

TOPA INSURANCE COMPANY
HOME INSURANCE PROGRAM UNDERWRITING GUIDELINES

A. GENERAL:

1. Policy Coverage: Per Policy Form No. : FDP-LTD (6/2002)
2. Policy Term: Annual Only
3. Payment Options Monthly (9 pay plan), quarterly, semi-annual or annual. Payment options are only available through General Agents who have the computer system capability. Topa does not directly offer payment options.
4. Application: Only fully completed Topa applications or Acord with Supplemental applications are acceptable and must be signed by both the applicant and the producer.
5. Disclosures: The replacement cost and earthquake disclosures must be signed by the applicant/insured. The disclosures are part of the application.

B. ELIGIBILITY:

1. Primary Residence must be:
 - a. Full time owner occupied one or two family dwellings of frame or frame/stucco construction. The dwelling must be used exclusively for private residential purposes.
 - b. Located in National Board Classes 1 through 7.
 - i. Residence in NBC 8, 9 & 10 may be submitted for approval (no binding authority) if it meets the following qualifications.
 - approved roof;
 - within 5 miles travel distance of a recognized paid fire department that will respond, and
 - located within 1,000 feet of a public fire hydrant.
2. Secondary Residence refer to Dwelling Fire Program.
3. All Residences must:
 - a. Show pride of ownership (i.e. neat and clean).
 - b. Other structures and landscaping must be well maintained.
4. Other requirements:
 - a. Swimming pools, jacuzzis, hot tubs, and similar items must be completely fenced or enclosed and comply with applicable state and local ordinances or statutes.
5. Dwellings must be 60 years of age or newer.
 - a. Dwellings built prior to 1945 must be completely updated (i.e. re-wired, re-roofed, plumbing and heating updated. Documents must be submitted with the application.
6. Dwellings that are thirty (30) years old or older must be re-roofed within the past 15 years.
7. No more than one major loss in excess of \$10,000.
8. No more than two minor losses with the aggregate not exceeding \$10,000.
9. Dwelling value: \$75,000 to \$800,000.

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C. INELIGIBLE RISKS:

1. External exposures from business or industrial operations.
2. In brush area or within 250 feet of brush or landslide area or 1000 feet of the ocean.
3. ~~Wood shake shingle~~, foam or fiberglass roofs.
4. In a remote or inaccessible area and/or not visible by neighbors.
5. Dwellings with fuses (circuit breakers are required).

6. Dwellings with knob and tube wiring.
7. Dwellings occupied by more than one family.
8. Seasonal, vacant, mobile homes, modular homes or farm risks.
9. Cantilevered construction.
10. Extensive remodeling or under construction.
11. Ferocious or dangerous animals of any type.
12. Wood burning stoves or fireplace as the primary source of heat.
13. Pending foreclosures.
14. No legal title to the land upon which dwelling is located.
15. More than 1 major loss of any type in the prior 36 months or more than 2 minor losses in prior 36 months.
 - a. A major loss is any loss in excess of \$10,000.
 - b. A minor loss is any loss with the aggregate not exceeding \$10,000.If a loss was a theft loss, Topa will not write the optional theft coverage.
16. Three or more mortgages.
17. Pools with diving boards and/or slides.
18. Replacement values under \$75,000 or over \$500,000 for Coverage A - Dwelling.
19. ~~Business conducted on the premises -~~
20. Dwellings over 60 years old at the time of application. Will consider for renewal if currently insured with Topa.
21. Personal property only policies.
22. Any portion of the premises (house, garage, land, etc.) rented to or held for rental to others.
23. Dwellings not designed or built as a single family dwelling.
24. Have a history of dog bites, regardless of breed.
25. Dwellings in commercial, industrial or deteriorating locations.
26. Any unrepaired damages, whether or not covered by insurance.
27. ~~Any farm animals or exotic animals.~~
28. Split or participating policies.

C1 – REFER TO COMPANY – Risks cannot be bound without written approval.

(These conditions may require pre-inspection or photos with application)

1. Business conducted on the premises.
2. Dwellings with metal roofs – Photo required with application.
3. Farm animals if for insured's personal enjoyment. No horse riding stables or animal boarding regardless of the type of compensation. Premises cannot be a farm. Photo required with application.
4. Wood Shake Roofs – not in a designated brush area. Roof must be in good condition and fire resistive treated within the past 2 years. Proof of treatment and photos required with the application.

