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UNDERWRITING MANUAL

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GENERAL INFORMATION

Mission Statement of the WIP

The Wisconsin Insurance Plan is Wisconsin's FAIR Plan or residual property insurer. The Plan was created to provide basic property insurance on certain properties rejected for coverage by other insurers. The Plan has underwriting standards and is not required to insure all properties that apply for coverage. However, these standards may be less restrictive than those of the insurer(s) you represent. In addition, the Plan is designed to encourage improvement and reasonable loss prevention measures for these properties and to further orderly community development.

Operating Authority of the WIP

The Wisconsin Insurance Plan (Plan) is composed of all insurance companies authorized to write property insurance in the state of Wisconsin. It is authorized by and operates pursuant to Wisconsin Administrative Code 4.10.

The Plan is administered by a Governing Committee, subject to the supervision of the Wisconsin Commissioner of Insurance and operated by a manager appointed by the Governing Committee.

Every Producer licensed to write property insurance in Wisconsin is **required** to assist consumers in submitting applications to the Plan even though no contractual relationship exists with the Producer.

Underwriting - Why do it?

Underwriting standards for the WIP are set forth by the Office of the Commissioner of Insurance in Administrative Code Ins 4.10. Legally, the WIP must comply with these standards.

When regular insurance companies incur losses that are greater than anticipated, their profits are less. They may not be able to take premium increases due to competitive pressures. The WIP does not price for profit. When we incur losses greater than anticipated they affect the premiums that are paid by our customers (in our rate filings). By following the underwriting standards, we are able to avoid the needless losses that

would occur on properties not acceptable to our underwriting standards. Therefore, we are able to keep our premiums more affordable. We underwrite for the benefit of our customers.

Premiums charged by the WIP are usually higher than those charged by regular insurers. This is logical considering the types of properties we insure. However, our premiums are not designed to be profitable or to break-even. The WIP recovers its cash deficits through assessments to regular insurance companies. Therefore, funds to pay the WIP's claims and expenses come from two sources: WIP customers and customers of regular insurers who contribute to the WIP through assessments.

Underwriting – In General

In the underwriting process, there are four options:

- insure the property as requested on the application
- insure the property with certain modifications in coverage or premium
- insure the property subject to improvements being made
- reject the property as not being eligible or acceptable under WIP rules

Sources of information in decision making include the application, the rejection reasons and documentation, the producer, the applicant, information in the underwriting file, claim history, the prior insurer, the internet, and the field survey report.

Besides this manual, you should be familiar with memos from the Plan Manager updating this manual, forms and endorsements used by the WIP, Section 4.10 of the Wisconsin Administrative Code, and with our website, www.wisinsplan.com.

Section 4.10 of the Wisconsin Administrative Code outlines the rules, procedures and guidelines for the WIP. You should specifically know the following paragraphs in the code:

- Eligible Risks (4)
- Underwriting Standards – Property (12)
- Underwriting Standards – Liability (13)
- Cancellation, Non-Renewal, Limitations (14)
- Policyholder Rights. (16)

Our goal is to insure a property as requested on the application however, this is not always possible. Customers with properties having a greater exposure to claims or in poorer condition should have their policies modified through coverage or deductible changes or premium increases (**condition charges**) to accommodate this difference. Customers with properties having serious physical condition problems should be conditionally declined until the property is improved. These actions motivate customers to improve their property and take reasonable loss prevention measures and provide for a more homogeneous customers base.

Customer Service Function - Patience and Courtesy

The underwriter interacts with customers, mortgage holders, and producers. Please be patient and courteous. Often these people are confused when dealing with the WIP. Customers and mortgage holders may be confused with basic insurance concepts and with our procedures.

Producers present a unique challenge. Our procedures are different from those of regular insurers. Many producers only work with us on an infrequent basis and have a misunderstanding of our mission. Therefore, we must be patient and courteous working with producers to help them in understanding how to work with the WIP.

Assist producers and refer them to our website, www.wisinsplan.com. The website has the procedure to assist the producer in applying to us. You should be familiar with this website.

Producers are agents of regular insurers and have authority to bind coverage or settle small claims for these insurers. Producers are **NOT** agents of the WIP. They have **NO** authority to bind the WIP or act for us. Producers can help an applicant in applying to the WIP and communicate with us for the applicant.

Never accept verbal abuse from customers or producers. If you have a caller that is being very difficult, transfer the caller to the Plan Manager. If the Plan Manager is not in, get the name and phone number and tell the insured or producer the manager will call them back.

INSURANCE PROGRAMS OFFERED

General Program Information

The WIP generally uses programs, policy forms, and rules developed by Insurance Services Office (ISO), a nationwide insurance advisory organization. In certain situations, the WIP has developed its own forms and rules. ISO's insurance programs are more comprehensive than WIP programs because we offer only basic coverages. Therefore, there are ISO forms, endorsements, and rules not in use by us. Be familiar with the coverages provided in the forms and endorsements in use by the WIP and with the ISO rules for using these forms and endorsements.

The WIP subscribes to ISOnet. Therefore, the ISO manuals and forms can be accessed on the internet at <https://info.iso.com>.

