

# NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

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Plan of Operation

July 1, 2009

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NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

The New Jersey Insurance Underwriting Association has been created by the enactment of Chapter 129, Laws of 1968 of the State of New Jersey.

In accordance with section 7.a. of the aforementioned Chapter 129, the following FAIR Plan revised Plan of Operation is submitted by the Board of Directors of the Association for the approval of the Commissioner of Insurance of the State of New Jersey.

January 1988 – Revised July 2009

FAIR Plan

Plan of Operation

Part I – Operating Principles

Section 1 – Administration

A. Purpose

The purposes of the FAIR Plan are to:

1. Promote orderly community development by making essential property insurance available; and
2. Provide for the prompt and efficient issuance of essential property insurance to eligible applicants, the investigation, adjustment and payment of claims, and the maintenance of pertinent data so as to assure the establishment of fair and reasonable rate adequacy.
3. Provide for the participation of member companies, including procedures for assessments to cover any Deficit of the Association; and
4. Provide procedures for the reimbursement to the Association by the New Jersey Insurance Development Fund for Deficits sustained by the Association in excess of the retention level established by the Commissioner.

January 1988 – Amended February 1997 – Revised July 2009

B. Board of Directors

The Association shall be governed by a Board of Directors (“Board”) and has the power to act and make decisions on behalf of the Association on all issues. Except for Public Members, there shall be no compensation for serving as a

director, but the Association shall reimburse reasonable expenses. The Association and the Board shall annually forward nominations for the Directors that are to be appointed by to the Commissioner, who shall appoint said Directors to serve for a period of one year, or until a successor is appointed. The Board shall consist of 21 members as follows:

- a. Ten Directors elected annually by the members of the Association.
- b. One Director appointed annually by the commissioner from and among the officers of the various domestic mutual insurance companies.
- c. One Director appointed annually by the commissioner from and among the officers of the various domestic stock insurance companies.
- d. Six Directors appointed annually by the Commissioner from the Public-at- Large and who should be individuals not employed by, or affiliated with, insurers, agents, brokers, producers, or other entities of the insurance industry. Public Members shall be entitled to a per diem of \$100 for each day of board or committee service rendered.
- e. Three non voting Directors, one each from the Independent Insurance Agents Association, the Professional Insurance Agents Association, and the Insurance Brokers Association, or their successor organizations, shall be delegated to serve annually by their respective organizations.

C. Officers

The Board shall annually elect a Chairperson and a Vice-Chairperson. The elections for officers shall be held on the first meeting of each calendar year and officers shall be elected for a one calendar year term. The primary duties of the elected officers are:

- a. The Chairperson shall preside over all meetings of the Board and shall discharge such other duties as may be incidental to the office or as are required by the Plan or Board.
- b. The Vice-Chairperson shall preside at any meeting of the Board in the absence of the Chairperson and in the event of the inability of the Chairperson to continue to serve, the Vice-Chairperson shall perform such duties until the Board has filled the position. The Vice-Chairperson shall also discharge other duties as may be incidental to the office or required by the Plan or the Board.

D. President

The Board shall select a President who shall be responsible for the day-to-day operation of the Association and discharge such duties as may be incidental to that office or required by the Plan or the by the Board. The President shall select other officers and employees of the Association to handle its affairs. The President serves at the pleasure of the Board until such time as the President resigns or is replaced by the Board.

E. Meetings

The Board shall meet as often as may be required to perform the general duties of the administration of the Plan. Regular (Quarterly) and special meetings of the Board shall be held in the city of Newark, unless some other place within or without the State of New Jersey shall be designated by the Chairperson of the Board. The Board may meet upon the request of any two Directors, or of any ten members. Due notice of all Board meetings, as well as the minutes of every Board meeting, shall be furnished all members of the Board by the Secretary (President).