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D. COVERAGES:

1. Section I

Coverage A. Dwelling	100% of replacement cost (\$75,000. minimum)
Coverage B. Other Structures	10% of Coverage A. (can be increased)
Coverage C. Unscheduled Personal Property	
a. On Premises	50% of Coverage A. (can be increased)
b. Off Premises	10% of Coverage A.
Coverage D. Loss of Use	20% of Coverage A. (cannot be increased)

2. Section II

Coverage E. Personal Liability	\$100,000 Each Occurrence
Property Damage	\$500 Each Occurrence
Coverage F. Medical Payments	\$1,000 Each Person

3. Increased/Additional COVERAGES

Coverage	Rate
Coverage B - Other Structures	\$2.50 per \$1,000
Coverage C - Unscheduled Personal Property	\$1.00 per \$1,000 (\$70,000 MAXIMUM)
Coverage C - Replacement Cost Coverage (Coverage is NOT on a "Guaranteed" basis)	\$0.50 per \$1,000
Computers - Maximum \$4,500 additional value (Basic Policy provides \$2,500 coverage)	\$1.50 per \$1,000
Coverage E - Personal Liability	
\$200,000 Each Occurrence	\$25.00 flat charge
\$300,000 Each Occurrence	\$50.00 flat charge
\$500,000 Each Occurrence	\$72.00 flat charge
Personal Injury Liability – form FDP-PI (limit is the same as Coverage E)	\$20.00 flat charge
Theft Coverage (burglary in base premium) (Do not include Section II increase limit premium)	5% of premium
4. Extended replacement cost – 20%	8% of base premium
5. <u>Water Damage</u> -	
\$1,000.00 Deductible	
\$5,000.00 Limit	\$50.00 flat fee
\$10,000.00 Limit	\$75.00 flat fee

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E. DEDUCTIBLE CREDITS

1. \$500.00 Standard deductible applies to all Section I losses
2. Optional Deductibles
 - a. \$1,000 Deductible 5% Premium credit - Max of \$100.00
 - b. \$1,500 Deductible 10% Premium credit - Max of \$200.00
 - c. \$2,000 Deductible 15% Premium credit - Max of \$300.00

F. PREMIUM CREDITS AND FEES

1. Burglary Protection -5%

To qualify for this credit the alarm must be a full perimeter or motion detection system connected to a remote 24 hour central station service, or directly to the police department. A copy of the alarm contract must be submitted with the application.

2. Fire Alarm -5%

To qualify for this credit the fire alarm system must be connected to a remote 24 hour central station or directly to the police or fire department. A copy of the alarm contract must be submitted with the application.

3. Age of Dwelling - Debit or Credit

Age	Debit/Credit
1 - 10 years	10% credit
11 - 20 years	05% credit
21 - 30 years	00% credit
31 - 40 years	05% debit
41 - 60 years	20% debit

4. Renewals

<u>Claim Free Discount</u>	
3 years	20%
2 years	15%
1 year	10%

The claim free discount will automatically be applied to renewal premiums (except earthquake coverage) if the insured has been claim free during the past renewal period with Topa. If the insured has made any claim*, which caused Topa to set up a loss or expense reserve or make a loss or expense payment the discount will not be allowed. If the New Business was given the claim free discount, the renewal claim free years will be increased by one, i.e. 1 claim free renewal and New Business was claim free then the 2-year discount applies.

*Claims occurring from catastrophes, defined as events which cause a loss of extraordinary magnitude, such as, hurricanes, tornadoes, earthquakes, and the event is assigned an ISO Cat code, will be excluded from applying to the claim free discount.

If the insured has purchased a Theft Coverage Endorsement and there is a theft loss, the renewal will be offered without the Theft Coverage Endorsement.

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5. Protection Class Debits

While it is not the intent of underwriting to actively write business in protection class 8 - 10, there will be occasional cases where the risk meets all underwriting criteria.

Protection Class 8	+15%
Protection Class 9	+55%
Protection Class 10	+80%

6. Loss Experience Debits – Losses in the past 36 months.

One loss less than \$5,000	+ 5%
Two losses and aggregate less than \$10,001	+ 10%
Maximum of 2 losses in a 36 month period	
Any one loss \$10,001 or more – Maximum of 1 loss in 36 month period.	+ 25%

7. Policy Fee

\$40.00 fully earned policy fee

8. Inspection Fee

\$25.00 inspection fee. The inspection fee is to cover the cost of independent inspection reports. Inspections are ordered on new business only. Renewal inspection, if necessary, will be done at the expense of the Company.

9. Minimum Premium

\$200.00

G. NEW BUSINESS BINDING REQUIREMENTS

1. The following documents must be completed, signed and dated. If any are missing or incomplete, the application will be rejected.

- a. A Topa application or Acord with Supplemental application. Requires the signature of both the applicant and the agent.
- b. Dwelling Replacement Cost Disclosure
- c. Earthquake Coverage Disclosure. This document must show the limits and annual premium. The applicant must either reject or accept the Earthquake Coverage.

