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- All forms and supplements are available on our website at www.ncjua-nciua.org.

MISSION STATEMENT

North Carolina Joint Underwriting Association and North Carolina Insurance Underwriting Association are insurance industry supported organizations committed to providing a basic property insurance market to protect policyholders while offering quality products and services to producers and insureds, as well as protecting the assets of our member companies.

DISCLAIMER STATEMENT

This manual provides information regarding Association procedures and general information about the Plans. For easy reference, we would suggest you keep your Manual close at hand and refer to it should a question arise.

While the Plans follow the procedures described in this Manual, they are subject to change. The Associations reserve the right to modify, revoke, suspend, terminate or change any or all procedures and applications, in whole or in part, with the approval of the Department of Insurance. The Associations will attempt to give producers at least thirty (30) days advance notice of all changes approved by the Department of Insurance.

The Language used in this Manual is not intended to create, nor is it construed to constitute, a contract between the North Carolina Joint Underwriting Association or the North Carolina Insurance Underwriting Association, and any insurance agent, producer, broker, applicant, insured, or any agent or legal representative acting on their behalf.

Dewey Meshaw
Manager, NCJUA/NCIUA

SECTION I

GENERAL INFORMATION

FACTS ABOUT THE PLANS

The FAIR and Beach Plans are not facilities of the North Carolina State Government.

FAIR PLAN	The property must be located within the state of North Carolina but not located in the “Beach area” as defined in G.S. 58-45,45-5 (2 & 2a).																																	
BEACH PLAN	The property must be located within the “beach” or “coastal” areas of the state of North Carolina as defined in G.S. 58-45-5 (2 & 2a).																																	
AUTHORITY OF AGENTS & BROKERS	The North Carolina Joint Underwriting Association does not have its own agents. The use of the term “Agent” or “Producer” does not indicate any relationship, express, implied or apparent between the Association and any individual entity.																																	
COVERAGE AVAILABLE IN	<u>Basic</u> and <u>Broad</u> coverage as offered by the DP-1 or DP-2 for dwelling and commercial CP-0099 with Endorsement PF-1002 for Broad Perils.																																	
COVERAGE EFFECTIVE DATE	Producers have no binding authority. Immediate or immediate interim coverage on dwellings will be effective at 12:01 am the day following the “Post Office” postmark date on the envelope in which a properly completed application and appropriate premium is mailed to the Association. Applications mailed by postal meters will be effective the date a properly completed application and premiums are received in the Association’s office.																																	
ELIGIBILITY	See <i>The Plans In Detail</i> for full information.																																	
INSPECTIONS	FAIR Plan – Inside and outside property inspections are completed by inspection vendors, normally within twenty (20) days of receipt of an application.																																	
MARKET OF LAST RESORT	The North Carolina General Assembly declares by NCGS 58-45-1(b) (Beach Plan) and 58-46-1(a) (FAIR Plan) that the market provided by these articles not be the first market of choice, but the market of last resort.																																	
MAXIMUM LIMITS WRITTEN BY THE PLANS	<table><tr><td>FAIR Plan Habitational</td><td>-</td><td>\$1,500,000</td></tr><tr><td>FAIR Plan Commercial</td><td>-</td><td>\$2,500,000 per location</td></tr><tr><td colspan="3">(\$6,000,000 aggregate applies on multi-fire division buildings)</td></tr><tr><td>Beach Plan Habitational</td><td>-</td><td>\$1,500,000</td></tr><tr><td>Beach Plan Commercial</td><td>-</td><td>\$3,000,000 per location</td></tr><tr><td colspan="3">(\$6,000,000 aggregate applies on multi-fire division buildings)</td></tr><tr><td colspan="3">Crime:</td></tr><tr><td>Residential</td><td>-</td><td>\$ 10,000</td></tr><tr><td>Commercial</td><td>-</td><td>\$ 15,000</td></tr><tr><td colspan="3">(Separate Crime Policy)</td></tr><tr><td>Business Income</td><td>-</td><td>\$300,000 per location</td></tr></table>	FAIR Plan Habitational	-	\$1,500,000	FAIR Plan Commercial	-	\$2,500,000 per location	(\$6,000,000 aggregate applies on multi-fire division buildings)			Beach Plan Habitational	-	\$1,500,000	Beach Plan Commercial	-	\$3,000,000 per location	(\$6,000,000 aggregate applies on multi-fire division buildings)			Crime:			Residential	-	\$ 10,000	Commercial	-	\$ 15,000	(Separate Crime Policy)			Business Income	-	\$300,000 per location
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Residential	-	\$ 10,000																																
Commercial	-	\$ 15,000																																
(Separate Crime Policy)																																		
Business Income	-	\$300,000 per location																																
MOBILE HOMES	Must be at least 8’ x 40’ in size and built on a permanent chassis affixed to land, be connected to the required utilities, including plumbing, heating,																																	

air conditioning and electrical systems. They shall be properly tied-down and meet all required minimum regulations, have all wheels removed and have continuous skirting.

(See *The Plans In Detail* for full description.)

PHOTOGRAPHS The Plans will accept either standard or digital photographs for underwriting purposes. Digital photographs must be in color and of such quality to show in good detail the features of the building or structure.

POLICY TERMS FAIR Plan policies are written for either a one (1) or three (3) year term. Refer to the Three-Year Policy Procedure for additional details. Beach Plan policies are written for a one (1) year term on a policyholder bill basis.

PREMIUM PAYMENTS Fair Plan premiums are payable on a net basis (gross premium less producers' commission) to the Association in cash or money order, certified check, bank check, the check of a licensed lending institution or by producer's check. The Association must receive payment before coverage can become effective. Premium financing arrangements made between an applicant and a premium finance company will be honored provided proper documentation of such agreement is promptly sent to the Association. Once the required payment has been received, the Plan will not cancel a policy for non-payment of premium. Producers are cautioned against advancing the premium for an insured.

