

FAIR Plan News

January 6, 2004

Virginia Property Insurance Association

Residential Contents Replacement Cost Coverage Introduced

Effective January 15, 2004, the Association will begin offering replacement cost protection for personal property covered under the dwelling policy. Coverage will be provided by endorsement and will cover the cost to repair or replace property with new property of equivalent kind or quality to the extent practical without depreciation.

In addition to replacement cost on contents, this endorsement also

upgrades the coverage for some of the dwelling items such as: window air conditioners, awnings and canopies, antennas, appliances, carpets and window coverings, which are covered under our Broad Form Dwelling contract.

In order to obtain the replacement cost coverage, the insured must replace the item and provide a receipt for the purchase. The Association will initially pay actual cash value and will only pay the replace-

ment value once the goods are actually replaced.

The contents replacement cost endorsement can only be attached to the FP2 contract and will only be attached to a policy if contents coverage is provided. A 45% surcharge will be added to the existing contents rates for this endorsement. The Association will use endorsement FP FL 55, which is available for your review on our website.

Broad Form Dwelling Eligibility Requirements

- The property must be insured to 100% of its replacement value.
- The property must be free of all substandard physical conditions.
- The dwelling must be occupied as a primary nonseasonal residence.
- The applicant must have no more than one loss in the past three years that would be covered under this policy (natural disaster losses will not be considered).
- The applicant must have prior insurance within the past seven days or the family must be closing on the purchase of their first home.

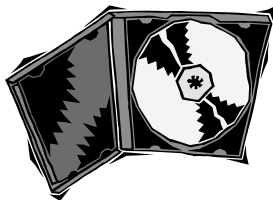
Rating Software Withdrawn

The Association no longer distributes rating software to insurance agents. You can go to our web site and generate premium quotes for both dwellings and commercial properties. Please remove our software from your systems

and throw away any disk or CD you have received from the Association.

Any changes in limits or enhancements in coverages will be reflected on the web site.

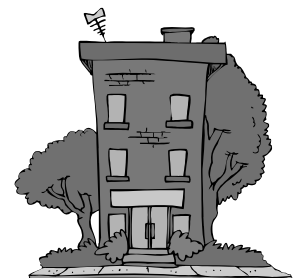
In addition to premium quotes, agents can use our web site to review billing information, get copies of declarations pages, submit claims and request policy changes.



Liability Coverage for Tenants

Effective January 15, 2004, the Association will offer \$100,000 of liability coverage to the residents of non-owned dwellings who meet our underwriting requirements. This will allow insurance agents to provide the liability coverage found in a tenants policy. We will charge \$59 for a one family dwelling and \$89 for a more than one family dwelling. No coverage

will be provided for the landlord or for the manager of the property. The coverage will be subject to the same underwriting restrictions that our current liability program utilizes.



Simplified New Business Procedures

The Association simplified the procedures for submitting applications by fax machine. Effective immediately, agents are no longer required to submit the original application after they have submitted an application for new business via fax machine. The premium must still be received at the Association within ten days to avoid policy cancellation.

You can help us process faxed applications by including copies of the finance agreements with the application and by writing the policy numbers on the checks when submitting payments.

Our staff is developing a web based application that will allow you to submit new business via the Internet. We hope to make that available later this year.

Credit Card Payments

Policyholders can now pay their premiums online at our web site using a major credit card. The Association does not charge any extra fees for credit card payments. Many policyholders use this option to avoid cancellations for non-payment of premium.

Internet Resources

There are several tools available to agents on the Association's web site at www.vpia.com.

Billing Information

You are able to review billing information that shows current payment history immediately after our staff records a payment in our system. The system will let you know who paid a premium and when a policy is set to cancel. The billing screen shows which policies are set up for escrow billing.

Agency Data

Please update your agency information in our system. Provide us with an updated e-mail address that we can use to communicate with you. You can get a list of your active policies with the Association.

Declarations Pages

You do not need to call the Association to get a current copy of the declarations page for a mortgage company. You can go to our web site and reprint a copy of the current policy.

Endorsements

You can request policy changes from our web site. The request is e-mailed to our staff. Once the change is made, you can print a new declarations page in your office.

Insurance to Value

The FP-2 Broad Form policy available through the Association has replacement cost coverage on the dwelling if the property is insured for at least 80% of the "full replacement cost of the building". If this requirement is met, a claim on the dwelling will be settled at replacement cost. If this requirement is not met, a claim for the dwelling will be settled at actual cash value.

Full replacement cost will be paid initially on any claim up to \$2,500 or 5% of the policy limit, whichever is less. When a claim exceeds this threshold, the actual cash value (ACV) will be paid first and the depreciation holdback will be paid if the repairs are completed within six months of the ACV payment. The repairs have to be completed and the holdback amount has to be incurred before the final payment is made.

It is crucial that the property be insured to value and that a building cost estimator is utilized to establish the amount of coverage needed. Our underwriters look at every new policy to help insure that the amount of coverage is correct. You may receive a letter asking that the amount of coverage be reviewed for accuracy. One of the reasons why we do this is to help insure that the limit for coverage A is correct so that a claim will be paid at replacement cost. Unfortunately, we have had claims where the building was not insured to value and the loss had to be settled for less than the replacement cost of the repairs.

Any questions regarding the settlement of replacement cost claims can be referred to the claims adjusting staff or the Assistant Manager.

Virginia Property Insurance Association

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