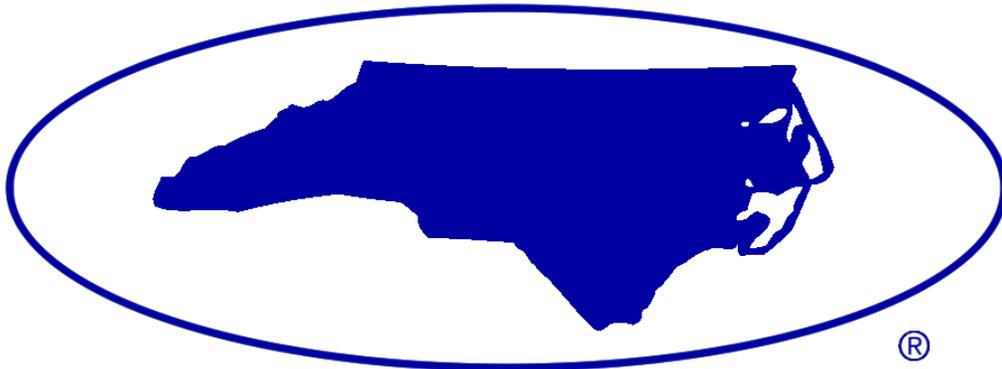


# North Carolina Joint Underwriting Association ("NCJUA") or ("Association")

## FAIR Plan

### Manual of Rules and Procedures



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## **MISSION STATEMENT**

The North Carolina Joint Underwriting Association, also known as the FAIR (Fair Access to Insurance Requirements) Plan, is a tax exempt association of insurance companies licensed to write and writing property insurance coverage in North Carolina. The Association was created by law to act as a market of last resort to provide adequate basic property insurance to property owners having insurable property in 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 NCJUA was created in 1969 pursuant to Article 46 of the North Carolina Insurance Law (Chapter 58 of the North Carolina General Statutes) to provide adequate basic property insurance, as a market of last resort, to all areas in North Carolina excluding the “Beach area,” as defined in G.S. 58-45-5(2).

The North Carolina General Assembly originally established the NCJUA to address problems with the insurability of property in urban areas that had suffered damage as a result of rioting and looting. Over the years, the General Assembly broadened the mission of the NCJUA to include all of North Carolina, except the Beach area.

The NCJUA provides basic property insurance, fire, extended coverage, additional extended coverage, optional perils coverage, vandalism, malicious mischief and crime insurance.

The NCJUA 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 NCJUA includes seven (7) Member Insurers, four (4) Agent Directors, and three (3) Public Directors. All insurance carriers authorized to write 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 58-46-1, are:

- To provide a program whereby adequate basic property insurance may be made available to property owners having insurable property in eligible areas of the State;
- To encourage the improvement of properties located in the State and to arrest the decline of properties located in the State;
- To have the program provided by the NCJUA 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 sounds to the Virginia line, being those portions of land generally 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 acceptability standards, amendments in policy cancellation procedures, and the requirement that applications be signed by the property owner. 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. 58-46-10(b);
- No Producer has any authority to bind the Association in any way;
- No Producer may issue a policy, binder, endorsement or cancellation notice, nor assign any loss for adjustment, on behalf of the Association (provided, however, that limited authority to assign losses for adjustment may be granted to Producers - see Catastrophe Claims Section at [www.ncjua-nciua.org](http://www.ncjua-nciua.org) for application procedures);
- When dealing with the Association, any licensed Producer is acting as the designated representative of the Applicant or Insured, and not as an agent of the Association;
- Commission for those Producers placing business through the Association is not negotiated, but is established by the Association's Board of Directors and approved by the North Carolina Commissioner of Insurance;
- The Association will recognize the ownership and confidentiality of any continuation (renewal).

**PROCEDURES WHEN A NAMED STORM IS WITHIN CERTAIN DESCRIBED COORDINATES**

No new or increased coverage shall be bound or accepted after 12:01 AM on the day immediately following any day when the center of a Named Storm is located within Longitudes 65° West and 85° West, and Latitudes 20° 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 lift the restrictions in this Section 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.

Tenants and others who have an insurable interest through contractual obligation may apply for coverage, but the application must be in the name of the property owner and signed by the property owner.

### **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 shall be 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 real or tangible personal property (other than ineligible property) at a fixed location in North Carolina other than in the Beach Area;
- Meet all applicable underwriting standards of the Association and be in 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 type of property is ineligible for insurance coverage:

- Motor Vehicles.