Beach Plan premiums are payable on a gross basis under the policyholder billed program and commissions are reconciled and paid monthly.

THE PLANS Windstorm and Hail Only coverage is available for properties located in the Beach and 18 coastal counties. The essential property coverages must be written by a licensed, admitted insurance carrier.

Business Income coverage is available on commercial property located in the Beach Plan areas.

Primary insurance is available on Commercial properties. This coverage is provided when the Plans write a primary layer of coverage with a licensed standard carrier (approved by the Department of Insurance) excess carrier providing excess layer coverage. Rating is based on the total property value. The Lloyd's Table (see Exhibit in Applications Section of this Manual) is used to determine applicable premiums based on the percentage the primary layer is to total property value. This coverage provision can apply to Basic, Broad or Windstorm and Hail Only submissions.

Crime coverage is available on a separate policy that provides burglary and robbery protection. This coverage is available on both dwelling and commercial properties.

2

VACANT/ Properties which have been vacant or unoccupied for more than sixty

**UNOCCUPIED
PROPERTIES**

(60) days normally do not meet the Plan's underwriting standards. Refer to *The Plans In Detail*. All exceptions require underwriter approval.

Note: In some cases, photographs sent along with FAIR applications may allow the underwriter to fully assess acceptability of a risk and therefore, waive the need for an inspection.

BEACH Plan – Producer submits Beach Plan inspection form BP-16 or ACORD 190 along with Basic Applications and photographs of property.

**UNDERWRITING
STANDARDS**

Both plans have reasonable underwriting standards which must be met. These are basic issues, which most people would have done already to make their properties safe and to eliminate substandard physical conditions. See *The Plans In Detail* for full description.

Commercial, vacant and unoccupied or seasonal properties may not be eligible for coverage for up to twenty (20) days since they will usually need to be inspected before coverage can be approved. In all instances, coverage cannot be placed into effect until the estimated annual premium is received in the Association's office.

SECTION II

THE APPLICATION PROCESS

THE APPLICATION PROCESS

Dynamic Web Applications – Preferred Method

A Certified Producer may be authorized to submit Applications through the Dynamic Web, please contact the Association for authorizations.

Manual Applications

The NCJUA and NCIUA will accept either the ACORD Application Forms or the Plans specific applications. If ACORD forms are used, there is no need to submit Plan specific supplemental applications except for the Condominium Association Supplemental Application, AP105. However, many producers elect to send in the Windstorm and Hail Certification Supplemental Application, WH0005; the vacancy and Unoccupancy questionnaire Application, AP17 and Builders Risk Supplemental Application, AP15 with the ACORD Forms, in order to fully explain their risk.

The Plans need full details on submissions so that a proper decision and rating can be completed. However, if the ACORD Application is properly completed (including utilization of the “Remarks” section for descriptive details, no Plans Specific Supplemental Application should be needed.

I. The following Basic and Supplemental Applications are accepted:

- A. Plans Specific Applications.
 - 1. Fair Plan Basic Application – F-A-3
 - 2. Beach Plan Basic Application – BP-A-3
 - The Beach Plan Application (BP-A-3), is also to be submitted for Windstorm and Hail coverage only.
 - 3. Supplemental Applications (applicable to both Plans)
 - a. Builders Risk (AP-15)
 - b. Vacancy/Unoccupancy questionnaire (FP-17, BP-17 – same form)
 - c. Corporate Applicant questionnaire (FP-18). Instead of the FP-18 form, a copy of the Corporation’s Annual Report can be submitted.
 - d. Replacement Cost Application (AP-42)
 - e. Mobile Home Supplemental application (AP-30)
 - f. Condominium Association Supplemental Application (AP-105). Applies to Commercial Risks only.
 - 4. Supplemental Applications Applicable to Beach Plan Only.
 - a. Alternative Procedures to Expedite Processing Applications on Dwelling and Certain Commercial Properties (BP-16)
 - b. Business Income Supplemental Application (BI-A-3)
 - c. Windstorm and Hail Certificate of Essential Property Insurance (WH0005)
- B. ACORD
 - 1. Applications
 - a. Dwellings (ACORD 84)
 - b. Homeowner (ACORD 80)

- c. Mobile Homes (ACORD 85)
- d. Farm Property (ACORD 401, 402, 403)
- e. Commercial Property (ACORD 125, 140)
- f. Builders' Risk (ACORD 84 or ACORD 125 and request Builders' Risk, not available on Homeowner)
- g. Important Instruction and Information (ACORD 62)
- h. Supplemental Property Application (ACORD 190). Required with dwelling or commercial submissions.

C. Crime Applications

- 1. Residential.
 - a. FAIR Plan (FPCI-3)
 - b. Beach Plan (BPCI-3)
- 2. Commercial.
 - FPCI-2/BPC1-2). Combined FAIR and Beach Plan application.

SECTION III

PROCEDURES FREQUENTLY ASKED ABOUT

BUSINESS INCOME UNDERWRITING GUIDELINES

NOTE: Business Income Coverage is only available in the Beach Plan.

