



TEXAS FAIR PLAN  
ASSOCIATION

# Texas FAIR Plan Association

## Underwriting Manual

**David Durden, General Manager**  
**April 5, 2023**

## Table of Contents

<b>I. Introduction.....</b>	<b>1</b>
<b>II. General Rules.....</b>	<b>1</b>
<b>III. Limits of Liability and Coverage Relationships - Texas FAIR Plan Homeowners Policy .....</b>	<b>1</b>
<b>a. Homeowners Policy –Limits Of Liability.....</b>	<b>2</b>
<b>b. Changes .....</b>	<b>2</b>
<b>c. Deductibles.....</b>	<b>2</b>
<b>IV. Description of Coverages (Homeowners Policy) .....</b>	<b>3</b>
<b>a. Section I Coverage – Property Damage.....</b>	<b>3</b>
<b>b. Section II Coverage – Liability.....</b>	<b>3</b>
<b>V. MANDATORY COVERAGES (HOMEOWNERS POLICY) .....</b>	<b>4</b>
<b>VI. ENDORSEMENTS (HOMEOWNERS POLICY) .....</b>	<b>4</b>
<b>VII. Limits of Liability and Coverage Relationships – Texas FAIR Plan Dwelling Policy .....</b>	<b>7</b>
<b>a. Dwelling Policy – Limits Of Liability .....</b>	<b>7</b>
<b>b. Changes. ....</b>	<b>7</b>
<b>c. Deductibles.....</b>	<b>7</b>
<b>VIII. Description of Coverages Dwelling Policy.....</b>	<b>7</b>
<b>a. Section I Coverages – Property Damage .....</b>	<b>7</b>
<b>IX. Endorsements Dwelling Policy .....</b>	<b>8</b>
<b>X. Limits of Liability and Coverage Relationships -Texas FAIR Plan Tenant Policy and Texas FAIR Plan Condominium Policy .....</b>	<b>10</b>
<b>a. Tenants Policy and Condominium Policy – Limits of Liability .....</b>	<b>10</b>
<b>b. Changes. ....</b>	<b>10</b>
<b>c. Deductible. ....</b>	<b>10</b>
<b>XI. Description of Coverages (Tenant Policy and Condominium Policy).....</b>	<b>10</b>
<b>a. Section I Coverages – Property Damage .....</b>	<b>10</b>
<b>b. Section II Coverages – Liability .....</b>	<b>11</b>
<b>XII. Mandatory Coverages (Tenant Policy and Condominium Policy) .....</b>	<b>12</b>
<b>XIII. Endorsements (Tenant Policy and Condominium Policy) .....</b>	<b>12</b>



<b>XIV. Manual Premium Revision .....</b>	<b>14</b>
<b>XV. TRANSFER OR ASSIGNMENT.....</b>	<b>14</b>
<b>XVI. INFLATION COVERAGE .....</b>	<b>15</b>
<b>XVII. Applications .....</b>	<b>16</b>
<b>a. Application Submission Procedures .....</b>	<b>16</b>
<b>b. Payment Options .....</b>	<b>17</b>
<b>XVIII. Reduction in Homeowners Premium.....</b>	<b>18</b>
<b>a. Home Security Devices.....</b>	<b>18</b>
<b>b. Automatic Sprinkler System.....</b>	<b>19</b>
<b>XIX. Eligibility.....</b>	<b>19</b>
<b>a. Eligible Applicants.....</b>	<b>19</b>
<b>b. Owner Occupant.....</b>	<b>20</b>
<b>c. Incidental Occupancies .....</b>	<b>20</b>
<b>d. Farm Property.....</b>	<b>21</b>
<b>e. Additional Insured: Homeowners Policy.....</b>	<b>21</b>
<b>f. Replacement Cost – Personal Property and Coverage A (Dwelling) .....</b>	<b>22</b>
<b>g. (Limited) Water Damage Coverage.....</b>	<b>22</b>
<b>h. General Change Endorsement.....</b>	<b>23</b>
<b>i. Renters Insurance .....</b>	<b>23</b>
<b>j. Rental Property.....</b>	<b>23</b>
<b>k. Condominiums.....</b>	<b>23</b>
<b>XX. Secondary Residence Premises .....</b>	<b>23</b>
<b>XXI. Seasonal Dwellings .....</b>	<b>23</b>
<b>XXII. Policy Period .....</b>	<b>23</b>
<b>XXIII. Binding Authority.....</b>	<b>24</b>
<b>XXIV. Replacement Cost Estimator .....</b>	<b>24</b>
<b>XXV. Property Inspections .....</b>	<b>25</b>
<b>a. Role of the Agent .....</b>	<b>25</b>
<b>b. TFPA PLAN PROCEDURES .....</b>	<b>25</b>
<b>XXVI. Uninsurable Properties .....</b>	<b>26</b>



a. Condemned Property .....	27
b. Property Code Violations .....	27
c. Property In Disrepair/Existing Damage .....	27
d. Business Property or Similar Exposure .....	27
e. Vacant Property .....	27
f. Material Misrepresentation, Insurance Fraud or Arson .....	28
g. Inaccessible Property .....	28
h. Excessive Or Unusual Liability Exposure .....	28
XXVII. Uninsurable Applicants .....	28
a. Insurance Related Offenses.....	28
XXVIII. Cancellations/Voiding, Mid-Term Changes, and Refusals to Renew .....	28
XXIX. Refusal to Renew .....	30
XXX. Underwriting Rules .....	31
a. Loss History.....	31
b. (Limited) Water Damage Coverage.....	31
c. Deductible .....	32
d. Condition of The Dwelling.....	33
e. Unconventional Construction.....	33
f. Modular Homes vs. Mobile Homes .....	33
g. Roofing .....	35
h. Liability Exposures .....	35
i. Electrical Wiring.....	36
j. Heating Systems .....	36
k. Inspection Requirements – HOMEOWNERS POLICY AND DWELLING POLICY .....	37
l. Underwriting Reports .....	37
m. Conflict With Laws .....	37
XXXI. Right to Appeal .....	38

# Texas FAIR Plan Association

## Underwriting Manual

---

### I. Introduction

The Texas FAIR Plan Association (TFPA) was established by Insurance Code Chapter 2211. for the purpose of delivering residential property insurance to qualified citizens of Texas in areas determined by the Commissioner of Insurance to be underserved areas. The rules, forms and endorsements herein, and the applicable rates in the Rating Rules, shall apply in all cases provided for in this Underwriting Manual (Manual).

### II. General Rules

The TFPA Residential Property Insurance Program provides property and liability coverage, using the forms and endorsements specified in this Manual. This Manual contains the rules and classifications governing the writing of the residential property insurance provided by TFPA. The rules, form and endorsements of the TFPA, for each coverage, shall govern in all cases specifically provided for in this Manual.

This Manual contains the necessary underwriting references to guide the agent in writing the available insurance coverage for TFPA eligible applicants. Where applicable, the TFPA Plan of Operation will govern when any discrepancies may exist between this Manual and the Plan of Operation.

An agent and/or agency may not require as a condition for writing a TFPA policy the sale or previous purchase of another policy (i.e., auto, life, health, etc.) with the agent and/or agency.

### III. Limits of Liability and Coverage Relationships - Texas FAIR Plan Homeowners Policy

**The maximum limit of Coverage A available through the TFPA shall be \$1,000,000.**

## a. Homeowners Policy –Limits Of Liability

### SECTION I – PROPERTY COVERAGES

<b>“A” – Dwelling</b>	up to – \$1,000,000*
<b>Other Structures</b>	10% of “A”
<b>“B” – Personal Property</b>	50%** of “A”
<b>Loss of Use</b>	10% of “A”

\*Currently, coverage may not be purchased in excess of \$1,000,000. In the future, reinsurance may be available and purchased for amounts in excess of \$1,000,000.

\*\* Increased Personal Property Coverage of 60% or 70% of “A” is available for an additional premium. Applicable factors may be found in the rating section of this Manual under TFPA HOMEOWNERS – TABLE D.

