

## AIUA RULES AND PROCEDURES FOR SUBMITTING APPLICATIONS

### I. PURPOSE:

The broad objective of the Association is to provide Wind, Hail and Hurricane coverage, and when appropriate, Fire and Malicious Mischief coverages on eligible property located south of the 31<sup>st</sup> parallel in Baldwin and Mobile counties of Alabama for those persons having an insurable interest in the eligible property who do not qualify for coverage through the standard insurance market.

### II. GENERAL:

1. Who May Apply – Any person having an insurable interest in eligible property at fixed locations south of the 31<sup>st</sup> parallel in Baldwin and Mobile counties. Applications are accepted through “Authorized Producers” who are licensed in Alabama and authorized by the AIUA.
2. Applications – Applications must be submitted via AIUA’s E-Application web portal.
3. Eligible Property – Real and tangible personal property, including residential mobile and manufactured homes (other than Ineligible Property, as defined below) at a fixed location south of the 31<sup>st</sup> parallel in Baldwin and Mobile counties of Alabama. Properties being constructed may be eligible for Builders Risk Coverage.
4. Ineligible Property – The following properties are considered “Ineligible Property”:
  - A. Vacant property, property owned in whole or in part by a local, county, state or federal government or one of its agencies, motor vehicles, farm property; and any structure commenced on or after January 1, 1971, not built in substantial compliance with the Southern Standard Building Code, including the design-wind requirements therein, and contents in the structure.
  - B. Those properties otherwise eligible for coverage in this Plan which are located in Special flood hazard zones A and V, unless Flood Insurance in an amount at least equal to the AIUA policy limits or the maximum provided by the National Flood Insurance Program.
  - C. Property located in areas designated under the Coastal Barrier Resources Act unless a flood insurance policy issued by the National Flood Insurance Program or an insurance carrier with an AM Best rating of “A” or better in an amount at least equal to the AIUA policy limits or the maximum provided by the National Flood Insurance Program.
  - D. Property for which AIUA provides Wind, Hail, and Hurricane Coverage only where no documentation has been provided for the essential underlying fire and extended coverage.

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- E. Mobile and manufactured homes used for commercial purposes.
  - F. Any building, dwelling or structure, including the property in or on the building, dwelling or structure, that is located in whole or in part in or over water.
5. Coverage – Coverage contained in the Alabama Standard Fire Policy DP 00 01 or DP 00 02, including the Extended Coverage and Vandalism/Malicious Mischief Endorsements, is provided in limited circumstances. A policy providing only the perils of hurricane, windstorm and hail coverage is also available. Coverages not provided include: a) Loss Assessment, b) Time Elements, c) Reporting Forms, d) Blanket Insurance, and e) Schedules involving more than one building.
  6. Term – All Policies will be issued for a term of one (1) year.
  7. Limits – Maximum dwelling limit on any one residential building or fire division shall not exceed \$500,000. Maximum personal property limit in any one dwelling shall not exceed \$250,000. Maximum limit on or in any one Commercial building or fire division shall not exceed \$1,000,000. Maximum limit on any one "Insured Location" shall not exceed \$3,000,000.
  8. Rates – Rates promulgated by AIUA, and as adjusted by rate filings approved by the commissioner will apply.
  9. Premiums – Premiums are due and payable in full to the Association upon submission of an application for insurance. Payment may be made in person, by mail, or electronically via the AIUA web-based online application system. Payments must be received by the Association before coverage can be made effective. The minimum premium shall be \$100.
  10. Commission – The commission to an Alabama licensed producer designated by the applicant is eight (8%) percent. Producer's commissions will be remitted by AIUA upon receipt of the full premium and issuance of the policy for which application was made. Producers must refund commission on the unearned portion of cancelled liability and/or reductions in premiums.
  11. Rules – Unless in direct conflict with the Articles of Agreement, Plan of Operations and Rules promulgated by the Board of Directors, the rules and procedures of the AIUA Dwelling Policy Program Manual, and as adjusted by AIUA rule filings approved by the Commissioner of Insurance, shall apply.
  12. Wind/Hail/Hurricane Deductible – A wind/hail/hurricane deductible on the Declaration Page applies for direct physical loss or damage to covered property caused by wind,

