

**North Carolina
Insurance Underwriting
Association
("NCIUA") or ("Association")**

Coastal Property Insurance Pool

Manual of Rules and Procedures



Table of Contents

MISSION STATEMENT	1
DISCLAIMER STATEMENT	2
INTRODUCTION AND BACKGROUND	3
PURPOSE OF THE ASSOCIATION	3
TERRITORY AREAS DEFINED.....	4
ANTI-ARSON ACTION PLAN	4
AUTHORITY OF AGENTS AND PRODUCERS	4
COASTAL PROPERTY INSURANCE POOL BINDER PROVISIONS.....	4
NAMED STORM PROCEDURES	5
ELIGIBILITY	5
ELIGIBLE APPLICANT	5
INELIGIBLE APPLICANT	6
ELIGIBLE PROPERTY.....	6
INELIGIBLE PROPERTY	6
UNDERWRITING STANDARDS.....	6
GENERAL	6
CRIME INSURANCE	8
VACANT, UNOCCUPIED OR PROPERTIES UNDERGOING RENOVATIONS.....	8
APPLICATIONS WHERE THE PROPERTY HAS UNREPAIRED DAMAGE.....	9
OTHER STRUCTURES IN POOR CONDITION.....	10
FRAUDULENT OR MATERIAL MISREPRESENTATION OR CONCEALMENT	10
COVERAGE(S) AVAILABLE.....	10
REPLACEMENT COST COVERAGE GUIDELINES	11
APPLYING FOR REPLACEMENT COST COVERAGE.....	11
BROAD PERILS POLICY WITHOUT REPLACEMENT COST COVERAGE GUIDELINES.....	12
STICK-BUILT HOMES AND MODULAR HOMES.....	12
MOBILE HOMES	12
MOBILE HOME GUIDELINES.....	12
TRAVEL TRAILER GUIDELINES	13
WINDSTORM AND HAIL POLICIES.....	13
WIND-DRIVEN RAIN COVERAGE	14
POLICY FORMS	14
POLICY WRITING AND POLICY PROVISIONS	14
RATES, RATING PLANS AND RATE RULES.....	14
EFFECTIVE DATE OF COVERAGE	15
NEW BUSINESS SIGNATURE REQUIREMENTS.....	15
NEW BUSINESS PHOTOGRAPH REQUIREMENTS	15

Edition 10 20

DOI Approved effective 03.01.2021

NCPC-132540133

MAXIMUM LIMITS OF LIABILITY	15
VALUATION OF PROPERTY	16
PRIMARY/EXCESS PROCEDURE.....	16
COINSURANCE	16
DEDUCTIBLES	16
SHORT TERM POLICIES GUIDELINES.....	17
PAYMENT OF POLICY PREMIUMS.....	17
RETURN PREMIUM POLICYHOLDER BILLED.....	17
COMMISSIONS	18
RETURNED PAYMENT.....	18
CONTINUATION OF COVERAGE (RENEWAL) DECLARATION.....	18
POLICY ASSIGNMENT	18
CHANGE OF PRODUCER OF RECORD	18
POLICY CHANGES.....	19
ADDING OR CHANGING A LOCATION TO AN EXISITING POLICY	19
INSPECTION OF PROPERTY INSURED.....	19
CANCELLATION OF POLICIES	21
APPEALS.....	21
PUBLIC RELATIONS AND SPEAKERS	22
SUPPLEMENTAL COMMERCIAL UNDERWRITING PROCEDURES	23
CONDOMINIUM ASSOCIATION – PROCEDURES AND REQUIRED APPLICATIONS.....	24
MANUFACTURING RISKS	24
APPROPRIATE CLASSES OF MANUFACTURING RISKS.....	24
MANUFACTURING RISKS UNDERWRITING GENERAL RULES.....	24
BUSINESS INCOME UNDERWRITING GUIDELINES	24
OPEN SIDED STRUCTURE DEFINITION.....	25
ORDINANCE OR LAW COVERAGE	25
HOMEOWNER UNDERWRITING GUIDELINES	26
HOMEOWNER POLICY FORMS WRITTEN	27
NAMED INSURED REQUIREMENT	27
HO 00 03, HO 00 02, HO 00 08, and HO 00 06	27
HO 00 04	27
APPLICATION REQUIREMENT	27
BASIC POLICY LIMITS.....	27
HO 00 02 AND HO 00 03.....	27
HO 00 08 ACV HO0481 Loss Settlement-ACV.....	27
HO 00 04.....	27
HO 00 06.....	28
ALL FORMS.....	28

RESIDENCY REQUIREMENT	28
CONSTRUCTION REQUIREMENT	28
INSURANCE TO VALUE REQUIREMENTS.....	28
HO 00 02.....	28
HO 00 03.....	28
HO 00 08.....	28
AGE OF HOME REQUIREMENTS.....	28
HO 00 02 AND HO 00 03.....	28
HO 00 08.....	28
HO 00 02, HO 00 03 and HO 00 08	29
HISTORIC HOMES.....	29
PROXIMITY TO TIDAL WATERS.....	29
OCCUPANCY REQUIREMENTS	29
GENERAL RULES OF CONDITION.....	29
GENERAL RULES REGARDING LIABILITY COVERAGES	29
STANDARD AND OPTIONAL ENDORSEMENT OFFERED.....	30
INCIDENTAL FARMING EXPOSURE	30
BUILDERS RISK.....	30
INCIDENTAL OFFICE EXPOSURE	30
GOLF CARTS AND OTHER MISCELLANEOUS LAND CONVEYANCES	31
BUSINESS PURSUITS	31
APPLICATION PROCESS.....	32
ONLINE APPLICATIONS - PREFERRED METHOD	33
MANUAL APPLICATIONS	33
THE FOLLOWING BASIC AND SUPPLEMENTAL APPLICATIONS ARE AVAILABLE:.....	33
ASSOCIATION SPECIFIC APPLICATIONS AVAILABLE	33
ACORD APPLICATIONS.....	33
CRIME APPLICATIONS	33
TAKE OUT PROGRAM	34
PURPOSE OF PROGRAM	35
PROGRAM PARAMETERS	35
COMMITMENT FORM.....	35

MISSION STATEMENT

The North Carolina Insurance Underwriting Association, also known as the Coastal Property Insurance Pool, is a tax-exempt association of insurance companies authorized to write and engage in writing essential property insurance coverage in North Carolina. The Association was created by law to act as a market of last resort to provide adequate essential property insurance to property owners having insurable property in the Beach and Coastal Areas of North Carolina.

DISCLAIMER STATEMENT

This Manual provides information regarding Association procedures and general information about the Association.

While the Association follows the procedures described in this Manual, the procedures are subject to change. The Association reserves the right to modify, revoke, suspend, terminate or change any or all procedures and applications described in this Manual, in whole or in part, with the approval of the North Carolina Department of Insurance. In the event of a conflict between this Manual and the Association's Plan of Operation, the applicable provisions in the Plan of Operation shall govern.

The language used in this Manual is not intended to create, nor may it be construed as, a contract between the Association and any Insurance Agent, Producer, Broker, Applicant, Insured, or any Agent or Legal Representative acting on their behalf.

INTRODUCTION AND BACKGROUND

The NCIUA was created in 1969 pursuant to Article 45 of the North Carolina Insurance Law (Chapter 58 of the North Carolina General Statutes) to provide adequate essential property insurance, as a market of last resort, for risks located on the North Carolina barrier islands along the Atlantic Ocean. Originally, the NCIUA was created to cover only the North Carolina barrier islands. In 1998, the North Carolina General Assembly expanded the NCIUA's geographic reach to include 18 designated coastal counties for "Windstorm/Hail Only" insurance coverage. Effective July 1, 2003, the NCIUA began writing both primary residence Homeowners multi-peril policies and following form Homeowners "Windstorm/Hail Only" policies in the designated 18 coastal counties.