- a. Notice of all Board meetings shall be given to the members of the Board and shall state the date, time, place and principal purposes for the meeting. Notices shall be given via mail or electronically at least ten days in advance of the meeting.
- b. The President, after consultation with the Chairperson, shall prepare in advance of each Board meeting an agenda and supporting data and shall forward all such information to the members of the Board.
- c. Every Director shall have one vote, and a majority shall constitute a quorum. Any matter submitted to the Board for a vote shall be carried provided it receives an affirmative vote from a majority of the members of the entire Board.
- d. There shall be an annual meeting of the Board on a date fixed by the Board for the election of Directors and such other business as may be necessary.

F. Committees

The Chairperson of the Board will appoint, or the Board may elect such outstanding or special committees as may be deemed necessary in the transaction of the operations of the Association. The Chairperson and Vice-Chairperson of

the Board shall be ex officio members of all standing or special committees. Assignment of Board members to Committees shall be governed by Board approved guidelines detailing the duties and responsibilities of committee members. The Board standing committees are:

- a. Finance and Audit Committee
- b. Human Resource Committee
- c. Underwriting Committee
- d. Claim Committee
- e. Public Relations Committee
- f. Nominations Committee

Revised July 2009

## Section II – Definitions

The following definitions shall apply:

1. “Apportionment Share” means an individual member company’s share of any assessment or distribution. The Apportionment Share is calculated based on the member companies’ preceding calendar year net direct premium writings as a percentage of the aggregate net direct premium written in the State by all members. The Apportionment Shares of member companies that are part of a group shall be combined.
2. “Association” or “FAIR Plan” means the New Jersey Insurance Underwriting Association established pursuant to the provisions of N.J.S.A. 17:37A – 1 et seq.
3. “Board” means the Board of Directors of the Association.
4. “Calendar Year” is the Association’s financial reporting period between January 1<sup>st</sup> and December 31<sup>st</sup> during which premiums and other revenues are earned, and Losses and Expenses and other costs are incurred in accordance with statutory accounting principles.
5. “Commissioner” means the Commissioner of Banking and Insurance of New Jersey.
6. “Deficit” means Losses, including incurred but not reported (IBNR) claims and Expenses of the Association that exceed the premium and investment income of the Association for the Policy Year.

7. “Essential property insurance” means insurance against direct loss to property resulting from fire, lightning, explosion, vandalism, sprinkler leakage, wind or hail, smoke, aircraft or vehicles, riot or civil commotion, sinkhole collapse and volcanic eruption (direct loss resulting from sprinkler leakage, sinkhole collapse and volcanic eruption if applicable to commercial properties only), or burglary or robbery. “Essential property insurance” shall include builders’ risk coverage for properties being constructed or rehabilitated, but shall not include insurance on automobiles and farms. On the Annual Statement, these policies are represented on the Exhibit of Premiums and Losses, Business in the state of New Jersey, page 15 in: Line 1, Fire; Line 2, Allied Lines; Line 4, Homeowner’s Multiple Peril (not including liability); Line 5.1, Commercial Multi-peril; Line 26, Burglary and Theft (not including kidnap and ransom).
8. “Expenses” means underwriting expenses, costs to obtain lines of credit, administrative expenses of the Association, including the Crime Indemnity Plan and the WMAP and other expenses or charges incurred by the Association.
9. “Fund” or “IDF” means the New Jersey Insurance Development Fund.
10. “Insurable property” means real property at fixed locations in this state, or the tangible personal property located thereon, with an insurable value not in excess of the limits provided herein, and in no event more than One Million Five Hundred Thousand Dollars, which property is determined by the Association, after inspection and pursuant to criteria specified herein, to be in an insurable condition; provided, however, that neighborhood, area, location environmental hazards beyond the control of the applicant or ownership of the property shall not be considered in determining insurable condition; except that property shall not be deemed insurable which has characteristics of ownership, condition, occupancy or maintenance which are violative of policy.
11. “Losses” means incurred losses and loss adjustment expenses, including incurred but not reported (IBNR) losses and loss adjustment expenses.
12. “Member Company” means an insurer authorized to write, and engaged in writing within this state, property insurance, on a direct basis.
13. “Net Direct Premium” means gross direct premiums (excluding reinsurance assumed and ceded) written on property in this state for essential property insurance, including the essential property insurance components of Homeowners and Commercial Multiple Peril Package Policies, and Fire, Allied Lines and Burglary and Theft Policies as computed by the Commissioner, less return premiums upon cancelled contracts, dividends paid or credited to policyholders or the unused or unabsorbed portions of premium deposits.



