

# HOMEOWNER INSURANCE UNDERWRITING GUIDELINES

First Community Insurance Company (FCIC)

*Pristine Home Program*

*Texas*

**NAIC Company Number: 13990**

**NAIC Group Number: 689**

The Underwriting Guidelines have been designed to assist you with information regarding our Homeowner Insurance program. The following guidelines identify risks that are eligible/ineligible for coverage under the First Community Insurance Company Homeowners' Insurance Policy. The Company will not apply any criteria that may be in conflict with state statute or insurance regulation.

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### A. BINDING REQUIREMENTS

1. Producers may submit completed applications for binding consideration. The applicant must sign the completed application.
2. Effective date of the application can be no sooner than the date and time the application is completed, signed, down payment collected and all binding requirements met.
3. Applications where the premium is billed to the Mortgagee may be submitted without down payment.
4. Do not change, strike over, white out, or otherwise alter an effective date on any application, renewal order or endorsement request. Such changes may raise doubt as to when coverage was actually bound. For new business the effective date cannot be established until the application process has been completed.
5. For risks insured by FCIC in the past the Billing Department must be contacted to ensure there are no outstanding premiums due. Approval from Underwriting for the re-write also must be obtained.
6. Minimum and maximum coverage limits:

	Minimum	Maximum
HOMEOWNERS (Coverage A)	\$150,000	\$ 2,000,000
UNIT OWNERS (Coverage A and C)	\$ 50,000	\$ 750,000
RENTERS (Coverage C and Addition and Alterations)	\$ 10,000	\$ 500,000

### B. ELIGIBILITY

1. Underwriting criteria:
  - a. Use the company prescribed replacement cost estimator software to establish the minimum Coverage A amount. The dwellings must be insured to 100% of Replacement Cost using costs associated with the original year built. Pre-1940 homes using Functional Replacement Cost to determine Coverage A replacement cost are acceptable only when the Functional Replacement Cost Coverage is included on the policy unless the home has been fully renovated.
  - b. One or two family dwellings for HO-3 policies.
  - c. The dwelling and all major systems (plumbing, heating, electrical, roof) must be in good condition and have no unrepaired conditions or any uncorrected fire or building code violations.
  - d. If the dwelling is more than 25 years old, the Renovations Section of the Homeowners application must be completed. All dwellings are subject to inspection. Modernization requirements include:
    - (1) Electrical wiring, plumbing and heating systems must be updated within the last 20 years.
    - (2) The dwelling roof must be no more than 15 years old. This rule does not apply to slate or tile roofs.
    - (3) Oil furnace/burner or electric HVAC or gas furnace/burner cannot be older than 20 years.
    - (4) Electrical must have circuit breakers and cannot have any fuses providing power to any portion of the residence premises.

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- e. Heating must be a central heating system or thermostatically controlled electric heating system. All wood, pellet, coal stoves require completion of the Supplemental Heating Questionnaire. These stoves must be professionally installed, or approved by the local fire department or building inspector. (Note: A converted coal furnace, kerosene heater, electric space heater or wood/coal/pellet stove cannot be the primary source of heat).
  - f. Can have no more than two unrelated owners, provided they both have ownership interest in the insured location and both reside there. Any non-resident co-owners will not be listed as named insureds. They can be listed as additional insureds.
  - g. FCIC reserves the right to inspect any risk and will be inspecting a large majority of their insured's properties. If a discrepancy from information provided in the application is found during the inspection, policy information will be updated and/or corrected which may cause a change in premium. The policyholder and the agent will be notified of the change.
  - h. If a routine home inspection or information from Property Appraiser records reveals a discrepancy in the Coverage A – Dwelling limit of liability, we will change the limit of liability and notify the agent and the insured and adjust the premium accordingly.
  - i. A four-point inspection may be required on any dwelling that has not been updated.
2. The following risks are ineligible
- a. Prior loss history:
    - (1) Has more than 2 losses in the past 5 years or more than 1 loss in the past 3 years;
    - (2) Has any fire or liability losses in the past 7 years;
    - (3) Has more than 1 water loss, more than 1 wind/hail loss, or more than 1 theft loss in the past 5 years; (includes non-serial numbered catastrophe losses and serial numbered catastrophe losses, but excludes closed without payment losses). Note: If any prior structural loss is at the risk address, the condition causing the loss must have been repaired. Refer to Section 3 for special guidelines for handling water damage and mold losses.
    - (4) Has any open claims.
  - b. Primary owner-occupied dwellings that have been unoccupied for more than 30 days. An unoccupied dwelling is defined as a dwelling where neither you nor your guest has slept overnight in the residence premises for a period of 30 consecutive days immediately before the loss.
  - c. Dwellings in ISO protection class of 10 or 10W.
  - d. Dwellings that are for sale.
  - e. Dwellings that are currently in foreclosure/short-sale, or homes owned by someone currently in bankruptcy.
  - f. Dwellings with more than two mortgagees.
  - g. Risks with home day care business on premises, regardless of the number of children.
  - h. Liability exposures involving any attractive nuisance type exposure including, but not limited to, unfenced in-ground swimming pools, skateboard ramps, skateboard rails, bicycle jumps, etc.
  - i. Properties with a trampoline on the premises are acceptable, however liability for trampolines is excluded for all policies.