1. The appropriate ISO Business Income Form, CP0030 – Business Income (And Extra Expense) or CP0032 – Business Income (Without Extra Expense), will be attached to CP0099, Standard Property Policy. The applicant may select one of the following three options within either form:
 - a. Business Income including “Rental Value”, (i)
 - b. Business Income other than “Rental Value”, or (ii)
 - c. “Rental Value”, (iii)

In the event no option is selected, the Plan will issue Business Income Including “Rental Value”, as that is the broadest option available.
2. Mandatory Endorsement BI001, Business Income Special Exclusions, Cancellation Additional Condition and Newly Acquired Locations Endorsement will be added to all policies providing Business Income coverage.
3. The maximum limit will be \$300,000 per location per policyholder with a monthly limit of 1/6 or 1/4. A location is defined as each separately rated, non-communicating building or structure.
4. The premium will be considered fully earned at the time the policy is written unless the policyholder no longer has an interest in the business, then with proper cancellation documentation, the prorata unearned premium will be returned.
5. The Beach Plan will offer Business Income coverage on all properties that it insures for Essential property coverages or Windstorm and Hail Insurance Only coverages. For Windstorm and Hail Insurance Only policies, the Plan will require verification that the Business Income is being written by the Wrap-Around Carrier on its policy.
6. The Beach Plan will also write a stand-alone Business Income Policy for the Perils of Windstorm and Hail Insurance Only if the Essential Insurance policies written by the Licensed Carrier is providing Business Income for all perils except Windstorm and Hail.
7. If requested by the Beach Plan underwriter, the applicant or policyholder may be required to submit the last two years’ financial statements demonstrating their past business income. In the case of a new business, a copy of their business plan with proforma financial statement may be submitted.
8. The rates will be per CLM rule 51, Business Income Coverage Options, G. Monthly Limit of Indemnity.

CHECK REMITTANCE FORM

The check remittance form AP-99 has been approved for producers to use when sending one check to cover several different applications or policies. The form will allow producers to allocate the appropriate premium to each item. FAIR and Beach Plan applications or policies cannot be combined within the same check. Crime must also be handled separately by FAIR and Beach designations.

CLOSING PROCEDURES

Applies to new applications requiring priority handling due to immediate or sudden closings.

Immediate Real Estate Closing Form, AP-39, should accompany the submission.

Producers should mark the envelope carrying closing applications “attention: Unit ___ Real Estate Closing Pending”.

The Association’s Mail and Supply Department will give envelopes marked as closings priority handling and deliver immediately to the appropriate underwriter.

The underwriter will give closing applications priority treatment and will communicate with the producer by telephone or facsimile as soon as the application is approved. Normally, we will communicate with the producer by noon on the day we receive the closing.

CONDOMINIUM ASSOCIATION – PROCEDURES AND REQUIRED APPLICATIONS

Effective 11/1/97, the NC Commissioner of Insurance gave the FAIR and Beach Plans approval to implement Condominium Association Underwriting Procedures and require submitting a completed Condominium Unit Owners Supplemental Application. The Supplemental Application must accompany either the ACORD or FAIR and Beach Plans' basic applications. The Supplemental Applications will also be required with all applications for continuation of coverage or three-year policy adjustment notices.

The required Condominium, Unit Owners Supplemental Application, AP 105, requires that an authorized representative of the Condominium/Townhouse Association specify the type of coverage which is desired. The selected coverage should correspond with the applicants articles of declarations or bylaws and any addenda approved by the Unit Owners or their Board of Directors. The available selections are All-In, Original Specifications and Bare Walls. These selection's categories are consistent with the terminology provided within Condominium/Townhouse Associations documents. Once the coverage option has been selected, the policy issued by the Plans will show the applicable endorsement on the policy declarations and update the appropriate endorsement with the policy.

The following procedures apply to applicants requesting Condominium/Townhouse Association coverage:

1. Applicants requesting coverage for Condominiums and Townhouse Associations must provide a copy of the Association declarations and bylaws and a Condominium Unit Owners Supplemental Application in addition to the basic applications.
2. The Condominium Unit Owners supplemental Application must be signed by an authorized representative of the Condominium or Townhouse Association. The specified coverage option will apply to each Continuation or until a revised Condominium Unit Owners Supplemental Application is submitted to the Plan.
3. The endorsement specifying the chosen Condominium or Townhouse coverage option will be made a part of the policy.
4. Not providing the declaration and bylaws or Condominium Unit Owners Supplemental Application will be sufficient grounds to decline new business and policy continuation requests.

HURRICANE COVERAGE WRITING RESTRICTIONS

No new or increased coverage shall be bound or application for new or increased coverage accepted after 12:01A.M. the following day when the center of a designated tropical storm or hurricane is located within Longitudes 65° West and 85° West, and Latitudes 20° North and 37° North. The term “designated tropical storm or hurricane” is a windstorm designated as a tropical storm or hurricane by the National Weather Service.

If active watches or warnings are not posted for North Carolina and the National Hurricane Center has clearly outlined a projected path away from North Carolina, the General Manager may lift restrictions prior to the tropical storm or hurricane leaving the designated coordinates.

MANUFACTURING RISKS

Limited classes of manufacturing are eligible for coverage in the FAIR and Beach Plans if they meet occupancy and other underwriting standards. Following is the definition of appropriate classes and the general rules that will apply for manufacturing risks:

APPROPRIATE CLASSES OF MANUFACTURING RISKS

1. Buildings that are 10,000 square feet, or under, in size.
(Exception: for Windstorm and Hail Only submissions, no square foot restriction criteria applies.)
2. Where there is more than one building on premises, only the square footage of the building being insured will be used in determining eligibility.
3. Contents coverage is subject to the same criteria as building except that only the square footage actually used for manufacturing shall be included in determining eligibility.
4. Any submission not qualifying under items 1, 2 or 3, may be submitted to the Association for consideration as an exception.

MANUFACTURING RISKS UNDERWRITING GENERAL RULES

1. Commercial surcharges for substandard physical conditions will be applicable.
2. Properties will be inspected every year, unless the Association, in its judgement, is in possession of sufficient current inspection information.
3. The applicant or insured must institute reasonable loss control measures that materially affect the insurability of the risk after written notice by the Association.

