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MANUAL OF
OPERATIONAL PROCEDURES

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November, 2011 Revision

I. Preface

The Virginia Property Insurance Association (*Association*) was established to provide for the administration of an industry placement facility as the successor organization to the Virginia Insurance Placement Facility, an organization originally established in June of 1968, pursuant to the provisions of the Basic Property Insurance Inspection and Placement Program and the Joint Reinsurance Association, Chapter 559 of the 1968 Acts of Assembly (the Statute).

The law requires that every insurance company or other organization licensed to write Basic Property Insurance, including the Property Insurance components of the multi-peril policies, on a direct basis in Virginia, be a member of the *Association* except where specifically exempted from participation by Statute.

All members agree to encourage the cooperation of their agents in assisting applicants in obtaining insurance through the *Association*, and to cooperate with agents and others in a continuing public education program to assure that public attention is given to the availability of Basic Property Insurance through the facilities of this *Association*.

As respects eligible property, as defined herein, written by a member of the *Association*, it is agreed that when cancellation or non-renewal is initiated by the member, the member will give the policyholder (except in cases of non-payment of premium or evidence of incendiarism) thirty days to apply for Basic Property Insurance through the *Association* and shall, in writing, explain to the policyholder the procedures for making such application.

The *Association* is under the regulation of the State Corporation Commission.

II. Qualified Property

Any person having an insurable interest in qualified property may apply to the *Association* for Basic Property Insurance on such property.

Qualified property means all real and tangible personal property at a fixed location in the Commonwealth whether or not subject to exposure from an external hazard located on property not owned or controlled by the prospective insured, and whether or not subject to exposure from riot hazard, which

- (A) Is not used for manufacturing purposes; and
- (B) Complies with applicable State Laws and regulations and local building codes and ordinances; and
- (C) Is not commonly owned or controlled, or combinable for rating purposes, with property insured for similar coverages elsewhere; and
- (D) Has characteristics of ownership, condition or occupancy which do not violate any public policy.

In addition to Basic Property Insurance, the *Association* will offer broader property insurance and/or liability insurance to certain residential and commercial properties that meet a more stringent underwriting standard as set forth below. The standards defined below are independent of each other. An insured does not have to meet all of the qualifications to get the option, only the requirements of the coverage applied for.

FP-2 Coverage

Dwelling risks not eligible for FP-2 coverage are eligible for basic property insurance as described above. Basic property insurance for a dwelling risk shall be provided by a FP-1 policy. To be eligible for FP-2 coverage, the insured location must be:

- 1) A primary dwelling or condominium unit that is either tenant or owner occupied and is eligible for coverage under the dwelling program may be written on the Broad Form dwelling policy.
- 2) All other dwelling risks including dwelling under construction, renovation, rehabilitation, secondary and seasonal risks eligible for coverage under the dwelling program, shall be written on the Basic Form dwelling policy.
- 3) The insured may elect to reject coverage for a particular risk in order to receive coverage under **FP-2** for the remaining risks. Form **FP DP 00 01** "Request of policy issuance subject to restrictions in coverage" must be signed by the insured and attached to the policy.

Theft Coverage

To be eligible for this coverage, the insured location must be:

1. A primary non-seasonal dwelling. It must be owner occupied.
2. The insured must have prior insurance. Insureds who have maintained uninterrupted coverage for one (1) year with the Virginia Property Insurance Association shall be deemed to have prior insurance. If the previous policy expired within Thirty (30) days of the proposed effective date, it shall be deemed to have prior insurance. First time home buyers are required to meet the prior insurance requirement.
3. The property must not have been subject to more than one (1) loss in the past three (3) years that would have been covered by our Limited Theft Coverage endorsement **FP FL-35**.
4. All exterior windows & doors including garages and outbuildings must be protected by a locking device. Exterior doors should be of solid core and protected by a dead bolt with a 1" throw.

Liability Insurance

To be eligible for this coverage, the insured location must:

1. Be occupied by:
 - a. the owner maintaining a residence in a
 - i. one-to-two family owner occupied dwelling or mobile home
 - ii. row house
 - iii. townhouse
 - iv. related private structure
 - v. condominium unit
 - b. a resident non-owner insured.
2. Not have been subject to more than one (1) loss in the past three (3) years that would have been covered by this endorsement.
3. Not have dangerous animals, defined as :
 - a. Any animal that has ever bitten, attacked or harmed a person or other animal.
 - b. Dogs considered vicious:
 - i. Pit Bull
 - ii. Rottweiler
 - iii. Doberman Pinscher
 - iv. German Shepherd
 - v. Husky
 - vi. Alaskan Malamute
 - vii. Akita
 - viii. Chow Chow
 - ix. Boxer
 - x. Great Dane
 - xi. Wolf-Dog Hybrids
 - xii. Any mixed breed combination of the above listed by the insured on the application
 - c. Farm Animals including farm fowl, whether or not the premises is considered or zoned for farming operations or agricultural purposes.
 - d. Horses
 - e. Exotic Animals - snakes, amphibians, spiders.
4. Be free of all substandard conditions.