### SECTION II – LIABILITY COVERAGES

<b>“C” – Personal Liability</b>	\$100,000 or \$300,000 per occurrence
<b>“D” – Medical Payments To Others</b>	\$5,000 per person \$25,000 per occurrence

## b. Changes

The limit of liability for Coverage “Other Structures and “D” may **not** be changed.

## c. Deductibles

1% or 2%. A single selected deductible will apply to both Clause 1 (Wind and Hail) and Clause 2 (Other Perils).

**Note:** After the policy has been in effect for 90 days, deductible options may only be amended effective at the normal policy renewal date. A policy may not be rewritten to circumvent this restriction.

## IV. Description of Coverages (Homeowners Policy)

### a. Section I Coverage – Property Damage

The following is a general description of the coverage provided by the Texas FAIR Plan Homeowners Policy. The policy should be consulted for exact contract conditions.

#### Homeowners Policy

Fire or Lightning	Yes
Sudden and Accidental Damage From Smoke	Yes
Windstorm and Hail **	Yes
Explosion	Yes
Aircraft and Vehicles	Yes
Vandalism and Malicious Mischief	Yes
Riot and Civil Commotion	Yes
Theft	Yes

\*\* Windstorm and hail coverage for property located in the designated catastrophe area as defined by the Commissioner of Insurance may not be provided by the TFPA. A policy written under the TFPA on such property must have Endorsement HO-140, Windstorm and Hail Exclusion Agreement, attached to the policy.

### b. Section II Coverage – Liability

Coverage “C” – Personal Liability

Coverage “D” – Medical Payments to Others

1. Personal Liability – Covers payment on behalf of an insured for all sums, subject to the stipulated limit, which the insured shall become legally obligated to pay as damages because of bodily injury or property damage arising out of the residence premises or an insured’s personal activities; including liability for damage to premises and house furnishings used by or in the care, custody or control of the insured caused by fire, explosion and smoke (Fire Legal Liability).
2. Medical Payments to Others – Covers medical and related expenses, subject to the stipulated limit, arising out of accidents to persons other than an insured and residents of the premises

who sustain bodily injury caused by an accident arising out of the residence premises or an insured's personal activities.

3. Additional Coverages – Additional Coverages are provided for Claim Expenses, Imperative Medical Expenses to Others and Damage to Property of Others.

## V. MANDATORY COVERAGES (HOMEOWNERS POLICY)

It is mandatory that insurance be written for all coverages provided under both Sections I and II of the Homeowners policy, with the exception that windstorm and hail coverage shall not be provided in designated catastrophe areas.

## VI. ENDORSEMENTS (HOMEOWNERS POLICY)

The following endorsements are available for attachment to the Homeowners Policy under the TFPA.

- A. **HO-140 – WINDSTORM AND HAIL EXCLUSION AGREEMENT.** This endorsement must be attached to any policy covering property located in an area designated as a catastrophe area, eligible for coverage, by the Texas Windstorm Insurance Association. Rates for the application of this endorsement may be found in the Rating Rules under Premium Chart No. 4.
- B. **HO-142 – EXCLUSION OF RESIDENTIAL COMMUNITY PROPERTY CLAUSE.** This endorsement may be attached to delete the Residential Community Property Clause contained under SECTION I CONDITIONS of the policy.
- C. **HO-205 – OFFICE, PRIVATE SCHOOL OR STUDIO OCCUPANCIES – RESIDENCE PREMISES.** This endorsement may be attached when the insured maintains an incidental office, private school or studio in the residence premises. Rates for the application of this endorsement may be found in the Rating Rules under Premium Chart No. 2.
- D. **HO-225 – ADDITIONAL PREMISES LIABILITY COVERAGE.** If the named insured or spouse owns additional one or two family residential premises (dwelling, duplex, condominium unit or townhouse unit) rented to others, this endorsement may be attached to expand the definition of insured location to include liability coverage for up to three rental units at designated premises. The endorsement may not be attached to or designate a premise or any combination of premises that are not insured by the TFPA and that contain more than three rental units. For



example, the endorsement may not designate two premises that have two family rental units in each premise. Rates for the application of this endorsement may be found in the Rating Rules under Premium Chart No. 5.

- E. **HO-301** – ADDITIONAL INSURED. See applicable rules governing usage under Eligibility Section – Additional Insured(s). Rates for the application of this endorsement may be found in the Rating Rules under Premium Chart No. 3.
- F. **HO-320** – GENERAL CHANGE ENDORSEMENT. This endorsement may be used to amend the policy in cases not involving additional or return premium.
- G. **(FAIR) HO-400** – SUDDEN AND ACCIDENTAL DISCHARGE, ERUPTION, OVERFLOW OR RELEASE OF WATER OR STEAM. This endorsement may be attached to add \$5000 coverage for sudden and accidental discharge, eruption, overflow or release of water or steam to Section I Perils insured against. Rates for the application of this endorsement may be found in the Rating Rules under Premium Chart No. 14.
- H. **(ASB EXCL)** – ASBESTOS EXCLUSION DISCLOSURE. A notification informing policyholders of the policy exclusion for asbestos.

**Important Note:**

*This form is not an endorsement and is only meant to inform policyholders of the policy exclusion for asbestos.*

- I. **(FAIR) HO-802** – REPLACEMENT COST COVERAGE A (DWELLING) (FAIR PLAN). Replacement cost for Coverage A (Dwelling) may be attached to amend Section I, Coverage A (Dwelling) to substitute “replacement cost” for “actual cash value” subject to the conditions of the endorsement. The endorsement contains two parts, one addressing personal property, wall-to-wall carpeting, cloth awnings and fences and the other addressing the dwelling and other structure(s) under Coverage A (Dwelling). A co-insurance penalty will be applied to the dwelling and other structure(s) under Coverage A (Dwelling) when applicable.

**NOTE:** Not available for mobile homes that meet the eligibility requirements under Section XXIX.E., Modular Homes vs. Mobile Homes.

**Important Note:**

*This endorsement is unavailable for use in those cases where an otherwise eligible property may have unrepaired damage to the dwelling from a prior claim.*

*Reconsideration may be given once those repairs have been completed.*

- J. **(FAIR) HO-804 – REPLACEMENT COST COVERAGE A (DWELLING), EXCEPT ROOF COVERINGS** may be attached to amend Section I, Coverage A (Dwelling) to substitute “replacement cost” for “actual cash value” subject to the conditions of the endorsement. The endorsement contains two parts, one addressing personal property, wall to wall carpeting, cloth awnings, fences and **roof coverings** the other addressing the dwelling and other structure(s) under Coverage A (Dwelling), **except roof coverings**. A penalty under the Loss Settlement Provision will be applied to the dwelling and other structure(s) under Coverage A (Dwelling) when applicable.

**NOTE:** Not available for mobile homes that meet the eligibility requirements under Section XXIX.E., Modular Homes vs. Mobile Homes.

**Important Note:**

*This endorsement is available for use in those cases where a property is eligible for the replacement cost coverage, (FAIR) HO-802, except for the condition of the roof.*

*Reconsideration may be given to the attachment of (FAIR) HO-802 once the roof has been properly replaced or repaired.*

- K. **(FAIR) HO-803 – REPLACEMENT COST FOR PERSONAL PROPERTY.** Replacement cost for Personal Property may be attached to amend Section I, Coverage B (Personal Property) to substitute “replacement cost” for “actual cash value” subject to the conditions and exclusions of the endorsement. Rates for the application of this endorsement may be found in the Rating Rules under Premium Chart No. 1.

**NOTE:** Not available for mobile homes that meet the eligibility requirements under Section XXVIII, E., Modular Homes vs. Mobile Homes.

- L. **(FAIR) HO-810 – SPECIFIED BUILDING OR ANIMAL EXCLUSION ENDORSEMENT (FAIR PLAN).**

This endorsement may be attached to any policy as a condition of issuance under either of the following circumstances:

1. An outbuilding is not in insurable condition and all other underwriting qualifications are met.
2. There is an animal that is aggressive or temperamental in nature.

## VII. Limits of Liability and Coverage Relationships – Texas FAIR Plan Dwelling Policy

The maximum limit of Coverage A available through the TFPA shall be \$1,000,000.