14. “Net Gain/Loss” means the balance remaining after receipt of all earned premium, investment income, and other income, less all incurred losses and expenses, including depreciation and other charges.
15. “Plan” means this Plan of Operation approved by the Commissioner pursuant to N.J.S.A. 17:37A-7.
16. “Policy Year” is the assigned measurement period that includes all transactions occurring for policies based on the policy inception or effective date. It includes all corresponding written and earned premiums, Losses, Expenses, and all other charges assignable to the period based on the policy inception or effective date.
17. “Rating Bureau” means the Insurance Services Office of New Jersey.
18. “Retention Level” means the amount established through regulation by the Commissioner pursuant to N.J.S.A. 17:37 A-18.
19. “Urban Area” means any municipality as may be designated by the Commissioner.
20. “Windstorm Market Assistance Program” or “WMAP” means a network of member companies and all licensed insurance producers acting on a voluntary basis to assist qualified applicants located in the coastal area of New Jersey in obtaining homeowner’s insurance coverage created by N.J.A.C. 11:2-41.3.

January 1988 – Amended February 1997 – Revised July 2009

### Section III – Membership

Member companies shall participate in the premium Expenses, Losses, profits and Deficits of the Association as set forth in Section IV below.

1. Any insurer authorized to write and engaged in writing any insurance after the effective date of this FAIR Plan, the writing of which requires such insurer to be a participant in the Association, shall become a member company and participate in the Association on the January 1<sup>st</sup> immediately following such authorization, and the determination of any such insurer’s participation in the Association shall be made as of the date such insurer became a member company in the same manner as for all other member companies.

January 1988 – Amended February 1997 – Revised July 2009

### Section IV – Assessments

1. If the Association incurs a Deficit in any Policy Year, the Board may assess member companies for the amount necessary to eliminate the Deficit. The Board

also may assess member companies' interim assessments as the Board deems necessary to cover projected Deficits. Such interim assessments shall be reconciled upon the closing and final accounting for the Policy Year and adjustments shall be made.

2. Upon the closing and final accounting for any Policy Year, the Board may assess member companies for the Deficit for the closed Policy Year, or distribute a Net Gain to member companies for the closed Policy Year.
3. The Board shall provide the Commissioner with at least 15 days written notice of an assessment or distribution, to include the total amount to be assessed or distributed and its apportionment among member companies.
4. A final assessment or distribution shall be apportioned among the member companies using each member company's Apportionment Share for the Policy Year being closed.

February 1977 – Revised July 2009

#### Section V – Limitation on Assessments

1. Notwithstanding Part I Section IV above, no member company shall be obligated in any one Calendar Year to pay any assessment(s) on account of its Apportionment Share in the Deficit from operations of the Association in that year in excess of five percent of its surplus to policyholders as reported in the member company's statutory annual statement for the preceding year, and the aggregate amount not so assessed shall be reallocated among the remaining member companies in accordance with the method of determining participation set forth in Part I Section IV, after excluding from the calculation the total net direct premium of all member companies not sharing in such excess Deficit.
2. If a member company's deficit is capped in any one year, the shortage is reallocated among the remaining member companies based on their percentage of participation. If in subsequent years there is a Net Gain, that member company's share of the Net Gain will offset any unpaid deficit that was allocated to other member companies.