The insured may elect to reject coverage for a particular exposure in order to receive Coverage L - Personal Liability or Coverage M - Medical Payments to Others. Form FP DL 00 02 must be signed by the insured and attached to the policy.

There may be only one Virginia Property Insurance Association policy containing liability coverage per insured location.

Commercial Loss of Rents Coverage

- 1) Insured must be in business at least two years.
- 2) Property must be fully occupied. For the purposes of this eligibility guideline, a property will be considered fully occupied if at least 2/3 of the rental space is occupied at the time of the application and none of the remaining space has been vacant or unoccupied for a period exceeding sixty days.
- 3) The property must not have been subject to more than one (1) loss in the past three (3) years.
- 4) The property must be free of all substandard condition charges. The only exception is charge P6, Unusual or Extreme Exposures from Allied Lines Perils when the only reason for the charge is the property's proximity to the Atlantic Ocean.
- 5) The insured must have prior insurance. Insureds who have maintained uninterrupted coverage for one (1) year with the Virginia Property Insurance Association shall be deemed to be prior insurance. If the previous policy expired within seven (7) days of the proposed effective date, it shall be deemed to have prior insurance.
- 6) The insured must present a financial statement to substantiate the loss of rents coverage requested.
- 7) Commercial loss of rents coverage can only be provided when building coverage is obtained on the same location.

Contents Replacement Cost Coverage

To be eligible for this coverage, the insured location must be:

1. A primary dwelling or condominium unit. It can be either tenant or owner occupied.
2. The insured must have prior insurance. Insureds who have maintained uninterrupted coverage for one (1) year with the Virginia Property Insurance Association shall be deemed to have prior insurance. If the previous policy expired within thirty (30) days of the proposed effective date, it shall be deemed to have prior insurance.
3. If coverage A is provided, the dwelling must be insured for 100% of the estimated replacement cost, as determined by a replacement cost estimator provided by the producer.
4. The property must not have been subject to more than one (1) loss in the past three (3) years that would have been covered by a **FP-2** policy. Weather related losses will not be considered in determining eligibility.
5. The insured must not have any contents losses in the past 12 months.
6. This endorsement is only available under the **FP-2** policy.

Dwelling Ordinance & Law Coverage

To be eligible for this coverage, the insured location must be:

1. This endorsement is only available under the **FP-2** policy.
2. Mobile homes are not eligible for this coverage.
3. The property must be free of all substandard condition charges. The only exception is charge P6, Unusual or Extreme Exposures from Allied Lines Perils when the only reason for the charge is the property's proximity to the Atlantic Ocean.

III. Coverage Provided

Coverage provided through the *Association* shall include at least Basic Property Insurance which means coverage against direct loss to real and tangible personal property at fixed locations which is provided in the Standard Fire Policy as prescribed in Chapter 27 of the Code of Virginia, and in the Extended Coverage Endorsement, and such Vandalism and Malicious Mischief Insurance, and such other classes of insurance as may be approved by the State Corporation Commission, pursuant to Chapter 27 of the Code of Virginia.

No vandalism coverage will be provided on vacant or unoccupied buildings, or buildings in the course of renovation or construction.

In addition to basic property insurance, dwelling properties that meet the eligibility requirements found in Section II may be eligible for a combination of the following coverages:

- FP-2** – Broad Form Dwelling Property Coverage
- FP FL-35** – Limited Theft Coverage
- DL 24 01** Personal Liability Coverage
- FP FL – 55** – Contents Replacement Cost Coverage

In addition to basic property insurance, commercial properties that meet the eligibility requirements found in Section II may be eligible for the following coverage:

- CP-60** – Earnings Coverage (Rents Only)

IV. Limits of Liability

The maximum limits of property coverage for which insurance may be written through the *Association* on any habitational property at one location shall be \$500,000 and on any commercial property at one location \$1,000,000. The word "location" as used herein means all interests in real and personal property consisting of and contained in a single building or consisting of and contained in contiguous buildings. (Contiguous means abutting, touching, actual contact). Dwelling limits will be allowed to increase in excess of the maximum dwelling limits in accordance with the provisions of the Automatic Increase in Insurance endorsement (FL-10).

Habitational property is defined as one to four family dwellings as coded under the Personal Lines Statistical Plan.