### a. Dwelling Policy – Limits Of Liability

#### PROPERTY COVERAGES

“A” – Dwelling	up to – \$1,000,000*
Other Structures	10% of “A”
“B” – Personal Property	Contents coverage must be purchased separately at limits up to a maximum of 50% of Coverage A.

\*Currently, coverage may not be purchased in excess of \$1,000,000. In the future, reinsurance may be available and purchased for amounts in excess of \$1,000,000.

### b. Changes.

The limit of liability for Coverage “Other Structures,” may **not** be changed.

### c. Deductibles.

1% or 2% (\$100 minimum). Except for the peril of fire or lightning, each item of insurance is subject to a 1% or 2% (\$100 minimum) deductible. Losses caused by the perils of fire or lightning are not subject to a deductible.

**Note:** *After the policy has been in effect for 90 days, deductible options may only be amended effective at the normal policy renewal date. A policy may not be rewritten to circumvent this restriction.*

## VIII. Description of Coverages Dwelling Policy

### a. Section I Coverages – Property Damage

*The following is a general description of the coverages provided by the Texas FAIR Plan Dwelling Policy. The policy should be consulted for exact contract conditions.*

### Dwelling Policy

Fire or Lightning	Yes
Extended Coverage Meaning Smoke, Windstorm or Hail, Explosion, Aircraft, Vehicles, Riot or Civil Commotion	Optional*
Vandalism or Malicious Mischief	Optional**

\* May only be written with the perils of Fire and Lightning.

\*\* May only be written with Extended Coverage.

**NOTE 1:** Perils in addition to fire and lightning must be written for same amount of insurance as the peril of fire.

**NOTE 2:** Perils in addition to extended coverage must be written at the same deductible as the peril of extended coverage and are subject to the extended coverage deductible adjustment percentage schedule.

\*\*\* Windstorm and hail coverage for property located in the designated catastrophe area as defined by the Commissioner of Insurance may not be provided by the TFPA. A policy written under the TFPA on such property must have Endorsement TDP-001, Windstorm and Hail Exclusion Agreement, attached to the policy.

## IX. Endorsements Dwelling Policy

The following endorsements are available for attachment to the Dwelling Policy under the TFPA.

- A. **TDP-001 – WINDSTORM AND HAIL EXCLUSION AGREEMENT.** This endorsement must be attached to any policy covering property located in an area designated as a catastrophe area, eligible for coverage, by the Texas Windstorm Insurance Association. Rates for the application of this endorsement may be found in the Rating Rules under Premium Chart No. 4.
- B. **TDP-003 – EXCLUSION OF RESIDENTIAL COMMUNITY PROPERTY CLAUSE.** This endorsement may be attached to delete the Residential Community Property Clause contained in the policy.
- C. **TDP-017 – FAIR RENTAL VALUE.** Rental insurance for the fair rental value of that part of a dwelling usually rented to others may be provided by attachment of Endorsement No. TDP-017

(Dwelling Policy only). The applicable additional premium is determined from Premium Chart No. 11 of the Rating Rules.

- D. **(ASB EXCL)** – ASBESTOS EXCLUSION DISCLOSURE. A notification informing policyholders of the policy exclusion for asbestos.

**Important Note:**

*This form is not an endorsement and is only meant to inform policyholders of the policy exclusion for asbestos.*

- E. **(FAIR) TDP-810** – SPECIFIED BUILDING EXCLUSION ENDORSEMENT (FAIR PLAN).  
This endorsement may be attached to any policy as a condition of issuance under the following circumstances:
1. An outbuilding is not in insurable condition and all other underwriting qualifications are met.
- F. **(FAIR) TDP-820** - CAP ON LOSSES FROM CERTIFIED ACTS OF TERRORISM; DISCLOSURE PURSUANT TO TERRORISM RISK INSURANCE ACT OF 2002  
This endorsement must be attached to all tenant occupied dwellings insured under a Dwelling Policy issued by the TFPA. This endorsement caps losses on certified acts of terrorism and discloses the portion of premium, if any, which can be attributed to coverage for terrorist acts certified under the Federal Terrorism Risk Insurance Act of 2002. It also discloses the Federal participation in payment of terrorism losses.

## X. Limits of Liability and Coverage Relationships -Texas FAIR Plan Tenant Policy and Texas FAIR Plan Condominium Policy

The maximum limit of Coverage B available through the TFPA shall be \$500,000.

### a. Tenants Policy and Condominium Policy – Limits of Liability

#### SECTION I – PROPERTY COVERAGES

“B” – Personal Property	up to \$500,000*
Loss of Use	20% of “B”

\*Coverage may not be purchased in excess of \$500,000.

#### SECTION II – LIABILITY COVERAGES

“C” – Personal Liability	\$100,000 or \$300,000 per occurrence
“D” – Medical Payments To Others	\$5,000 per person \$25,000 per occurrence

### b. Changes.

The limit of liability for Coverage “D” may not be changed.

### c. Deductible.

1% with minimum \$250 theft.

## XI. Description of Coverages (Tenant Policy and Condominium Policy)

### a. Section I Coverages – Property Damage

*The following is a general description of the coverages provided by the Texas FAIR Plan Tenant Policy and the Texas FAIR Plan Condominium Policy. The policies should be consulted for exact contract conditions.*

### Tenant Policy and Condominium Policy

Fire or Lightning	Yes
Sudden and Accidental Damage From Smoke	Yes
Windstorm and Hail **	Yes
Explosion	Yes
Aircraft and Vehicles	Yes
Vandalism and Malicious Mischief	Yes
Riot and Civil Commotion	Yes
Theft	Yes

\*\* Windstorm and hail coverage for property located in the designated catastrophe area as defined by the Commissioner of Insurance may not be provided by the TFPA. A policy written under the TFPA on such property must have either Endorsement

HO-806 or Endorsement HO-806B, Windstorm and Hail Exclusion Agreement, attached to the policy.

## b. Section II Coverages – Liability

Coverage “C” – Personal Liability

Coverage “D” – Medical Payments to Others

1. Personal Liability – Covers payment on behalf of an insured for all sums, subject to the stipulated limit, which the insured shall become legally obligated to pay as damages because of bodily injury or property damage arising out of the residence premises or an insured’s personal activities; including liability for damage to premises and house furnishings used by or in the care, custody or control of the insured caused by fire, explosion and smoke (Fire Legal Liability).
2. Medical Payments to Others – Covers medical and related expenses, subject to the stipulated limit, arising out of accidents to persons other than an insured and residents of the premises who sustain bodily injury caused by an accident arising out of the residence premises or an insured’s personal activities.

3. Additional Coverages – Additional Coverages are provided for Claim Expenses, Imperative Medical Expenses to Others and Damage to Property of Others.

## XII. Mandatory Coverages (Tenant Policy and Condominium Policy)

It is mandatory that insurance be written for all coverages provided under both Sections I and II of the Texas FAIR Plan Tenant Policy and Texas FAIR Plan Condominium Policy, except windstorm and hail coverage shall not be provided in designated catastrophe areas.

## XIII. Endorsements (Tenant Policy and Condominium Policy)

The following endorsements are available for attachment to the Tenant Policy and Condominium Policy under the TFPA unless otherwise specified.

- A. **HO-142** – EXCLUSION OF RESIDENTIAL COMMUNITY PROPERTY CLAUSE. This endorsement may be attached to delete the Residential Community Property Clause contained under SECTION I CONDITIONS of the policy.
- B. **HO-205** – OFFICE, PRIVATE SCHOOL OR STUDIO OCCUPANCIES – RESIDENCE PREMISES. This endorsement may be attached when the insured maintains an incidental office, private school or studio in the residence premises. Rates for the application of this endorsement may be found in the Rating Rules under Premium Chart No. 2.
- C. **HO-225** – ADDITIONAL PREMISES LIABILITY COVERAGE. If the named insured or spouse owns additional one or two family residential premises (dwelling, duplex, condominium unit or townhouse unit) rented to others, this endorsement may be attached to expand the definition of insured location to include liability coverage for up to three rental units at designated premises. The endorsement may not be attached to or designate a premise or any combination of premises that are not insured by the TFPA and that contain more than three rental units. For example, the endorsement may not designate two premises that have two family rental units in each premise. Rates for the application of this endorsement may be found in the Rating Rules under Premium Chart No. 5.
- D. **HO-301** – ADDITIONAL INSURED. See applicable rules governing usage under Eligibility Section – Additional Insured(s). Rates for the application of this endorsement may be found in the Rating Rules under Premium Chart No. 3.