REPLACEMENT COST COVERAGE GUIDELINES

Effective January 1, 1999, the following guidelines for eligibility and application have been established by the FAIR and Beach Plans for Replacement Cost Coverage. These procedures are not necessary for Windstorm and Hail policies. If applications for Windstorm and Hail show that the “wrap around” coverage is at Replacement Cost, the Windstorm and Hail policy may be written at Replacement Cost.

APPLICATION FOR REPLACEMENT COST COVERAGE GUIDELINES

1. Producer must inspect the property before submitting the Application in order to determine if Replacement Cost Coverage is applicable.
 - a) Not available to properties with existing substandard conditions.
 - b) Not available to vacant and/or unoccupied properties.
 - c) Not available on mobile homes unless the mobile home is owner-occupied and affixed to a permanent foundation. Applicant must provide sufficient proof with application indicating the mobile home is real property.
2. Coverage must be for at least 90% of replacement cost, with strong suggestion that it be for 100%.
3. Not applicable to contents, personal property, mobile homes (except as indicated in 1.c), farm property (except dwellings) or crime coverage.
4. Building should be twenty (20) years old or less. If over twenty (20) years old, it must be in very good physical condition, with proper documentation of renovations. If the application for replacement cost coverage shows building systems that are more than twenty (20) years old, verification of the building systems being updated or checked by a licensed contractor may be required.
5. Applying for Coverage:
 - a) **FAIR PLAN APPLICATION FOR COVERAGE**

An AP-42 form, Application for Replacement Cost Coverage, is required for all FAIR Plan properties requesting Replacement Cost Coverage. The AP-42 form is required only at the initial request for Replacement Cost Coverage. Application must include at least two (2) viable, clear photographs (front and rear) of the building to be insured. These photographs must include a view of at least two (2) roof slopes and, if applicable, a view of any adjacent buildings. More than two (2) photographs should be sent, if necessary, to provide a full representation of the structure and its exposure.
 - b) **BEACH PLAN APPLICATION FOR COVERAGE**

The Beach Inspection form BP-16, and photographs that accompany Beach Plan submissions suffice for the AP-42 form. Photographs should provide a good view of at least two (2) roof slopes.
 - c) When the building and/or building systems reach twenty (20) years of age with no documentation on file to indicate proper maintenance, the Underwriter may require verification of continued building system(s) acceptability. Completion of an AP-42 form by the policyholder or written verification from a licensed contractor are examples of sufficient documentation.

6. Building(s) must comply with North Carolina Building Codes.
7. Replacement cost coverage will be effective by attachment to the policy endorsement PF-0420, for commercial properties, and use of the form DP0002 for dwelling properties.
8. Applications not qualifying under any of the above listed guidelines may be submitted to the Associations for consideration as an exception.

BROAD PERILS POLICY WITHOUT REPLACEMENT COST COVERAGE

GUIDELINES FOR PROPERTIES ELIGIBLE FOR BROAD PERILS BUT NOT REPLACEMENT COSTS, EFFECTIVE JANUARY 29, 1999.

The FAIR and Beach Plans have established the following guidelines for eligibility for Actual Cash Value Loss Settlement Endorsement **DP0476** when added to the DP0002 policy form. The DP0476 Endorsement and Procedures form replaces the discontinued DP3251 Endorsement and Guidelines form.

IMPORTANT NOTE: Producers should closely review the Dwelling '89 Program Manual when using this endorsement. Dwellings (other than mobile homes) require rating by using factors based on percentage of replacement value. Mobile Homes are rated differently.

- A. **Stick-Built Homes and Modular Homes.** Stick built homes and modular homes qualifying for DP0002 (Broad Form) with DP0476 must meet the following criteria; alternatively, it will be written on a DP0001 (Basic Form):
 1. The property cannot reflect any substandard conditions requiring surcharges.
 2. Vacant and/or unoccupied properties and unoccupied properties undergoing renovations do not qualify for the DP0476 Endorsement.
 3. The property (new or continuation) cannot reflect more than two (2) Additional Extended Coverage claims exceeding a total of \$1,000 within the past two (2) years. (The Association will attempt to use deductibles whenever possible to respond to this criteria.)
 4. Request for Endorsement DP0476, not qualifying under the above, may be submitted to the Association for consideration as an exception.

- B. **Mobile Homes.** Mobile homes qualifying for Endorsement DP0002 (Broad Form) with DP0476 (5/96) must meet the following criteria, alternatively, it will be written on a DP0001 (Basic Form):
 1. Same requirements indicated in 1, 2 and 3 for Stick Built Homes.
 2. Must be owner-occupied.
 3. Cannot be over 20 years old.
 4. Must be skirted and properly secured, meeting all set-up and tie-down requirements of the county and/or municipal government where located.
 5. Request for Endorsement DP0476 not qualifying under the above may be submitted to the Association for consideration as an exception.

SHORT TERM POLICIES

Effective July 1, 1999, the following guidelines for eligibility and applications have been established by the FAIR and Beach Plans and approved by the NC Commissioner of Insurance for issuance of a short-term policy:

1. The acceptable reasons for providing a short-term policy are:
 - a) To satisfy effective date concurrency requirements for a Beach or Coastal area Windstorm and Hail Insurance Only Policy and the applicable Essential property Insurance Policy written by an approved primary carrier.
 - b) To allow the insured/applicant the ability to secure a common anniversary date for all insurance policies. (**Example:** *The applicant needs a common anniversary date for a premium financing agreement*).
2. The insured/applicant must provide the following documentation in order to qualify for issuance of a short-term policy:
 - a) Copies of the declarations for the policies that reflect the desired anniversary date.
 - b) A copy of a premium finance agreement, signed by the applicant, which reflects the common expiration date for all of the financed policies.