Dwelling Property Program

This program provides property insurance coverage only. Eligible properties are:

- 1 to 4 family tenant or owner occupied residences
- seasonal residential properties
- 1 or 2 family owner occupied residences not acceptable for liability coverages provided under the Homeowner Program
- any of the above while vacant/unoccupied and undergoing **active** rehabilitation.
- Builders Risk coverage is **NOT** available

Coverage is provided under the Basic Form (DP 00 01) with the Modified Loss Settlement Endorsement (DP 00 08). Separate limits can be purchased for Dwelling, Other Structures, and Personal Property. The Basic Form includes a 10% extension of coverage – not as an additional amount of insurance - for Other Structures and Fair Rental Value from the purchased Dwelling limit. The maximum limit for Dwelling coverage is \$200,000 and the maximum limit for Personal Property coverage is \$100,000. The Other Structure limit can be increased.

The WIP offers two theft endorsements in this program. The Broad Theft Endorsement is for owner occupied residences. Limits can be purchased in \$1000 increments up to \$5000. The Limited Theft Endorsement is for non-owner occupied properties. Limits can be purchased for \$3000, \$4000, or \$5000. Coverage is provided for personal property only and Personal Property coverage must be purchased for a limit equal to or greater than the theft limit. Coverage is on-premises only.

Minimum deductibles are:

- Up to Dwelling limit of \$75,000 - \$250 deductible
- Up to Dwelling limit of \$150,000 - \$500 deductible
- Dwelling limit \$150,000 and over - \$1,000 deductible
- A \$2,500 deductible is available

Commercial Property Program

This program provides property insurance coverage only. Eligible properties are those rated commercial by ISO and can be either owner or tenant occupied or vacant/unoccupied undergoing **active** rehabilitation. The WIP cannot insure farms or manufacturing properties. Insure one to four family residential properties under the Dwelling Program.

Coverage is provided under the ISO Standard Property policy (CP 00 99). Endorsements are available for Condominiums. Separate limits must be purchased for Building and Business Personal Property coverages. The total of these limits cannot exceed \$500,000. There are no coverage extensions for garages or other structures. Coverage must be purchased separately for each building. **No** Loss of Rents, Extra Expense, Loss of Income, Builders risk or Theft coverage is available.

Minimum deductibles are:

- Up to coverage limit of \$150,000 - \$500 deductible
- Up to coverage limit of \$250,000 - \$1,000 deductible
- Coverage limit \$250,000 - \$2,500 deductible
- \$5,000, \$10,000, and \$25,000 deductibles are available

Commercial Crime Program

As of January 1, 2016, this program is no longer offered.

Homeowner Program

This program provides property, theft, personal liability, and medical payments coverage in one policy. Eligible properties are one or two family **owner occupied**, **principal** residences. Vacant/unoccupied properties and properties under construction (Builders Risk) are not eligible for this program. If the home is unoccupied and the customer is moving into the home within three weeks, the home is acceptable.

Coverage is provided under the Modified Coverage Form (HO 00 08). A limit is selected for the Dwelling and other coverages come as a package:

10% of the Dwelling limit for Other Structures

50% of the Dwelling limit for Personal Property

10% of the Dwelling limit for Additional Living Expense.

The Dwelling coverage limit is available from \$15,000 to \$200,000. The Other Structure limit can be increased by endorsement. The Personal Liability limit is \$100,000 and the Medical Payments to Others limit is \$1000. These two limits cannot be changed.

Theft coverage is provided on-premises only. The policy provides \$1000 coverage. Additional limits can be purchased in \$1000 increments up to a total of \$5000.

The WIP offers four endorsements in this program. Two mandatory endorsements:

1. exclude punitive or exemplary damages
2. exclude liability for a day-care operation.

Two optional coverage endorsements are:

1. increased limits for Other Structures
2. home Day-Care liability coverage.

The day-care liability endorsement is for baby-sitting type exposures for up to three children (related or un-related) and no more than 3 days a week. Request a copy of the state license if this endorsement is requested. If the day-care is licensed, it is not eligible for this endorsement. Secure approval and signature from the Plan Manager to add the day-care liability endorsement.

Minimum deductibles are:

- Up to Dwelling limit of \$75,000 - \$250 deductible
- Up to Dwelling limit of \$150,000 - \$500 deductible
- Dwelling limit \$150,000 - \$1,000 deductible
- A \$2,500 deductible is available

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Ineligible Properties

All properties at a fixed location are eligible for coverage with the WIP except:

- **Motor vehicles**
- **Manufacturing properties**

Manufacturing Properties are those risks in which the operation consists principally of changing raw stock into finished stock by aging, assembling, converting or seasoning through the use of hand or machinery processes or the application of mechanical, electrical, thermal or chemical energy. The Insurance Services Office, Inc., Commercial Package Policy Package Modification Assignment for these risks is IP (Industrial and Processing).

- **Farms**

Farm properties are all buildings and their contents whether owner or tenant occupied, located on or used in connection with land devoted to any one or more of the following purposes:

- cultivation of the soil
- rearing or keeping of livestock or poultry
- producing fruit, grain, vegetables, hay or other produce.