The NCIUA provides insurance for essential property, fire, extended coverage, additional extended coverage, optional perils coverage, vandalism, malicious mischief and crime, and separate coverage of windstorm and hail.

The NCIUA is not an agency or facility of the State of North Carolina, but is subject to review, oversight and approval by the North Carolina Commissioner of Insurance.

The Board of Directors for the NCIUA includes seven (7) Member Insurers, four (4) Agent Directors and three (3) Public Directors. All insurance carriers licensed to write and engaged in writing essential property insurance in North Carolina that are members of the Association elect the seven (7) Member Insurers who serve on the Board on an annual basis. Each Member Insurer elected to the Board designates an individual (and, in some cases, an alternate) to represent that Member Insurer on the Board. The North Carolina Commissioner of Insurance appoints the Agent Directors and Public Directors, as well as their alternates.

PURPOSE OF THE ASSOCIATION

The primary purposes of the Association, as stated in North Carolina General Statute 58-45-1, are:

- To provide an adequate market for Fire, Extended Coverage and Vandalism and Malicious Mischief Insurance ("Essential Property Insurance") that is necessary to the economic welfare of the Beach and Coastal Areas in order to ensure their orderly growth and development;
- To provide adequate insurance upon property in the Beach and Coastal Areas as necessary to enable homeowners and commercial owners to obtain financing for the purchase and improvement of their property;
- To provide an equitable method whereby every licensed insurer writing Essential Property Insurance in North Carolina is required to meet its public responsibility rather than shifting the burden to a few willing and public-spirited insurers;
- To provide a mandatory Plan that will assure an adequate market for the other insurance coverages described in Article 45 of the North Carolina Insurance Law in the Beach and Coastal Areas, in order to fulfill the purposes provided in G.S. 58-45-1;
- To have the market provided by the Association not be the first market of choice, but the market of last resort.

TERRITORY AREAS DEFINED

Beach Area:

All of that area of the State of North Carolina south and east of the inland waterway from the South Carolina line to Fort Macon (Beaufort Inlet); thence south and east of Core, Pamlico, Roanoke and Currituck sound to the Virginia line, being those portions of land general known as the "Outer Banks, all as specified in G.S. 58-45-5(2).

Coastal Area:

All of that area 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, except that "Coastal Area" does not include the portions of these counties that lie within the Beach Area, all as specified in G.S. 58-45-5(2b).

ANTI-ARSON ACTION PLAN

The Association has adopted, and the Department of Insurance has approved an Anti-Arson Action Plan to discourage arson. The adoption of the Plan has required the introduction of additional restrictions in the acceptability standards, amendments in policy cancellation procedures and the requirement that applications be signed by the property owner or designated representative. All Producers are urged to cooperate in the Association's efforts to curtail arson activity.

AUTHORITY OF AGENTS AND PRODUCERS

The Association does not have its own agents or producers. The use of the term "Agent" or "Producer" in this Manual does not indicate any relationship, express, implied or apparent between the Association and any individual or entity. In that regard:

- "An Agent who is licensed under Article 33 of [the North Carolina Insurance Law] as an Agent of a company which is a Member of the Association ... shall not be deemed an Agent of the Association." G.S. 58-45-35(d);
- Limited authority is granted for assignment of losses per the Catastrophe Claims Section at www.ncjua-nciua.org;
- Payment of commission for business placed with the Association is established by the Association's Board of Directors and approved by the Department of Insurance;
- The Association will recognize the ownership and confidentiality of any continuation (renewal).

COASTAL PROPERTY INSURANCE POOL BINDER PROVISIONS

An Agent who is licensed under Article 33 of Chapter 58 as an Agent of an insurance company which is a member of the Association shall not be deemed an agent of the Association. The foregoing notwithstanding, a licensed Agent of a company that is a member of the Association may grant temporary binding coverage to an Applicant only as provided in G.S. 58-45-35(d) and G.S. 58-45-36.

To initiate binding authority, the Producer must accept an online Web application with policy number assignment or issue a temporary ACORD binder of insurance. The duration of ACORD

binder may last no longer than 12:01am EST on the thirtieth (30) day from the effective date of binder. In addition, the following criteria must be met:

- Collect estimated policy premium from Applicant. Binder of coverage cannot be initiated prior to the date and time the payment is collected by the Producer from the Applicant;
- Copy of the ACORD binder must be sent by email or fax to the Association within 24 hours of executed binder date, unless the Web method was utilized for binder provision;
- Complete Association application requirements, including required photographs (see New Business Photograph Requirements). The application, including copy of binder and premium, must be received by the Association within five (5) business days of effective date of binder, unless the Web method was utilized for binder provision;
- Applicant and risk must meet the published underwriting guidelines; vacant buildings and unoccupied buildings, with the exception of real estate closings with intent to occupy, may not be bound;
- Dwelling Fire or Commercial Fire coverages (basic and broad form policies) are not written for any risks located in the Coastal Area by the Association;
- Homeowner's coverage written by the Association in the Beach and Coastal Areas is subject to underwriting guidelines;
- For Farm properties, Windstorm and Hail in the Coastal Area is the only coverage that may be bound;
- Fire coverage on commercial manufacturing over 10,000 square feet is not allowed; however, these risks may be bound for Windstorm and Hail coverage only over the Member Company's policy;

The Association will issue a policy as bound covering risks that meet Association underwriting eligibility and standards. If during the underwriting process a risk requires a reduction in coverage or a risk does not meet eligibility criteria, the Association will generate and send the proper notice to the Applicant allowing at least fifteen (15) days advance notification prior to processing the endorsement or cancellation of the policy. Unearned premium will be calculated in accordance with the rules of the applicable rating organization having jurisdiction.

NAMED STORM PROCEDURES

No new or increased coverage shall be bound or accepted after 12:01 A.M. on the day immediately following any day when the center of a Named Storm is located within Longitudes 60° West and 90° West, and Latitudes 11.5° North and 37° North.

If active watches or warnings are not posted for North Carolina and the National Hurricane Center or other agency or division of the National Weather Service has clearly outlined a projected path for the Named Storm away from North Carolina, the General Manager in his or her discretion may not impose or may lift these restrictions prior to the Named Storm leaving the designated coordinates. Any such lifting or expiration of these restrictions will be announced publicly by the Association on its website or otherwise.

ELIGIBILITY

ELIGIBLE APPLICANT

Any individual, partnership, corporation, association, joint venture, holding company, fictitious entity or estate having an insurable interest in any real or tangible personal property at a fixed location in this State, may apply for coverage in the Association. (See Eligible Property)

Any officer of a corporation or holding company may apply for coverage in the Association. The application must be signed by the officer and show his/her designated title. A completed corporate questionnaire providing the names of the company's principal officers must be provided at time of application.

Principal(s) of an association, joint venture or fictitious entity may apply for coverage. The application must be signed by the principal(s) or his/her designee.

Mortgagees and loss payees may apply for coverage on behalf of a property owner but the application must be signed by the property owner. Unusual situations may arise from time to time, which should be resolved by the Association staff.

The legal representative(s) of an estate may apply on behalf of the estate.

INELIGIBLE APPLICANT

Any person who has been convicted of or has an outstanding indictment for the crime of arson or any crime involving a purpose to defraud an insurance company is ineligible to obtain insurance from the Association.

ELIGIBLE PROPERTY

To be eligible for insurance coverage by the Association, the property must meet the following minimum qualifications:

- Be located within the Beach Area or Coastal Area;
- Be real or tangible personal property (other than ineligible property) at a fixed location in an eligible area of North Carolina;
- Meet all applicable underwriting standards of the Association and be in an insurable condition, pursuant to criteria specified in this Manual, the Association's Plan of Operation and the North Carolina Insurance Law.

INELIGIBLE PROPERTY

The following properties are ineligible for insurance coverage:

- Motor Vehicles;
- Farm Property (Beach Area).