Commercial means eligible property not included under the Personal Lines Statistical Plan.

The maximum limit of personal liability insurance that can be provided by endorsement to a dwelling policy is \$100,000.

V. Policies of Insurance

The *Association* is authorized to issue policies or certificates of insurance on risks in such form that each member of the *Association* shall be a direct insurer thereunder in such proportion as its premiums written bear to the total premiums written by all members. In connection with policies issued by the *Association* as aforesaid, the *Association* shall act on behalf of its members in all necessary matters, including but not limited to collection of premiums, issuance of cancellations and payment of commissions, losses, judgments and expenses.

"Premiums Written" as referred to above means gross direct premiums (excluding premiums on risks ceded to the Joint Reinsurance Association) charged during the most recent calendar year for which figures are available with respect to property in this State on all policies of Basic Property Insurance and Basic Property Insurance premium components of all multi-peril policies as computed by the *Association*, less return premiums, dividends paid or credited to policyholders, or the unused or unabsorbed portion of premium deposits.

All policies issued by the *Association* shall include at least Basic Property Insurance (See Section III on page 1 dealing with coverage provided) on standard policy forms and shall be issued for a term of one year.

Property may be scheduled at the request of the insured provided that the premium charged shall be the same as the total premium charged when each location is written in a separate policy. The *Association* will not provide blanket coverage.

Member companies of the *Association* have authorized the Manager of the *Association* to act as Attorney-in-Fact for all members and to execute policies on behalf of the member companies.

All dwelling risks, other than mobile homes, written under dwelling form FP-2 shall include a statement based on §38.2-2118 of the *Code of Virginia* summarizing: (i) any minimum coverage requirement necessary for the replacement cost provision to be fully effective, and (ii) the effect on claim payment of not meeting the minimum coverage requirement.

VI. Applications

A. General Rules

Application forms may be secured by submitting a request to the *Association* office located at the 4405 Cox Road Suite 260, P.O. Box 5568, Glen Allen, VA 23058-5568.

Applications may be submitted via mail, fax machine, or in person at the *Association* office and may be submitted to the *Association* directly by the applicant or through a Virginia licensed property and casualty agent. A Virginia licensed property and casualty agent may submit applications via the *Association's* web site.

Coverage will not be provided on properties previously declined or cancelled by the *Association* for substandard underwriting conditions until insurability has been determined through a physical inspection of the property.

Providing such coverage does not prevent the *Association* from later determining a property uninsurable.

Applications submitted via mail, fax machine, or in person at the *Association* office must include the following forms as required:

If property has a seasonal occupancy or is vacant or unoccupied, the Vacant - Unoccupied Questionnaire (Form VPIA #29) is required.

Corporate Applicants Questionnaire, (Form VPIA #30) is required for properties owned by corporations, partnerships, trusts and holding companies.

Liability Supplement, (Form VPIA #101) is required any time an applicant requests that liability coverage be attached to the dwelling policy.

Theft Supplement, (Form VPIA #100) is required any time an applicant requests that theft coverage be attached to the dwelling policy.

B. New Business

1. General

The Application for Basic Property Insurance and/or Placement is completed by the applicant and agent, if any, for habitational and commercial properties. The entire form is submitted to the *Association*. Applications for dwelling fire policies may also be submitted by using Acord Application #67 VA.

If the application is acceptable, the *Association* will assign a policy number, may arrange for an inspection, and will confirm receipt of the application.

If coverage is unacceptable and declined, a Declination Notice will be issued in accordance with Section XI-B on page 3.

2. With Money

If sufficient premium is received with a properly completed application on an acceptable risk, an effective date will be noted on the confirmation notice. Sufficient premium shall be defined as at least 65% of the annual premium as defined on page 4 in section XI.C of this manual. That effective date will be in accordance with the Section VII on page 1 dealing with effective dates of coverage. The *Association* will issue a tentative policy on all risks that meet the criteria outlined in this paragraph. If sufficient premium is

not received or if the application is not properly completed, the application and the premium will be returned, and no coverage will be afforded.

Coverage is effective on acceptable new applications submitted with premium payment for a period not exceeding sixty (60) days pending the issuance of the policy.

The *Association* may have the property inspected. An endorsement may be issued to reflect any applicable deficiency charges and/or adjustments in annual premium. If coverage is unacceptable and cancelled, a Cancellation Notice will be issued in accordance with Section XI-A page 1.

If the amount of premium rendered is more than the actual amount needed, a return premium check will be issued and mailed. If the amount of premium received is not sufficient, an invoice will be issued for the additional premium. The additional premium must be paid within 30 days to avoid policy cancellation for non-payment.