- E. **HO-320** – GENERAL CHANGE ENDORSEMENT. This endorsement may be used to amend the policy in cases not involving additional or return premium.
- F. **HO-382** – CONDOMINIUM LOSS ASSESSMENT COVERAGE. When the policy is extended to cover loss assessment for which the insured may be liable, the premiums listed on Premium Chart No. 10 of the Rating Rules shall apply.  
When the policy is extended to cover loss assessment coverage to a condominium not occupied by the owner when Endorsement No. HO-225 has been attached to extend liability to that premises, using Premium Chart No. 10 of the Rating Rules.
- G. **(FAIR) HO-401** – SUDDEN AND ACCIDENTAL DISCHARGE, ERUPTION, OVERFLOW OR RELEASE OF WATER OR STEAM. This endorsement may be attached to add \$5000 coverage for sudden and accidental discharge, eruption, overflow or release of water or steam to Section I Perils insured against. Rates for the application of this endorsement may be found in the Rating Rules under Premium Chart No. 14.
- H. **(ASB EXCL)** – ASBESTOS EXCLUSION DISCLOSURE. A notification informing policyholders of the policy exclusion for asbestos.

**Important Note:**

*This form is not an endorsement and is only meant to inform policyholders of the policy exclusion for asbestos.*

- I. **(FAIR) HO-803** – REPLACEMENT COST FOR PERSONAL PROPERTY. Replacement cost for Personal Property may be attached to amend Section I, Coverage B (Personal Property) to substitute “replacement cost” for “actual cash value” subject to the conditions and exclusions of the endorsement. This endorsement may not be used for condominiums rented to or leased to others. Rates for the application of this endorsement may be found in the Rating Rules under Premium Chart No. 1.  
**NOTE:** Not available for mobile homes that meet the eligibility requirements under Section XXVIII, E., Modular Homes vs. Mobile Homes.
- J. **HO-806** – WINDSTORM AND HAIL EXCLUSION AGREEMENT. This endorsement must be attached to any condominium policy covering property located in an area designated as a catastrophe area, eligible for coverage, by the Texas Windstorm Insurance Association. Rates for the application of this endorsement may be found in the Rating Rules under Premium Chart No. 4.
- K. **HO-806B** – WINDSTORM AND HAIL EXCLUSION AGREEMENT. This endorsement must be attached to any tenant policy covering property located in an area designated as a catastrophe

area, eligible for coverage, by the Texas Windstorm Insurance Association. Rates for the application of this endorsement may be found in the Rating Rules under Premium Chart No. 4.

- L. **(FAIR) HO-809 – UNIT OWNERS RENTAL TO OTHERS.** This endorsement may be used when the condominium policy is extended to include coverage for personal property, when the premises is rented to others, the additional premium shall be developed at a charge of 25% of the basic premium. Refer to Premium Chart No. 12 of the Rating Rules.

- M. **(FAIR) HO-811 – SPECIFIED ANIMAL EXCLUSION ENDORSEMENT (FAIR PLAN).**

This endorsement may be attached to any policy as a condition of issuance under either of the following circumstances:

1. There is an animal that does not qualify for coverage or one that has a history of biting.

## **XIV. Manual Premium Revision**

A manual premium revision shall be made in accordance with the following procedures.

- A. The effective date of such revision shall be as announced.
- B. The revision shall apply to any policy or endorsement in the manner outlined in the announcement of the revision.
- C. Unless otherwise provided at the time of the announcement of the premium revision, the revision shall not affect in-force policy forms, endorsements or premiums, until the policy is renewed.
- D. All changes shall be made using the rules and rates in effect at the effective date of the change.
- E. The procedure outlined in the changes and midterm premium adjustment section shall be used to determine the premium to be charged for a change in coverage.

## **XV. TRANSFER OR ASSIGNMENT**

Policies cannot be transferred or assigned. New applications are required.

## XVI. INFLATION COVERAGE

TFPA may apply an automatic increase to policy coverage as a result of inflation. This increase **may happen annually**, at the time of renewal. The increase will be based on an index that tracks changes in the cost of materials and labor affecting the reconstruction or replacement cost of a dwelling or other structure. The Coverage A (Dwelling) limit amount must meet the minimum standards outlined.

- A. Applicants requesting (FAIR) HO-802 REPLACEMENT COST COVERAGE A (DWELLING) must select a minimum of 100% of the calculated replacement cost.

**NOTE:** Dwellings with replacement cost in excess of \$1,000,000 may only be considered if reinsurance is available and purchased.

- B. Applicants requesting Actual Cash Value Coverage must insure to a minimum of 100% of the actual cash value.

Actual Cash Value will be determined by multiplying Replacement Cost times the "Normal Depreciation Factor" from the table below. This represents normal depreciation and normal functional obsolescence. This Factor can be determined by:

- rating the physical condition of the building and its degree of desirability and usefulness; and
- applying this rating, combined with the building effective age, to determine a Depreciation Factor from the NORMAL DEPRECIATION FACTORS TABLE below.

### Depreciation Code

- |                     |  |
|---------------------|--|
| 1. <b>Excellent</b> | Building is in perfect condition. Very attractive and highly desirable.            |
| 2. <b>Very Good</b> | Well maintained. Quite attractive and desirable.                                   |
| 3. <b>Good</b>      | Normal wear is apparent. Attractive, desirable and useful.                         |
| 4. <b>Average</b>   | Average deterioration is apparent. Average attractiveness and desirability.        |
| 5. <b>Fair</b>      | Marked deterioration. Rather unattractive and undesirable, but still quite useful. |
| 6. <b>Poor</b>      | Extreme deterioration is obvious. Building is barely usable.                       |

**NORMAL DEPRECIATION FACTORS**  
(TO DETERMINE ACTUAL CASH VALUE, MULTIPLY THE REPLACEMENT COST BY THE APPROPRIATE FACTOR FROM THE FOLLOWING TABLE)

YEARS	Excellent	Very Good	Good	Average	Fair	Poor
0-3	1.00	1.00	.95	.90	.85	----
4-8	1.00	.95	.90	.85	.80	.75
9-13	.95	.90	.85	.80	.75	.70
14-18	.90	.85	.80	.75	.70	.65
19-23	.85	.80	.75	.70	.65	.60
24-28	.80	.75	.70	.65	.60	.50
29-38	.75	.70	.65	.60	.55	.45
39-49	.70	.65	.60	.55	.50	.45
Over 49	.65	.60	.55	.50	.45	.40

## **XVII. Applications**

The application must be submitted electronically on the electronic application as prescribed on the TFPA website. The website will also provide rating and replacement cost calculations.

### **APPLICATION SUBMISSION PROCEDURES AND BINDING INSTRUCTIONS**

#### **a. Application Submission Procedures**

The application must be fully completed and electronically submitted to the TFPA. The agent shall maintain a copy of the application signed by the proposed named insured and other items described in paragraph "A" under the ELIGIBILITY SECTION of this Manual.

1. Agents shall meet minimum requirements and performance standards as established by the TFPA. These requirements and standards shall be designed to ensure the efficient transmission of applications, forms, notices and money from the agent to the TFPA and vice versa.
2. Payment of premium to the Association is required before coverage can be bound. Exceptions to this rule are applications submitted with the mortgagee as payor.
3. If an Insured or Applicant pays the premium by check or money order, the agent shall advise the Applicant to make the check or money order payable to the TFPA, not the Agency. However, some instances may warrant the agent submitting a check on behalf of the Applicant or Insured to the TFPA.
4. The agent must remit the gross premium collected on a TFPA policy and TFPA will pay the commission based on the approved commission schedule.

## b. Payment Options

The TFPA will accept the following methods of payment:

1. Personal check, money order or electronic payment from the insured for the full annual premium.
2. Checks from mortgage companies or title companies for the full annual premium.
3. Semi-annual or quarterly payments made via personal check, money order or electronic payment.
4. Automatic monthly payment via pre-authorized debit of insured bank account.