February 1997 – Revised July 2009

#### Section VI – Deferral or Abatement of Assessments

1. A member company may request that the commissioner defer or abate the obligation to pay assessment(s) pursuant to Part I Section IV on the basis that payment of the assessment(s) would result in the member company being or becoming in an unsafe or unsound financial condition.

2. A request for deferral or abatement of an assessment shall be filed with the Commissioner no later than 15 days prior to the due date for payment.
3. All requests shall be filed with the Commissioner pursuant to the procedures set forth in N.J.A.C. 11:2-35.3 and shall contain the information set forth in N.J.A.C. 11:2-35.4.
4. Upon review of a properly filed request, the Commissioner may order that the member company's obligation to pay the assessment(s) be deferred or abated.
5. Any deferral or abatement of a member company's obligation to pay assessment(s) shall be only for the particular obligation for which the request was made as specified in the notice of assessment.
6. If an assessment of a member company is deferred or abated pursuant to this Section, the amount by which such assessment is deferred or abated shall be allocated and assessed against all other member companies in the manner consistent with this Section. Such reallocation shall be determined by the Association and collected from the remaining member companies in a manner to be determined by the Board.

February 1997

#### Section VII – Appeals from Assessments

1. A member company seeking to challenge the calculation of an assessment shall submit a written appeal to the Association within 15 days after receipt of the notice of the assessment. The written appeal of the member company shall set forth in detail the reason or reasons why it believes the assessment is inaccurate or not appropriate and shall provide all documentation to support its position.
2. The Association, or a special committee formed by the Board, shall make a written determination of any appeal submitted by a member company within 10 days of receipt of a completed appeal.
3. A member company may appeal an adverse determination of the association to the Commissioner within 10 days of receipt of such adverse determination.
4. Notwithstanding that a member company has submitted an appeal to the Association or the Commissioner pursuant to this Section, the member company shall pay the amount of the assessment due.

February 1997

## Section VIII – Depopulation Credits

(Reserved)

## Section IX – Rates and Policy Forms

The Board shall file for prior approval by the Commissioner a rating system including rates, rules and forms that shall be used by the Association. Proceedings to review rate filings shall be conducted pursuant to N.J.S.A.17: 29A-1 ET seq. Association rates shall not be excessive, inadequate or unfairly discriminatory.

February 1997

## Section X – Management of the FAIR Plan

The Board of Directors shall establish a qualified organization for the daily management of the affairs of the Association. The Association shall determine appropriate management expenses, and shall provide for such additional services as may be necessary.

January 1988

## Section XI – Reinsurance

The Association may cede and assume reinsurance.

January 1988 – Amended February 1997

## Section XII – Association Statistics and Reports

1. The Association shall maintain statistics in accordance with the Statistical Plans filed with and accepted by the Commissioner on behalf of the statistical Agent.
2. Policies written pursuant to this Plan of Operation shall be separately coded.
3. The Association shall submit to the Commissioner periodic reports setting forth the number of requests for inspections, the number of risks inspected, the number of risks accepted, the number of risks conditionally accepted and re-inspections made, and the number of risks declined, and such other information as the Commissioner shall request.
4. The Board and Commissioner are empowered to collect from member companies any reports or statistics deemed necessary for the operation of the Association.

January 1988 – Amended February 1997

Section XIII – Intentionally Left Blank

Section XIV – Public Education

1. The Association shall undertake a continuing Public Relations Program in cooperation with producers and others to assure that this Plan of Operation receives adequate public attention.
2. The Commissioner shall require all producers licensed for property lines of business in the state to cooperate fully in carrying out this Plan.

January 1988 – Amended February 1997

Section XV – Supervision by Commissioner: Amendment to Plan

1. The Association shall be supervised by the Commissioner and periodically reviewed in the light of experience and intervening events by the Legislature.
2. The Board may propose amendments to the Plan at any time subject to the approval of the Commissioner.
3. The Commissioner may review the Plan whenever he/she deems expedient, but at least once a year. The Commissioner may amend the Plan after consultation with the Board by certifying the amendment.