Exceptions to these guidelines must be made in writing and directed to the underwriter. However, only approved, unique or unusual circumstances will be considered a valid reason for allowing exceptions.

THREE-YEAR POLICY GUIDELINES

1. Program Effective
 - a) Beach - Not Available
 - b) FAIR 01/02/96
2. Eligibility
 - a) Habitational properties
 - All properties qualifying under the North Carolina Fire Rate Bureau Definition.
3. Commercial properties
 - 1) Selected Commercial Properties qualifying under ISO's Commercial Lines Rules.
 - 2) CSP Class Codes and description (Habitational – Apartments/Condominiums, Motels/Hotels, Churches and Offices).
4. Ineligible Properties:
 - a) Vacant and Unoccupied Properties.
 - b) Builders' Risk.
 - c) Property Under Renovation.
 - d) Commercial Farm, Tobacco Sales Warehouses and primary Excess Policies.
 - e) Wind and Hail Policies where the primary coverage is not written on a three-year policy.
 - f) If a three-year policy is cancelled at any time, due to non-payment of premium.
 - g) Categories a, b, c, d, e and f will be handled as one-year policies.
5. Payment of Premium
 - a) Habitational
 - Annual Premium Adjustment.
 - Interim Adjustments based on rates in effect at time of interim adjustment.
 - b) Commercial
 - Policies generating premiums of \$500 and under follow ISO rule 5.b.1.
 - Policies generating premiums over \$500 will be annually adjusted based on rates in effect at time of interim adjustment.
6. Interim Billing
 - a) Billing Guidelines
 - An Interim Adjustment Notice will be mailed out to the Producer ninety (90) days before the Policy's anniversary date. (The same as the current expiration Notice Procedures).
 - A postcard will be mailed to the policyholder approximately one (1) week after the Interim Adjustment Notice has been sent to the Producer. (This is consistent with the current expiration Notice procedures).
 - The Interim Adjustment Notice must have the verification of occupancy completed, reflect the proper signature(s) and reach the Association with the applicable premium no later than the anniversary date.
 - b) Non-Payment of Premium
 - Generates the day after the policy's anniversary date if premiums are not received.

- Allows for 15-day notice of policy cancellation. – To be effective on the 15th day, date to be indicated, therefore, 15-day grace period applies. **If holiday or system issues arise, the Underwriter will be able to activate dates manually. This will ensure that proper notification time is allowed.**
- If premiums are paid before coverage lapses, coverage is activated back to the anniversary date.
- If premiums are not paid, the policy is cancelled. Interim notices received between 16-30 days after the policy anniversary will be accepted as follows:
 - i. Coverage will be effective upon the date the notice is received
 - ii. A one-year policy will be issued.
 - iii. After two (2) years of prompt premium payments, the applicant will again qualify for a three-year policy.

If a policy cancels and no money and interim adjustment notice is received by day 30 after the anniversary date, a new application; in addition, applicable premium will be required.

- Only a one-year policy will apply.
- After two years of prompt premium payments, the applicant will be eligible for a three-year policy.

TRAVEL TRAILERS

Travel Trailers located in the State of North Carolina may qualify for property coverage through the Plans. The Travel Trailer Special Conditions Endorsement will apply to policies covering travel trailers written in either Plan. Listed below are the guidelines (approved effective 10-8-96 for the FAIR Plan and 1-1-98 for the Beach Plan) for writing travel trailers in the FAIR or Beach Plans.

1. Travel trailers must be at least 8 x 24 (192 square feet inside).
2. The applicant must certify that the travel trailer will be properly set-up and tied-down while at a fixed location.
3. The Association must be provided with the specific dates the travel trailer will be at a designated site. There will be no coverage provided for a travel trailer when it is not properly set-up and tied-down at a fixed location.
4. Only the DP-1 (Basic) Form and only the Perils of Fire and Extended Coverage are available for travel trailers written in the FAIR or Beach Plans.
5. Travel trailers cannot be more than fifteen (15) years old when initially written.
6. The minimum deductible available is \$500.
7. The premium will be considered fully earned at the time the policy is written; however, in the case where the policyholder no longer has an interest in the travel trailer and with proper request for cancellation, the pro-rate unearned premium will be returned.
8. Request for coverage not qualifying under Item(s) 1-7 may be submitted to the Association for consideration as an exception.

NOTE: Travel Trailer Special Conditions Endorsement, TT001, is added to all policies covering Travel Trailers.

VACANT, UNOCCUPIED OR PROPERTIES UNDERGOING RENOVATIONS

Properties that are vacant or unoccupied for more than sixty (60) days are generally not eligible for the FAIR Plan.

Legitimate extenuating circumstances that may be considered for coverage are:

1. Estate property waiting on estate settlement or sale.
2. Renovation/rehabilitation of the structure.
3. The vacancy/unoccupancy will be temporary as under contract to sell or rent.
4. Historical properties registered by the preservation of historical organizations.

Note: Dwellings that have been vacant for more than sixty (60) days with the same owner and undergoing cosmetic updates are not considered as being renovated or rehabilitated.

Full details of the vacancy/unoccupancy are required at time of application and submission of the supplemental Unoccupancy/Vacancy Questionnaire FP-17 is required.

Each risk will be underwritten under it's own merits; however, the Plan does typically expect occupancy within sixty (60) days of ownership; date of last tenant; after completed renovation/rehabilitation; or original construction completion. Long-term renovations should not exceed six (6) months and then occupied within sixty (60) days of completion.

Due to the vacancy hazard, the Plan would typically require a twenty (20) day wait, no vandalism coverage, and a higher than normal deductible. Policy surcharges are available for use in the case of a vacancy hazard. The property must be secured from unauthorized entry.

The FAIR Plan reserves the right to cancel a policy for misrepresentation during the vacancy period if the actual renovation progress falls short of the estimates provided by the applicant at the time of application. If requested, the Association will waive the waiting period for a real estate closing with full payment and photographs of the property.