UNDERWRITING STANDARDS

GENERAL

In addition to meeting the Association's eligibility requirements, Applicants and properties must meet reasonable underwriting standards for consideration. These standards include, but are not limited to, an analysis or examination of the following:

- The amount of insurance requested bears a reasonable relationship to the actual cash value (or replacement cost, if written on a replacement cost basis) of the property involved, as determined by the Association;
- Physical condition of the property, such as its construction, heating, wiring, evidence of previous fires, unrepaired damage, housekeeping, improper storage of rubbish or flammable materials or general deterioration; the fact that a property does not fully comply with building code requirements would not, in and of itself, cause rejection;

- Present use of the property, such as extended vacancy or unoccupancy [vacant or unoccupied in excess of sixty (60) days] and over-crowding;
- Use of the premises or other specific characteristics of ownership, condition, occupancy or maintenance that violate law or public policy, or that result in significantly increased exposure to loss;
- Unfavorable loss history may result in change in deductible, change in policy form, or declination of coverage;
- Windstorm and Hail policies require an active Essential Policy written by a Member Company. Failure to maintain an active Essential Policy is grounds for cancellation of the Windstorm and Hail policy written by the Association;
- Other such standards approved by the Commissioner of Insurance, which include but are not limited to the following as a basis for rejection of the risk:
 - An outstanding order to vacate the premises is in effect because of the physical condition of the building(s);
 - The property has been ordered for demolition because of the physical condition of the building(s);
 - The property has been declared unsafe under applicable law;
 - The owner or occupant has been convicted or under indictment for incendiarism against any property;
 - 65% or more of the rental units are unoccupied;
 - Unrepaired damage after a reasonable period of time has expired, which would have permitted repairs to have been completed.
 - Any indication of intent to abandon the building(s);
 - The inability to explain satisfactorily the reason for removal of salvageable items from building(s);
 - Reliable information exists that the building will be intentionally burned;
 - Conviction or indictment of any person, having a financial interest in the property, for the purpose of attempting to defraud an insurance company;
 - Failure to remit required underwriting information;
 - Two or more of the following conditions exist:
 - Failure to pay real estate taxes on the property after taxes have been delinquent for one (1) year or more; however, for this purpose real estate taxes shall not be deemed to be delinquent if they are due and constitute a lien, so long as a grace period without penalty remains;
 - Tax liens for unpaid taxes of any kind; however, for this purpose real estate taxes shall not be considered delinquent regardless of whether they are due and constitute a lien, so long as a grace period without penalty remains;
 - Failure within the Insured's control, to furnish heat, water or electric service for thirty (30) consecutive days or more;
 - Failure to correct conditions dangerous to life, health or safety within a reasonable time after being made known to the property owner.

The Association has a statutory obligation to provide an adequate market of last resort for essential property Insurance in the Beach Area and Coastal Area. In determining the eligibility of any property, it is not the intent of the Association to decline any property that can become a viable part of the community. In its discretion, the Association may from time to time, subject to Association underwriting standards outlined above, provide insurance coverage while the property owner is actively improving the property. The reason for declining an application must be relevant to the perils against which insurance is sought.

A risk will not be declined due to the condition of the neighborhood, area, location, adjoining properties or any environmental hazard beyond the control of the Insured.

In the event that a risk is conditionally declined due to failure to meet underwriting standards but has the potential to become acceptable, the Association will advise the Applicant and Producer of Record of the improvements required for acceptance. Upon completion of the improvements, the Association will confirm eligibility and issue a policy for the Applicant.

If an inspection of the property reveals the presence of one or more substandard conditions, the risk may be accepted subject to a schedule of condition charges approved for use by the Association. If the substandard condition is corrected, the rate, upon verification of correction to the substandard condition, will be adjusted.

If a risk is declined or if coverage is provided on a condition that improvements will be made, the Association shall, upon request, send copies of the inspection report and any action report advising the corrections that must be made to the Applicant and Producer of Record and shall advise the property owner of his right of appeal and the procedure to be followed.

CRIME INSURANCE

Residential Crime Insurance will be provided in \$1,000 increments, not to exceed \$10,000 in the aggregate. The Residential Crime Insurance Policy shall provide coverage for burglary, larceny, and robbery.

Commercial Crime Insurance Coverages offered shall be burglary only; robbery only; or a combination of burglary and robbery in \$1,000 increments, up to a maximum of \$15,000 in the aggregate.

Applicants must submit a signed completed application to be considered for Crime Coverage. The application will set forth minimum protective device requirements that must be met for eligibility. The signed application will become a part of the policy contract.

The Insured must notify local law enforcement authorities and the Association, immediately after discovery of a loss.

VACANT, UNOCCUPIED OR PROPERTIES UNDERGOING RENOVATIONS

Properties that are vacant or unoccupied for more than sixty (60) days are generally not eligible for coverage from the Association.

Legitimate extenuating circumstances that may be considered for coverage are:

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

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 or unoccupancy are required at time of application.

Each risk will be underwritten on its own merits, and the Association may request supplemental applications or information to evaluate the risk. In any event, however, the Association expects occupancy within sixty (60) days of ownership, date of last tenant, or completion of renovation, rehabilitation, or original construction, unless the property has received an Underwriting exception for extenuating circumstances. Long-term renovations should not exceed six (6) months with occupancy within sixty (60) days of completion.

If a vacancy hazard exists, the Association usually requires a twenty (20) day waiting period, no vandalism coverage, and a higher deductible. Policy surcharges may be applied for the vacancy hazard. The property must be secured from unauthorized entry.

The Association 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 required payment and photographs of the property.

With the exception of historical properties, the Association generally will not continue (renew) for an additional term a policy covering a property that was vacant or unoccupied when it was originally submitted. If extenuating circumstances exist, information may be submitted to the Association at the time of continuation, and an underwriting evaluation of the risk and hazards presented will be conducted.

Historical property submissions for organizations must include photographs. If the property is secured from entry, the Association may allow the property to be vacant or held for sale for one policy term as an exception.

For properties being rehabilitated or renovated, the application must include a detailed schedule for completion. This schedule enables the Association to determine when occupancy can be expected. The Association does not provide coverage for properties that are not secure and are open to trespass.

APPLICATIONS WHERE THE PROPERTY HAS UNREPAIRED DAMAGE

The Association generally will decline any application where there is unrepaired damage and the property is not in the process of being repaired.

If the property, with damage, is vacant or unoccupied, but is being repaired, the guidelines outlined in Vacant/Unoccupied or Properties Undergoing Renovations apply.

For properties undergoing repairs and otherwise eligible, we may apply a twenty (20) day waiting period and may list the property for inspection.

The Association may void from inception (ab initio) any coverage on a property where the Association receives an inspection report showing unrepaired damage and the application did not show any such damage.

OTHER STRUCTURES IN POOR CONDITION

The dwelling policy provides a 10% extension of Coverage A for other structures on the Insured premises.

If these structures are in poor or uninsurable condition, they affect the acceptability of the risk. The Association may ask that these structures be demolished or excluded within the policy for coverage to be continued with the Association on the primary residence.

FRAUDULENT OR MATERIAL MISREPRESENTATION OR CONCEALMENT

Any fraudulent or material misrepresentation or concealment of a material fact or circumstance on the application and supplements may void the policy ab initio (back to inception).

COVERAGE(S) AVAILABLE

The Association provides essential insurance coverage against direct physical loss. Please refer to specific policy forms for coverage information. The Association also provides Crime Coverage in accordance with G.S. 58-45-5(3a).