Each payment, not including the initial deposit, made under a semi-annual, quarterly or monthly payment plan shall include a service charge, as specified in the TFPA Rating Rules. Applicants with a history of 3 late payments over any twenty-four month period may be required to change to a full premium payment basis.

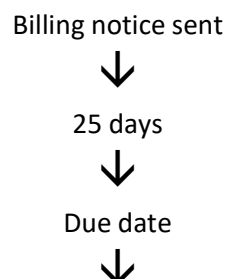
**A premium payment is required after submission of an application before coverage may be bound or issuance of a policy.** Exception to this rule is the submission of an application where the payment is being made from a mortgagee escrow account or by the title company at closing.

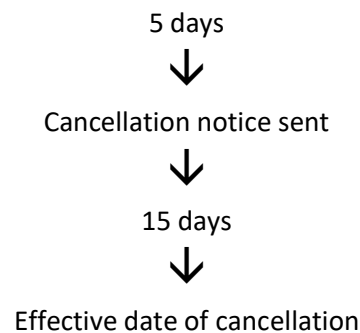
The initial deposit amount required for each payment plan is:

- 15% of the total annual premium for monthly payment plan
- 30% of the total annual premium for quarterly payment plan
- 60% of the total annual premium for the semi-annual payment plan

Installments will be billed at least 25 days prior to the due date.

### Sample billing time line





## **XVIII. Reduction in Homeowners Premium**

### **a. Home Security Devices**

A premium reduction for homeowners insurance will be applied in the amount specified in the Rating Rules, if selected, at the time of application, or renewal, if the following requirements are met:

1. Exterior doors are solid core doors that are 1 3/8 inches thick and are secured by dead-bolt locks.
2. Metal doors must be secured by dead-bolt locks.
3. Double doors meet the specifications for exterior doors, have the inactive door secured by header and threshold bolts that penetrate metal strike plates, and in the case of glass located within 40 inches of the header and threshold bolts, have the bolts flush-mounted in the edge of the door.
4. Sliding glass doors are secured by secondary locking devices to prevent lifting and prying.
5. Dutch doors have concealed flush-bolt locking devices to interlock upper and lower halves and are secured by a dead-bolt lock.
6. Garage doors are equipped with key-operated locking devices.
7. Windows are secured by auxiliary locking devices.

Applicants may be eligible for an additional credit, in the amount specified in the Rating Rules, at the time of application or renewal, if the property is equipped with an electronic burglar alarm and the policyholder provides a copy of a report completed by a local or county crime prevention unit certifying the property meets the following requirements:

1. All exterior structure openings are contacted;
2. The system includes an interior and exterior siren;
3. All equipment is U.L. approved and is monitored by a U.L. approved central station; and
4. sales, service, installation, and monitoring of the system are done in compliance with the Private Security Act, Chapter 1702, Occupations Code.

The reductions will apply to the total homeowners premium.

## **b. Automatic Sprinkler System**

A premium reduction for homeowners insurance will be applied in the amount specified in the Rating Rules, if requested, at the time of application, or renewal, and the policyholder provides a report or certificate completed by a licensed fire sprinkler system installer, registered with the State Fire Marshal's Office, stating that the sprinkler system is installed and maintained in accordance with the applicable standards adopted by the Commissioner of Insurance.

The reduction will apply to the total homeowners premium.

**NOTE:** The premium reductions also apply to the Tenant Policy and the Condominium Policy. The premium reductions under this section do not apply to the Dwelling Policy.

## **XIX. Eligibility**

**NOTE:** No TFPA policy form may be issued to a corporation, partnership or association.

### **a. Eligible Applicants**

Eligible Applicants are those who have insurable property that meets the underwriting standards as outlined in this Manual and who, after diligent efforts, are unable to obtain residential property insurance through the voluntary market.

1. As part of the application process an agent shall maintain and submit, at the request of the TFPA, written documentation that:
  - a. At least two insurance companies, not in the same holding company as defined in Insurance Code Chapter 2211.151, licensed to write and actually writing residential property insurance in Texas have declined to provide residential property insurance (the names of the two insurance companies shall be identified), and the applicant has not received a valid offer of residential property insurance from an insurance company licensed in Texas, not including any surplus lines insurers; and
  - b. There are no outstanding taxes, assessments, penalties or charges with respect to the property to be insured, except those covered under a properly filed deferral affidavit in compliance with §33.06 of the Property Tax Code; and

- c. The applicant has not received written notice from an authorized public entity stating that the property is in violation of any building, housing, air pollution, sanitation, health, fire or safety ordinance or rule.\*

If the applicant has received written notice that the property is in violation of any such code, ordinance or rule the agent shall submit on behalf of the applicant to the TFPA a detailed plan that indicates the manner and estimated period of time in which the violations will be corrected or documentation that the property is not in violation. The TFPA shall not provide coverage unless the necessary corrections are completed to the satisfaction of the TFPA.

*\*If the violation is minor in nature please provide a copy of this written notice of the violation at the same time the electronic application is submitted.*

2. The TFPA shall not issue a policy to an applicant if the applicant or any proposed named insured is indebted to the TFPA on a prior TFPA policy. If the new TFPA policy has already been bound or issued, then the TFPA shall cancel that binder or policy.

## b. Owner Occupant

A Texas FAIR Plan Homeowners Policy may be written for the owner-occupant of each dwelling or townhouse unit used exclusively for private residential purposes and which contains not more than two families and not more than two boarders or roomers per family.

**Note:** *Whenever the term dwelling is used in this section, it also includes individually owned townhouse units.*

Owner Occupancy applies to: the owner or his/her mother, father, son or daughter, grandparents or grandchild, or any combination thereof.

## c. Incidental Occupancies

HO-205 (Office, Private School or Studio Occupancies – Residence Premises)

Incidental office, private school or studio occupancy is permitted when the rules of the Dwelling Section of the Texas Personal Lines Manual permit such occupancy within a dwelling without an additional charge in the fire rate.



## d. Farm Property

A policy shall not be applied for, bound or written on any property, which is subject to rating as Farm and Ranch or Farm and Ranch Owners Insurance.

Farm and Ranch Property **does not** include farming and ranching operations that are only incidental and the farm and ranch products are **principally** used for occupant's home use or personal consumption.

**Note:** Farmers Comprehensive Personal Liability Coverage is not available on a TFPA policy.

## e. Additional Insured: Homeowners Policy

### Section I (Designated Premises)

In the event the occupant of a dwelling is a mother, father, son, daughter, grandparent or grandchild, or any combination thereof, of the owner of the property, Section I & II coverages may be provided for the occupants by attachment of HO-301 with an additional premium as shown in Premium Chart No. 3 in the Rating Rules.

In the case of property subject to administration or distribution as an asset of an estate and occupied by an heir, the Homeowners Policy may be issued in the name of the occupant and the representative of the estate added as an additional insured on the endorsement.

A Homeowners Policy covering property being sold under Contract of Sale may be issued in the name of the buyer and the seller may be added by endorsement as an additional insured.

### Co-Owner Occupants

When a two-family dwelling is occupied by co-owners, each occupying separate and independent premises within the building, it is permissible to issue a Homeowners Policy to one of the two co-owner occupants of the dwelling and endorse the policy, using HO-301 to provide Section I or Section II coverage for the co-owner. A separate Texas FAIR Plan Tenant Policy may be issued to the second co-owner occupying the other apartment in the dwelling, in which event HO-301 should provide Section I Property Coverage only and specify that Section I Property Coverage applies to Coverage A (Dwelling) only.

When a single family dwelling is occupied by co-owners, not related, each may be named as insured and Endorsement HO-301 attached for Section II Liability Coverage, naming one as additional insured and charging additional premium as provided in Premium Chart No. 3 in the Rating Rules.

A Homeowners Policy or a Texas FAIR Plan Condominium Policy may be issued in the name of the occupant, and the trust and trustee added as an additional insured (Endorsement HO-301), on property held by a living trust and occupied by a trustee or a beneficiary of the trust.