With the exception of historical properties, it would be unusual for the Plan to continue for an additional term a policy that was unoccupied when it was originally submitted. If these situations arise a new FP 17 supplement, or equivalent information, would be required at time of continuation and the underwriting decision will be based on the individual circumstances presented for the risk.

Historical Properties were previously defined. We ask that the submissions for organizations include photographs, as they are generally available as part of the sales activity and this may allow us to waive or postpone an inspection of the property. If the property is secured from entry, we will allow the property to be vacant or as a property being held for sale for one policy term.

In the situation of rehabilitation or renovation, the application should include the FP-17 supplement and a detailed schedule for completion. This helps us determine the resources and commitment the owner has to the project and the approximate length of time we can expect to write the property under this situation. We will not provide coverage if the historical property is open to trespass, as this is our practice with all properties.

WIND-DRIVEN RAIN COVERAGE ENDORSEMENTS

This coverage extension applies only to Dwelling Windstorm or Hail Policies. The Dwelling Wind-Driven Rain Endorsement (WHD 201) was intended to parallel open peril property coverage forms that would have otherwise covered Wind-Driven Rain if the perils of Windstorm and Hail had not been excluded by the essential carrier.

For residential risks with the primary written on either the dwelling or homeowners form, it will be the responsibility of the producer to provide a copy of the form, which provided Wind-Driven Rain when it is written in a form other than an HO-3 or DP-3.

Wind-Driven Rain that would have otherwise been excluded by a mandatory separate endorsement rather than by an actual coverage form does not qualify for Wind-Driven Rain coverage through the Plan.

This coverage is not available for Commercial Lines.

DEDUCTIBLE REQUIREMENTS

FAIR PLAN RESIDENTIAL

A \$500 minimum deductible is required on all FAIR Plan residential properties.

The Association may impose a minimum \$1,000 all other peril deductible for any new or continued policy reflecting two or more non-weather related losses within a three-year period. The applicant/policyholder may request the Association to reconsider the required deductible after three years if no additional non-weather related losses have occurred.

The Plan reserves the right to require higher all other peril deductibles at the appropriate rate credits, where conditions warrant.

BEACH PLAN RESIDENTIAL

A minimum \$500 deductible for all perils applies, with exception to the windstorm and hail deductible that applies according to the following chart.

Amount of Building Coverage	Minimum Windstorm and Hail Deductible
Less than \$100,000	\$500
\$100,000 up to \$250,000	\$1,000
\$250,000 and above	\$2,000

The Association may impose a minimum \$1,000 all other peril deductible for any new or continued policy reflecting two or more non-weather related losses within a three-year period. The applicant/policyholder may request the Association to reconsider the required deductible after three years if no additional non-weather related losses have occurred.

***Note for windstorm and hail only policies there is not application of an all other peril deductible.**

FAIR PLAN COMMERCIAL

The following minimum deductible chart, based on combined limits of insurance.

Amount of Combined Coverage per Building	Minimum All Other Peril Deductible
Less than \$100,000	\$500
\$100,000 up to \$250,000	\$1,000
\$250,000 and above	\$2,500

The Association may impose a minimum \$2,500 all other peril deductible for any new or continued policy reflecting two or more non-weather related losses within a three year period. The applicant/policyholder may request the Association to reconsider the required deductible after three years if no additional non-weather related losses have occurred.

BEACH PLAN COMMERCIAL

A minimum \$1,000 deductible applies for all other perils, with the exception to the windstorm and hail deductible that applies according to the following chart.

Amount of Combined Coverage per Building	Minimum Windstorm and Hail Deductible Group II, Seacoast Territories II and III
Less than \$100,000	\$1,000
\$100,000 up to \$250,000	\$2,500
\$250,000 and above	\$5,000

The Association may impose a minimum \$2,500 all other peril deductible for any new or continued policy reflecting two or more non-weather related losses within a three year period. The applicant/policyholder may request the Association to reconsider the required deductible after three years if no additional non-weather related losses have occurred.

***Note for windstorm and hail only policies there is not application of an all other peril deductible**

SECTION IV

DEFINITIONS

DEFINITIONS

ACTUAL CASH VALUE:	An amount, which limits the company's payment to the actual cash value of an item at the time of loss or damage. Usually includes a deduction for depreciation.
APPROVAL NOTICE:	Notice sent to the producer/insured or applicant advising application has been accepted and premium is required to put coverage into effect.
APPLICANT:	A person who fills out and signs a written application for insurance. Insurable interest is required.
APPLICATION:	A questionnaire providing space for information to be used to determine the insurance coverage required, as well as the acceptability of the insurance risk and the amount of premium. A questionnaire, which must be filled in, when required by the person seeking insurance. It gives the company full information about the proposed subject of insurance and the person to be insured, for the purpose of determining whether the company will issue the policy. In some types of insurance, it becomes part of the policy.
APPRAISAL:	Determination of the value of property, or of the extent of damage, usually by impartial experts. Provided for by a clause in some types of insurance contracts.
ARSON:	The willful and malicious burning of, or attempt to burn, any structure or other property, often with criminal or fraudulent intent.
BASIC PERILS:	The perils of fire, extended coverage, vandalism and malicious mischief.
BEACH PLAN:	Property Insurance Plan specifically formed which offers coverage for personal and commercial properties located close to the coast. (Refer to The Plans In Detail for additional information.)
BROAD FORM PERILS:	Additional causes of loss beyond Fire, Extended Coverage and Vandalism. These additional causes of loss including breakage of glass, falling objects, weight of snow, ice or sleet, water damage and freezing of plumbing (refer to the policy for full details on each peril).
BURGLARY:	"Burglary" or "Burglary and larceny incident thereto" means the felonious abstraction of insured property from within the premises by a person making felonious entry.