Beach Area Only

- Dwelling Fire Basic Form DP 00 01, with options for
 - Extended Coverage
 - Vandalism
- Dwelling Fire Broad Form DP 00 02, with options for
 - Replacement Cost
 - Actual Cash Value DP 04 76
- Commercial Fire Standard Property CP 00 99, with options for
 - Extended Coverage
 - Replacement Cost
 - Broad Perils PF 10 02
- Crime Policies
 - Residential
 - Commercial

Beach Area and Coastal Area

- Homeowners
 - Broad Form HO 00 02
 - Special Form HO 00 03
 - Tenants Form HO 00 04
 - Unit Owners Form HO 00 06
 - Modified Coverage Form HO 00 08
- Homeowners Windstorm or Hail
- Dwelling Windstorm or Hail
- Commercial Windstorm or Hail

REPLACEMENT COST COVERAGE GUIDELINES

The following guidelines for eligibility and application apply generally with respect to risks for which Replacement Cost Coverage is requested. If applications for Windstorm and Hail show that the "Essential" coverage is at Replacement Cost, the Windstorm and Hail policy may be written at Replacement Cost.

Producer must inspect the property before submitting the Application in order to determine eligibility.

Replacement Cost Coverage is available only for Building and Other Structures. It is:

- Not available on properties with existing substandard conditions;
- Not available on vacant and/or unoccupied properties;
- Not available on mobile homes unless the mobile home is owner-occupied and affixed to a permanent foundation. Applicant must provide sufficient proof with the application for coverage that the mobile home can be classified as real property.

Coverage must be for at least 80% of replacement cost. The Association suggests that all Applicants carry 100% of replacement cost.

If a building is more than twenty (20) years old, it must be in good physical condition. Verification of maintenance to the building systems may be requested by the Association.

APPLYING FOR REPLACEMENT COST COVERAGE

Online users do not need to submit the AP42 form as the applicable replacement cost questions are programmed in the web application. An AP-42 form, Application for Replacement Cost Coverage, is required for all Association's paper applications requesting Replacement Cost Coverage. The AP-42 form is required only at the initial request for Replacement Cost Coverage.

The 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.

In addition:

- Building(s) must comply with North Carolina Building Codes;
- Replacement cost coverage will be effective by attachment to the policy endorsement PF 04 20, for commercial properties, and use of the form DP 00 02 for dwelling properties.

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

The following guidelines for eligibility apply to those risks that are not eligible under the Replacement Cost Coverage Guidelines in order to allow Broad Form coverage perils. The Actual Cash Value Loss Settlement Endorsement DP 04 76 will be added to the DP 00 02 policy form for eligible risks.

STICK-BUILT HOMES AND MODULAR HOMES

Stick-built homes and modular homes qualifying for DP 00 02 (Broad Form) with DP 04 76 must meet the following criteria; alternatively, coverage will be written on a DP 00 01 (Basic Form):

- The property cannot reflect any substandard conditions requiring surcharges;
- Vacant and/or unoccupied properties or unoccupied properties undergoing renovations do not qualify.

Alternatively, coverage will be written on a DP 00 01 (Basic Form). Request for Endorsement DP 04 76, not qualifying as outlined, may be submitted to the Association for consideration.

MOBILE HOMES

Mobile homes qualifying for Endorsement DP 00 02 (Broad Form) with DP 04 76 must meet the following criteria:

- Same requirements indicated for Stick Built Homes;
- Must be skirted and properly secured, meeting all set-up and tie-down requirements of the county and/or municipal government where located.
- If a structure is more than twenty (20) years old, it must be in good physical condition. Verification of maintenance to building systems may be requested by the Association.

Alternatively, coverage will be written on a DP 00 01 (Basic Form). Request for Endorsement DP 04 76, not qualifying as outlined, may be submitted to the Association for consideration.

MOBILE HOME GUIDELINES

A mobile home is a structure “which in the traveling mode is eight (8) body feet or more in width, or forty (40) body feet or more in length, or, when erected on site, is three-hundred-twenty (320) or more square feet; and, which is built on a permanent chassis and designed to be used as a dwelling, with or without permanent foundation when connected to the required utilities, including plumbing, heating, air conditioning and electrical systems contained therein.” This definition applies to all mobile homes built after June 15, 1976. Mobile homes built before that date but after July 1, 1970, must measure over thirty-two (32) feet in length and over eight (8) feet in width.

To be eligible for coverage from the Association, mobile homes must be tied-down, all wheels removed, located on a foundation, and have continuous skirting around the outside perimeter. They also must adhere to State of North Carolina Regulations for Mobile Homes, including requirements for tie-downs and anchoring of tie-downs. All mobile homes located in the Beach or Coastal Areas must meet any applicable Wind Zone requirements found on the North Carolina Department of Insurance website.

Mobile homes not meeting standards will be declined until the condition is corrected, or if the condition causing the non-compliance is minor in scope, the mobile home will be insured with

sub-standard condition charges applied. Mobile homes meeting Association underwriting standards for fire insurance, but not for the extended coverage endorsement, may be covered for fire only.

TRAVEL TRAILER GUIDELINES

Travel Trailers located in the Beach Area may qualify for property coverage through the Association. The Travel Trailer Special Conditions Endorsement (TT0010) will apply to policies covering travel trailers written in the Association.

- Travel trailers must be at least 8 x 24 (192 square feet inside);
- The Applicant must certify that the travel trailer will be properly set-up and tied-down while at a fixed location;
- 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;
- DP-1 (Basic) Form and only the Perils of Fire and Extended Coverage are available for travel trailers written by the Association.

Request for coverage not qualifying may be submitted to the Association for consideration as an exception.

WINDSTORM AND HAIL POLICIES

Windstorm and Hail Only coverage is available for properties located in the Beach and Coastal Areas only for risks for which essential property insurance has been written by a licensed, admitted Insurance Carrier. The Wind/Hail policy must be written as the same coverage type as the essential carrier. Application for coverage must be submitted by a Producer (Agent) selected by the Policyholder.

Rates for this coverage are filed by the Association for approval by the Commissioner of Insurance per North Carolina General Statute 58-45-45(b). These rates are based upon the legally approved windstorm and hail exclusion credit for dwelling policies, the wind and hail rate for homeowner policies, and the ISO Group II rates for commercial policies.

The underlying Essential Property Coverage policy and the Association Windstorm and Hail policy must be written with policy terms that are as concurrent as possible subject to coverage, limits and forms filed and approved for use by the Association. The Windstorm and Hail policy will be written at Replacement Cost, if the Essential Property Coverage is written at Replacement Cost.

The Association must be notified of any policy conditions on the Essential Property Coverage that are different or unusual. The Association will allow the same credits for higher deductibles and coinsurance as indicated on the policy, provided they are within the limits approved for use by the Association. A Commercial Windstorm and Hail policy may be written when the "wrap around" coverage is provided by a Member Company under a Commercial Inland Marine Policy for Builder's Risk Coverage.

WIND-DRIVEN RAIN COVERAGE

Wind-driven rain coverage is only provided as follows:

- Dwelling Windstorm and Hail with endorsement WH D2 01 (Member Company has essential coverage as Special Form DP 00 03 or MH 00 03; there is no wind driven rain coverage for Other Structures or personal property (Contents))
 - Building Coverage Only
- Homeowner Special Forms HO 00 03 and HO 00 06 with HO 32 34 endorsement
 - Building and Other Structures Only (there is no wind driven rain coverage for personal property (Contents))
- Homeowner Windstorm and Hail Special Forms HW 00 03 and HW 00 06 with HW 32 34 endorsement
 - Building and Other Structures Coverage Only (there is no wind driven coverage for personal property (Contents))

Other residential and commercial forms do not provide this coverage.

POLICY FORMS

Policy forms applicable to insurance written by the Association shall be in accordance with the most recent forms that are legally in effect in North Carolina. The Association shall file forms for Windstorm and Hail policies with the Commissioner of Insurance.

POLICY WRITING AND POLICY PROVISIONS

A separate policy may be issued for each location meeting the eligibility requirements of the Association, or schedule coverage may be written, provided all schedule locations meet the applicable Eligibility requirements. The Association does not provide Blanket Coverage.

“Location” shall be defined as any building or structure separately rated by the North Carolina Rate Bureau or such other Rating Organization(s) having applicable jurisdiction. Mortgagee copies of Association policies will be sent directly to the Mortgagee.