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wind gusts, hail, rain, tornadoes, or cyclones caused by or resulting from wind/hail/hurricane as defined in the policy. The deductible for loss caused by each wind/hail/hurricane occurrence is the amount determined by applying the deductible percentage shown on the Declaration Page to the Building/Dwelling limit applicable at the time of loss. If the policy does not provide coverage for a Building/Dwelling, but instead, provides coverage for Business or Personal Property, the deductible for loss caused by each wind/hail/hurricane occurrence is the amount determined by applying the deductible percentage shown on the Declaration Page to the Business/Personal Property limit applicable at the time of the loss. At the option of the insured, policies may have a one percent (1%), two percent (2%), five percent (5%) or ten percent (10%) wind/hail/ hurricane deductible.

### III. PROCEDURES FOR PROCESSING APPLICATIONS:

#### 1. Application for Insurance

- A. An E-application must be filed with the Association through a licensed producer duly authorized as a producer by the Association. No producer shall have any authority to bind coverage on behalf of the Association under any circumstances. We do not accept applications from producers in Florida or Mississippi.
- B. E-Applications must be submitted in accordance with the written rules and procedures of the Association.
- C. Where more than one (1) building may be under the same ownership, separate applications are required for each. If applying for condominium unit coverage, a separate application and service fee is required for each unit. Multiple units cannot be written under one (1) policy.
- D. All applicable items on the E-application must be completed in detail.
- E. If applying for mobile or manufactured home coverage, a recent and clear photo of the "Alabama Manufactured Housing Commission Installation Certification Label" that is affixed to the structure, including the label number and date of certification must be included with the E-Application for processing.
- F. Applicable service fees, as periodically determined by the Association and approved by the Commissioner, must accompany the initial E-application. Service fees are non-refundable. The residential new business service fee is \$65. The commercial new business service fee is \$100.

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### 2. Rewrites

- A. Policies will not be automatically renewed. Continuation of coverage generally will be in accordance with the rules and underwriting standards regulating submissions and issuance of new policies. See 3 D below.
- B. A rewrite application must be submitted. Advanced notice of expiration will be given to the insured, insured's mortgagee, and the producer. A current supplemental fire insurance declaration along with the other carrier's DOI Policy Outline, must be included with the rewrite application, as this information is required each year.
- C. Applicable service fees, as periodically determined by the Association and approved by the Commissioner, must accompany the rewrite application. Service Fees are non-refundable. The residential rewrite application fee is \$45. The commercial rewrite application fee is \$100.

### 3. Policy Effective Date

For acceptable risks with complete submissions, the policy effective date will be determined as follows:

- A. New policy (no title transfer) --The effective date of a new policy shall be 12:01 am local time (Central) on the day the completed application and premium due are received in the Association Office.
- B. New policy (transfer of title) -- For property real estate closings where there is a transfer of ownership of property, the Association will issue a binder with coverage effective the day of the request or the date of the closing, whichever is later. In order to qualify for this provision, the application(s), photos, copy of closing settlement statement, copy of the real estate appraisal and premium payment in full must be received by the Association within 30 days of the binder effective date.
- C. New coverage / higher limits -- The effective date and waiting period for a new coverage or an increase in limits on a policy in force shall be 12:01 am local time (Central) on the date the Association receives the change request and premium due or on such later date set by the insured to conform with the reason for the change.
- D. Policy rewrite -- The effective date of a rewrite policy shall be the expiring policy's expiration date. The rewrite application and premium due must be received in the Association's office no later than the close of business five business days after the expiring policy's expiration date. If the application and premium are received more than

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five business days after the expiring policy's expiration, the payment will be returned, and a new business application must be submitted.