3. Without Money

An applicant can request a premium quote. The *Association* may have the property inspected when it receives a properly completed application on an acceptable risk. If it is determined after inspection that the property meets underwriting standards, a quote sheet will be sent to the agent or to the applicant, if no agent. The quote sheet will state the annual policy premium for the amount of coverage requested and reflect any condition charges applicable (if any). Coverage will not be effective until 12:01 A.M. Standard Time the day after the premium required in the quote sheet has been received in the *Association* office. Payment of the amount indicated on the quote sheet must be received in the *Association* office prior to the desired effective date or within 45 days of the billing date indicated on the form, or the quote will become void.

If an application for new business that meets our underwriting standards is received via normal mail, coverage will be effective as of the first 12:01 A.M. Standard Time immediately following receipt of such application. The insured and/or producer must then submit the estimated annual premium. If the premium is not received by the *Association* within ten days of receipt of the application, the policy will be cancelled in accordance with the rules found in section XI-A-3-a on page 1.

If an application for new business that meets our underwriting standards is received via facsimile machine or via the *Association's* web site, coverage will be effective as of the first 12:01 A.M. Standard Time immediately following receipt of such application. The insured and/or producer must then submit the estimated annual premium. If the premium is not received by the *Association* within ten days of receipt of the facsimile application, the policy will be cancelled in accordance with the rules found in section XI-A-3-a on page 1.

C. Continuation of Coverage Applications

1. General

a) Notice

A Continuation Certificate will be sent from the *Association* to the insured and agent (if any) not less than forty-five (45) days prior to the date of expiration providing coverage for a one-year period commencing on the expiration date of the current policy in force. An "Application for Continuation of Coverage" and a billing statement will be included with the continuation certificate.

If the policy provides coverage for a single residential property (this does not apply to schedules) and the policy lists a mortgagee, a copy of the continuation certificate and the billing statement will be sent to the first mortgagee. Policies insuring multiple locations will not be eligible for mortgagee bill. Endorsements will be mailed in accordance with page 1 of Section XII-C.

b) Depopulation

The agent and/or the applicant should make a diligent effort to place coverage on the property through the standard market.

If coverage through the standard market is unobtainable, a completed "Application for Continuation of Coverage" must be submitted to the *Association* office 15 days prior to the expiration date of the current policy along with the proper premium in order to avoid cancellation of the continuation coverage. The applicant's signature is required.

c) Premium Requirements

The premium required on the continuation coverage will be the tentative annual premium for the upcoming policy term.

2. With Money

Coverage will be effective on the date the current policy expires when sufficient premium payment is received prior to expiration date. If premium payment is received within 45 days after the expiration date of the current policy, coverage will be effective as of the first 12:01 A.M. Standard Time immediately following receipt of payment in the *Association* office. If premium payment is received more than 45 days after expiration, the application will be returned and no coverage will be provided. A new basic application will be required. If an inspection is necessary, the *Association* will issue a tentative policy. Upon receipt of the inspection, the policy may be endorsed to reflect any condition charges applicable and/or adjusted annual premiums.

VII. Effective Dates of Coverage

A. New Business

Coverage will be effective on qualified property as of the first 12:01 A.M. Standard Time immediately following receipt by the *Association* of a properly completed application and the estimated annual premium (as defined in Section XI-C on page 4), or at a later date as requested by the named insured.

If an application for new business that meets our underwriting standards is received via facsimile machine or via the *Association's* web site, coverage will be effective as of the first 12:01 A.M. Standard Time immediately following receipt of such application. The insured and/or producer must then submit the original application and the estimated annual premium. If the application and/or premium are not received by the *Association* within ten days of receipt of the facsimile application, the policy will be cancelled in accordance with the rules found in Section XI-A-3-a on page 1.

B. Continuation Applications

Coverage will be effective on the date the current policy expires when the premium is received prior to the expiration date. If premium payment is received along with a properly completed application within 45 days after the expiration date of the current policy, coverage will be effective as of the first 12:01 A.M. Standard Time immediately following receipt of payment in the *Association* office. If payment is received more than 45 days after expiration, the application will be returned and no coverage will be provided. A new basic application will be required.

VIII. Premium Payment

A. Method

All remittances in payment of premium must be made payable to the *Association*. The Association will accept premium payments from the agent, insured, mortgagee or other parties with an interest in the policy. Policyholders can also pay their premiums using credit cards by inputting their credit card information on the Association's web site at www.vpia.com. The *Association* reserves the right to require a certified check, cashier's check or money order in payment of premium.

B. Individual Transactions

On remitting premium payments, a single check for each transaction is necessary.