The gross annual receipts (sales - not profits) from the operation of the farm must NOT exceed \$5,000. Verify receipts by getting a copy of the most recent tax return – Schedule F (individual), Schedule C (farm commodity), Schedule E (partnership/S Corp) or Schedule 4835 (rental income/loss).

The home and auto garage located on a farm where the farm land is leased out to others to farm is eligible to be insured but the other structures should be excluded.

Ineligible properties are those the WIP is not allowed to insure under any circumstance. If a property is *ineligible* for coverage, reject the coverage request. If the coverage is already started, cancel with a 13-day notice.

Unacceptable properties are those that currently cannot be insured due to underwriting reasons. Unacceptable properties can be turned into acceptable properties if the underwriting reasons making the property unacceptable are corrected.

Initial Underwriting – Receipt of Application

Upon receipt of the application, there are five courses of action:

- Issue the policy as requested.
- Issue the policy differently than requested. Notify producer and customer.
- Decline to start coverage. Notify producer and customer, provide the reason, and return the deposit to whoever wrote the check.
- Issue a quote, if no deposit is sent with the submission.
- Decline to quote for similar reasons as above. Notify producer and customer and provide reason. (Guidance for this decision can be found in the paragraphs below.)

If the application is complete, the proper deposit premium received, and the property appears acceptable for insurance coverage, coverage may be started. The underwriter determines the provisions of the coverage provided including effective date and time, coverage forms and endorsements, restrictions, limits, deductible, and payment plan. See paragraphs below on guidance for Limit of Liability, Deductibles, and Co-insurance.

Inspections

An inspection is ordered for each application. Do not order an inspection until all missing information is received, like a deposit check or a proper rejection by another insurer. These are situations where further information is needed to make an initial underwriting decision. We don't want to incur the expense of an inspection until we receive the needed items.

Starting Coverage

The decision to start coverage is very important. If the property is found to be unacceptable upon inspection and a cancellation is issued, the customer has the right to appeal the decision to the OCI and request a hearing [see 4.10 (16)]. During this process, the cancellation is rescinded and coverage continues.

This process could take 6 months before the WIP is finally able to cancel a policy. Therefore, underwrite as if preparing for a hearing. Secure a properly completed application and everything pertinent to making an underwriting decision *in writing*.

Do not start coverage (all programs) if:

- Property is not eligible for coverage by the WIP. Reject.
- Application is not complete and more information is needed to make a decision.

Reject due to missing:

- Rejection by another insurer
- The Producer Section of the application is blank
- Information provided on application indicates property may not be acceptable and an inspection should be completed prior to making a decision
- Consider hazards described on rejection letters, cancellations, or non-renewals by insurers who have inspected the property.
- Comments by producers that do not accurately describe the condition of the property.
- A re-application is received after prior rejection that changes the risk (unoccupied property now occupied). Verify
- Prior policy cancelled for failure to allow an inspection/survey.
- Application is over 60 days old. Request new application.
- No premium deposit received or insufficient for limits requested.
- Customer has had premium payment problems in the past (late pays). Require full annual premium as deposit.
- Application not signed by producer.
- We have rejected in the past for conditions and there is no information that repairs have been completed. Inspect first.
- Other underwriting/acceptability questions exist

Do not start coverage in Homeowner Program if:

- Animal on premises that has caused a liability claim or that has bitten someone (considered vicious). Offer coverage in Dwelling program.
- Claim information indicates a moral hazard (fighting, arrests resulting in claims). Review with Plan Manager.
- Other major problem with an underwriting standard in Ins 4.10 (13). For example, a second story porch without a railing.

Decline, order an inspection, and suggest application to the Dwelling Property program.

When declining to start coverage, notify the applicant and producer of the rejection along with the reasons for rejection or the additional information needed. It is our goal to issue all declinations on the same day that the application is received (depending on mail delivery). This avoids any problem with a claim occurring and a rejection issued after the claim is reported.

If there is information on the application or rejection documentation that would lead to believe any other structure is uninsurable condition, **exclude** that structure initially and advise the customer and producer. The structure can always be added back on to the policy after the inspection is completed.

Limit of Liability

The WIP's policies pay the market value (or actual cash value for commercial properties) of the insured property in case of a total loss. For partial losses, the Dwelling and Homeowner policies will pay for repairs even if they exceed the value of the dwelling (provided the repairs are made). In addition, the customer has a potential loss in removing the damaged property (debris removal) and restoring the site. In the City of Milwaukee, the law requires the customer to rebuild or restore the site to collect the complete loss from the insurer. (See coverage endorsement. This law does not apply to owner-occupied principal residences). Otherwise, the city can make claim to the insurer for costs incurred to restore the site. Therefore, the limit of liability on WIP policies should approximate the market value of the insured property plus an amount for debris removal and site restoration.

It is the responsibility of the applicant to request an appropriate limit - not for the WIP to offer the appropriate limit.