- E. Under no circumstances will AIUA issue a policy in the event that a named storm has been declared by the NOAA (National Hurricane Center) to be within 80 degrees W Longitude and 20 degrees N Latitude or a Tropical Storm Watch/Warning has been declared for Baldwin and/or Mobile County. E-Application will be closed for new business applications and binders and will remain closed until 24 hours after the storm dissipates and all watches/warnings have been lifted.**

### 4. Application Processing Procedures

Procedures for submitting applications are as follows:

- A. Applications shall be submitted on forms prescribed by the Association and shall be made on behalf of the applicant by a duly authorized producer.
- B. Separate policies are required for each building at each location.
- C. A minimum of two (2) current photographs are required with each new application. Photos should be of the front and rear angles of the building. Photos are necessary for the underwriting process and to assist the inspectors in locating the property. Also, underwriters may request additional photos. The photos need to be clear, sharp and show the condition of the roof. Fax, copy machine reproductions, and prints from videotape are unacceptable.
- D. A fully completed replacement cost computation and/or a recent Real Estate Appraisal of current value is required for all new business applications (and any requests for an increase in dwelling value).
- E. The location description should be complete by providing the street number, street name and five-digit zip code. Legal descriptions are discouraged.
- F. All required fields on the application must be completed.
- G. The application affords no insurance coverage and is not a binder of insurance.
- H. Policies will not be automatically continued. Continuation of coverage will be in accordance with the rules and underwriting standards regulating submissions and issuance of new policies.
- I. Flood coverage equal to, or greater than, dwelling coverage and is required on each application and information should include the name of the flood insurer and policy number. A copy of the current flood policy declaration is required.

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- J. If AIUA policy is "Wind/Hail/Hurricane" only, a current supplemental fire insurance declaration along with the other carrier's DOI Policy Outline, is required on each application.
- K. Applications must be signed and dated by the applicant. The producer is also required to sign and date the application. The producer must also include his/her producer number.
- L. Applications should be submitted thirty (30) days prior to the desired effective date or rewrite date. This will provide the Association adequate time to process the application and will allow the producer adequate notice and time to respond to any requests for additional information.
- M. Applicable service fees must be included with application.

### **5. Inspection Program**

The Association will inspect the property to verify eligibility for coverage. After inspection, the producer will be notified of conditions that do not meet the Association's underwriting standards. Depending on the nature of the findings, the Association may elect to offer adequate time to make the necessary repairs, refuse to rewrite the policy until corrective action has been taken, or issue notice of cancellation. A copy of the inspection report will be available to the applicant or producer upon request.

### **6. Underwriting**

The Association will determine if the property meets reasonable underwriting standards. "Reasonable underwriting standards" include, but are not limited to the following:

- A. Whether the amount of insurance requested, together with other insurance, bears a reasonable relationship to the actual cash value and replacement cost of the property involved.
- B. Whether the physical condition of the property, including construction, maintenance, and general deterioration is satisfactory. The condition of the roof is of particular concern.
- C. Whether the present use and upkeep of the property is satisfactory.
- D. Whether the property or its use is in violation of law or public policy.
- E. Each application will be considered on its own merit. Decisions regarding acceptance will be made in accordance with sound underwriting judgment and guidelines established by the AIUA. There may be occasions when an application, which appears to meet all eligibility

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guidelines, may be declined.

### 7. Acceptance

- A. If the risk is acceptable, and the premium has been paid in full, the Association will issue a policy using an effective date in accordance with Association rules and procedures.
- B. When the risk is acceptable, but the premium is not paid in full, a notice of premium deficiency will be issued. This notice indicates the premium that must be paid prior to coverage being put in force.
- C. Coverage will not take effect until the premium has been paid in full.

### 8. Declination

If the property does not qualify for coverage or does not meet the underwriting standards of the Association, the application will be declined, or the policy will be cancelled or non-renewed.

9. Policy Assignment – Policy Assignment to a new owner will not be permitted. If coverage for the new owner is desired, a new application and service fee must be submitted to the Association.

### 10. Changes

- A. If the coverage amount is increased or reduced, the additional or return premium shall be computed on a pro-rata basis.
- B. AIUA will go back no more than 10 days from the date the change request is received by AIUA.

### 11. Cancellations of Coverage

- A. AIUA policies may be cancelled on a pro-rata basis for the following reasons:
  - 1. Coverage is replaced by another company. Satisfactory evidence must be provided to AIUA.
  - 2. The property is sold. Satisfactory evidence must be provided to AIUA.
  - 3. There is a total loss of the property. Satisfactory evidence must be provided to AIUA.
  - 4. AIUA determines that the property is no longer insurable under the Rules and Procedures of AIUA.
- B. The effective date of cancellation must occur within the current policy term.
- C. Cancellation for any reason other than reasons stated above shall result in a fully

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earned, non-refundable premium to AIUA.