C. Return Premiums

Return premiums will be mailed to the agent. If the insured does not have an agent, the return premium will be mailed directly to the named insured. While the return premium payment will normally be made promptly after processing has been completed and approved, no such payment will be considered past due until sixty days after the date of the transaction.

IX. Agents

A. Authority

No agent has or shall have any authority to bind the *Association* in any way.

No agent may issue a policy, binder, endorsement or cancellation notice, nor assign any loss, on behalf of the *Association*. No agent may sign any form as an authorized representative of the *Association*.

B. Insured's Agent

When dealing with the *Association*, any licensed property and casualty insurance agent is acting as the designated representative of the applicant or insured, and not as an agent of the *Association*.

C. Ownership of Expirations

The *Association* will not recognize any ownership of expirations.

D. Commission

1. Rate

The commission of 10% established by the State Corporation Commission on business placed through the *Association* shall be paid by the *Association* to the licensed agent, if any, submitting the application.

2. Return Commissions Due

In the event of cancellation of a policy or an endorsement which requires premium to be returned to the insured, the agent shall refund ratably to the *Association* the commission on the unearned portion of cancelled policy and/or reduction in premiums at the same rate at which such commissions were originally paid.

E. Regulatory Reporting Requirements

The *Association* shall promptly report to the State Corporation Commission any violation of law, or irregularities committed by an insurance agent. Violations and irregularities shall include, but not be limited to the following:

1. Issuance of dishonored checks.
2. Submission of any application by a person, partnership or corporation that is not a licensed producer.
3. Failure to promptly refund unearned premiums and/or failure to deliver promptly any moneys or documents required to be delivered to an insured.
4. Suspected fraud or material misrepresentation committed by a producer.

X. Inspection

A. Authorization

Inspections requested by the *Association* shall be made by an employee of the Association or by an inspection bureau approved by the State Corporation Commission. The designated inspection bureau may perform such other duties as may be authorized by the *Association*.

B. Content

An inspection report may be made for each property inspected covering the pertinent structural and occupancy features as well as the general condition of the property and will be accompanied by a photograph of the property taken during the inspection. The reports may also include an estimate of the cost to replace the structure.

C. Request for Copies

A copy of the inspection report shall be available to the applicant or applicant's agent, upon written request.

D. Additional Information

The *Association* may obtain any additional reports deemed appropriate as an aid in the underwriting of the property.

XI. Underwriting

The *Association* may require an inspection to determine whether or not the property is acceptable for coverage. The underwriter may apply condition surcharges based on information developed during the inspection of the property or upon notification by the insured.

An application may be declined, or a policy may be cancelled, if the property is ineligible or fails to meet reasonable underwriting standards. Condition charges or surcharges may be imposed in conformity with any rating plan for substandard risks approved by the State Corporation Commission.

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

1. unsafe physical condition of the property such as its construction, heating, wiring, evidence of previous fires or general deterioration;
2. its present use or housekeeping, such as overcrowding, storage of rubbish or flammable materials;
3. Vacancy/Unoccupancy - Coverage will not be provided by the *Association* on unoccupied or vacant property until insurability has been determined by submission of the items listed in Section XI.3.a.1.
 - a. Coverage will be considered for vacant or unoccupied buildings which are secured against unauthorized entry upon written certification that:
 1. Occupancy, continuous and ongoing repair or reconstruction has commenced or will commence within sixty (60) days after the date the application is received and evidenced by copies of contracts, building permits and/or specifications by contractor, or;
 2. that there is to be a change in ownership and, the new owner will occupy or commence to rehabilitate the building within sixty (60) days from the date of the application.
4. violation of law or public policy which results in increased exposure to loss;
5. properties that are inaccessible to fire services, such as islands and remote areas;
6. one or more of the underwriting standards or conditions set forth in section XI-A on page 1 dealing with cancellations.

A. Cancellation

1. Insured's Request

Policy may be cancelled at any time by returning it to the *Association* or by notifying the *Association* in writing of the date cancellation is to take effect.

All such cancellations will be promulgated in accordance with the Association's Dwelling Manual and Commercial Lines Manual cancellation rules, except, policies replaced in the voluntary market will be cancelled on a pro-rata basis.

2. Premium Finance Company's Request

The *Association* will honor a premium finance company's request for cancellation for "non-payment" only if the proper "power of attorney" is on file with the *Association*.