January 1988 – Amended February 1997

Section XVI – The New Jersey Insurance Development Fund

1. The New Jersey Insurance Development Fund is a fund created to provide a financial backup to the Association. The Fund should be used to reimburse the Association for a Deficit sustained in excess of the amount of the retention level established by the Commissioner by regulation. The Fund shall be administered by the Commissioner and the Treasurer in accordance with the provisions of N.J.A.C. 17:37A-1 ET seq.
2. The Board shall request reimbursement from the Fund when the Association has a Deficit in any one Calendar year in excess of the retention level.
3. The Board may request a loan from the Fund to pay Losses and Expenses of the Association in the following circumstances: (1) available funds are not sufficient to make timely claim payments for Losses incurred: (2) the Deficit of the Association for the Policy Year for which the loan will be used has not exceeded the retention level: (3) the loan will be repaid with interest by an assessment on member companies to be made within 90 days of the loan, unless the Commissioner approves a later assessment date. Interest on a loan will be the average rate currently being earned by the Fund.

4. All requests for reimbursement or loans from the Fund must be made to the Commissioner with such supporting information as the Commissioner deems necessary.

January 1988 – Amended February 1997 – Revised July 2009

#### Section XVII – Indemnification

1. The Association shall indemnify its directors and employees for any and all claims, suits, cost of investigation, costs of defense (including reasonable attorney fees), settlements or judgments against them on account of any act or omission in the scope of a director's duties or employee's employment. The Association's obligation to indemnify shall continue whether or not the director or employee currently is servicing in such capacity, so long as the act or omission which is the subject of the claim, action, suit or proceeding occurred during service as a director or employee of the Association. Provided, however, that the Association shall refuse to indemnify in any case where it determines that the act or failure to act resulted because of actual fraud, willful misconduct or actual malice. For purposes of this Article, "employee" shall include any person participating as a member of any committee authorized by the Board.
2. Any director or employee who shall seek indemnification hereunder shall promptly notify the Association in writing of any claim, action, suit or proceeding, or any threat thereof.
3. Except where the Board concludes that there is a probability that the action or inaction of the director or employee resulted from actual fraud, willful misconduct or actual malice, the Association, upon notification of such claim or action, shall retain counsel, at its own expense, to represent that director or employee. The Association also shall pay for all reasonable costs associated with the litigation. Provided, however, that the Association shall take no action under this Section unless it has received from the subject director or employee a written agreement obligating such director or employee to reimburse the Association for payments made by the Association if it is ultimately determined that the director's or employee's act or failure to act resulted because of actual fraud, willful misconduct or actual malice. Any refusal by the Board to provide advance indemnification under this section shall be reviewable by the Commissioner upon written request of the affected director or employee.
4. In any case where the director or employee disapproves of the Associations' choice of counsel, he/she shall so inform the Board and shall submit his/her choice(s) of counsel. The Board shall approve any such request for change in counsel unless it finds that any additional expense that would be incurred by reason of the change of counsel would be unreasonable. Any such approval may include such limitations as may be deemed appropriate and reasonable in the

particular circumstance as to the amount to be paid and the timing and manner of such payments. Any denial of a request to change counsel shall be reviewable by the Commissioner upon written request of the affected director or employee.