### IV. ASSOCIATION CANCELLATIONS:

1. Cancellation by the Association shall be limited to:
  - A. Nonpayment of premium, including non-payment from insufficient funds (NSF) check or ACH charge-back, resulting in cancellation of policy ab initio.
  - B. Evidence of incendiaries.
  - C. Any misrepresentation or omission of fact that is fraudulent either before or after a loss.
  - D. Any misrepresentation, omission, concealment of fact or incorrect statement that is material either to the acceptance of the risk or to the hazard assumed by the Association.
  - E. Any misrepresentation, omission, concealment of fact or incorrect statement such that, if the true fact were known to the Association, the Association would either not have issued the policy or contract, or would not have issued the policy or contract at the premium rate as applied for, or would not have issued a policy or contract in as large an amount, or would not have provided coverage for the hazard resulting in the loss.
  - F. Any cause arising subsequent to the underwriting inspection which would have been grounds for non-acceptance of the risk had such cause existed at the time of acceptance.
  - G. Any failure of the insured to fully adhere to all AIUA Rules and Procedures and/or policy provisions.
  - H. Or any other reason as provided by Alabama Statutes.
2. Notice of cancellation, together with a statement of the reason therefore, shall be sent to the producer, insured, and any mortgagee(s). Such notice shall be accompanied by a statement explaining that the insured has a right of appeal as hereinafter provided.

### V. CLAIMS PROCEDURES:

1. Losses shall be reported promptly to the Association by the insured or the producer.
2. The Association will assign notices of loss to an appropriate person or firm for adjustment.
3. No adjustment of loss is to be handled by a producer. All questions pertaining to the adjustment of Association losses, including policy interpretation shall be directed to the Association.
4. All loss payments shall be authorized by the Association.
5. In the event of a total loss, any unearned premium shall be refunded to the named insured.

### VI. APPEALS:



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Any applicant for insurance and any person insured by the Association may appeal to the Board of Directors within thirty (30) days after any ruling, action or decision of the Association except for matters involving underwriting decisions relating to insurance-to-value, vacancy and flood requirements. The Board shall review and determine such appeal in the manner set forth in Section VII of the Plan of Operation. Such determination may be appealed to the Commissioner within thirty (30) days from the date of the Board's decision on appeal.

### **VII. OPERATIONS:**

The Plan will be operated by personnel of the Alabama Insurance Underwriting Association. All communications on matters pertaining to the Association should be addressed to: Alabama Insurance Underwriting Association, Dept: 6597, PO Box 11407, Birmingham, Alabama 36535.

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### APPENDIX (A) REVISED LLOYD'S 1<sup>st</sup> AND X<sup>S</sup> OF LOSS SCALE

When the value exceeds the maximum Association limit, the Association waives any applicable coinsurance requirements and charges a premium in accordance with the First Loss Scale Formula. If the proposed policy limit for a dwelling limit or contents limit is less than the value of the property, divide the proposed limit by the value. If the coverage is being written on an ACV basis, then the insurable amount and the total value should be on an ACV basis. If the risk is insured for replacement cost, then replacement cost amounts should be used in the calculation. Rate as follows:

1. Determine total insurable value of the dwelling.
2. Calculate the total premium applicable for the total insurable value of the dwelling using
3. AIUA rules and rates.
4. Determine the percent (%) that underlying AIUA limit of liability bears to the total insurable value of the dwelling. (Round to nearest whole percent.)
5. Multiply the total premium applicable for the total insurable value of the dwelling by the applicable Excess Insurance Factor in the table below.

The result is the premium applicable to the AIUA policy providing the primary layer of insurance.