## **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 other 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 construction, heating, wiring, evidence of previous 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 itself, cause rejection;
- Present use of the property, such as extended vacancy or unoccupancy [vacant or unoccupied in excess of sixty (60) days] and overcrowding;
- Use of the premises or other specific characteristics of ownership, condition, occupancy or maintenance that violate law or public policy or result in a significant increase in exposure to loss;
- Where the building has been subject to two (2) or more fires, each loss amounting to at least \$500 or one percent (1%) of the insurance in force, whichever is greater, in any twelve (12) month period; or three (3) or more such fires in any twenty-four (24) month period;
- Other standards approved by the Commissioner of Insurance, which include but are not limited to the following as a basis for rejection (the Association will attempt to use Risk Management and Mitigation requirements as an option to avoid total rejection of a 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 basic coverage, subject to underwriting guidelines, to owners of insurable properties in eligible areas of North Carolina while

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encouraging the improvement of properties and arresting the decline of properties. 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 the 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 in 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 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 in order to evaluate the risk. In any event, however, the Association does expect occupancy within sixty (60) days of ownership, date of last tenant, after completed renovation/rehabilitation, or original construction completion unless the property has received an underwriting exception for an extenuating circumstance. 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 that was vacant or unoccupied when it was originally submitted. If extenuating circumstances exist, information may be submitted to the Association at 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 for 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 basic 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. 58-46-1(c).

The Association provides coverage for farm buildings, their contents, and identifiable farm machinery.

Coverage is provided against loss caused by perils under the basic or broad policy forms:

- 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

## **REPLACEMENT COST COVERAGE GUIDELINES**

The following guidelines for eligibility and application apply generally with respect to risks for which Replacement Cost Coverage is requested.

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

Replacement Cost 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;
- Not available on contents, personal property, farm property (except dwellings) or crime coverage.

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 very good physical condition, with proper documentation of renovations. If the application for replacement cost coverage shows building systems are more than twenty (20) years old, verification of the building systems being updated or checked by a licensed contractor may be required for new and continuation coverage.

## **APPLYING FOR REPLACEMENT COST COVERAGE**

Dynamic Web 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.

**IMPORTANT NOTE:** Producers should closely review the Dwelling 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.

### **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;
- 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.)

Request for Endorsement DP 04 76, not qualifying under the above, may be submitted to the Association for consideration as an exception.

### **MOBILE HOMES**

Under North Carolina law, mobile homes qualifying for Endorsement DP 00 02 (Broad Form) with DP 04 76 must meet the following criteria, alternatively, it will be written on a DP 00 01 (Basic Form):

- Same requirements indicated for Stick Built Homes;
- Must be owner-occupied;
- Cannot be more than 20 years old;
- Must be skirted and properly secured, meeting all set-up and tie-down requirements of the county and/or municipal government where located.

Request for Endorsement DP 04 76 not qualifying under the above may be submitted to the Association for consideration as an exception.

### **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 Coastal Areas must meet the Wind Zone requirements found on the North Carolina Department of Insurance website at [http://www.ncdoi.com/OSFM/Manufactured\\_Building/Documents/Regulations/15-25.pdf](http://www.ncdoi.com/OSFM/Manufactured_Building/Documents/Regulations/15-25.pdf).

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 State of North Carolina, except the "Beach Area" may qualify for property coverage through the Association. The Travel Trailer Special Conditions Endorsement (TT001) 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.

## **POLICY FORMS**

The 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.

## **POLICY WRITING AND POLICY PROVISIONS**

All policies and endorsements will be issued by the Association. Producers may not issue or endorse policies. 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 mailed 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 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.

## **EFFECTIVE DATE OF COVERAGE**

Approved Dynamic Web applications are effective at 12:01 AM on the day immediately following the date of transmittal to the Association, 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 is required to sign and authorize the application for coverage.

## **NEW BUSINESS PHOTOGRAPH REQUIREMENTS**

Photographs are required for all structures requested to be insured by the Association. Photographs may be submitted via the Dynamic Web 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:

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

Commercial:                       \$2,500,000

Limits of coverage for commercial property shall not exceed \$2.5 million per commercial risk 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 \$6 million.

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 Manual applies. 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**

NCJUA Residential Minimum Deductible for Coastal Area  
\$500 for All Other Peril with a 1% Named Storm Deductible.