3. Association's Request

a) Policies in Effect Less Than 90 Days

The *Association* may cancel for any reason on ten (10) days written notice to insured and mortgagee.

b) Policies In Effect 90 Days Or More

Notice of Cancellation shall be 30 days except: ten (10) days to insured and mortgagee for the following underwriting standards or conditions:

- a. Evidence of owner or occupant incendiaryism;
- b. Building with at least sixty five (65%) percent of the rental units in the building which are vacant or unoccupied and left unprotected against trespass (a rental unit will be deemed to be left unprotected against trespass when an entrance door to such unit [or an exterior door to a hall, stairway, or other common passage leading to such unit], is open, missing, unlocked or unsecured, or when a window in such unit which is accessible to entry is not protected against unauthorized entry);
- c. Fire damage exists and the insured has stated, or such time has elapsed as clearly indicates, that the damage will not be repaired;
- d. Buildings in which following a fire, permanent repairs following satisfactory adjustment of loss have not commenced within sixty (60) days;
- e. Property has been abandoned or there has been removal of undamaged salvageable items from the building and the insured can give no reasonable explanation for such removal;
- f. Utilities such as electric, gas, or water services have been disconnected and the insured has failed to pay his account for such services within 120 days;
- g. Where reliable information exists that there is good cause to believe that the building will be burned for the purpose of collecting the insurance on the property;
- h. Conviction or unresolved indictment of a named insured or loss payee or any other person having a financial interest in the property of the crime of arson or a crime involving a purpose to defraud an insurance company;
- i. Where the building has been subject to more than two (2) fires, each loss amounting to at least \$500 or one (1%) percent of the insurance in force, whichever is greater, in any twelve (12) month period; or more than three (3) such fires in any twenty-four (24) month period, provided that the cause of such fires is due to conditions which are the responsibility of the owner-named insured;
- j. If the policy includes vandalism coverage, where the building has been subject to more than four (4) vandalism losses, each loss amounting to at least \$500 or one (1%) percent of the insurance in force, whichever is greater, in any twelve (12) month period; or more than six (6) such vandalism losses in any twenty-four (24) month period;
- k. Non-payment of premium;
- l. Buildings which have characteristics of ownership, condition, occupancy or maintenance which are violative of public policy;
- m. Buildings which are in danger of collapse because of serious structural conditions, or those buildings which are in such a state of disrepair as to be dilapidated (except buildings actually in the course of repair or reconstruction);
- n. Buildings on which, because of their physical condition, there is an outstanding order to vacate, an outstanding demolition order or which has been declared unsafe in accordance with applicable law;
- o. Buildings which become vacant or unoccupied for sixty (60) consecutive days during the policy term (except buildings which have a seasonal occupancy and buildings actually in the course of construction or repair and reconstruction which are properly secured against unauthorized entry).

C) Policies written on a form FP-2

Notice of Cancellation shall be 30 days except: ten (10) days to insured and mortgagee for the following underwriting standards or conditions:

- a. Any structure occupied as other than a primary residence;
- b. Any structure under renovations;
- c. One or more of the conditions set forth in section XI-A on page 1 dealing with cancellations.

D) Policies that provide liability coverage

Notice of Cancellation shall be 30 days except: ten (10) days to insured and mortgagee on owner-occupied dwellings and (5) days to insured and ten (10) days to mortgagee on other than owner-occupied dwellings for the following underwriting standards or conditions:

- a. Any animal owned by or cared for by any person insured under this policy or any animal located at any location insured under this policy which has been designated as dangerous on page 2 of Section II; unless the insured has signed restrictive endorsement **FP DL 00 02 (01 99)**;
- b. More than two (1) liability loss in a three (3) year period;
- c. Any structure found to be other than a one (1) or two (2) family owner occupied dwelling;
- d. One or more of the conditions set forth in section XI-A on page 1 dealing with cancellations.

E) Policies that provide theft coverage

Notice of Cancellation shall be: ten (10) days to insured and mortgagee (if any);

- a. If the insured fails at any time during the policy term to meet the eligibility requirements set forth for theft coverage in Section II of this manual;
- b. One or more of the conditions set forth in section XI-A on page 1 dealing with cancellations.

4. Notification

Cancellation Notice will be sent to all interested parties and shall be accompanied by a statement of the reasons for cancellation as well as the insured's right of appeal.

5. Premium Calculation

All such cancellations will be promulgated in accordance with the Association's Dwelling Manual and Commercial Lines Manual cancellation rules, except, policies replaced in the voluntary market will be cancelled on a pro-rata basis.

When a policy is cancelled, the premium for the period from the date of cancellation to expiration date will be applied to any balance due when determining the amount of the refund, if any.

B. Declination

1. Notices

When coverage is declined on owner-occupied habitational properties or the personal property of a tenant, a notice of Adverse Underwriting Decision (AUD) shall be included in the declination form (Form VPIA #10) which will be sent to the agent, if any, and the applicant. The form will state the reason (s) for the declination and include a statement of appeal procedures open to the applicant.

