellation, together with a statement of the reason therefore, shall be sent to the insured, identified mortgagees and producer of record.
3. Any cancellation notice to the insured shall be accompanied by a statement that the insured has a right of appeal as hereinafter provided.
4. The Association may effectuate cancellation upon such other grounds and upon such notice thereof, as may be approved from time to time by the Commissioner of Insurance.

Section IX – Right of Appeal

Any applicant for insurance and any person insured under the Plan of Operation or any affected insurer may appeal in writing to the Board of Directors within fifteen (15) days after any final ruling, action or decision of the Association (other than a ruling, action or decision relating to the cause or amount of a claimed loss). Any decision of the Board may be further appealed to the Commissioner within thirty (30) days. Orders of the Commissioner shall be subject to judicial review.

Section X – Commission

1. Commission to the licensed agent or broker designated by the applicant shall be as determined by the Board of Directors and approved by the Commissioner.
2. In the event of cancellation of a policy, or if an endorsement is issued which requires premium to be returned to the insured, the producer shall refund ratably to the Association commissions on the earned portion of canceled liability and on reductions in premiums at the same rate at which such commissions were originally paid.

Section XI – Administration

1. This Plan of Operation shall be administered by a Board of Directors (hereinafter referred to as the Board) of the Joint Underwriting Association, subject to the review of the Commissioner.
2. The Articles of Agreement may be amended by the membership of the Association with the approval of the Commissioner. The vote of the Member Insurers shall be cast and counted on a weighted basis in the same portion as each Insurers' Premiums Written bear to the aggregate

**PLAN OF OPERATION
OF THE
NORTH CAROLINA JOINT UNDERWRITING ASSOCIATION**

Premiums Written by all insurers in the Plan of Operations. The amendment to the Articles of Agreement shall become effective when approved by the majority of the votes cast on such weighted basis and by the Commissioner.

3. The Board shall consist of, a) seven [7] insurers [one of which shall be a domestic insurer]; b) three [3] individuals not employed by, or otherwise affiliated with, insurers, insurance agents, insurance brokers, producers or other entities of the insurance industry; and, c) four [4] individuals who are North Carolina licensed insurance agents or brokers. The seven [7] members consisting of insurers shall be elected annually by cumulative voting by the insurers of the Association, whose votes in such election shall be weighted in accordance with the proportion that each insurer's premium written in the State during the most recent calendar year, for which data are available, bear to the aggregate premiums written by all insurers in the Plan of Operation. Voting may be in person or proxy. Not more than one (1) insurer in a group under the same management or ownership shall serve on the Board at the same time. The three [3] individual members not affiliated with the insurance industry and the four [4] insurance agents or brokers shall be appointed annually by the Commissioner of Insurance.

Section XII – Annual and Special Meetings

1. Meetings – the annual meeting of the insurers for the election of the Board and such other business as may be necessary, shall be held in the State of North Carolina at a time and place to be determined by the Board each year. At any regular or special meeting at which the vote of the insurers is or may be required on any proposal, voting may be in person or by written proxy. Voting at regular or special meetings of insurers, or any vote of the insurers, which may be taken by mail, shall be cast and counted on a weighted basis in the same proportion as each Insurer's Premiums Written bear to the aggregate Premiums Written by all insurers in the Plan of Operation. A proposal shall become effective when approved by the majority of the votes cast on such weighted basis.
2. As soon as practicable after election to membership on the Board, and thereafter, from time to time as it may elect, each member shall designate a qualified alternate, and shall immediately notify in writing the General Manager of the Association of such designation. Insurer alternates must be from the same company as the insurer Board members they represent.
3. Offices – the Board shall elect a Chairman, Vice Chairman, Secretary, Treasurer and General Manager.
 - a. The Chairman shall preside over all meetings of the Board and at all meetings of the insurers, which are Members of the North Carolina Joint Underwriting Association. He shall discharge such other duties as may be incidental to his office or as shall be required of him by these rules or by the Board.
 - b. The Vice-Chairman shall preside at any meeting of the Board in the absence of the Chairman. In case of death, incapacity or disability of the Chairman, the Vice-Chairman shall perform the duties of the Chairman until the Board has filled such office.
 - c. The Secretary shall issue all notices of meetings, record minutes of all meetings, keep the records of the Board and discharge such other duties, as may be incidental to his office, or as shall be required of him by these rules or by the Board.