Policies generally are written for one-year terms, with continuation (renewal) coverage ordinarily provided and billed to the Policyholder or Mortgagee effective on the anniversary date of policy inception.

RATES, RATING PLANS AND RATE RULES

The rates, rating plans, and rating rules applicable to the insurance written by the Association, shall be in accordance with the most recent manual rates or adjusted loss costs effective in North Carolina. No special surcharge, other than those authorized by statute or approved by the Commissioner of Insurance, may be applied to the property insurance rates for properties located in the State.

The Association follows the rates, rating plans, and rating rules as provided by the North Carolina Rate Bureau for Residential risks and by the ISO (as approved by the Department of Insurance) for Commercial risks.

The rating plans and rating rules for the separate policies of Windstorm and Hail insurance provided by the Association shall be filed with the Commissioner of Insurance.

Edition 10 20

DOI Approved effective 03.01.2021

NCPC-132540133

EFFECTIVE DATE OF COVERAGE

Approved Online applications are effective at 12:01 AM on the day of transmission, unless a later date is selected by the Applicant.

Approved paper applications will be effective at 12:01 AM on the day immediately following the "Post Office" postmark date on the envelope in which the properly completed application and appropriate premium is mailed to the Association, unless a later date is selected by the Applicant.

Applications mailed by office postal meters will be effective at 12:01 AM on the date a properly completed application and premium are received in the Association's office.

Hard copy applications received by hand delivery or other similar means will be effective at 12:01 AM on the date immediately following the day the properly completed application and premium are received at the office of the Association.

NEW BUSINESS SIGNATURE REQUIREMENTS

The Named Insured or their authorized representative is required to sign applications for coverage.

Full peril homeowners require signatures from the Named Insured.

NEW BUSINESS PHOTOGRAPH REQUIREMENTS

Photographs are required for all structures requested to be insured by the Association. Photographs may be submitted online and should be in color and of such quality to show detailed features of the front and back of the building or structure to be insured, including any unusual characteristics or hazards of the building or structure.

Policies will be cancelled by the Association for failure to provide the photographs within thirty (30) days of submission as a requirement for application of coverage.

MAXIMUM LIMITS OF LIABILITY

The maximum limit for any one risk shall not exceed:

Dwelling, Dwelling Wind, Homeowner and Homeowner Wind:	\$750,000 per building and personal property (contents) up to 40% of the building limit.
--	--

Commercial:	\$3,000,000
-------------	-------------

§ 58-45-41(a) Coverage limits.

Insurance issued by the Association for commercial property shall not exceed three million dollars (\$3,000,000) on any freestanding structure or any building unit within multiple firewall divisions, provided the aggregate insurance on structures with multiple firewall divisions shall not exceed six million dollars (\$6,000,000) on all interest at one risk.

Business Income: \$500,000 per location per policy with a monthly limit of 1/6, 1/4 or 1/3.

Edition 10 20

DOI Approved effective 03.01.2021

NCPC-132540133

Crime:	Residential	\$10,000
	Commercial	\$15,000

VALUATION OF PROPERTY

The Association will accept any industry standard evaluation product submitted at the time of application to justify requested building values for replacement cost or actual cash value. The Underwriting Department will review these for accuracy. Any substantial variation will be communicated to the Producer of Record and Applicant. Such a substantial variation may result in a change in the policy coverage amount, a change in the type of coverage provided (i.e. replacement cost versus actual cash value), a change in policy premium or a rejection of the application pending further information to support the requested coverage amount. Any such action will be communicated to the Producer of Record and Applicant.

PRIMARY/EXCESS PROCEDURE

If the value of the property exceeds the maximum coverage limits offered by the Association, the Association will not issue coverage without confirmation that the Insured has purchased excess coverage to the full value of the property insured. The Association's policy must be written at the maximum limits allowed by the Plan of Operation or Statute. The Association will allow thirty (30) days for proof of excess coverage to be provided but will void any policy ab initio (back to inception) for material misrepresentation if such coverage is not so obtained and adequate proof of coverage provided.

For habitational risks, the premium percentage "First Loss Table" located in the Dwelling and Homeowner manuals apply. On Commercial properties, the "Lloyd's Table" is used to determine the premium for primary coverage. The Association does not provide deductible buy back coverage.

All Insurance Companies licensed to provide property insurance in North Carolina are approved by the North Carolina Department of Insurance to participate. In addition, all Non-Admitted Companies eligible for placement of surplus lines business in North Carolina are also authorized to participate.

COINSURANCE

Where there is a coinsurance rate available, the insurance must be written subject to the coinsurance clause. However, where conditions warrant, higher percentages of coinsurance may be used as provided in the ISO Commercial Lines Manual.

DEDUCTIBLES

NCIUA Residential Minimum Deductible Requirement
 \$500 for All Other Peril with a 1% Named Storm Deductible

Full Peril Residential policies may use all North Carolina Manual Deductible Options.

Residential Windstorm and Hail Only policies are limited to:

- North Carolina Manual Flat Deductible Options; or

- North Carolina Manual Named Storm Percentage Deductible Options

NCIUA Commercial Minimum Deductible Requirement
\$500 for All Other Peril with a 1% Named Storm Deductible

Commercial Policies are limited to:

- Named Storm Percentage Deductible Options; or
- Windstorm and Hail Percentage Deductible Options

SHORT TERM POLICIES GUIDELINES

Short term policies are issued only under special circumstances and only with underwriting approval. For example, an Insured may be required to obtain a common anniversary date for all insurance policies to obtain premium financing. In this circumstance, the Underwriter would verify the effective dates of policies and the premium finance requirement.

PAYMENT OF POLICY PREMIUMS

Premiums can be paid by any of the methods below:

- Check or money order sent through mail services
- Online bill payments or electronic payments initiated through policyholder's banking website
- Debit card or credit card via the Association's website www.ncjua-nciua.org or over the phone through an Interactive Voice Response system (IVR) by calling the Association's main telephone number
- Electronic checks over the phone through an Interactive Voice Response (IVR) by calling the Association's main telephone number
- By Producers using the online ACH process (for initial payment on new applications only)

Payment must be received by the Association before coverage can become effective or continued. Various payment options are available through the Association. There is a \$3.00 charge per installment.

RETURN PREMIUM POLICYHOLDER BILLED

Should a return premium become due to an endorsement or policy cancellation, the Association will remit payment to the policyholder.

The following guidelines apply to Dwelling Windstorm or Hail, Homeowners Windstorm or Hail and Commercial Windstorm or Hail Policies:

Policy cancellations by the Insured shall be cancelled pro rata and will be subject to retention of a 25% minimum earned premium except for the following reasons for cancellation:

- Total Loss
- Property is sold
- Coverage is placed in the Voluntary Market

- The Association has taken action to cancel the policy as it does not meet eligibility guidelines

COMMISSIONS

The commission to licensed property insurance Producers who have completed a NCIUA Producer Certification Course and who are submitting online applications is 13%, except Crime, which is 10%.

Producers who are certified but are not submitting online applications will receive a flat commission rate of 8%.

Producers who are not certified and who are not using online systems will receive a flat commission rate of 5%.

Producers will be paid commission on a monthly basis by the 15th of the month following the close of that business.

RETURNED PAYMENT

From time to time, the Association receives payment for premiums that are returned to us by the bank. A returned payment fee will be assessed for the cost associated with the returned payment. If a Producer's payment is returned for any reason, a returned payment fee will be assessed, and the Association will advise the North Carolina Department of Insurance. This includes funds that are not available for online ACH transactions.

CONTINUATION OF COVERAGE (RENEWAL) DECLARATION

The Association will issue a full policy and forms at the initial inception of all policies. Thereafter, the Association will use a Continuation (Renewal) Declaration. If any policy form or endorsement has an updated edition, the new form will be attached to the Continuation (Renewal) Declaration.