NCJUA Residential Minimum Deductible for Balance of State - \$500

NCJUA 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](http://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 Dynamic Web's ACH process (for initial payment on new applications only)

With notification prior to the effective date of coverage, the Association can bill the mortgagee. Installment plans of 4 pay and 2 pay are available through the Association. There is a \$3.00 charge per installment.

The following are not eligible for an installment plan:

- Short term policies;
- Annual policy premium less than \$250.00;
- Mortgagee billed policies;
- Premium financed by a Premium Finance Company;
- If Policyholder has more than three prior cancellations for non-payment of premium.

If an installment is not paid by the due date shown on the Installment Notice, a notice of cancellation will be sent for non-payment of premium. (If the installment is paid before the cancellation date, a rescission notice with respect to the notice of cancellation will be sent.)

If a Continuation (renewal) premium payment is not made by the due date on the Continuation Invoice, a notice of cancellation will be sent for non-payment of premium. (If the Continuation (renewal) premium is paid prior to the cancellation date, a rescission notice with respect to the cancellation notice will be sent.) If payment is made after the cancellation date but within sixty (60) days of the policy expiration, the policy will be reinstated with a lapse in coverage based upon the date that premium is received by the Association. Payments for a Continuation (renewal) received over sixty (60) days after the cancellation date will be returned, and a new application required for coverage with the Association.

Premiums from received paper applications (not transmitted through the Dynamic Web) are payable on a gross basis to the Association in cash, check, money order, certified check, bank check or the check of a licensed lending institution. Payment may be made in person or by mail, but cash should not be sent through the mail.

Payment must be received by the Association 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. Checks and/or money orders shall be made payable to "NC FAIR Plan" or "North Carolina Joint Underwriting Association," which may be abbreviated, "NCJUA."

### **APPROVAL BILL**

The Association will issue a policy and bill for additional premiums if money remitted is insufficient. However, Producers and policyholders are cautioned to recognize that policy cancellation is imminent without prompt payment of additional premiums.

### **RETURN PREMIUM POLICYHOLDER BILLED**

Should a return premium become due as the result of an amended declaration or policy cancellation, the Association will remit to the policyholder (or his or her Producer of Record) a check for the return premium. If the policy has been in effect for less than forty-five (45) days, all return premiums are routed through the Producer of Record.

### **WAIVER OF ADDITIONAL OR RETURN PREMIUM**

When a policy is endorsed after the inception date, an amount of additional or return premium may be waived in accordance with the rating rules and rating plans that are legally effect in North Carolina.

### **COMMISSIONS**

The commission to licensed property insurance Producers who have completed a NCJUA Producer Certification Course and who are using the Dynamic Web to submit applications is 15%, except Crime, which is 10%.

Producers who are certified but are not using the Dynamic Web to submit applications will receive a flat commission rate of 8%.

Producers who are not certified and who are not using the Dynamic Web 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 in an ACH transaction via the Dynamic Web.

### **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 issue 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 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 for the new owner and a request for cancellation must be submitted for the previous owner.

### **CHANGE OF PRODUCER OF RECORD**

A change of the Producer of Record can be made without a new application 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 and submission of a new application signed by the Insured showing the name and an address of the new Producer of Record. 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.

### **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;

- Dynamic Web 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 on a gross basis to the Insured. If the policy has been in effect for less than forty-five (45) days, all return premiums are routed through the Producer of Record.

No Producer has or will have any authority to issue any amended declaration or to bind the Association in any way.

## **CHANGE OF LOCATION**

The Association will endorse a policy covering only contents to a new, eligible location upon receipt of a properly completed Application for Change; however, a policy covering a building may not be endorsed. A new application for coverage is required to amend the location of the Insured property.

## **ADDING A LOCATION TO AN EXISTING POLICY**

Requirements for adding a location to an existing policy:

- If a Dynamic Web 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 through the Dynamic Web, 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.

If the premium for the invoice is not remitted, a Notice of Cancellation for non-payment of premium will be issued.

## **INSPECTION OF PROPERTY INSURED**

## **REQUEST FOR INSPECTION**

Any person having an insurable interest in real or tangible personal property at a fixed location in all geographic areas of the State, except the Beach Area, may request, upon application to the Association (which application need not be in writing), in person or by his authorized representative, an inspection of the property by the Association at no cost to the Applicant.

## **INSPECTIONS**

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 shall 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 an independent inspection agency. 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.

## **REINSPECTIONS**

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.