Our goal is to offer the limit of liability requested on the application. However, if the customer requests a limit substantially greater than the market value plus above, **require** a lower limit. This usually occurs when the producer requests a “replacement cost” limit. Underwrite the potential moral hazard from over insurance. Slightly over insure rather than being stingy on limits. Over insuring allows for greater funds to be available (DP & HO policies) for repairing a dwelling. This keeps the dwelling intact rather than having a total loss. It is a way we assist with community development.

Sources for information on market value:

- the application - most customers know the value of their property
- tax assessment – this can usually be found on the city or county website. Be sure to use the fair market value of the improvements. Use the “improvements” value on the tax assessment and add \$20,000 to \$30,000 for additional debris removal, final site cleanup, ordinance & law, architect’s fees and permits
- field survey report pictures
- appraisal for loan/mortgage

If a greater limit is requested than we are comfortable providing and improvements been made, request a list of repairs and the costs. We are not trying to be difficult with the customer. We are trying to justify our decisions.

Wisconsin's Valued Policy Law requires the insurer to pay the policy limit in case of a total loss to an owner occupied residence or seasonal property. The insurer cannot require the customer to rebuild. Therefore, be careful not to over insure owner occupied residences. This may create a moral hazard.

Properties undergoing rehabilitation

An appropriate limit includes the purchase price of the structure, site restoration costs, and the cost of anticipated improvements. If the cost of restoration is large, start by offering the purchase price of the structure, site restoration costs, and one-third of the cost of anticipated improvements. Advise the customer and producer to write us when this one-third has been completed. Then, endorse the policy to increase the limit by another one-third. Repeat when that one-third is completed. Do not renew properties not occupied at the end of one policy period. Builders risk coverage is not available.

For example, a customer buys a home for \$15,000 and anticipates putting \$90,000 in improvements over the next six months. The initial limit (subject to the customer's request) could be as much as \$15,000 plus \$5,000 for site restoration plus \$30,000 for improvements (total: \$50,000). The customer must request to increase the limit another \$30,000 after the first \$30,000 in improvements is completed. This is repeated for the next \$30,000. When the improvements are completed, the insurable value of the home may exceed the initial purchase price plus the direct cost of improvements.

Deductibles

Deductibles have two purposes. First, they provide a premium credit for the customer. Secondly, they encourage loss prevention because the customer must pay part of any claim. Your concern is with the second purpose in providing equity among customers and for motivating specific customers toward loss prevention or improvement of their property.

Increase the deductible over the minimum if the customer had two or more claims within the past three years. Do not consider claims not covered under WIP policies (water damage, etc.).

Increase the deductible if the property is in poor condition based on the field survey report. If the customer has let the property deteriorate, he should pay a greater portion of any claim and should be motivated to improve the property.

The customer can apply for a lower deductible on subsequent renewals if there have been no claims or if the property has been improved.

Co-insurance (Commercial Program)

The Standard Property Policy used by the WIP has a co-insurance clause. This means customers receive a lower rate if they purchase a limit equal to or greater than 80% of the actual cash value of the property. You must verify the limit purchased meets this requirement. If not, notify the customer and producer on the minimum limit needed. If this limit is not purchased, offer the policy at a flat (0% co-insurance) rate. This rate is substantially more expensive.

Documentation of Rejection by Another Insurer

It is a requirement of The Code that the WIP can only insure properties that have been rejected by another insurer. If the application indicates this has happened but the producer did not provide documentation, reject the application.

Proper forms of documentation:

- A letter, memo, or e-mail from an insurance company underwriter (not a producer) rejecting the property. This must be dated within 6 months of application to us.
- A cancellation or non-renewal notice for the property dated within 6 months of application to us.
- A copy of a current page from an insurer's agent manual indicating reasons the property is ineligible or unacceptable for coverage. The reason must be indicated on the application or be circled on the manual page. For example, the manual page may list minimum limit, loss history, or physical condition requirements that make the property unacceptable for coverage from that insurer.

Not acceptable:

- Any cancellation, non-renewal, declination, etc. issued by the Plan
- Any type of rejection over 6 months old.

Incomplete Applications

Information requested on the application is needed to underwrite and to issue a policy correctly. If the application is incomplete, decline to start coverage and write directly to the customer (cc: producer) indicating the information needed. The deposit should be returned to the Producer with the paperwork noted above. Do not retain the deposit. It may be interpreted as starting coverage.

The WIP communicates by mail. Calling a producer is not allowed. Call backs may be delayed and we need the response in writing. Receiving the needed information may be delayed. We do not want to wait a day or two on the producer before making a decision to accept or decline. Our goal is to issue declinations the same day as receipt of the application. It is the responsibility of the producer to provide us with a properly complete application.

Again, be sure all pertinent information to an underwriting decision is received in writing as possible evidence for an OCI hearing.

Final Underwriting – After Inspection & Receipt of Additional Information

At this time, a final decision is made concerning coverage. The condition of the property should be reviewed (inspection report) against our underwriting standards (Ins 4.10) along with any underwriting information.