POLICY ASSIGNMENT

Policy assignment to a new owner is not permitted; however, exceptions may be made for assignments to immediate family members, subject to the Association's underwriting standards and with the prior written approval of the Association. If coverage for a new owner is desired, a new application must be submitted to the Association by or on behalf of the new owner and a request for cancellation must be submitted with respect to the previous owner. Where no change in occupancy has occurred, a request for policy assignment to a new owner may be submitted on an exception basis and must certify that there has been no change in occupancy.

CHANGE OF PRODUCER OF RECORD

A change of the Producer of Record can be made when the policy is continued (renewed) at expiration as long as a premium payment has not been applied. Notification must be sent well in advance of the first premium payment for the Continuation (Renewal) regarding the new Producer of Record.

A request for change of the Producer of Record during the policy term will require cancellation of the existing policy. The proper premium must accompany the application and the existing policy must be returned for cancellation. The return premium for the prior policy will be remitted to the prior Producer of Record or Policyholder.

A new application may be requested by the underwriter if the age, condition, or values of the property warrants a more extensive review.

POLICY CHANGES

Policy changes will be effective upon approval by the Association, unless a later date has been requested by the Insured. Changes not involving a change in premium will become effective immediately upon action of the Association.

The Association will accept:

- Electronic, facsimile, or original signatures;
- Online transmission, ACORD, or the Association's Application for Change form (AP23).

Requests to decrease coverage require the Named Insured's signature and reasons for the decrease in coverage.

If the policy change results in an additional premium, the Association will issue an amended declaration along with an invoice.

If the policy change results in a return premium and the policy is changed (or cancelled), the return premium will be remitted by the Association to the Insured.

ADDING OR CHANGING A LOCATION TO AN EXISTING POLICY

Requirements for adding or changing a location to an existing policy:

- If an online Policy Change Request is used, you may indicate in the comment section that you are adding an additional location. Scanned copies of the application and required photos should be attached;
- For Policy Change requests not submitted online, a new signed application must be sent in along with the required photographs;
- The property must be occupied, or actively in the process of rehabilitation or renovation.

When the application and photographs are received, the Association will underwrite the additional location. To verify eligibility, an inspection report may be ordered by the Underwriter. If the request was received without money or less than the required premium, an invoice will be mailed with the amended declaration.

INSPECTION OF PROPERTY INSURED

Any person having an insurable interest in real or tangible personal property at a fixed location in the Beach or Coastal Area, may apply to the Association for coverage and may request upon application an inspection of the property by the Association.

Upon receipt of a properly completed application for insurance, an inspection of the property may be made by the Association with no further action required of the applicant. Property

inspections may be conducted to verify that a property is eligible for coverage under the guidelines of the Association or for other reasons. The requirement for inspection may be modified or waived by the Association if, in the judgment of the Association's Underwriting Department, the Association has sufficient information through the application and photographs to make an underwriting decision without an inspection.

An Inspector representing the Association may make an inspection of the property during normal working hours. The Inspector may be accompanied by the Applicant or by another responsible person as designated by the Applicant. The Association may request full access to the building.

An inspection report may be made for each property inspected and submitted to the Association. The report shall cover pertinent structural and occupancy features as well as general condition of the building. Photograph(s) of the property may be taken during the inspection.

All reports of inspections performed by or on behalf of the Association shall be made available upon request to the Applicant, Members of the Association, the Applicant's Producer of Record and the North Carolina Commissioner of Insurance.

For the purpose of underwriting inspections, the Association usually utilizes the services of independent inspection agencies. The function of the Inspector is to make a physical inspection of the property and submit a written report of his findings to the Association.

The independent inspection agencies have no authority to make underwriting judgments or decisions on behalf of the Association. The inspectors are instructed to refrain from discussing any conditions existing in a property at the time of inspection.

The Association reserves the right to re-inspect, at any time, any location for which a policy of insurance has been issued to ensure that the property continues to meet the Association's Underwriting Standards. Additionally, an Applicant, Insured or representative of either, may make a written request for re-inspection specifying the reason(s) for the request.

Following damage occurring to a property insured, the Association may have the property re-inspected, after a reasonable time has been allowed, to ensure that repair of the damages have been completed.

If the Association has been unable to complete an inspection of a property, notification will be mailed to the Applicant and Producer of Record.

If the Association has an active policy, a thirty (30) day "Notice of Cancellation" will be mailed. This Notice of Cancellation may be rescinded, if the Association conducts an inspection of the property within that thirty (30) day period and determines that the property meets the applicable underwriting standards.

When a policy has been cancelled as a result of the Association's inability to complete an inspection, it will not be reinstated. A new application must be submitted and coverage will not be available until an inspection has been completed, and eligibility and insurability is determined by the Association.

Because the Association must pay for inspections whether successful or not, when the Association pays for an inspection attempt that is unsuccessful through no fault of either the Association or the Inspector, no further inspection will be made until the Applicant or Insured has reimbursed the Association for the cost of the unsuccessful attempt. If the next inspection attempt is also unsuccessful through no fault of either the Association or the Inspector, the Applicant will be notified, but no further action will be taken by the Association until the Applicant personally contacts the Association to arrange for another inspection and pays the cost of the previous unsuccessful attempt. Insurance coverage will not be provided until the property has been properly inspected, and eligibility and insurability are determined by the Association.

The Association will advise the Applicant or the Applicant's Producer of Record, if:

- The risk is acceptable with conditional surcharges and the improvements required to remove the conditional surcharges;
- The risk is not accepted but could be acceptable if improvements noted in the inspection report are made by the Applicant and confirmed by re-inspection or written response from Producer or Policyholder;
- The risk is not acceptable for the reasons stated in the inspection report.

After reviewing the inspection report and photographs, the Association may request verification of building and/or personal property values.

CANCELLATION OF POLICIES

Cancellation at the insured's request will be effective the day such request is received by the Association, on a later date specified by the Insured, or on an earlier date with proper supporting documentation.

The Insured may cancel the policy at any time by returning it to the Association or by notifying the Association in writing of the date, cancellation is to take effect. The Named Insured is required to sign and authorize the request for cancellation. Request for cancellation, by a licensed premium finance company, for non-payment of premium will be honored as an Insured's request, provided a copy of the premium finance agreement is attached, or is on file with the Association.

Grounds for cancellation by the Association shall be outlined in policy forms and endorsements attached to the policy or in the Underwriting Standards section of this manual. The Notice of Cancellation, together with a statement of the reasons shall be sent to the Named Insured, mortgagee(s) listed on the policy and Producer of Record. Each notice shall be accompanied by a statement explaining that the insured has a right of appeal and explaining the appeal process.

APPEALS

Any person or Insurer affected by an act or decision of the Association, other than an act or decision relating to the cause or amount of a claimed loss, may appeal such act or decision in writing to the Board.

The appellant shall notify the Association in writing of its intention to appeal the act or decision within fifteen (15) days after the appellant is notified of the act or decision.

The Board or an Appeals Committee designated by the Board shall schedule a hearing to consider the appellant's appeal as soon as possible after the appellant notifies the Association of its intention to appeal. The General Manager (or his or her designee) shall promptly advise the appellant of the date and time of the hearing. The Board or Appeals Committee shall render a decision as soon as practicable following the hearing, and the General Manager or his or her designee shall communicate the decision to the appellant promptly thereafter.

The appellant may appeal the decision of the Board or Appeals Committee to the Commissioner of Insurance pursuant to G.S. 58-45-35.

PUBLIC RELATIONS AND SPEAKERS

The Association does not compete with the voluntary insurance market. Rather, it is intended to supplement the voluntary market by providing coverage to owners of insurable property who have been unable to obtain coverage in the voluntary market.

Qualified persons knowledgeable of the Association's operation, including its purpose, history and accomplishments, are available to address community, school and industry groups.

Persons are also available to address specific issues of public concern which relate to the Association, such as the Association's catastrophe plan and procedures, its efforts to thwart arson for profit, fire safety or any other issue relating to property insurance.