## **INCOMPLETE INSPECTION (LOCKOUTS)**

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

If the Association does not have a current policy in force, a notification will be mailed indicating that the Association will take no further action on the application until arrangements are made to allow an inspection of the property.

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 the inspection of the property within that 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 is determined by the Association.

#### **PROCEDURES AFTER INSPECTION**

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.

For commercial properties, the Association may request inventory information for business personal property exceeding \$50,000.

#### **CANCELLATION OF POLICIES**

##### **CANCELLATION AT INSURED'S REQUEST**

Cancellation 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. Cancellation will be calculated in accordance with the rules of the rating organization having applicable jurisdiction.

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. Release should be secured from any mortgagee or loss payee. The ACORD 35 - Cancellation Request/Policy Release provides

acceptable wording for such a release. 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.

### **CANCELLATION INITIATED BY 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 therefore 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 practicable 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. 58-46-30.

### **PUBLIC RELATIONS**

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. To assist in communicating with the public about the Association, the following communication vehicles are available:

### **SPEAKERS**

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 Dynamic Web Application. Producers submitting a condominium application outside of the Dynamic Web, 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.

### **FARM PROPERTY**

The Association will provide coverage for farm property in accordance with the following provisions:

- Dwellings located on farms are insured in the same manner as other dwellings located throughout the state;
- Farm property is written subject to the rules of the ISO Commercial Lines Manual, including NC Exceptions. Approved general charges from that Manual will be applied where applicable;
- Basic property coverage is written using the Standard Property Policy CP-0099, which is modified by the Association's Farm Property Provision endorsement, PF-0035;

- Each building to be insured must be used during the year. In addition, the insured farm premises should develop a minimum of \$1,200 annual gross receipts, including rental income from agricultural operations.
  - The \$1,200 in annual gross receipts is a guideline for qualification as a commercial exposure. If the risk is not classified as a farming operation it should be submitted in the Dwelling Program. It is the responsibility of the Producer and Policyholder to ensure coverage is written under the proper form according to the provisions and exclusions of each type of insurance contract.

Farm property includes all buildings and their contents, located on or used in connection with land devoted to any one or more of the following commercial purposes:

- Cultivation of the soil;
- Rearing or keeping of livestock; and/or
- Producing fruit, grain, vegetables, poultry, tobacco, hay or other produce.

#### **INELIGIBLE FARM PROPERTY**

- Farm property which is vacant or unoccupied;
- Standing timber including fruit and nut trees;
- Hay, straw and grain and other crops growing or stacked in the field;
- Livestock;
- Poultry;
- Blanket farm property coverage;
- Farm machinery not readily identifiable, such as by a serial number;
- Farm machinery not located at a covered location.

#### **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.

## **SECTION III**

# **APPLICATION PROCESS**

## **THE APPLICATION PROCESS**

### **DYNAMIC WEB APPLICATIONS - PREFERRED METHOD**

A Certified Producer may submit Applications for most coverages through the Dynamic Web. The supplemental questions and applications are programmed into the Dynamic Web application(s).

### **MANUAL APPLICATIONS**

The NCJUA 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 (FP17), and Builders Risk Supplemental Application (AP15) with the ACORD Forms.

### **THE FOLLOWING BASIC AND SUPPLEMENTAL APPLICATIONS ARE AVAILABLE:**

#### **ASSOCIATION SPECIFIC APPLICATIONS AVAILABLE AT [www.ncjua-nciua.org](http://www.ncjua-nciua.org)**

- Basic Application (F-A-3)
- Supplemental Applications
  - Builders Risk (AP-15)
  - Vacancy/Unoccupancy Questionnaire (FP-17)
  - Corporate Applicant Questionnaire (AP-18). Instead of the AP-18 form a copy of the Corporation's Annual Report can be submitted.
  - Replacement Cost Application (AP-42)
  - Mobile Home Supplemental Application (AP-30)
  - Condominium Association Supplemental Application (AP-105). *Applies to Commercial Risks only.*

### **ACORD APPLICATIONS**

- Dwellings (ACORD 84 and 190)
- Mobile Homes (ACORD 85 and 190)
- Farm Property (ACORD 401, 402 and 403)
- Commercial Property (ACORD 125, 140 and 190)
- Builders' Risk (ACORD 84 or 125)
- Important Instruction and Information (ACORD 62)

### **CRIME APPLICATIONS**

- Residential (FPCI-1) and Commercial (FPCI-2)