5. In each instance where the Board is authorized to act under this Article, the Board shall act by a majority vote of a quorum of the Board, provided, however, that no director on the Board seeking indemnification in the matter under consideration shall participate in the determination. In the event that a majority of the members of the Board are seeking indemnification as a result of the same occurrence or the number of members of the Board eligible to vote does not constitute a quorum, determinations required under this Article shall be made by special counsel appointed by the Board and approved by the Commissioner for this purpose. The determinations of the special counsel shall be in writing and shall be submitted to the Board and the Commissioner. For purposes of this Section, "Special Counsel" is defined as an independent legal counsel retained only for the specific occasion, who has no prior relationship with those seeking indemnification, and is neither inside counselor nor regular outside counsel for the Association.
6. Any advance authorized hereunder shall be repaid to the Association if the director or employee on whose behalf the advance was made is ultimately determined by the Board not to be entitled to indemnification under the provisions and in accordance with the standards for indemnification provided for in this Article.
7. All Expenses incurred by the Association in fulfilling its obligation under this Article shall be paid out of the general revenues of the Association or such other fund established by the Board and approved by the Commissioner. Provided, however, that this section shall not preclude the Board from securing insurance coverage sufficient to meet its obligations under this Article.
8. This Article shall be applicable to all acts or failure to act by any director or employee of the Association occurring on or after August 17, 1995.

January 1988 – Revised effective August 17, 1995

#### Section XVIII – Member Company Reporting

1. Member companies shall report their annual net direct written premiums and in-force policies to the Association on a zip code basis in the Annual Report format attached as Appendix D. Member companies that are part of a group may report on a group basis.
2. The Annual Report shall be due no later than June 15<sup>th</sup> of each year.

PART II

Policy Provisions

Section I – Association Policy

1. The Association is authorized to issue policies or certificates of insurance on risks.
2. Member companies of the Association shall be deemed to have authorized the President of the Association to act as attorney-in-fact for all members to execute policies on behalf of the member companies. Where authorized by any member he may also at this option pay on behalf of such member premium and other taxes related to Association business on terms and conditions agreeable to the taxing authority involved. In the event of the death, resignation or incapacity of said attorney-in-fact to act, the Board of Directors shall nominate his successor. No policy or certificate of insurance shall be affected or invalidated by any change of the attorney-in-fact who, at the time policy or certificate of insurance was issued, shall have duly acted pursuant to this Section may be executed on behalf of the participating members by any attorney-in-fact appointed hereunder.

January 1988 – Amended February 1997

Section II – Property Eligibility Criteria: Limits of Liability

1. Subject to special sub-limits for construction and class of occupancy, the maximum limit of liability assumed by this Association shall not exceed \$1,500,000 for all interests at one fixed location. Within such limits insurance shall be provided up to the full insurable value of the risk.
2. The special sub-limits for construction and class of occupancy as referred to above are as follows;

<u>A.     Habitational occupancy classes:</u>	<u>Maximum Limits</u>
i.     One, two, three or four family private dwelling building per location.....	\$600,000
ii.    Household and personal property usual or incidental to the occupancy of each private dwelling unit or each apartment dwelling unit and in use therein where the Association also provides building coverage in the same policy under subsection 2.A. (1) above; Provided, however, that the maximum limit of coverage provided pursuant to this subsection shall not exceed one-half of the building coverage provided under subsection 2. A. (1) above .....	\$300,000



- iii. Household and personal property usual or incidental to the occupancy of each private dwelling unit or each apartment dwelling unit and in use therein where the Association does not provide building coverage in the same policy under subsection 2.A. (1) above .....\$50,000

B. All other occupancy classes with respect to buildings:

MAXIMUM LIMITS APPLICABLE TO EACH LOCATION

Fire Resistive Construction .....	\$1,100,000
Ordinary Masonry Construction .....	\$750,000
Frame Construction.....	\$500,000

C. All other occupancy classes with respect to contents:

MAXIMUM LIMITS APPLICABLE TO EACH OCCUPANCY

Fire Resistive Construction .....	\$400,000
Ordinary Masonry Construction.....	\$250,000
Frame Construction .....	\$250,000

Notes: (1). An optional \$1,000, \$2,500 and \$5,000 deductible is available for policies written on other than habitational occupancy classes. (2). The contents limits of 2.C. above may be doubled in the case of sole commercial occupancy at any location as otherwise defined in this Plan of Operation.