SECTION II

SUPPLEMENTAL COMMERCIAL UNDERWRITING PROCEDURES

CONDOMINIUM ASSOCIATION – PROCEDURES AND REQUIRED APPLICATIONS

For condominium associations, a supplemental application has been added to the online application. Producers submitting a condominium application outside of the online process, Condominium Unit Owners Supplemental Application (AP105) must accompany the application.

In addition to the supplemental application, Producers may be requested to submit the Declaration and Bylaws of the prospective Insured.

Failure of the Producer or Insured to provide requested documentation will result in declination or cancellation of coverage.

MANUFACTURING RISKS

Limited classes of manufacturing are eligible for coverage by the Association. The following provides underwriting standards, definition of appropriate classes and the general rules that apply to manufacturing risks:

APPROPRIATE CLASSES OF MANUFACTURING RISKS

- Buildings that are 10,000 square feet, or under, in size;
- Where there is more than one building on premises, only the square footage of the building being insured will be used in determining eligibility;
- 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 the eligibility;
- Any submission not qualifying under the above criteria may be submitted to the Association for consideration as an exception.

MANUFACTURING RISKS UNDERWRITING GENERAL RULES

- Commercial surcharges for substandard physical conditions will be applied;
- Properties will be inspected every year, unless the Association, in its judgment, is in possession of sufficient underwriting information.

The Applicant or Insured must institute reasonable loss control measures that materially affect the insurability of the risk after receiving written notice from the Association.

BUSINESS INCOME UNDERWRITING GUIDELINES

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:

- Business Income including “Rental Value”, (i);
- Business Income other than “Rental Value”, or (ii);
- “Rental Value”, (iii).

In the event no option is selected, the Association will issue Business Income Including “Rental Value”.

- 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.

- The maximum limit will be \$500,000 per location per Policyholder with a monthly limit of 1/6, 1/4, or 1/3. A location is defined as each separately rated, non-communicating building or structure.
- The Association will offer Business Income coverage on all properties that it insures for essential property coverages or Windstorm and Hail Insurance Only coverage. For Windstorm and Hail Insurance Only policies, the Association will require verification that the Business Income is being written by the Member Carrier's policy.
- If requested by the Association 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 requested.
- The rates will be per CLM rule 51, Business Income Coverage Options, F. Monthly Limit of Indemnity.

OPEN SIDED STRUCTURE DEFINITION

A fully enclosed building structure elevated to meet municipal or building code, a fully enclosed building structure with semi-enclosed porch areas, or a fully enclosed building structure will not be considered as open sided.

ORDINANCE OR LAW COVERAGE

Coverage for loss caused by enforcement of ordinance or laws regulating construction and repair of damaged buildings. Coverage is provided via endorsement, CP 04 05. The Association must insure the building.

SECTION III

HOMEOWNER UNDERWRITING GUIDELINES

HOMEOWNER POLICY FORMS WRITTEN

- HO 00 02 Replacement/Broad Form;
- HO 00 03 Replacement/Special Form;
- HO 00 04 Contents Broad Form;
- HO 00 06 Unit-Owners Form;
- HO 00 08 ACV/Modified Form.

NAMED INSURED REQUIREMENT

HO 00 03, HO 00 02, HO 00 08, and HO 00 06

Policies may be written in the name of the individual(s), a trustee or trust where the primary occupant is the beneficiary.

HO 00 04

All policies must be written in the name of the individual(s) where the primary occupant is a beneficiary.

APPLICATION REQUIREMENT

All policy forms should include the appropriate Homeowner Application submitted in either Association or ACORD format. Forms HO 00 02, HO 00 03 and HO 00 08 should include two (2) photographs of the dwelling, one (1) front and one (1) back along with a replacement cost estimator from an industry accepted Valuation Estimator. A current Uniform Appraisal may also be submitted for value justification. Reminder that the HO 00 08 form is Actual Cash Value and the Value Estimator should be depreciated to allow for this calculation.

BASIC POLICY LIMITS

HO 00 02 AND HO 00 03

- Coverage A minimum coverage limit of \$75,000 to a maximum limit of \$750,000;
- Coverage B equals 10% of Coverage A, may be increased by optional endorsement;
- Coverage C equals 40% of Coverage A and may not be increased;
- Coverage D equals 20% of Coverage A, may not be increased.

HO 00 08 ACV HO0481 Loss Settlement-ACV

- Coverage A minimum coverage limit of \$50,000 to a maximum limit of \$750,000;
- Coverage B equals 10% of Coverage A and may be increased by optional endorsement;
- Coverage C equals 40% of Coverage A and may not be increased;
- Coverage D equals 10% of Coverage A and may not be increased.

HO 00 04

- Coverage A, HO 00 04 is not available;
- Coverage B, HO 00 04 is not available;
- Coverage C, HO 00 04 minimum coverage limit of \$12,000 to maximum of \$300,000;
- Coverage D, HO 00 04 equals 20% of Coverage C and may not be increased.

HO 00 06

- Coverage A, HO 00 06 \$1,000 and may be increased by endorsement to a maximum of \$750,000;
- Coverage B, HO 00 06 is not available;
- Coverage C, HO 00 06 minimum coverage limit of \$12,000 to maximum of \$300,000;
- Coverage D, HO 00 06 equals 40% of Coverage C and may not be increased.

ALL FORMS

- Coverage E, minimum coverage of \$25,000 to maximum of \$300,000. NCIUA default standard coverage is \$100,000;
- Coverage F \$1,000 and optional coverage is not available.

RESIDENCY REQUIREMENT

The dwelling must be owner-occupied for 75% of the year or nine (9) months in order to qualify for the Association. This program is meant for an owner-occupied principal residence. Continuous occupancy is required. Coverage for limited rental of a portion of the residence may be available via endorsement for an additional premium charge

CONSTRUCTION REQUIREMENT

Manufactured Homes are not eligible; however, these type structures that have been placed on a continuous masonry foundation and titled as "real property" will qualify for the Homeowner Program on the North Carolina HO 00 08 Modified Form - ACV.

INSURANCE TO VALUE REQUIREMENTS

HO 00 02

80% to replacement value.

HO 00 03

90% to replacement value.

HO 00 08

100% of ACV - Actual Cash Value will equal replacement cost minus depreciation.

AGE OF HOME REQUIREMENTS

HO 00 02 AND HO 00 03

- Dwelling must be thirty (30) years or newer;
- If the dwelling is older than 30 years, but 60 years or newer, then verification of the updating to the electrical, heating, plumbing, and roofing within the last thirty (30) years is

HO 00 08

Dwelling is older than 30 years, but 60 years or newer. No specific updating requirements; however, the electrical, heating, plumbing, and roofing must be in compliance of state code at time of construction and currently in good condition.

HO 00 02, HO 00 03 and HO 00 08

If the Dwelling is older than 60 years and has undergone extensive remodeling, written documentation of the work completed on the dwelling will need to be submitted to the Association for consideration as an exception.

HISTORIC HOMES

Historic homes are not eligible under the Homeowner Program. These exposures may be considered by the Association under the Dwelling Program, subject to Association guidelines.

PROXIMITY TO TIDAL WATERS

No restriction for owner occupied dwelling.

OCCUPANCY REQUIREMENTS

- Vacant homes are not eligible;
- Unoccupied homes under renovation are not eligible until they become occupied by the owner. These exposures may be considered under the Dwelling Program subject to Association guidelines.

GENERAL RULES OF CONDITION

- The home should reflect pride in ownership, with good exterior maintenance and housekeeping;
- The home should be free of "attractive nuisance" which present a liability hazard;
- The home should have a thermostatically controlled centralized heating system;
- The home should have a minimum of 100-amp electrical service with no aluminum or knob and tube wiring exposure;
- The Agent as indicated on the application should inspect the home verifying it meets the criteria for beach or coastal property.