**PLAN OF OPERATION
OF THE
NORTH CAROLINA JOINT UNDERWRITING ASSOCIATION**

- d. The General Manager shall discharge such duties as may be incidental to his office or as shall be required of him by these rules or by the Board.
4. Special Meetings – special meetings of the Board or of the insurers may be held upon the call of the Chairman or in the event of his resignation, death or incapacity, upon the call of the Vice-Chairman. Any six (6) members of the Board, acting by their designated representatives, may request the Chairman to call a meeting of the Board or of the insurers, at such time and place and for such purposes, as may be set out in writing in such request. Should the Chairman decline to call such meetings, the same may be called by the six (6) members making the request. Such special meetings may be held at the principal office of the Association or at such other place within the State of North Carolina as may be designated in the call. Participation in special meetings by telephone conference call or by other electronic means is permitted.
5. Notices of Meetings – notices of all meetings shall be given by the Secretary to the members of the Board and in the case of meetings of the insurers to the insurers, and shall state the time and place and the principal purposes thereof, except that no notice of the annual meeting shall be given to newly elected insurers in order to legally constitute the meeting, provided a majority of the designated representatives of the insurers shall be present at such meeting. Such notices may be given by telephone, facsimile or by mail (including electronic mail) directed to the individual members, and to the attention of the designated representatives of the insurers, and shall be sent or mailed at least ten days in advance of the meeting. Any individual Board Members, and any Insurer or the designated representative of any Insurer, may waive notice of any meeting, and the presence of such representative at any meeting shall constitute a waiver of notice as to such Insurer.
6. Advance Agenda – the Secretary, after consultation with the Chairman, shall prepare in advance of each meeting of the Board and each meeting of the insurers, an agenda, which with such supporting data and information as may be conveniently assembled, shall be forwarded to the individual members of the Board and to the insurers or their designated representatives, as the case may be, in advance of any such meeting.
7. Committees – subject to the Articles of Agreement, the Chairman of the Board may appoint or the Board may elect such standing committees or such temporary or special committees as may be deemed necessary for the transaction of its business. With the exception of the Appeals Committee, all committees so appointed or elected shall be advisory only. The Appeals Committee shall consist of three (3) members of the Board, one (1) of whom shall be one of the seven (7) individual members of the Board and shall be appointed by the Commissioner of Insurance and two (2) of whom shall be appointed by the Chairman.
8. Ex-Officio Members – the Chairman and Vice-Chairman of the Board shall be ex-officio members of all standing or special committees, with no right to vote.
9. Written Ballot – voting by written ballot is permitted by the Board and by the Member Companies upon the giving of at least ten (10) days’ written notice and provided that the written ballot provisions of the Open Meetings Act, N.C. Gen. Stat. § 143-318.13, are followed. Any matter voted upon by written ballot shall be carried, provided it receives an affirmative vote from a majority of the members of the Board. Any matter voted upon by the written ballots of the member companies shall be carried, provided it receives an affirmative vote from a weighted majority and provided no more than 5% of the votes entitled to be cast, counted on a weighted basis, are negative votes. Written ballot procedures do not apply to meetings conducted with conference call participants.

**PLAN OF OPERATION
OF THE
NORTH CAROLINA JOINT UNDERWRITING ASSOCIATION**

10. The Directors of the Association may, subject to the approval of the Commissioner, amend the Plan of Operation at any time.
11. The Association is subject to the Open Meetings Act, Article 33C of Chapter 143 of the General Statutes, as amended.