Courses of action:

- If the property is acceptable and a policy has been issued, do nothing.
- If the property is not acceptable to our underwriting standards and a policy has been issued, cancel the policy. Provide 6 weeks coverage to allow the customer to make the needed repairs. For severe hazards, cancel with 13 days notice.
 - If the needed corrections are made and the WIP is notified in writing in a timely basis, reinstate the policy and re-inspect.
 - The insured or Producer can provide color photo and signed statement to avoid a re-inspection

- If the re-inspection finds that the corrections have not been made, issue a 13 day cancellation and require a new application. If after the 60 day underwriting period, include “substantial change in risk” as a reason for cancellation.
- If the cancellation/rejection reason is for a liability hazard, offer the Dwelling Property program on the notice.
- If appropriate, endorse the policy. For example, exclude coverage on an Other Structure and its contents, increase the deductible, or change the limit of insurance. Write to the customer and advise of the change.
- If the property is acceptable and a policy had not been issued, send a premium quote.
- If the property is not acceptable and a policy had not been issued, send a declination letter.

Condition Charge Program – Homeowner & Dwelling Property Program Only

The purpose of the condition charge program is to provide equity among customers. Customers having properties in poorer physical condition pay increased premiums. The program encourages customers to improve their properties by lowering their premium if repairs are completed. Advise the customer on the needed repairs during the first policy period. Assess charges on renewal, if the improvements have not been made.

Condition charges are assessed where there is a physical condition present at the property that would increase the frequency or severity of claims but is not sufficient to decline coverage. Make charges in 25% increments up to 100% (double) of the regular annual premium.

The premium for condition charges is shown on the premium notice. If a customer repairs the conditions within 60 days of the premium notice, the total condition charge is returned. Thereafter, return premiums are made on a pro-rata basis.

When any of the Conditions shown below exist or are present at the covered location a factor of up to 2.00 may be added to the base premium:

1. Heating – nonstandard devices including chimneys, clearances, stovepipes and gas vents including improper installation and supplemental heating units
2. Wiring – non-standard or inadequate electric wiring, non-standard extensions, overloading and overfusing, knob & tube wiring, etc.
3. Physical Condition – Dwelling or Other Structures not in good repair, wood surfaces unpainted or decaying, lack of siding or other exterior wall or fascia covering, porches not well maintained including unrepaired damage from a prior loss.
4. Housekeeping – yard, basements, garage, rooms, hallways or attics not kept clean and free from rubbish, trash and litter.
5. Liability Hazards – debris, pools, trampolines and other attractive nuisances. Vicious breed dogs. Farm animals such as horses, cows, pigs, chickens and etc. Business operating from home.

Condition Charges	Homeowner	Dwelling
1. Heating Units – #1 above	25%	25%
2. Electrical/Wiring – #2 above	25%	25%
3. Physical Condition - #3 above	25%	25%
4. Housekeeping - #4 above	25%	25%
5. In Home Business	25%	0%
6. Animals – #5 above	25%	0%
7. Dogs- page 27 & 28	25%	0%
8. Swimming Pool - on premise	25%	0%
9. Trampoline - on premise	25%	0%
10. Woodburner - #1 above, with UL Label	25%	25%
11. Woodburner - #1 above, no UL Label	50%	50%

REASONABLE UNDERWRITING STANDARDS FOR PROPERTY COVERAGE

This section of the manual provides additional guidance of parts of the underwriting standards listed in Ins 4.10 (12) and (14). Discuss specific situations with the Plan Manager if questions arise.

Physical Condition of the Property. Here we are concerned with conditions that increase the frequency or severity of a loss.

Roofs

Roofs are an area to pay particular attention. A worn roof will leak and leaks cause water problems which lead to mold problems. We do not insure against leaky roofs. However, if the worn roof is subsequently damaged in a windstorm, it may be difficult to distinguish between pre-existing mold and water damage and any damage that may occur due to the windstorm.

Effective 10/20/2014, the Plan Manager has approved the following program for roofs. This is a “pilot” program and can be changed at any time by any Plan Manager, Governing Board or OCI. As winter will be upon us shortly and our ability to properly survey the roof area will not be available. If an account is coming to us for “homeowner’s” or “dwelling property” coverage and has been cancelled, terminated or non-renewed by the prior carrier due to the condition of the roof, we now will insure the property, **for 1 year**, subject to the following:

1. the roof must be replaced by the end of the policy term
2. a mandatory deductible will be \$2500

At final underwriting, you will send the insured and producer a notice of cancellation indicating the above. If the roof is replaced prior to cancellation we will need a letter signed by the insured, a paid receipt/invoice of the work and color photos for proof.

Woodburning Stoves

Woodburning stoves include improper clearances or floor protection, homemade construction, dual venting, or where the chimney needs cleaning. The field survey representative is familiar with the proper requirements for installation and care of these stoves. Condition charges apply.