2. Oral binders are strictly prohibited.

3. The earliest coverage can be effective shall be:

- a. At 12:01 A.M. the day following the date the application was signed and dated, provided the application and payment are received in our office or the General Agent's office within 3 days from the date the application was signed and dated by the applicant; or
- b. If received after 3 days from the date the application was signed and dated by the applicant, then at 12:01 A.M. of the date following the date received in our office or the General Agent's office.

4. Proof of Insurance forms may only be issued by either Topa or an appointed General Agent who has been granted binding authority. No retail brokers shall issue any Proof of Insurance on Topa's behalf.

Note: Payment must be remitted with the application unless we or the General Agent is instructed to bill the Mortgagee or Escrow.

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H. PAYMENT OPTIONS

Topa does not offer any payment options directly to the insured; however our General Agents who have a computer system capable of providing this service are authorized to use these options.

1. Paid-in-full Remit the full annual premium including the policy fee and the inspection fee. If the agency agreement permits, the agent may remit the annual premium less the commission.
2. Nine Pay Remit 25% down plus the policy fee and the inspection fee. Balance due will be billed in 8 monthly installments with the first installment due 45 days after policy inception. Each bill will include an \$8.00 installment fee, which is retained by the General Agent. There are no commissions paid on the installment fees.

Non-sufficient Funds Charge

If the insured's check is returned from the bank unpaid, there is a \$15.00 service charge. Once a check is returned we or the General Agent will issue notice of cancellation. The insured is required to pay the original amount due plus the \$15.00 service charge in order to have the policy reinstated. If there are more than 2 non-sufficient fund checks in the same policy period, the policy will not be reinstated.

I. RENEWAL GUIDELINES

1. A renewal offer will be mailed to the insured and a notice sent to the agent approximately 60 days prior to the policy expiration. Every other year an earthquake offer will be made if the policy does not have the earthquake coverage.
2. Payments received by the General Agent after the expiration date will be renewed with an effective date one day after the postmark date of mailing. If a payment is received 16 or more days after expiration, the payment will be returned and a new application will be required.

J. CANCELLATIONS AND NONRENEWALS.

1. All Company elected cancellations or nonrenewals will be done in accordance with the then existing applicable Insurance Code(s).
2. Insured requested cancellations must be signed and dated. The effective date cannot be prior to the date the insured signed the request. The unearned premium will be computed on a short rate. The return of the original policy is not required.
3. There will be no flat cancellations unless the insured's request is postmarked prior to the inception date of the policy.

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K. HOME BUSINESS INSURANCE (coverage option)

The Home business Endorsement provides coverage for some home businesses operated out of an insured's primary residence premises. Retail store operations are not acceptable. The business must fit the following criteria to qualify for this endorsement.

1. The business must be an individual proprietorship or husband/wife partnership. Corporations, other partnerships and limited liability companies are not eligible.
2. Businesses with employees, other than family members of the insured's household are not eligible.
3. Maximum allowable annual sales or receipts are \$250,000.
4. Use of subcontractors cannot exceed 10% of sales or receipts.
5. The business must be operated out of the insured's primary residence, which is primarily used for dwelling purposes.
6. The type of business must fall within one of the eligible classes specified in the attached list.

This endorsement includes a limit of 10% of Coverage C for Business Personal Property, Loss of Business Income and Extra Expense. This limit is an additional amount of insurance, but is included as part of the Coverage C limit.

When evaluating the amount of coverage required for Personal Property and Business Personal Property, be sure the amount of Coverage C is adequate for the insured. You may want to recommend the insured purchase additional Business Personal Property, Business Income and Extra Expense limits. The additional cost is shown below. The Home Business Insurance Endorsement (FDP-HB1 (9/00)) may be used to cover self-employment or other home businesses. The homeowner's policy must include Personal Injury (FDP-PI (9/00)) coverage.

- 1. Property Coverage:** It provides coverage for property of the described business and for property of others in the care of the business.
 - a. Loss of Business Income and Extra Expense up to 10% of the limit of Coverage C shown on the Homeowners Declarations subject to special limitations in the policy. The declarations limit for Coverage C must be increased to cover the business property.
 - b. Accounts receivable is covered for \$10,000 limit.
 - c. Loss of Business Income is covered up to the limits shown in the endorsement.
 - d. Business Personal Property away from the premises is covered up to \$10,000.
 - e. Electrical apparatus related exposures coverage is expanded when used for business purposes while not in or upon a motor vehicle.

Rates: \$5.00 per \$1,000 Additional Amount of Insurance

Minimum Premium: \$130.00

- 2. Business Liability:** It covers business liability and medical exposures as premises operations, products-completed operations, advertising liability and personal injury. The limits of coverage are, in most cases, the same as the policy Coverages E & F. The endorsement provides **no** coverage for Professional Liability.