CANCELLATION:	Termination of an insurance contract before the end of the policy period, by the insured or insurer, usually in accordance with provisions in the contract.
CATASTROPHE:	A sudden event, which causes a loss of an extraordinary amount. Most often associated with natural disasters, the term usually is used when there is concentrated or widespread damage.
CLAIM:	A demand by an individual or corporation to recover under a policy of insurance for loss arising out of events covered by the policy. Claims are referred to the insurance company for handling on behalf of the insured in accordance with the contract terms. A demand for payment under an insurance contract or bond. The estimated or actual amount of a loss.
COASTAL TERRITORY:	All areas of the State of North Carolina comprising the following counties: Beaufort, Brunswick, Camden, Carteret, Chowan, Craven, Currituck, Dare, Hyde, Jones, New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrrell and Washington. "Coastal Area" does not include the portions of these counties that lie within the beach area. This territory is part of the Beach Plan for Wind and Hail policies. Fire policies are written in the FAIR Plan for this territory.
COMMERCIAL LINES:	A general term used to refer to any type of insurance (property, etc.) purchased by businesses, organizations, institutions or other commercial establishments to protect risk associated with their operations.
CONFIRMATION:	Notice sent to the Producer/Insured advising application has been received and listing property for inspection and effective date if premium is submitted with application.
COINSURANCE:	A clause contained in some fire and burglary policies, requiring the insured to carry insurance equal to a stated percentage of the value of the insured property in order to collect the losses in full, up to the limits of the policy.
CONTINUATION:	The Association does not offer renewals. Each policy term requires approved re-application and the full premium payment for a policy to remain in effect.
CONCURRENT:	Insurance under two or more contracts, all the terms of which are as identical as possible, i.e. effective dates, limits, deductibles, etc.

CONDITIONS:	That portion of the insurance contract, which outlines the duties and responsibilities of both the insured and the insurer.
CONTRACT:	A legal agreement between two parties, for consideration. Insurance policies are contracts.
DECLARATIONS PAGE:	That portion of the insurance contract which contains such information as: name and address of the insured, description of the property, coverage and premium amounts.
DEDUCTIBLE:	An amount of a loss a policyholder agrees to pay, per claim or per accident, before an insurance policy provides coverage. The deductible amount can either be a fixed dollar, percentage of covered property value or combination of both, i.e., fixed for all perils except for a hurricane loss where a percentage deductible applies. The insurance provider normally reserves the right to decide the appropriate deductible for a particular risk.
DRAFT:	An instrument having the external characteristics of a check, but differing in that the bank is authorized to transfer check funds on presentation of the instrument. They may transfer draft funds only when the draft has been accepted by the drawer and acknowledged by acceptance of the instrument as valid.
ENDORSEMENT: (Amendatory Endorsement)	An amendment in writing (including printing stamping) added to and made a part of the insurance contract for the purpose of changing the original terms – to either restrict or expand coverage.
ESSENTIAL PROPERTY CARRIER:	A Member Company which writes coverage for all perils except wind. That policy is also called a wraparound policy, since it participates or wraps around the Beach Plan’s Windstorm and Hail policy. Non-admitted companies cannot be the wraparound carriers.
ESSENTIAL PROPERTY INSURANCE:	“Essential Property Insurance” means insurance against direct loss to property as defined in the standard statutory fire policy and extended coverage, vandalism and malicious mischief endorsements thereon, or their successor forms of coverage, as approved by the Commissioner.
EXPIRATION:	The date on which the insurance protection on a policy will end, e.g., coverage will cease on an annual policy at the end of 12 months from the effective date.

EXPIRATION NOTICE:	A form sent to the agency indicating that expiration of a policy is imminent. Often returned to the company by the producer as an order for Continuation of the Policy.
FAIR PLAN: (Fair Access to Insurance Requirements)	Property Insurance Plans, which make property insurance available to those risks who have difficulty obtaining coverage through the voluntary market, providing those properties complying with applicable minimum underwriting standards. Property insurers participate in each FAIR Plan according to their proportionate share of total voluntary market premiums written in that state.
FACSIMILIES: (Fax)	Faxed correspondence and signatures will be treated the same as normal correspondence. However, no coverage can be activated or rescinded by faxed notice of payment of premiums to the Association.
FIRE INSURANCE:	Coverage for losses caused by fire, lightning and the removal of property from endangered premises; in addition, resultant damages caused by smoke and water.
FRAUD:	Deception or strategy used to deceive or cheat including misrepresentation or concealment. Proof of willful fraud is grounds for voiding a policy.
HURRICANE:	A tropical storm marked by extremely low barometric pressure and circular winds with a velocity of 75 miles an hour or more. The hurricane's path begins in the ocean as a violent whirlwind with hurricane-force winds which cover thousands of square miles and moves over the warm water toward land.
INSPECTION:	The investigation of certain risks, which may be made by independent inspection firms or by a company before issuance or during the term of the policy.
INSURABLE INTEREST:	Relationship or condition such that loss or destruction of property would cause a financial loss. In the case of property insurance, such interest must exist at the time of the loss.
INSURING AGREEMENTS:	That portion of the insurance contract that states those perils insured against by the coverage afforded in the policy.
INTERIM ADJUSTMENT NOTICE:	A three-year policy annual premium notice requiring confirmation of occupancy and advising that premium payment is needed for policy to remain in effect.