Woodburners – Approved Testing Labs

- Underwriters Lab
- PFS
- Arnold Green
- Energy Testing Lab of Maine
- Warnock Hersey
- Pacific Inspection and Research Lab
- Northwest Testing
- RF Geisser
- Underwriters Lab of Canada
- Canadian Standards Association
- OMNI
- ICBO
- ASME
- Testing and Inspection Service of LA
- Gas Appliance Labs
- American Gas Assn
- BOCA
- Terralab Engineers
- Twin City Testing
- Stove Testing Lab of Portland
- Stove Testing Lab, Intl
- Gas and Mechanical Labs

Maintenance/Condition

Garages, sheds, barns, or similar other structures are not being maintained by the property owner. Exclude these structures, rather than use condition charges, with the Other Structures Exclusion Endorsement available in the Homeowner and Dwelling Programs. This endorsement excludes coverage on the structure and its contents. Notify the customer the structure will not be covered and of the repairs needed to make the structure acceptable.

Restaurants

Restaurants are required to have a hood, duct, and surface extinguishing system along with a maintenance contract.

Debris

Sometimes the survey report will indicate the property has junk items or debris in the yard. This is usually a liability hazard. However, wooden junk items lying around can present a source of combustible materials for a vandal and debris in the yard may hamper a firefighter's ability to put out a fire. Therefore, this hazard may be considered a property hazard when appropriate and a condition charge would apply.

Unrepaired Damage

An application may indicate unrepaired damage to the property by a prior claim. It would not be proper to pay for repairs for preexisting damage in case of a covered loss. Secure information concerning the unrepaired damage (extent of damage, cause, cost to repair, whether covered by other insurance, when repairs will start) prior to deciding whether the property is acceptable for coverage. This should be done if there is substantial damage indicated on the application.

The claim department may advise repairs have not been completed to an insured property after payment for a fire loss. If repairs are not started within 60 days after the claim payment, consider a midterm cancellation.

Vacancy or Unoccupancy for 60 consecutive days

Vacant or unoccupied properties breed excessive claims of vandalism and fire from transients. The WIP cannot insure a property that has been or is going to be vacant or unoccupied beyond a period of 60 days. The only exception is **if** the property is undergoing **active** rehabilitation toward occupancy. These properties are only acceptable in the Dwelling or Commercial Programs.

The application must provide information concerning occupancy and plans for rehabilitation. If rehab is planned to start within 14 days, it is acceptable to start coverage. Schedule the survey after rehab starts to verify the premises are being rehabilitated. Survey the property before renewal to verify occupancy. Non-renew the policy if the property is not occupied.

Provide theft coverage on personal property subject to a \$1000 deductible. The customer can request a lower deductible when the property becomes occupied.

Buildings (commercial, apartment, etc.) where 65% or more of the units are unoccupied are not acceptable for coverage unless undergoing rehabilitation.

Be aware of properties used for "storage." Request the survey representative to evaluate the value of the items stored. A few junk items in a building does not make the building occupied. If there are any doubts, discuss the situation with the manager.

If coverage has been started and the survey shows a vacant/unoccupied property not undergoing rehabilitation, send a 13-day cancellation notice.

Characteristics of ownership, condition, occupancy, or maintenance, which violate the law and increase exposure to loss

If we become aware of any illegal activity, condition, etc. present at a property, notify the Plan Manager immediately.

Potential arson problems

Certain situations may be indicators of a potential arson problem. Refer these to the Plan Manager. These indicators include:

- failure to furnish water, heat, or lighting to the property
- an order to demolish or vacate the property
- removal of salvageable items from the property
- abandonment of the property
- reliable information that the property will be burned, suspicious past claims
- the named insured or others with a financial interest in the property have been convicted of arson or defrauding an insurance company.

Check with Ins 4.10 (12) and (14) for more specifics on the above.

Delinquent taxes

Starting January 1, 2016, properties with delinquent taxes of 2 or more years ***must*** be referred to the Plan Manager. Consideration will be given if taxes can be paid within 15 days of effective date of policy. Acceptance requires Plan Manager's signature.

Matters of public record concerning the applicant

If information becomes available concerning the activities of the customer or the customer's insured family that would pertain to a potential covered cause of loss, notify the Plan Manager.

Loss history

The Code provides for circumstances in which coverage or certain coverages can be declined due to past losses. In most situations, we attempt to underwrite losses with higher deductibles, lower coverage limits and condition charges. Review with the Plan Manager.

REASONABLE UNDERWRITING STANDARDS FOR LIABILITY COVERAGE

This section of the manual reviews parts of Ins 4.10 (13) and (14) - our liability underwriting standards. Liability underwriting standards are stricter and offer less opportunity for underwriting judgment than property standards. When declining a home due to liability concerns, be sure to offer the Dwelling Program. Discuss specific situations with the Plan Manager if questions arise.

Porches/Decks/Sidewalks/Patios

Broken, cracked, uneven or otherwise faulty steps, porches, decks, sidewalks, patios and similar areas. Porches or decks must be at least 24" high to require a railing around the perimeter of the porch or deck. Offer the Dwelling Program.

Unsafe conditions

Including inadequate lighting of stairways or unsafe conditions which may lead to an injury claim. Consider a condition charge.

Trampolines & Pools

The yard must be fenced or a fence around the trampoline or pool to prevent unauthorized access by children. A condition charge applies.

Dogs

If dogs of the following breeds are present, the customer ***must*** fence in the yard or provide a kennel. A Condition Charge will apply in the Homeowners program.