## **f. Replacement Cost – Personal Property and Coverage A (Dwelling)**

A Texas FAIR Plan Homeowners Policy may be eligible for ENDORSEMENT NO. (FAIR) HO-803 REPLACEMENT COST FOR PERSONAL PROPERTY and ENDORSEMENT NO. (FAIR) HO-802 REPLACEMENT COST COVERAGE A (DWELLING) when a property's Coverage A (Dwelling) limit of liability is at least 100% of the full replacement cost of the dwelling and it meets the underwriting requirements as outlined in this Manual.

A Texas FAIR Plan Homeowners Policy may be eligible for ENDORSEMENT NO. (FAIR) HO-804 REPLACEMENT COST COVERAGE A (DWELLING), EXCEPT ROOF COVERINGS when a property's Coverage A (Dwelling) limit of liability is at least 100% of the full replacement cost of the dwelling and it meets the underwriting requirements as outlined in this Manual.

## **g. (Limited) Water Damage Coverage**

A Texas FAIR Plan Homeowners Policy may be eligible for ENDORSEMENT NO. HO-400 Sudden and Accidental Discharge, Eruption, Overflow or Release of Water or Steam if the dwelling does not have preexisting/un-repaired water damage and the applicant/policyholder and/or property meets the underwriting requirements as outlined in this manual. Refer to Section XXXV. Underwriting Rules, Item B.

A Texas FAIR Plan Condominium Policy or Texas FAIR Plan Tenant Policy may be eligible for ENDORSEMENT NO. HO-401 Sudden and Accidental Discharge, Eruption, Overflow or Release of Water or Steam if the dwelling does not have preexisting/un-repaired water damage and the applicant/policyholder and/or property meets the underwriting requirements as outlined in this manual. Refer to Section XXXV. Underwriting Rules, Item B.

## **h. General Change Endorsement**

This endorsement may be used for changes that do not result in additional or return premium. The changes must be incorporated onto the Declarations Page within thirty (30) days of issuance of this endorsement.

## **i. Renters Insurance**

Property qualifying for coverage may be covered under the Texas FAIR Plan Tenant Policy.

## **j. Rental Property**

Property qualifying for coverage may be covered under the Texas FAIR Plan Dwelling Policy .

## **k. Condominiums**

Property qualifying for coverage may be covered under the Texas FAIR Plan Condominium Policy.

## **XX. Secondary Residence Premises**

Homeowner coverage on a secondary residence premise shall be provided under a separate policy.

## **XXI. Seasonal Dwellings**

A seasonal dwelling is a dwelling with continuous unoccupancy of three (3) or more consecutive months during any one (1) year period. These will be eligible for coverage provided that they meet the underwriting rules in this Manual and that there is no rental of the property.

## **XXII. Policy Period**

- A. The policy shall be issued for a term of one year. At least thirty days prior to the expiration of a TFPA policy, the TFPA shall do one of the following:
  - 1. send an offer to the policyholder to renew the TFPA policy for a term of one year at the TFPA rates that will be in force on the effective date of the renewal;

2. send an offer to the policyholder to renew the TFPA policy conditioned upon a change in coverage, limits and/or terms or conditions; or
  3. send a notice to the policyholder of non-renewal of the TFPA policy.
- B. Every two years starting with the second renewal, the policyholder shall reapply for residential property insurance in the voluntary market. If a diligent effort has been made and the policyholder is unable to obtain residential property insurance, as evidenced by two current declinations from insurers licensed to write property insurance and actually writing residential property insurance in the state, the policyholder will be eligible for renewal of TFPA coverage.

### **XXIII. Binding Authority**

- A. The agent shall have no binding authority to bind new business or increase the exposure of the TFPA on existing policies.
- B. New policies and increases in dwelling values will be considered bound only upon the issuance of a policy or, if an increase in dwelling values, upon issuance of an amended declarations.
- C. In the event a Hurricane is within the area of 80 degrees West Longitude and 20 degrees North Latitude, the TFPA may suspend the taking of applications in the state, when Texas Windstorm Insurance Association (TWIA) suspends accepting applications. The TFPA may also suspend the taking of applications when and in the part of the state it finds that an ongoing event threatens to create an imminent danger of catastrophic losses.

This suspension shall remain in force until the general manager has determined that the hurricane or event is no longer a threat to property located in Texas.

***Important Note:*** *There shall be no backdating of coverage.*

Policies are not subject to flat cancellation and are subject to a minimum earned premium as stated in the underwriting rules.

### **XXIV. Replacement Cost Estimator**

A fully completed and dated TFPA Residential Replacement Cost Estimate must be submitted as part of the application process for the Homeowners Policy and Dwelling Policy . The agent must also maintain a printed copy.

## XXV. Property Inspections

### a. Role of the Agent

The agent shall always confirm the following:

1. Copies of the required non-renewals or declinations shall be maintained by the agent.
2. A copy of the property tax records shall be maintained by the agent.
3. The data recorded/entered in the Replacement Cost Calculator for purposes of developing a replacement cost approximation is correct.
4. The physical condition of the structure is acceptable and does not indicate unreported signs of existing damage, disrepair or neglect.
5. There are no unusual or obviously hazardous conditions not indicated in the application.

The agent is required to verify that the property meets eligibility criteria and that any negative underwriting characteristics are identified.

The primary responsibility for any detail on site property inspection, however, will rest with the TFPA.

### b. TFPA PLAN PROCEDURES

The Underwriting rules contained in this Manual shall determine the inspection criteria for risks to be written by the TFPA. The TFPA may issue a policy of residential property insurance on certain types of risks without an inspection in accordance with these rules.

1. An inspection shall be made only of property requiring an inspection to determine eligibility for TFPA coverage in accordance with the underwriting rules.
2. The inspection shall be free of charge to the applicant.
3. An inspection request may be made by the owner, his representative, or an agent.

All inspections shall be in writing and shall contain the information necessary to determine eligibility for coverage pursuant to the TFPA's underwriting rules.

After the inspection has been completed, a copy of the completed inspection report and any photograph indicating the pertinent features of the building construction, maintenance, and occupancy shall be sent **within ten days** to the TFPA.

The inspection report shall contain information describing:

- (a) occupancy,
- (b) information necessary for underwriting and rating,
- (c) construction, and
- (d) physical deficiencies.

If an **interior inspection** is necessary to determine eligibility of property described in an application submitted to the TFPA, the inspector shall contact the applicant and arrange for the applicant to be present during the inspection.

The inspector shall not recommend correction of physical deficiencies or advise the applicant whether the TFPA will provide coverage.

The TFPA or its service carrier shall, as soon as practical but not to exceed thirty days after receipt of the inspection report advise the applicant and agent of the following:

1. If the inspector finds that the residential property does not meet TFPA underwriting rules, the TFPA shall notify the applicant in writing of any action/repairs required to maintain coverage.
2. The TFPA shall indicate to the applicant any condition charges that have been applied by the TFPA.
3. If the residential property is not insurable based on the underwriting rules the TFPA shall notify the applicant in writing why the residential property is not insurable.

If, at any time, the applicant makes improvements in the residential property or its condition that the applicant believes are sufficient to make the residential property insurable, an inspector shall re-inspect the residential property upon request.

The applicant for residential property insurance shall be eligible for one re-inspection any time within sixty days after the initial inspection.

## XXVI. Uninsurable Properties

The following risks may not be insured by the TFPA. DO NOT SUBMIT:

## **a. Condemned Property**

Properties known to have been condemned due to condition.

## **b. Property Code Violations**

The applicant has received written notice from an authorized public entity stating that the property is in violation of any building, housing, air pollution, sanitation, health, fire or safety code ordinance or rule. If the applicant has received written notice that the property is in violation of any such code, ordinance or rule the agent shall submit, on behalf of the applicant, to the TFPA a detailed plan that indicates the manner and estimated period of time in which the violations will be corrected or documentation that the property is not in violation.

## **c. Property In Disrepair/Existing Damage**

Properties in a state of disrepair or properties with existing damage until such repairs have been completed. At the discretion of the underwriter, the 90-day underwriting period may be used to allow repairs to be completed. For repairs required due to a loss resulting from Hurricane Harvey, the underwriter has discretion to allow 120 days from the effective date of the policy for repairs to be completed.