GENERAL RULES REGARDING LIABILITY COVERAGES

- In-ground swimming pools require a minimum four (4) foot high fence with self-latching gate;
- Above-ground swimming pools require removable steps or locking gate if decking has been built around the structure;
- Diving boards and/or slides are not a permitted exposure;
- High liability exposure items such as trampolines and ATVs (all-terrain vehicles) that are owned by the insured are not a permitted exposure;
- Vicious animals or exotic pets are not permitted. Dogs that are known to present a hazard in the industry are: Pitbull, Staffordshire Terrier, Doberman Pinscher, Rottweiler, Chow, any mixed breed with these traits, or other breeds of a known aggressive nature;
- Dogs or other animals with a known bite history are not eligible;
- Horses; one horse per occupant for personal use only is permitted where allowed by local code, and standards are met to contain the animal at all times;
- Day Care exposure is not permitted;
- Stair steps and decking require protective hand railing.

NOTE: Unacceptable exposures will be addressed by utilization of the standard exclusion endorsement indicated in Rule 209 of ISO Homeowner Manual General Rules: If a policy would not be issued because of unusual circumstances or exposures, the Named Insured may request a restriction of the policy with no reduction in the premium is allowed. Such requests shall be referred to the company.

HO 32 29 Restriction of Individual Policies Endorsement – North Carolina must be added to the policy.

Failure to submit a required exclusion form will result in policy termination.

STANDARD AND OPTIONAL ENDORSEMENT OFFERED

- HO 03 63 Percentage Named Storm Deductible;
- HO 03 12 Windstorm/Hail Percentage Deductible;
- HO 04 10 Additional Interest-Residence Premises;
- HO 04 16 Protective Device Credit;
- HO 04 30 Theft Coverage Increase HO 00 08 only;
- HO 04 40 Structures Rented to Others-Residence Premises;
- HO 04 92 Specific Structure Away from Residence Premises;
- HO 04 41 Additional Insured-Residence Premises;
- HO 04 48 Other Structures-Increased Limits;
- HO 04 56 Special Loss Settlement - HO 00 03 and HO 00 02 only allows for lower limit on value to replacement cost on dwelling;
- HO 32 88 - HO 00 03, HO 00 02, HO 00 06, and HO 00 04 Increased Special Limits- Jewelry, Money, Silverware, Firearms, Electronic Apparatus;
- HO 04 51 Building Additions and Alterations Increased Limit on HO 00 04;
- HO 04 90 Replacement Cost on Contents - HO 00 02, HO 00 03, HO 00 04, and HO 00 06;
 - HO 00 06 and HO 00 04 contents increased to \$12,000 minimum;
 - HO 00 08 not available;
- HO 24 70 Additional Residence Rented to Others 1, 2, 3, or 4 Family, maximum of four (4) locations;
- HO 32 18 Renewal Increase Inflationary Factor HO 00 02 and HO 00 03 only;
- HO 32 20 Additional Amounts of Insurance Coverage - A 25% option is only available HO 00 02 and HO 00 03;
- HO 32 37 Special Computer Coverage - All forms;
- HO 32 02 Primary Insurance for Coverage A – Dwelling North Carolina Form HO 00 02 and HO 00 03; and
- HO 32 34 Unit-Owners Coverage A – Special Coverage for HO 00 06

INCIDENTAL FARMING EXPOSURE

This is not written by the NCIUA.

BUILDERS RISK

Not eligible on Homeowner form.

INCIDENTAL OFFICE EXPOSURE

These are permitted according to the following guidelines:

- The operation is incidental to the property exposure;
- There is very limited exposure from visitors to the operation and there are no employees.

Coverage is limited to the operation of the office exposure.

HO 04 42 Permitted Incidental Occupancies Residence Premises endorsement must be added to the policy.

GOLF CARTS AND OTHER MISCELLANEOUS LAND CONVEYANCES

Not written by the NCIUA, no additional coverages are available other than provided in contract.

BUSINESS PURSUITS

This coverage is not offered by the NCIUA.

SECTION IV

APPLICATION PROCESS

ONLINE APPLICATIONS - PREFERRED METHOD

A Certified Producer may submit Applications for coverage online.

MANUAL APPLICATIONS

The NCIUA will accept either the ACORD application forms or the Association's specific applications. If ACORD forms are used, there is no need to submit Association's specific supplemental applications except for the Condominium Association Supplemental Application (AP105), the Vacancy/Unoccupancy Questionnaire Application (BP17), and Builders Risk Supplemental Application (AP15) with the ACORD Forms.

THE FOLLOWING BASIC AND SUPPLEMENTAL APPLICATIONS ARE AVAILABLE:

ASSOCIATION SPECIFIC APPLICATIONS AVAILABLE AT www.nciua-nciua.org

- Basic Application (BP-A-3)
- The Basic Application (BP-A-3) is also to be submitted for Windstorm and Hail coverage only.
- Supplemental Applications
 - Builders Risk (AP-15)
 - Vacancy/Unoccupancy questionnaire (FP-17, BP-17 – same form)
 - Replacement Cost Application (AP-42)
 - Mobile Home Supplemental Application (AP-30)
 - Condominium Association Supplemental Application (AP-105) *Applies to Commercial Risks only.*
 - Alternative Procedures to Expedite Processing Applications on Dwelling and Certain Commercial Properties (BP-16)
 - Business Income Supplemental Application (BI-A-3)
 - Windstorm and Hail Certificate of Essential Property Insurance (WH0005)

ACORD APPLICATIONS

- Dwellings (ACORD 84 and 190)
- Homeowner (ACORD 80)
- Mobile Homes (ACORD 85 and 190)
- Commercial Property (ACORD 125, 140 and 190)
- Builders' Risk (ACORD 84 or 125, not available on Homeowner)
- Important Instruction and Information (ACORD 62)

CRIME APPLICATIONS

- Residential (BPCI-3) and Commercial (BPC1-2)

SECTION V

TAKE OUT PROGRAM

PURPOSE OF PROGRAM

The Association's Take Out Program is intended to provide an opportunity for consumers to place their coverage with a private market insurer instead of the Association, which is intended to serve as a market of last resort for essential property insurance in the beach and coastal areas (see N.C. General Statute 58-45-1(b)).

The Take Out Program provides Member Insurers an opportunity to increase their market share and allows Producers to place the consumer with a private voluntary market.

As required by law (see N.C. General Statute 58-45-25(b)) and the Association's Plan of Operation, Member Insurers will receive writing credits for policies issued voluntarily in the Beach and Coastal areas. These credits will apply towards their participation in the Association. The credits provide a means for the Member Insurers to reduce their liability for nonrecoupable assessment, as provided by law.

PROGRAM PARAMETERS

A Member Insurer wishing to participate in the Take Out Program must recognize the Producer's ownership of any policy expiration.

The Member Insurer may select certain risk characteristics as shown on the Take Out Program Commitment Form. The Association will offer the Take Out Program annually to the Member Insurers. Member Insurers will have 90 days to choose whether to participate in the Take Out Program and return the Take Out Program Commitment Form.

After the 90 day period has expired, the Association will forward expiration information to the Member Insurer(s) who have returned the Take Out Program Commitment Form. Prior to receiving the expiration information, Member Insurers who have returned the Take Out Program Commitment Form will be required to enter into a nondisclosure agreement with the Associations. If multiple Member Insurers are interested in similar risk profiles, an expiration list will be sent to each Member Insurer. The Member Insurer will work directly with the Producer of Record to select the private market that best accommodates the insurance requirements of the Insured.

The Member Insurer will notify the Producer of Record to request permission to assume risk. The Member Insurer must notify the Association 60 days prior to the expiration date of the policy of their intention to assume the policy. Placement of the risk will be at the final determination of the Producer of Record on file with the Association.

COMMITMENT FORM

The Take Out Program Commitment Form from Member Insurers must be returned within 90 days of mailing to the Association.