Copies of the Declination and Inspection Report shall also be sent to the State Corporation Commission.

2. Reapplication

If the conditions for which the property was declined are corrected, the applicant may submit a new application and upon receipt of the new inspection report, the property will be reconsidered.

When the improvements are made and verified by the inspection report, coverage will be made available unless changes have occurred in other conditions of the building or occupancy which would cause the property to again fail to meet reasonable underwriting standards.

3. FP-2 Policies

If an application is found to be unacceptable for **FP-2** coverage, and found acceptable for **FP-1** coverage, a declination will be sent that offers **FP-1** coverage.

C. Rates

1. General

Rates and minimum premiums approved for use by the *Association* for rating habitational properties and specific or class rated commercial properties are those rates that have been filed with and approved for the *Association* by the State Corporation Commission, Bureau of Insurance. The estimated annual premium shall equal the base premium as developed using the rates and rules described above, and increased by any condition charges that may apply.

The *Association* may inspect every dwelling we insure. Accordingly, we will apply surcharges to policies in accordance with our rating plan for substandard risks. The basis of the surcharges will be information developed from the inspection of the property, or notification from the insured.

D. Hurricane

1. New Business

The Weather Bureau describes areas subject to a "Hurricane Watch" or a "Hurricane Warning" in specific terms. These are guidelines used by the *Association* in accepting new applications or additional exposure to existing risks.

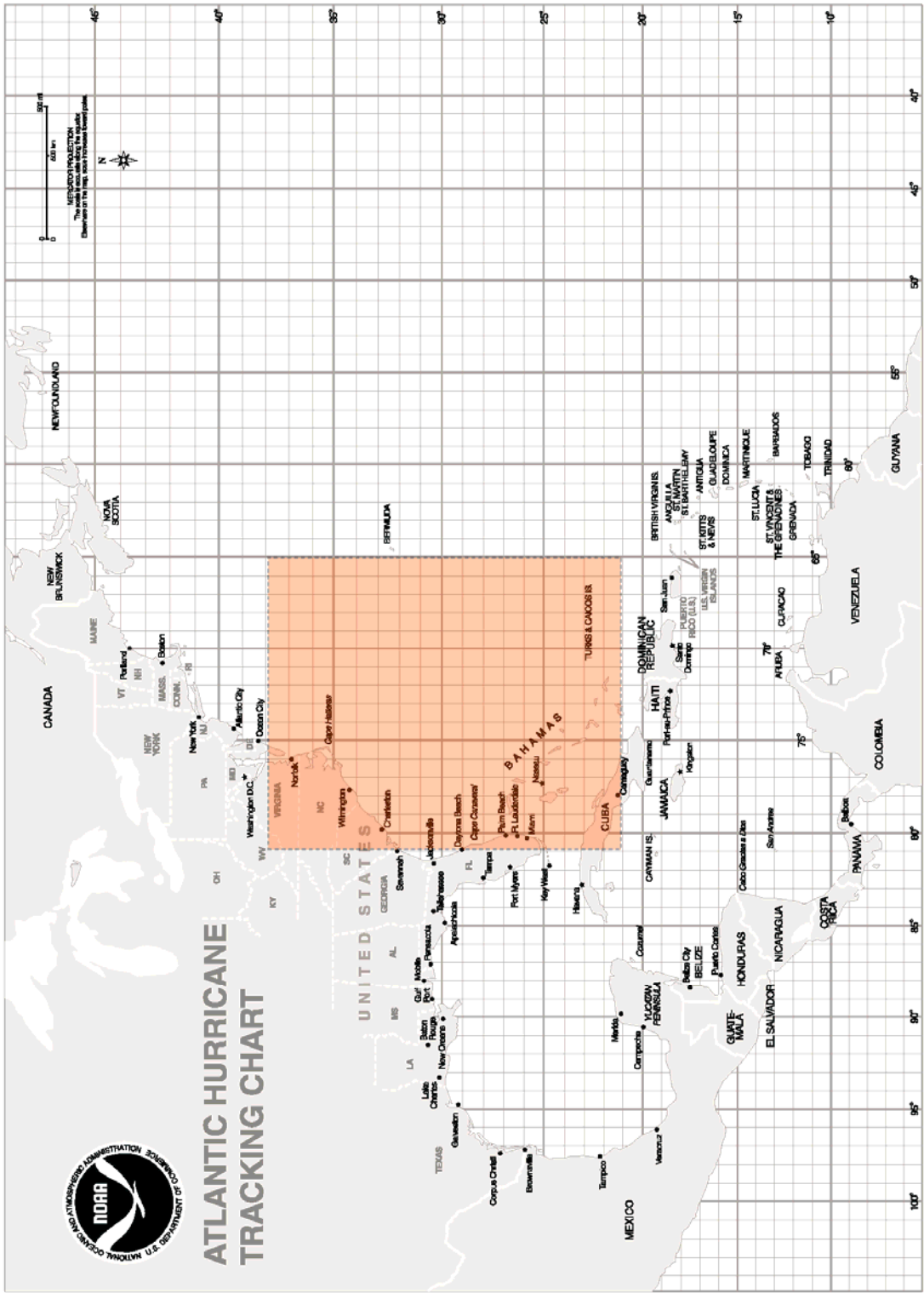
The *Association* will not accept applications for new coverage which includes windstorm coverage nor any request for increased coverage on existing policies which include windstorm coverage when a hurricane watch or warning is in effect for any portion of the State of Virginia. Additionally, the *Association* may stop accepting applications for new coverage which includes windstorm coverage and delays request for increased coverage on existing policies which include windstorm coverage when the national weather service reports the location of a hurricane, tropical storm or tropical depression within the longitudes of 65° west and 81° west and within the latitudes of 21° north and 38° north. If the *Association* ceases accepting applications, it will resume accepting applications within 24 hours after the hurricane, tropical storm or tropical depression leaves this designated region.