## **d. Business Property or Similar Exposure**

Properties where a business is conducted, except as otherwise provided for under the eligibility section of this Manual.

Ineligible businesses include the following: manufacturing, retail sales when customer traffic is common, bed & breakfast operations, nursing homes, adult care living facilities, produce stands, "u-pick-it" produce operations, kennels, repair work including auto or appliance repair, and hair salons.

Residential property with a home day care operation not to exceed 3 children will be eligible.

## **e. Vacant Property**

Vacant dwellings.

**Exception:** A Homeowners Policy may be written for a new purchase expected to be **owner-occupied** within 60 days (from policy inception). (Indicate expected move-in date in "Remarks" section of application.)

## **f. Material Misrepresentation, Insurance Fraud or Arson**

Applicants cancelled or non-renewed for material misrepresentation in the past three years or insurance fraud in the past five years or convicted of arson in the past five years.

## **g. Inaccessible Property**

Properties not readily accessible year round to fire department equipment (e.g. isolated property including barrier islands not connected to the mainland by a road).

This includes all properties addressed in the Federal Coastal Barrier Resource Act. For purposes of this Act, all structures which are located within those areas designated as units under the federal Coastal Barrier Resources Act (Public Law 97-348) and for which construction has commenced on or after July 1, 1991 shall not be considered insurable property.

## **h. Excessive Or Unusual Liability Exposure**

Properties with excessive or unusual liability exposure, (e.g. empty in-ground pools, skateboard or bicycle ramps, dangerous animals, trampolines or pools that are not within a fenced yard).

## **XXVII. Uninsurable Applicants**

### **a. Insurance Related Offenses**

Applicants who have convictions for arson, fraud, or other insurance related offenses are uninsurable applicants.

## **XXVIII. Cancellations/Voiding, Mid-Term Changes, and Refusals to Renew**

### **TFPA CANCELLATION PROVISIONS**



The TFPA may cancel a policy at the request of the insured, or for any of the policy provisions as per the policy which are listed below:

- A. The named insured may cancel this policy at any time by notifying the TFPA of the date cancellation is to take effect. The TFPA will refund any return of premium. The refund will be pro rata, subject to the TFPA's minimum premium.
- B. The TFPA may cancel this policy for the reasons stated in this condition by mailing the named insured notice in writing of the date cancellation takes effect.
  1. If a policy has been in effect for less than 90 days and is not a renewal policy, the TFPA may not cancel this policy unless:
    - a. there is a property condition which would have been grounds for non- acceptance of risk had such condition been known to the TFPA at the time of acceptance
    - b. it is determined that the property does not meet TFPA underwriting rules;
    - c. the named insured does not pay the premium or any portion of the premium when due, including nonpayment of premium on a prior TFPA policy;
    - d. the named insured submits a fraudulent claim;
    - e. the named insured makes material misrepresentation; or
    - f. there is evidence of incendiarism by the named insured or another person acting on behalf of the named insured.

The effective date of cancellation cannot be before the 10th day after the TFPA mails notice if cancellation is for nonpayment of premium or the 30th day after the TFPA mails notice if cancellation is for any other reason listed above.

2. If this policy has been in effect 90 days or more, the TFPA may not cancel this policy unless:
  - a. The named insured does not pay the premium or any portion of the premium when due.
  - b. The Texas Department of Insurance determines that continuation of the policy would violate the Texas Insurance Code or any other laws governing the business of insurance in this state.
  - c. The named insured submits a fraudulent claim.
  - d. The named insured makes a material misrepresentation.
  - e. There is evidence of incendiarism by the named insured or another person acting on behalf of the named insured, or
  - f. the dwelling on the **residence premises** shown on the declarations page is no longer eligible for coverage under this policy.

The effective date of cancellation cannot be before the 10th day after the TFPA mails the notice. The notice of cancellation must state the reason for cancellation.

- C. If the TFPA cancels, the notice will state that if the refund is not included with the notice, it will be mailed within 10 business days of the effective date of cancellation. The refund will be pro rata, subject to the TFPA's minimum premium.

**Important note:**

The TFPA shall send notice of cancellation stating the reasons for cancellation to the insured. The mortgagee and the agent shall also be notified. The cancellation shall take effect in accordance with the policy provisions.

**If a policy is cancelled in accordance with the policy provisions, it shall be on a pro-rata basis.**

The TFPA shall mail the unearned portion of any premium paid within 15 business days of receiving authorization to cancel the policy.

***Note:** If a backdated cancellation is granted the return premium will be sent within ten business days from the date the request was received.*

***Note:** The TFPA shall void a binder received from an agent that does not have a TFPA Authorization.*

***Note:** It shall not be permissible to cancel any of the mandatory coverages in the policy unless the entire policy is cancelled.*

***Note:** If insurance coverage is increased or reduced, the additional or return premium shall be computed on a pro-rata basis, subject to the minimum premium requirement.*

## **XXIX. Refusal to Renew**

The Named Insured shall be given notice of non-renewal based upon the following provisions of the policy:

**Refusal to Renew.**

The TFPA may refuse to renew a policy if it determines the property does not meet the rules stated in this Manual. If the TFPA refuses to renew this policy, it must deliver to the named insured, or mail to the named insured at the named insured's mailing address shown on the declarations page and any mortgagee named on the declarations page, written notice of the TFPA's refusal to renew not later than the 60th day before the date on which the policy expires. The notice to the named insured of non-

renewal will state the reason for non-renewal. Proof of mailing is sufficient proof of notice. If the TFPA fails to give proper notice of non-renewal, the named insured may require the TFPA to renew the policy.

Additional reasons the TFPA may consider refusing to renew a policy include:

1. Policyholders who fail to properly repair damage covered under Coverage A “Dwelling” or “Other Structures” within 18 months of the claim date will be subject to non-renewal.
2. Policyholders who fail to cooperate with the TFPA, as required by the contract will be subject to non-renewal.

## XXX. Underwriting Rules

The purpose of this segment of the guide is to set the minimum standards to qualify or renew a policy in the TFPA. The plan will be able to provide coverage for risks that meet these standards.

### a. Loss History

The applicant or renewal policyholder must have had no more than 8 paid claims (excluding glass claims) within the immediate past 3 years. Paid Claims shall mean any claim where payment was made by any insurer for the purpose of reimbursing any applicant or renewal policyholder for damage incurred.

Any policyholder who had between 3 and 8 paid claims or any 2 claims with a combined total in excess of \$25,000 will receive an inspection of their property for the purpose of determining eligibility prior to any coverage being offered. All previously paid claim damage must have been repaired or a plan must be submitted for consideration outlining when such repairs will be completed. Any such plan must contemplate that repairs be completed or substantially completed prior to the end of the 90-day underwriting period, unless the plan manager grants an extension for a designated area.

At the discretion of the underwriter a policy may be written without replacement cost for policyholders with 8 or more paid claims.

### b. (Limited) Water Damage Coverage

#### Eligibility

Applicants are **not eligible** for the attachment of endorsement HO-400 or HO-401 **if any of the following applies:**

- Dwelling with preexisting/un-repaired water damage
- Two (2) or more paid water claims in the preceding 3 years chargeable to the applicant/policyholder and/or property
- Three (3) or more paid water claims in the preceding 5 years chargeable to the applicant/policyholder and/or property

### **Interior inspection**

An interior inspection may be ordered to determine eligibility for endorsement HO-400 or HO-401 when the application and/or loss history report indicates a:

- Property with one (1) or more Water Claims (Paid or Unpaid) in the preceding 3 years, or
- Property with three (3) or more Water Claims (Paid or Unpaid) in the preceding 5 years, or
- Property built prior to 1960.

**PLEASE NOTE:** Endorsement HO-400 or HO-401 may be requested at the time of application for new business, at renewal or mid-term on existing policies. All requests are subject to Association underwriting guidelines for endorsement HO-400 and HO-401.

If requests to add this coverage mid-term qualify under the Association's eligibility requirements, coverage will be effective the date and time received by the Association, or later date if requested. The endorsement (HO-400 or HO-401) may be removed at renewal if the Association determines the risk is not eligible for such coverage. The Association will provide proper notice prior to renewal that includes the specific underwriting reason(s) the risk is not eligible for the HO-400 or HO-401.