Section XIII – Duties of the Board

1. The Board shall meet as often as required to perform the general duties of the administration of the Plan of Operation or on the call of the Commissioner.
2. The Board shall be empowered to appoint or otherwise contract for the services of a General Manager; to budget expenses; levy assessments, including preliminary assessments; disburse funds and perform all other duties provided herein or necessary or incidental to the administration of the Plan of Operation. The adoption of substantive changes in pension plans or employee benefits programs shall be subject to approval of insurers. Assessments upon each Insurer shall be levied on the basis of its Premiums Written. A late charge of one-half percent (0.5%) per week, not to exceed a total of four percent (4%) of the original assessment, shall be applied to the assessment of any member for any payment past due for fifteen (15) days or more.
3. Annually, the General Manager shall prepare an operating budget, which shall be subject to approval of the Board. Any contemplated expenditure in excess of or not included in the annual budget shall require prior approval by the Board.
4. The Board shall furnish to the Commissioner a written report of operations annually on or before January 1, in such form and detail as the Commissioner may determine. The Board shall furnish to all insurers a written report of operations annually in such form and detail as the Board may determine.

Section XIV –Public Education

All insurers agree to undertake a continuing public education program in cooperation with producers and others, to assure that the Basic Property Insurance Inspection and Placement Program receives adequate public attention.

Section XV – Termination of the Plan of Operation

The Plan of Operation shall terminate at such time as specified by the General Statutes of North Carolina; notwithstanding the foregoing, any obligations incurred by the Association or insurers thereof, shall not be impaired by the expiration of the Plan of Operation and such Association shall be continued for the purpose of performing such obligations.

Section XVI – Responsibility with respect to Cancellation or Non-Renewals

As respects risk eligible under the Plan of Operation, each participating Insurer agrees that with respect to cancellation or non-renewals initiated by it, it will give to policyholders, except in cases of non-payment of premium, material misrepresentation or evidence of incendiarism, thirty (30) days to avail themselves of the Plan of Operation and the Insurer shall, in writing, explain to the policyholder the procedures for making application under the Plan of Operation.

**PLAN OF OPERATION
OF THE
NORTH CAROLINA JOINT UNDERWRITING ASSOCIATION**

Section XVII – Crime Insurance

1. Pursuant to Chapter 1027 of the 1985 Session (Regular Session 1986) Laws of North Carolina, the North Carolina Joint Underwriting Association shall offer Crime Insurance for eligible and insurable property located in North Carolina, other than in the “Beach area”.
2. The following provisions of this Plan of Operation shall not apply to Crime Insurance; Section III; Section IV, paragraphs 2 and 3; Section V, paragraphs 2 and 4; and, Section VIII, paragraph 1.c.
3. Residential Crime Insurance will be provided in amounts approved by the Board of Directors and the Insurance Commissioner, not to exceed \$10,000. The Residential Crime Insurance Policy shall be a combination package for both burglary and robbery coverage. Commercial Crime Insurance Coverages offered shall be 1) burglary only; 2) robbery only; or, 3) a combination of burglary and robbery in uniform or varying amounts as specified by the Board of Directors and approved by the Commissioner, up to a maximum of \$15,000.
4. Rates will be established by the Board of Directors, with the approval of the Commissioner.
5. Applicants must submit a properly completed, signed application to be considered for Crime Coverage. The application will set forth minimum protective device requirements that must be met for eligibility. These requirements will be established by the Board of Directors and approved by the Commissioner. Reasonable underwriting standards shall include, but not be limited to, the following:
 - a. physical condition of the property;
 - b. violation of law, public policy, morals and the character or integrity of the property owner or occupant;
 - c. where the building has been subject to two (2) crime losses, each loss amounting to at least \$500 in any 12-month period; or, three (3) of such losses in any 24-month period, provided the cause of such crime loss was due to conditions which are the responsibility and within the control of the owner-named insured, the Association may decline or decline to continue coverage for Crime Insurance;
 - d. Such other standards as may be approved from time to time by the Commissioner of Insurance.
6. The insured must notify local law enforcement authorities and the Association, immediately after discovery of a loss.

Section XVIII – Related Parties Transactions

The North Carolina Joint Underwriting Association pays all operating expenses (except Producer Commissions, Inspections and Premium Taxes) on behalf of the North Carolina Insurance Underwriting Association. Therefore, a monthly Intercompany Transaction to settle all receivables and payables between the two entities are processed.

These Intercompany Transactions must be settled by the fifteenth of the following month after the transactions are recorded.