3. In the event that the above limits do not meet the requirements for a specific request for insurance, the Underwriting Committee may approve such additional amount of insurance as it may deem proper, but in no event shall the total amount of insurance exceed \$1,500,000. Any rejection by the Underwriting Committee of a specific request for insurance in excess of the applicable limit but not in excess of \$1,500,000 shall be in writing with a copy to the Commissioner.

4. The following properties and contents therein are not insurable under this Plan of Operation:

- A. Buildings, which are unoccupied and open and accessible to unauthorized persons.
- B. Building which are in danger of collapse because of serious structural conditions.
- C. Buildings which have an exceptional degree of hazard such as fire ruins or dilapidated conditions.

- D. Buildings with hazardous conditions(s) not contemplated by the rating plan of the Inspection Bureau as approved by the Commissioner. (Buildings which are vacant or used for storage of flammable materials may be declared uninsurable).
- E. Buildings which have characteristics of ownership, condition, occupancy or maintenance which are violative of public policy which result in increased exposure to loss.
- F. Farm Risks which shall include any buildings used in connection with land devoted to agricultural pursuits, which shall include cultivation of the ground; feeding, breeding, and management of livestock, including poultry, producing milk, dairy, egg or other farm products; raising and harvesting crops, including fruit, grain, hay vegetables or other produce.
- G. Automotive Risks.
- H. With respect to any of the properties or in any of the circumstances defined in N.J.A.C. 11:1-5.2(b) 3 as follows:
- i. Buildings which are unoccupied and accessible to unauthorized persons.
  - ii. Buildings which have been subject to damage by a peril insured against and the damage is not repaired or remedied within a reasonable time after the damage occurred.
  - iii. Buildings which are in danger of collapse because of serious structural conditions.
  - iv. The insured has been indicted for or convicted of arson or burning with intent to defraud or there is evidence of incendiarism or attempt thereat by the insured or representative of the insured.
  - v. Buildings which have an exceptional degree of hazard, such as fire ruins or dilapidated condition.
  - vi. Buildings which have any of the following conditions existing;
    - (1). Repeated failure to furnish heat, water, sewer, or public lighting.
    - (2). Failure to correct conditions dangerous to life, health or safety.
    - (3). Failure to maintain the building in accordance with applicable law; or

(4). Failure to pay property taxes for two quarters.

- I. Buildings with any of the rental units in the building unoccupied and left unprotected against trespass. A rental unit will be deemed to be 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 missing, unlocked, not capable of being locked or otherwise unsecured, or when a door or window in such unit which is accessible to entry has not been replaced or boarded up.
  - J. Buildings from which fixed and salvageable items have been or are being removed and the insured can give no reasonable explanation for such removal.
  - K. Buildings which have been condemned.
  - L. When there is reasonable knowledge and belief that the property is endangered and is not reasonably protected from possible arson for profit.
5. The word “location” as used herein means each separately detached building or structure.

January 1988 – Revised effective November 6, 1989 – Revised effective July 1, 1993

### Section III – Application for Insurance

1. Any person having an insurance interest in insurable property, who is unable to procure essential property insurance from an authorized insurer, may apply to the Association for such coverage or for continuation of a policy issued under the provisions of this Plan of Operation.
2. A completed application for insurance shall be signed by the applicant and may be submitted directly, or through a licensed producer authorized by him, to the Association.
3. The Association shall send an acknowledgment for all applications received.

January 1988 – Amended February 1997 – Revised July 2009

### Section IV – Inspection

1. When the completed application for insurance is submitted to the Association, it will be referred to the designated inspection service for the purpose of a physical inspection of the property. The inspection report shall be reviewed by the Association and a

determination made as to whether the risk is insurable in accordance with the standards established by this Plan of Operation.

2. An inspection will also be made upon request by the property owner or his authorized representative, any insurer, or the insurance producer.
3. The inspection report shall be made available to member companies of the Association, to the applicant and to the Commissioner, upon request.
4. Any inspection provided herein shall be made without charge to the applicant or owner.