2. Hurricane Watch

When a hurricane reaches a position where it constitutes an appreciable threat to an area, that area is put on a "Hurricane Watch". This means that there is no immediate danger, but the hurricane is close enough so that everyone in the Watch area should listen for further advisories and be ready to take precautionary action in case warnings are issued.

3. Hurricane Warning

As soon as it is expected that an area will feel the full effects of the hurricane a "Hurricane Warning" is issued. These effects are: winds of 74 mph or higher, or a combination of dangerously high water, very rough seas, and winds as low as 60 mph, or other critical conditions justifying an emergency action. The warning means that all precautions should be taken immediately against the full force of the storm. The damage-causing high tides, strong winds and heavy rains precede, surround and follow the hurricane's eye.



XII. Endorsements

A. Request Forms

An insured desiring a change in a policy issued through the *Association* may submit a written request to the *Association* that is properly completed and signed by either the insured or his authorized representative or the insured's agent.

B. Reduction in Coverage and Non Premium Endorsements

An Application for Change which, after processing, is determined by the *Association* to be acceptable will be implemented as of the date received by the *Association* (or such later date as may be specified by the insured) if the change requested is confined to one or more of the following:

1. elimination of an item;
2. reduction in amount;
3. re-rating or removal of condition charges;
4. change in mortgagee or loss payee.

C. Increase in Coverage or Limit

If any other change is requested and approved by the *Association*, the change will become effective as of first 12:01 A.M. (Standard Time) immediately following receipt of a properly completed change request in the *Association* office (or at such later date as may be specified by the insured). A billing will be mailed for the Endorsement, and must be paid within 30 days of the billing date or the policy will be cancelled. Billing statements will not be sent to mortgagees for endorsements.

D. Addition of New Location

A new basic application will be required whenever the insured requests that an additional location be added to an existing policy. Refer to Section VII-A on page 1 dealing with new business effective dates to determine when coverage can be made effective.

E. Transfer of Ownership

On request to change the named insured due to transfer of ownership, a new application completed and signed by the new owner (named insured) is required. A new policy will be issued for the new owner. It may not be endorsed.

F. Restrictions in Coverage

The insured may request to have a policy or endorsement issued with a restriction in coverage. Form **FP DP 00 01 (10 95)** is to be used to restrict property coverage. Form **FP DL 00 02 (01 99)** is to be used to restrict liability coverage. The forms must be signed by the insured and approved by the State Corporation Commission.

XIII. Losses

A. Notification and Assignment

All losses occurring under an *Association* policy are to be reported directly to the *Association* office. All losses assigned by the *Association* will be to recognized independent adjusting firms approved by the *Association*. Assignment of losses to adjustment firms by agents will not be permitted.

B. Telephone Reports

Telephone reports of losses will be accepted on those claims which require immediate attention. The telephone report should be followed by a completed written report.

Losses reported by facsimile are acceptable and encouraged.

XIV. Appeals

A. Notice

Each notice of denial of insurance or of cancellation of insurance will be accompanied by a statement of the applicant's right of appeal.

B. Appeal to Governing Committee

Any applicant or insured shall have the right to appeal cancellations and declinations to the Governing Committee of the *Association*. Such appeal should be directed to the office of the *Association*, in writing, stating the reasons for the appeal.

C. Appeal to Corporation Commission

A decision of the Governing Committee may be appealed to the State Corporation Commission within thirty days (30) from the date of action or decision of the Committee.