

UNDERWRITING STANDARDS

In addition to meeting the eligibility requirements set forth in The Eligibility Section, properties insured in the FAIR Plan must meet the Plan's reasonable underwriting standards.

Reasonable underwriting standards shall include, but not be limited to, the following:

1. Applications for coverage may be declined where the property is determined upon inspection to be uninsurable because it fails to meet one or more of the reasonable underwriting standards identified in this section;
2. The right to decline or cancel insurance because of the physical condition of the property, including its construction, heating, wiring, evidence of unrepaired damage, or general deterioration;
3. The right to decline or cancel insurance because of the existing use of the property, including abandonment, extended vacancy, overcrowding, excessive rubbish or improper storage of flammable materials;
4. The right to decline or cancel insurance because of other specific characteristics of ownership, condition, occupancy, or maintenance which are violative of law or public policy;
5. The right to decline or cancel insurance on buildings in which any one of the following exists:
 - a) failure to pay real estate taxes on the property after the taxes have been delinquent for one year or more;
 - b) failure within the insured's control, to furnish heat, water or public lighting for thirty consecutive days or more; or
 - c) failure within a reasonable time to correct conditions dangerous to life, health or safety.
6. The right to decline or cancel insurance on property:
 - a) where, because of physical conditions, there is an outstanding demolition order, or which has been declared unsafe or uninhabitable in accordance with law;
 - b) where fire damage exists and the owner has not taken reasonable steps to protect and secure the property;
 - c) where, following a fire, permanent repairs have not commenced within 60 days after satisfactory adjustment of loss; or
 - d) where fire damage exists and the insured has stated, or such time has elapsed as clearly indicates, that the damage will not be repaired.
 - e) where mine subsidence damage has gone unrepaired or is in process.
- 7) The right to decline or cancel insurance on any building where 65% of the rental units in the building are unoccupied, unless the building is undergoing rehabilitation and the Association, upon request, has received a schedule for such rehabilitation;
- 8) The right to decline or cancel insurance on any building which has been abandoned or where there has been removal of fixtures or salvageable material from the building and the owner can give no reasonable explanation for such removal;
- 9) The right to decline or cancel insurance where reliable information is secured indicating that the property will be burned for the purpose of collecting insurance on the property;
- 10) The right to decline or cancel insurance where the applicant, insured, mortgagee, loss payee, or any other person having a financial interest in the property is convicted of arson or where

an unresolved indictment for the crime of arson or for a crime involving a purpose to defraud an insurance company exists;

- 11) The right to decline or cancel insurance where the property has been subject to an unfavorable claim history due to conditions which are the result of the negligence, or are the responsibility of the applicant or property owner.
- 12) The right to decline or cancel insurance for failure to complete, or any misrepresentation in the application;
- 13) The right to decline sprinkler leakage where the system is in such disrepair that the rating organization will not rate the building as sprinklered.
- 14) The right to decline or cancel insurance where anyone with a financial interest in the property has an insurance claim history that presents special or unusual circumstances, or is so statistically aberrant as to reasonably suggest that additional claims are likely.
- 15) Such other characteristics as may be approved by The Insurance Commissioner.

A physical inspection of a property may show the existence of hazardous conditions which will cause the Plan to decline coverage on the risk. These conditions include, but are not limited to:

- Excessive accumulation of combustible materials;
- Broken windows;
- Loose, broken or exposed wiring;
- Roof, wall or plumbing leaks;
- Improper use of extension cords (attached to walls, running under rugs, etc);
- Broken plaster with exposed lath.
- Automatic sprinkler system having;
 - a) Sprinkler heads over 50 years old
 - b) Rust or corrosion on piping, tank and tank supports.
 - c) No operative local alarm
 - d) No protection from freezing of pipes unless system has been designed to function without heat
 - e) Inadequate protection from mechanical injury, such as damage from fork lifts
 - f) Inadequate clearance to merchandise or fixtures which prevents system from functioning efficiently
- Vacant or unoccupied section(s) not properly boarded
- Electric service less than 60 amps.

Some conditions, such as broken electrical wiring, are inherently hazardous. Other conditions, while not fire hazards in themselves, are indicative of poor maintenance and neglect or could contribute to the acceleration of a fire, should one occur.

If there is a policy in force in the FAIR Plan and one or more of these types of conditions are found to exist, the Plan may, at its discretion, allow a period of time for the correction of the condition(s). Failure to notify the Plan in writing within that period of time of the condition(s) being corrected could result in policy cancellation.

The inspection of the property may show the existence of conditions which constitute an increase in hazard, but which the Plan does not consider severe enough to warrant declination of coverage. A charge will be made for these conditions. Refer to the Inspections Section - G for an Explanation of Plan condition charges.