- Rottweiler
- Pit Bull Terrier
- German Shepard
- Husky
- Doberman
- Chow Chows

- Great Dane
- St. Bernard
- Akita

These are aggressive breeds and it is unsafe to have them outside unless there is a way to prevent them from leaving the yard or to prevent children from wandering into the yard.

Vicious Animals

Animals known to be vicious or animals which have caused a liability claim. If the animal has injured someone or caused a liability claim, **decline** to start coverage and offer coverage in the Dwelling program. If coverage has been started, send a 13-day cancellation notice. The customer may reapply by furnishing a Veterinarian's Certificate of Euthanasia for the animal.

If the animal has already been given away, secure a signed letter from the person who now owns the dog indicating that person is aware of the dog's previous bite history and secure a letter from our customer stating they will never take this dog back. Reason: If the dog subsequently bites another person, we want to avoid the possibility that the new owner would sue our customer for failing to advise of the first bite. ***Do not provide Homeowner coverage without these letters.***

If the dog has not been given away, insist on euthanasia and do not offer the option of giving the dog away. Reason: if the OCI insists the WIP does not insure a customer with this dog [4.10 (13) (c) 4.], why should the dog be given to another party so that a different insurer insures this dog? It is not logical. Insurance companies pay our salary through assessments. We have a fiduciary duty to protect them from insuring a customer with a dog that will cause them double damages with a second bite. Go all the way to an OCI hearing.

Handrails/Junk Cars/ Loss History

Unsafe, or the absence of, handrails. Porches or decks must be at least 24" high to require a railing around the perimeter of the porch or deck.

Junk cars, empty refrigerators or other potentially dangerous objects in the yard which are an attraction to children. The junk car must also be unlicensed.

Loss history. Get information on all liability claims. If there is a serious hazard such as fighting, sexual assault, etc. consult the Plan Manager. Usually, we will decline to offer coverage in the Homeowner program. We will advise applicant that we will accept an HO application 5 years from the event if no further similar events occur.

In Home Business

If the customer has an incidental business operating from the home that attracts customers/visitors, require the customer to carry a business liability policy with limits of at least \$100,000 per occurrence. A copy of the in home business liability policy must be provided before starting coverage and at each renewal. If the business is found after starting coverage, send a 13-day cancellation notice if there is no business liability policy in force. Be sure to enforce this requirement when there is a day care operation. A condition charge will apply.

This requirement is for an incidental business. We must determine if this is a home with an incidental business exposure or a business with an incidental residential exposure. If the latter, offer coverage in the Commercial Property program.

Exclude any Other Structure used for business purposes

Horses or other riding animals

If the customer has three or more horses or riding animals at the home, require the customer to carry a horse liability policy with limits of at least \$100,000 per occurrence. Verify this before starting coverage with a copy of the declarations page. If the horses are found after starting coverage send a 13-day cancellation notice if there is no horse liability policy in force. A Condition Charge will apply regardless of the number of horses.

NON-RENEWALS, CANCELLATIONS, & REJECTED APPLICATIONS

Policyholder Rights

Each time we:

- non-renew a policy
- cancel a policy
- reject an application
- reduce coverage

We must notify the customer of their right to appeal to the Office of the Commissioner of Insurance [Ins 4.10 (16)]. Therefore, we cannot decline to insure a property over the telephone. When a producer questions eligibility (not acceptability), respond.

Since the customer has the right to appeal for a hearing on any of the above actions by us, the WIP must follow strict legal procedures. We must follow both statutory and code provisions in making the decision. And, we must have documentation in our file to support our decision. Get all information in writing. Be careful in starting coverage when information with the application leads you to believe the property will be unacceptable for coverage. The final decision from a hearing could take 6 months. During this period, the cancellation notice is void.

Procedure

Our reasons to cancel, non-renew, or reject coverage have been reviewed earlier in this manual. All cancellation notices must provide the reason for our action. If another insurance program is available, offer it. Mid-term cancellations (after coverage in is effect 61 days) have the most strict requirements - substantial change in risk and material misrepresentation - and need approval from the Plan Manager. Proof of mailing is needed on all cancellations.

Follow legal time requirements:

- 13 days for non-payment of premium.
- 13 days within the first 60 days of coverage (additional time may be allowed to make repairs).
- 33 days for mid-term cancellation.
- 60 days for non-renewal.

OTHER IMPORTANT INFORMATION

Assignment of Policies

We do not assign policies. A new application is required. Exceptions are if one of the current named insureds is deleted (divorce/death) or if the named insured dies and the policy is changed to the name of the estate. We need this information in writing from either the Customer or Producer. In these cases, we need to underwrite the occupancy of the property. If the property is not occupied, set the policy up for non-renewal.

Proper Names of Insureds

On commercial or dwelling policies the named insured is either:

- an individual - list his/her name
- a partnership - list all partners' names, if practical
- a corporation - list the name of the corporation

Individuals or partnerships can be listed as "names" d/b/a "business name". Corporations have "Inc.", "LLC", or "Ltd." at the end of their names.