Annual

Receipts/Sales	<u>\$100,000</u>	<u>\$300,000</u>	<u>\$500,000</u>
Up to \$50,000	\$130.00	\$155.00	\$190.00
\$50,001 to \$100,000	\$165.00	\$190.00	\$225.00
\$100,001 to \$150,000	\$200.00	\$225.00	\$260.00
\$150,001 to \$200,000	\$235.00	\$260.00	\$320.00
\$200,001 to \$250,000	\$270.00	\$295.00	\$330.00

The Home Business Additional Insured endorsement is available to cover a request to add an additional insured. There is a \$10.00 charge for each additional insured added.

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3. ELIGIBLE HOME BUSINESS

<u>DESCRIPTION</u>	<u>REQUIREMENTS</u>
Account Services	
Appraisers	
Artist	Portrait/Artistic Only
Barber Supply Distributors	No Retail Store Operations or Manufacture
Beauty Supply Distributors	No Retail Store Operations or Manufacture
Book/Magazine Distributors	
Bookbinding	
Camera Repair	
Candy/Nut Confections	No Retail Store Operations
Ceramics	
Computer Consultants	Professional Liability
Computer Programmers	Professional Liability
Computer Repairs	
Crafts	
Data Entry Clerk	
Desktop Publishing	
Economists	
Educational/Vocational Counselors	
Engraving	
Floral	No Retail Store Operations
Gifts	No Retail Store Operations
Glassware	
Graphic Artists	
Handicrafters	
Hobby and Model Supplies	No Retail Store Operations
Household Product Distributors	No Retail Store Operations
Insurance Sales	Professional Liability
Jewelry	Costume only. Central Station Alarms – No Retail Store
Kitchen Supplies	No Retail Store Operations
Ladies Clothing	Central Station Alarms. No Retail Store Operations
Leather Goods	Central Station Alarms. No Retail Store Operations
Market Research	
Men's Clothing	Central Station Alarms. No Retail Store Operations
Personal Care Products Distributors	
Photographers	
Printers	Printers Errors & Omissions Coverage
Publishers	
Real Estate Sales	Professional Liability
Religious Goods	
Secretarial Services	
Stained-Glass Products	
Tailoring	
Telemarketing/Direct Mail Service	
Transcribers	
Travel Agents	No Escort Tours
Tutors	
Word Processing	
Writers	

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L. EARTHQUAKE - LIMITED COVERAGE

When Limited Earthquake coverage is provided, it shall apply to the Section I Coverage as follows:

Coverage A - Same limits as provided under the policy.

Coverage B - Not Covered.

Coverage C - \$5,000.

Coverage D - \$1,500 (additional living expense coverage only).

Earthquake coverage does not apply to outbuildings, appurtenant structures, swimming pools, masonry fences and walls not necessary for the structural integrity of the dwelling, walkways and patios not necessary for regular ingress or egress from the dwelling, awnings or other patio coverings, decorative or artistic features, landscaping or masonry chimneys. Coverage C does not apply to glassware, china, porcelain, ceramic items, artwork or decorative items.

1. Deductible

a. Coverage A 15% of Coverage A limit is applied once per earthquake.

b. Coverage C Benefits will not be paid under Coverage C unless the damage to the dwelling meets or exceeds the deductible for Coverage A.

e. Coverage D No deductible is applied to Additional Living Expense.

2. Premium per \$1,000 of insurance - Coverage A

	Zones		
	1	2	3
HO-3	2.95	1.97	4.01
HO-4	1.97	1.43	2.90 Special Program

3. Age or Dwelling Rating Factors

Multiply the Earthquake premium developed by the rating factor shown below to determine the total premium.

Year of Construction	Factor
Prior to 1940	3.00
1940 through 1949	2.25
1950 and after	2.00

The age of dwelling rating factor does not apply if the dwelling has been retrofitted by bolting the structure to the foundation, reinforcing the chimney and securing the water heater. Evidence of retrofitting must be submitted with the application.

Discounts do not apply to earthquake coverage.

4. Zones

Zone 1	Counties of Del Norte, Humboldt, Lake, Lassen, Mendocino, Modoc, Mono, Monterey, Plumas, Riverside, San Benito, San Bernardino, San Diego, Sierra, Trinity
Zone 2	Counties of Alpine, Amador, Butte, Calaveras, Colusa, El Dorado, Fresno, Glenn, Kings, Madera, Mariposa, Merced, Nevada, Placer, Sacramento, San Joaquin, Shasta, Siskiyou, Stanislaus, Sutter, Tehama, Tulare, Tuolumne, Yolo, Yuba
Zone 3	Counties of Alameda, Contra Costa, Imperial, Inyo, Kern, Los Angeles, Marin, Napa, Orange, San Francisco, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Solano, Sonoma and Ventura.