Attach EXCESS Endorsement EXCOV END (11-01)

Percent (%)	Rate	Percent (%)	Rate	Percent (%)	Rate	Percent (%)	Rate
1%	.224	26%	.720	51%	.830	76%	.890
2%	.281	27%	.721	52%	.832	77%	.894
3%	.310	28%	.734	53%	.834	78%	.899
4%	.367	27%	.741	54%	.837	79%	.903
5%	.425	30%	.748	55%	.839	80%	.908
6%	.448	31%	.756	56%	.841	81%	.913
7%	.471	32%	.763	57%	.844	82%	.917
8%	.494	33%	.770	58%	.846	83%	.922
9%	.517	34%	.773	59%	.848	84%	.926
10%	.540	35%	.776	60%	.850	85%	.931
11%	.551	36%	.780	61%	.853	86%	.936
12%	.563	37%	.784	62%	.855	87%	.940
13%	.574	38%	.788	63%	.857	88%	.945
14%	.586	39%	.792	64%	.860	89%	.949
15%	.597	40%	.795	65%	.862	90%	.954
16%	.609	41%	.799	66%	.864	91%	.959
17%	.620	42%	.802	67%	.867	92%	.963
18%	.632	43%	.804	68%	.869	93%	.968
19%	.643	44%	.808	69%	.871	94%	.972
20%	.655	45%	.811	70%	.873	95%	.977
21%	.660	46%	.815	71%	.876	96%	.982
22%	.678	47%	.818	72%	.878	97%	.986
23%	.689	48%	.821	73%	.880	98%	.991
24%	.701	49%	.824	74%	.883	99%	.995
25%	.712	50%	.827	75%	.885	100%	1.00

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First Loss Scale Formula - Calculation of Premium When Value Exceeds Association Limit –

### EXAMPLE

Total Insurable Value of the dwelling = \$750,000

Maximum AIUA limit of liability = \$500,000

Total premium applicable for Total Insurable Value (using AIUA rates) = \$3,800

The percent (%) that AIUA limit of liability bears to the total insurable value of the dwelling =

$\$500,000$  divided by  $\$750,000 = 67\%$

$67\% =$  Excess Rate Factor of  $.867$

Premium applicable to the AIUA policy =  $\$3,800 \times .867 = \$3,295$

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### **APPENDIX (B)**

#### **ALABAMA INSURANCE UNDERWRITING ASSOCIATION APPLICABLE TO COVERAGE WRITTEN ON PRIMARY BASIS**

It is understood and agreed that, notwithstanding Other Insurance Provisions in Conditions portion of policy form, this policy is to be treated as primary insurance underlying any excess insurance written above the limits provided by the Alabama Insurance Underwriting Association that may be in force at the time of loss. It is further understood and agreed that Alabama Insurance Underwriting Association shall waive policy provisions applicable to co-insurance requirements and that the applicable wind/hail/hurricane deductible shall be calculated by applying the wind/hail/hurricane deductible percentage to the Total Insurable Value of the building at the time of the loss.

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APPENDIX (C) Table of factors for Commercial Deductible Coverage

<b>DEDUCTIBLE FACTORS</b>				
<b>All Other Perils (AOP) Deductible</b>	<b>Total Amount of All Contributing Insurance</b>	<b>2% Deductible Rate Factor</b>	<b>5% Deductible Rate Factor</b>	<b>10% Deductible Rate Factor</b>
\$500	All Values	NA	1.00	0.84
\$1,000	Up to \$ 10,000	NA	0.92	0.77
	\$15,000	NA	0.93	0.78
	\$25,000	NA	0.95	0.80
	\$55,000	NA	0.96	0.81
	\$ 200,000 & over	NA	0.98	0.82
\$2,500	Up to \$ 25,000	NA	0.86	0.72
	\$35,000	NA	0.88	0.74
	\$50,000	NA	0.91	0.76
	\$85,000	NA	0.93	0.78
	\$180,000	NA	0.95	0.80
\$5,000	\$ 500,000 & over	NA	0.98	0.82
	Up to \$ 50,000	NA	0.83	0.69
	\$70,000	NA	0.85	0.72
	\$100,000	NA	0.88	0.74
	\$170,000	NA	0.91	0.76
\$10,000	\$350,000	NA	0.94	0.79
	\$1,000,000 & over	NA	0.95	0.80
	Up to \$ 100,000	NA	0.78	0.65
	\$140,000	NA	0.80	0.68
	\$200,000	NA	0.83	0.70
	\$350,000	NA	0.87	0.73
	\$750,000	NA	0.90	0.75
	\$1,000,000	NA	0.91	0.76
	\$2,000,000 & over	NA	0.93	0.78