Put homeowner policies in the name of the owners that occupy the home using "and" - not "or" or "and/or". List non-occupant co-owners as additional insureds. A corporation cannot be a Named Insured in a Homeowner policy.

Correcting Property Location on Issued Policies

If we receive an application where the producer or customer has made an error and provided an incorrect property location:

- We will endorse the policy to the correct location if we are notified, in writing, within 7 days of issuance of the Declaration page
- After 7 days, advise the producer/customer a flat cancellation request must be received along with a new application with deposit.

If coverage has not been started, we can change the location in the system and a new submission is not needed.

If the error is made by us, we will endorse the policy back to inception after we are notified of the error anytime during the current policy period. (A time limit must be set due to the 60 day underwriting period.)

Inspection Procedure

The WIP will order an inspection within two business days after receipt of the application (subject to mail). Inspections are assigned to an independent firm.

If an inspection report is not received in 40 days, a reminder notice will be sent. If coverage was initially declined pending an inspection, an offer of insurance will be made to the applicant after these 40 days – unless there are specific reasons provided on the application that make the property unacceptable for coverage (vacancy).

All properties are to be inspected. The WIP will consider waiving an inspection report in the following circumstances:

- Property on island. Request 4 color photos (each side of home) from customer.
- Seasonal valued under \$50,000 with no indication of property condition problems on application. Request 4 color photos from customer.
- Tenant (personal property) policies with no indication of property condition problems on application.
- Where there is an existing report on file less than 6 months old for same customer and only minor condition problems.
- Where there is an existing report on file less than 1 year old for same customer and no condition problems. Request 4 color photos.

These are guidelines only. If the underwriter feels an inspection is warranted, one may be ordered.

Verifying Producer's Insurance License

The WIP will verify a producer's license with the OCI database if:

- The producer is a non-resident.
- The producer is not the principal indicated in the agency name.

- The application is so poorly completed as to doubt the producer knows insurance.
- The envelope in which the application is mailed does not have a pre-printed return address.

Insurers or producers non-compliant with WIP provisions

The Plan Manager may refer to the OCI, at his/her discretion pending the severity of the problem, any insurer or agent that does not comply with the provisions of the WIP. If an underwriter sees a non-compliance, this should be reported to the Plan Manager.

Applicant's Signature on Application

Wisconsin Insurance Plan applications will not require the signature of the applicant for the following reasons:

- To allow more space on the application for information pertinent to the agent and still keep the application to two pages.
- To make the application procedure simpler. The producer can secure information over the phone without requiring personal contact with the customer.
- Since the WIP does not order credit reports, a signature is not needed to comply with the Fair Credit Reporting Act.
- Since the WIP does not attach the application to the policy, any misrepresentation on the application cannot be used to void the policy or deny a claim payment.

Changing Producers on a Policy

- By a letter signed by the customer (only at renewal, never mid-term)
- By a cancel and re-write.
- By a letter from one producer assigning policies to another producer.

Coverage Forms

COMMERCIAL

<u>Form Number</u>	<u>Form Title</u>	<u>Edition</u>
CP 00 99	Standard Property Policy	06 07
CP 01 40	Exclusion Due to Virus or Bacteria	0706
CP 01 94	Wisconsin Changes	10 02
CP 10 32	Water Exclusion Endorsement	08 08
CP 12 18	Loss Payable Provisions	06 07
IL 09 52	Cap On Losses – Terrorism	03 08
IL 09 85	Disclosure – Terrorism Risk	01 08
WP 0001	Keep This Notice	08 14

DWELLING

<u>Form Number</u>	<u>Form Title</u>	<u>Edition</u>
DP 00 01	Dwelling Property Basic Form	12 02
DP 00 08	Modified Loss Settlement	12 02
DP 01 48	Special Provisions	04 04
DP 04 22	Limited Fungi, Wet, Dry Rot & Bacteria	12 02
DP 04 41	Additional Insured	12 02
DP 04 72	Broad Theft Coverage	12 02
DP 04 73	Limited Theft Coverage	12 02
DP 04 94	Loss Settlement	04 04
DP 05 38	Caps from Certified Acts of Terrorism	06 08
DP 11 43	Dwelling Under Construction	12 02
DP 16 10	Water Exclusion Endorsement	01 09
WP 00 01	Keep This Notice	08 14
WP 02 91	Exclusion of Specified Other Structures	01 06

HOMEOWNER

<u>Form Number</u>	<u>Form Title</u>	<u>Edition</u>
HO 00 08	Homeowner 8, Modified Coverage Form	10 00
HO 01 48	Special Provisions	04 01
HO 04 26	Limited Fungi, Wet, Dry Rot & Bacteria	04 02
HO 04 30	Theft Coverage Increase	10 00
HO 04 41	Additional Insured	10 00
HO 04 48	Other Structure on Residence Premises	10 00
HO 04 96	Daycare Exclusion	10 00
HO 04 97	Home Day Care Coverage	04 91
HO 16 09	Water Exclusion	01 09
WP 00 01	Keep This Notice	08 14
WP 01 81	Exclusion of Punitive/Exemplary Damages	02 05
WP 01 91	Exclusion of Specified Other Structures	02 05