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- j. Please note that liability for swimming pool slides, diving boards, and similar structures is excluded for all policies.
  - k. Risks subject to landslide, mudslide, or sinkhole.
  - l. Dwellings built over water, including but not limited to house boats and floating homes.
  - m. Dwellings not on a permanent or solid foundation.
  - n. Mobile home, automobiles, trailer home, house trailer or manufactured home. m. Log homes.
  - n. Dwellings with an All Other Perils deductible less than \$1,000.
  - o. Dwellings with a roof covering of asbestos shingles, T-lock shingles, or an overlay roof (i.e. asphalt, fiberglass or composition shingles over wood shakes or wood shingles).
  - p. Properties with any farming equipment or with active ranching or farming operations.
  - q. Dwellings with aluminum or asbestos siding.
  - r. Risks where the distance to the nearest coast is less than or equal to 2500 feet.
  - s. Risks with any type of illegal activity on the premises.
  - t. Dwellings not maintained in an insurable condition. This includes, but is not limited to:
    - 1. Properties with abandoned, non-operational, not regularly used vehicles, or where company vehicles are stored;
    - 2. Properties with discarded appliances not in use; or
    - 3. Premises not free of debris or trash.
  - v. Churches or non-profit organizations.
  - w. Corporate or Business owned dwelling or any dwelling titled in a corporate or business name (this includes a Land Trust), except that the Named Insured can be a Limited Liability Corporation (LLC) when both the Managing Member and LLC are listed as Named Insureds. A Residence Held in Trust is permitted when both the trustee and trust are listed as Named Insureds. Refer to the Rule Manual for additional requirements about Residences Held in Trust (HO-3 & HO-6 only)
  - x. Dwellings or Unit risks with an individual or private party listed as the first or primary lender (HO-3 & HO-6 only).
3. Guidelines for Water Damage and Mold Claims:
- a. The risk is not eligible if any of the following apply:
    - (1) More than one paid non-appliance related water damage claim\* in the past 3 years filed by the applicant or on the subject location.
    - (2) A mold claim has occurred at the subject location in the past 3 years and the applicant fails to provide a Certificate of Mold Damage Remediation (MDR-1). Risks cannot be bound until the required Certificate of Mold Damage Remediation (MDR-1) is submitted to Underwriting.
    - (3) Three or more paid appliance-related **Water Damage Claims** in the past 3 years filed by the applicant or on the subject location. If more than one **Appliance Related Water Claim** exists, risks cannot be bound until the required Certificate of Appliance-Related Water Damage Remediation (WDR-1) is submitted to Underwriting.
  - b. Definitions
    - (1) **Water Damage Claim**--A request by an insured for indemnification from an insurer for a loss arising from the discharge or leakage of water or steam that is the direct result of the failure of a plumbing system or other system that contains water or steam.

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- (2) **Note:** If the subject location has had a water loss within the past 3 years, which was the result of a plumbing system failure, we will require an inspection by a qualified plumbing contractor which confirms the plumbing system is in good condition with no leaks and has no interior water supply lines made of lead.
- (3) **Appliance Related Water Claim** -A request by an insured for indemnification from an insurer for a loss arising from the discharge or leakage of water or steam from an appliance that is the direct result of the failure of the appliance. An appliance means a household device operated by gas or electric current, including hoses directly attached to the device. The term includes but is not limited to, air conditioning units, heating units, refrigerators, dishwashers, icemakers, clothes washers, water heaters, and disposals.

### C. SUBMIT FOR APPROVAL

The following risks need further underwriting review before they are submitted:

1. Risks cancelled, declined, or non-renewed by FCIC, or any other insurer for any reason during the last 3 years other than non-payment of premium, as they may be unacceptable.
2. Dwellings built on foundations of Pier & Grade Beam, Elevated Post/Pier & Beam (Stilts), Stilts with Sweep Away Walls, or Deep Pilings.
3. Dwelling – Coverage A is \$700,000 or more.
4. Dwelling – Coverage A is of \$500,000 or more and:
  - a. In an ISO protection class of a 9, split 'X', or;
  - b. The distance to the nearest fire hydrant is greater than 1,000 feet, or;
  - c. Is over 5 road miles to the first responding fire department, or;
  - d. Seasonal or Secondary risks without a central or direct station fire and burglar alarm system, or;
  - e. Seasonal or Secondary risks that are unoccupied more than 3 months of the year without a central station monitored low temperature sensor or water flow sensor.
5. Unit Owners – Coverage A and C combined is \$450,000 or more.
6. Seasonal or Secondary Unit Owners risks having \$300,000 or greater Coverage A and Coverage C combined with no central or direct station fire and burglar alarm system.
7. Renters – Coverage C and Additions and Alterations combined is \$200,000 or more.
8. Seasonal or Secondary Renters risks having \$150,000 or greater Coverage C and Additions and Alterations coverage combined with no central or direct station fire and burglar alarm system.
9. Risks with total exposure of \$2,000,000 or more (Coverage A + B + C + D + Valuable Items Plus).
10. Dwellings in the course of construction.
11. Homes was a foreclosure purchase or short sale within the past 3 years, unless the criteria listed under Section D are met.
12. Homes built prior to 1940.
13. Risks with 1 or more weather losses (including CATs) greater than or equal to \$100,000 in the past 3 years.
14. Risks with 1 or more non-weather losses greater than or equal to \$40,000 in the past 3 years.
15. Risks equipped with security bars, all windows must have an operational quick release mechanism from the inside.
16. Dwellings that are listed on the State or National Historic Home Registry.

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17. Business conducted in the home which involves client traffic on the premises.
18. Self-employed risk working in the residence.
19. Over 5 road miles to the first responding fire department.

### D. HOMES FORECLOSED DURING THE PAST THREE YEARS

1. If the home meets either of the following criteria the producer may submit the risk for binding:
  - a. Insured with another carrier for the previous 12 months
  - b. Home was constructed during the last 10 years.
2. If the home does not meet the above criteria, the producer is required to obtain a copy of the home inspection completed by a licensed home inspector.

### E. VALUABLE ITEMS PLUS/SCHEDULED PERSONAL PROPERTY

1. Items that cannot be listed separately with a description in the Declarations:
  - a. Items valued less than the class minimum limit (See Rule Manual).
  - b. Loose diamonds or gemstones.
  - c. Items with chipped, cracked or damaged diamonds, gemstones or settings.
2. For items valued in excess of \$5,000:
  - a. For jewelry, an appraisal by a certified gemologist is required. It must describe the color, clarity, cut, and carat of the stones. For furs, a certified appraisal from a furrier is required.
  - b. If the item is currently insured, a documentation of coverage must be submitted along with an appraisal less than ten years old.
  - c. If the item is not currently insured, the appraisal must be less than 1 year old.
  - d. For other items, a photocopy of a current price listing is acceptable.

### G. CATASTROPHE MANAGEMENT

1. Suspension of Binding Authority
  - a. All binding authority is automatically suspended whenever the following conditions exist in a given area:
    - (1) Impending severe local weather conditions or bulletin(s)
    - (2) Civil unrest
  - b. No applications for new coverage will be accepted. No endorsements of existing policies will be accepted which will have the effect of increasing the company's exposure. Applications with an effective date/postmark combination, which would violate the prohibition(s) listed above, will be rejected and no coverage will exist. Renewals of the Company's expiring policies will be issued provided there is no increase in coverage or exposure.
  - c. This temporary suspension of binding authority will remain in effect until these binding restrictions have been lifted by FCIC.
2. General (Non-Earthquake Related) Emergency Restrictions
  - a. FCIC may also establish discretionary restrictions on binding authority during emergency periods of potential floods, mudslides, forest fires, or other natural or manmade disaster emergencies.
  - b. If enacted, these emergency restrictions will be identical to those detailed in the above "Suspension of Binding Authority" section.

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- c. This temporary suspension of binding authority will remain in effect until these binding restrictions have been lifted by FCIC.
3. Earthquake-Related Emergency Restrictions
- a. When an earthquake registering 5.0 or greater on the Richter scale occurs, FCIC (or its representative) may impose binding authority restriction on all agents in the affected area:
    - (1) Binding authority will be restricted when an earthquake reading 5.0 or greater on the Richter Scale occurs.
    - (2) Binding authority will be restricted for the day of the earthquake and for the 30-day period following the earthquake.
    - (3) An aftershock reading 5.0 or greater on the Richter Scale will be considered a new earthquake, and will result in a new period of suspended binding authority.
    - (4) The restrictions will apply to all counties located within 150 miles of the earthquake's epicenter.
    - (5) The same above restrictions apply to any requests to increase coverage limits.
    - (6) Renewals are not affected by these restrictions.
4. Miscellaneous Restrictions
- a. FCIC, as part of its Catastrophe Management Program, may also establish (at its discretion) temporary and/or permanent restrictions on binding authority to properly control and maintain appropriate geographic concentration levels.