INVESTIGATION:	The adjuster's activity in checking the manner in which damage occurred, securing the facts in connection with damaged property.
MANUAL OF RULES & PROCEDURES:	A book published for the guidance of its users. In it are specifications and rules governing the subjects covered.
MINIMUM PREMIUM:	The lowest amount of premium required to issue certain policies. Anything less than the minimum would not even cover the expense of handling the policy.
MISREPRESENTATION:	To make written or verbal statements that are untrue or misleading.
NON-ADMITTED COMPANY:	A Non-Admitted Company is an excess-surplus lines carrier not admitted in North Carolina. Non members of either Association cannot provide Wrap-Around Coverage for Windstorm and Hail policies in the Beach Plan. If on the North Carolina Department of Insurance's "NON-ADMITTED COMPANY LIST" of Non-Admitted Companies eligible for the placement of Surplus Lines Business, these companies can write Excess Insurance over either Association's Primary Commercial Coverages.
PERIL:	The potential cause of a loss. Perils include causes such as fire, wind, lightening, vandalism, smoke, etc.
POLICY:	A written contract of insurance between an insurer and the policyholder.
POLICYHOLDER:	A person who pays a premium to an insurance company in exchange for the insurance protection provided by a policy of insurance.
POWER OF ATTORNEY:	The written instrument by which the authority of one person to act in the place and stead of another as attorney in fact is set forth. Authority given a person or corporation called an attorney in fact, to act for and obligate another to a specified extent.
PREMIUM:	A sum of money paid for an insurance policy; the amount of money an insurer charges to provide coverage.
PRIMARY INSURANCE:	Provides the first layer of coverage. Excess insurance is written as an additional layer. The Association provides primary coverage for commercial property when the insured values exceed our maximum limits and an approved company will write the excess. Available for Basic, Broad or Windstorm and Hail Only policies.

PROOF OF LOSS:	A statement signed by the policyholder making formal claim against the company for damage to or loss of the property insured.
RATING BUREAU:	An organization, supported by insurers, which provides advisory, rating, statistical and other services. The bureau may also act as a collection point for actuarial data and to survey individual risks.
REINSTATEMENT:	Putting coverage back into effect after a lapse has occurred.
REPLACEMENT COST:	Coverage of household destruction up to the policy face value, with no deduction for depreciation.
RESIDUAL MARKET:	A type of insurance mechanism designed to assume risks that are generally unacceptable to the voluntary insurance market. Examples include assigned risk plans, property insurance plans and government insurance programs.
RESCISSION:	The rescinding of a Notice of Cancellation before its date of effect.
ROBBERY:	“Robbery” or “robbery, including observed theft” means the taking of insured property (1) by violence inflicted on an insured; (2) by putting him in fear of violence; (3) by any other overt felonious act committed in his presence and of which he was actually cognizant, provided such other act is not committed by an insured; or, (4) from the person or direct care and custody of an insured who has been killed or rendered unconscious.
SUBROGATION:	The substitution of one person in the place of another with reference to a lawful claim, demand or right. In the case of insurance, this principle or law has been incorporated in all policies. The insurance company, upon payment of a loss to the insured, is entitled to the insured’s legal and equitable rights against third parties. These rights are only those related to the loss and the company is only entitled to the extent of the loss payment.
TERM:	A period time for which a policy is issued.
UNDERWRITING:	The process of selecting risks for insurance and determining in what amounts and on what terms the insurance company will accept the risk.
VOIDING COVERAGE ABINITIO:	Policy coverage and conditions are made invalid back to the policy’s inception date. This action normally occurs when a material misrepresentation or concealment of important facts has occurred.

VOLUNTARY MARKET:

When a person seeking insurance selects an insurer and the insurer's underwriters decide to accept the application without the state's or residual markets involvement, the business is said to be written in the voluntary market.

WRAPAROUND POLICY:

A policy of insurance which excludes windstorm and hail damage. It "wraps around" the Beach Plan's Windstorm and Hail Policy. That policy must be written by an admitted carrier, which is a Member Company of the Association and participates in its profits and losses.

SECTION V

THE PLANS IN DETAIL

INTRODUCTION AND BACKGROUND

The FAIR Plan mechanism was established by the Urban Property Protection and Reinsurance Act of 1968. During the middle and late 1960's rioting and looting in many urban areas had resulted in million of dollars of property damage. The Act provided for essential insurance for property determined to be eligible when such insurance was not available through the voluntary market.

The North Carolina Joint Underwriting Association (FAIR Plan) has been formulated by the insurance industry pursuant to Article 46 of the General Statutes of North Carolina. The original purpose of the Plan was to provide a facility for the placement of essential property insurance in urban areas of the state; however, use of the Plans has been broadened to include all of the state, except the Beach Plan area, and to provide the same facility for other properties which meet the underwriting.

The North Carolina FAIR Plan is an association of the insurance companies authorized to write property insurance in North Carolina on a direct basis with the exception of town and county mutual insurance association and assessable mutual companies. The Plan of Operation is administered by a Board of Directors, subject to the approval by the Commissioner of Insurance. The Board, in turn, appoints a Manager to supervise the day-to-day operations of the Associations.

The primary purpose of the North Carolina Insurance Underwriting Association (Beach Plan) is to provide an adequate market for essential property insurance, necessary to the economic welfare of the beach area of the State of North Carolina. The principle

concern being the unwillingness of the standard markets to write coverage due to the catastrophic loss potential from hurricane occurrences. Without such insurance, the orderly growth and development of the beach area would be severely impeded. Adequate insurance upon property in this area is necessary to enable homeowners and commercial owners to obtain financing for the purchase and improvement of their property.

The plans are not a facility of the State. No Federal, State or local funds are used to support or subsidize the Plans. The overall operations of each Association are administered by separate Board of Directors of which, seven members are elected by the insurers and seven (four insurance agents and three public members) are nominated by the Commissioner of Insurance. The Board in turn appoints a Manager to administer the day-to-day operations of the Association. The administrative office is located in Cary, North Carolina.

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