January 1988 – Amended February 1997

#### Section V – Calculation of Rates and Determination of Insurability

1. The rates, rating plans and rating rules applied shall be those filed and approved by the Commissioner.
2. Neighborhood, areas, location or environmental hazards beyond the control of the applicant or owner of the property shall not be considered in determining insurability.

January 1988 – Amended February 1997

#### Section VI – Policy Issuance

1. If the Association determines that (1) for new business, the applicant has made a diligent effort to procure essential property insurance from an authorized insurer in the normal market at manual or tariff rates, or at expiration, there are no changes to the policy from the previous policy information, (2) the property is insurable; and (3) there is no unpaid, uncontested premium due from the applicant for prior insurance on the property, the Association, upon receipt of the full amount of the premium due, will issue a policy or endorsement on behalf of its member companies in accordance with Part II – Section VI. A single policy shall be issued for the entire amount of insurance accepted by the Association for each application.
2. The Association will offer an installment payment option to policyholders whose policies are renewed. The installment payment plan requires 50% down and 50% due ninety days from the effective date of the renewal policy. A service fee will be charged for each installment.
3. The Association will issue an identifying number to each application submitted. All policies and endorsements issued by the Association shall bear the identifying number assigned.

4. All policies issued pursuant to Part II – Section VI of this Plan shall bear an imprint showing that this policy was caused to be issued by the New Jersey Insurance Underwriting Association on behalf of its member companies and shall recite that a list of said companies and their percentage participation is on file at the Insurance Department in Trenton, New Jersey, and a copy may be obtained at the Association office.

5. Notification from the policyholder to the Association will be required when changes have occurred to the property from the information contained on the expiring policy file. Failure to report those changes may void coverage.

January 1988 - Amended February 1997 – Revised July 2009

#### Section VII – Policy Term

Policies are to be for one-year terms only.

January 1988

#### Section VIII – Declinations

1. If the Association for any reason denies an application and refuses to cause to be issued an insurance policy to any applicant, this Association shall mail notification to the applicant.

2. The Association will decline to provide coverage on properties which, following inspection, are determined to be uninsurable by the Association. Such declination shall be in writing to the applicant and shall include a statement of the conditions which make the property uninsurable and the measures, if any, which, if taken, would make the property insurable. Such statement shall also inform the applicant of his right to appeal such a determination of the Association and shall advise him of the means whereby such an appeal may be initiated.

3. If, for underwriting reasons, the Association refuses to request issuance of a policy in the full amount applied for by the applicant, and if the applicant protests, such refusal shall be treated as a declination and shall be in writing to the applicant.

4. Upon request of the Commissioner, the Association shall provide any information he deems necessary concerning reasons for the denial.

January 1988

#### Section IX – Temporary Binder

The Association on request may issue a temporary binder. Such binder will be issued on receipt of a copy of the application together with the annual estimated premium based on

existing specific or class rates, provided no conditions are known to exist which would make the risk uninsurable.

January 1988

#### Section X – Cancellation and Continuation

The Association shall not cancel or refuse to continue policies or risks otherwise eligible to continue to be issued under this Plan of Operation, except in the case of:

1. Fraud
2. Material misrepresentation
3. Evidence of incendiarism by the insured, or acting on his behalf
4. Failure to pay the full premium due and payable; or
5. Increased hazard or material change in risk assumed which could not have been reasonably contemplated at the time of the assumption of risk

January 1988 – Amended February 1997 – Revised July 2009

#### Section XI – Appeals

Any applicant to the Association and any person insured pursuant to this Plan of Operation may appeal to the Board of Directors within fifteen days after any final ruling, action or decision of the Association.

January 1988

#### Section XII – Commission – Return Commission

1. Commission to licensed producers who are independent brokers for the Association shall be 10%.
2. In the event of cancellation of a policy by the insurer, the producer shall refund pro rata to the insured commission on the unearned portion of cancelled liability at the same rate at which such commissions were originally paid.

January 1988 – Amended February 1997.