## **c. Deductible**

### **1. Homeowners Policy and Dwelling Policy**

The deductible available for applicants with 4 or more losses during the immediate preceding 3 years (excluding glass claims) is 2% (\$100 minimum). Applicants with less than 4 paid claims during the immediate preceding 3 years (excluding glass claims) may select a 1% or 2% (\$100 minimum) deductible.

See Homeowners and Dwelling Deductible Adjustment Chart for the application of applicable credits.

### **2. Tenant and Condominium**

1% of Coverage B with minimum \$250 theft deductible. Policy to show separate theft deductible of \$250 while "All other perils" deductible will show a dollar amount based on 1% of the insurance Coverage B amount when the Coverage B amount is less than \$25,000; displayed as follows: \$200 All Other Perils, \$250 Theft (i.e., when the Coverage B amount is \$20,000). When the amount of insurance Coverage B is \$25,000 or greater, the deductible is shown as a single amount of Coverage B, based on 1% of the coverage amount (i.e., \$30,000 Coverage B = \$300 deductible).

See Tenant and Condominium Deductible Adjustment Chart for the application of the applicable credits.

## d. Condition of The Dwelling

The dwelling must be habitable. Buildings that have been condemned or are scheduled for destruction, whatever the reason, are uninsurable.

## e. Unconventional Construction

1. Dwellings of unconventional construction (such as, but not limited to - Do it yourself, Underground, Log, Dome, or Shell Homes) must have been erected by qualified individuals before coverage can be considered.
2. The construction must utilize conventional parts that are readily attainable. \*\*
3. Wiring, heating and plumbing must have been installed to meet applicable building codes.

**\*\* Note:** Coverage without replacement cost on the building may be considered for dwellings not meeting this standard at the discretion of the underwriter.

## f. Modular Homes vs. Mobile Homes

**Modular homes or pre-fabricated homes and mobile homes that are properly blocked and tied will be considered for coverage. Modular homes are constructed at a factory to about 95% completion. They are built to conventional construction standards, as opposed to HUD standards utilized in mobile home construction.**

Dwellings with any of the following characteristics will be considered mobile homes and not eligible for coverage unless they meet the eligibility requirements listed separately below:

1. Built to Manufactured Home Construction and Safety Standard (HUD code).
2. A HUD code is affixed to the exterior.
3. HUD code requires a vent over the bedroom door or undercutting of the door to facilitate air circulation.
4. Mobile Homes have a title and serial number.
5. Structures that were mobile homes as originally purchased will be considered mobile homes regardless of the extent of any alterations or additions.

Eligibility requirements for mobile homes:

1. Must be occupied solely as a dwelling.
2. Must be 8 body feet or more in width and 32 body feet in length (excluding tongue).
3. Must be blocked and tied down according to current Texas Department of Housing and Community Affairs (TDHCA) guidelines.

**A copy of the TDHCA Notice of Installation (Form T) must be received by the TFPA within 30 days of the effective date of the policy to avoid cancellation.**

This report may be obtained from the TDHCA if the home has been blocked and tied within the past 5 years. It must indicate that the home is blocked and tied with “No violations or Violations Corrected.” There is a charge for this report.

If there is no approval report on file with the TDHCA or if the report is over 5 years old, you must contact an installer who is licensed with the TDHCA to make an inspection and provide a report.

**TDHCA may be contacted at:**

Texas Department of Housing and Community Affairs  
Manufactured Housing Division  
P.O. Box 12489  
Austin, TX 78711-2489  
Telephone: 1-800-500-7074

**NOTE:** Replacement cost coverage may not be written for a mobile home or its contents that is eligible for coverage through TFPA.

## **g. Roofing**

Roofs must meet certain insurability standards before replacement cost coverage on the building can be considered. Risks with existing damage or deteriorated roofs may not be acceptable for coverage.

Common warning signs for various types of roof surfaces are listed below:

1. Composition shingles: Curling, broken, blistered, damaged, or missing shingles; granular loss, nails popping out, deterioration due to air conditioning leaks.
2. Wood Roofs: splitting or curling shingles, missing or damaged shingles, exposed felt, erosion, improper installation (overexposed).
3. Flat roofs: ponding, cracks, tears, blisters, missing or thin gravel (for tar and gravel roofs).

Dwellings with roofs that exhibit the above conditions may be considered for coverage without replacement cost coverage for the dwelling or roof at the discretion of the underwriter.

## **h. Liability Exposures**

If an applicant has an exotic pet(s) or animal(s) that is aggressive or temperamental in nature, endorsement HO-810 (Specified Building or Animal Exclusion Endorsement) may be attached to Homeowners Policy to exclude all of Section II – Liability Coverages. Since pet and animal bites (especially dog bites) are a major cause of loss, information should be secured to determine if:

1. An animal or dog has a history of biting.
2. An animal or dog is trained as an attack or guard animal.
3. An animal or dog is trained for fighting purposes.

If an applicant's animal(s) has a known bite history OR is a domesticated or wild animal (including reptiles) with lethal capability, the applicant has an "excessive" liability exposure as referred to under section XXIV, Uninsurable Properties, and is not acceptable for TFPA coverage.

Properties with pools and trampolines must have an appropriate enclosure to minimize liability exposure. Pools must be kept full and in a safe, useable state.

The property must not contain any excessive liability exposures such as outbuildings that are unstable, poorly supported awnings, inoperable cars or other dangerous debris.

HO-205 OFFICE, PRIVATE SCHOOL OR STUDIO OCCUPANCIES – RESIDENCE PREMISES

Permitted Occupancies – The following business occupancies operated by self-employed individuals are generally acceptable:

1. Art, music, photography, ceramics and dance studios.
2. Offices - except those used to operate an otherwise ineligible business.
3. Consultants – include personal computer consultants who advise clients on appropriate computer hardware and software for home and small business use or consultants working with small business to provide employee benefits, financial and marketing advice.
4. Child care for situations involving no more than three children being cared for. This would be in addition to any of their own children.

**Note:** *The care of Foster children is not considered a business pursuit or childcare operation.*

5. Dwellings where church services are conducted – as long as they use less than 500 square feet.

## i. Electrical Wiring

1. All dwellings with electrical service must meet minimum wiring standards to be considered for coverage under the TFPA.
2. Dwellings must have a minimum of a 60-amp service provided.
3. All junction boxes and fuse boxes should have appropriate covers. There should be no evidence of exposed wiring within the dwelling.
4. There should not be any evidence of attempts to bypass the fuses and fuses should be of appropriate size for the wire.
5. Dwellings with aluminum wiring must have been updated using an acceptable repair technique (either pig-tailing or replacing connectors with copper/aluminum connectors designed for use with aluminum wiring are acceptable). A statement by a qualified electrician may be necessary to determine continuing eligibility.

## j. Heating Systems

All heating systems, including solid fuel appliances must be installed with adequate clearance to combustible materials.

1. Home-built wood stoves are unacceptable.
2. All wood stoves must be installed to National Fire Protection Association standards.
3. Evidence of scorching on or near any type heating system is unacceptable.



4. Severely rusted or corroded vent pipes are signs that a system is in need of repair and could present a health and/or fire hazard and are unacceptable.
5. Unvented space heaters must contain an oxygen depletion sensor if used as the sole source of heat.

## **k. Inspection Requirements – HOMEOWNERS POLICY AND DWELLING POLICY**

1. Exterior Inspection – Exterior inspections will be performed by an inspection company hired on behalf of the TFPA when any 1 of the following criteria are met:
  - a. Dwelling is over 13 years old
  - b. Applicant has between 3 and 5 claims (excluding glass) in the immediate past 3 years
  - c. Applicant has any 2 claims totaling more than \$25,000 in the past 3 years
  - d. Dwelling is for sale
  - e. Dwelling has 2 or more wind or hail losses within the past 3 years
2. Interior and Exterior Inspection – Interior and exterior inspections will be performed by an inspection company hired on behalf of the TFPA when any 2 of the following criteria are met:
  - a. Dwelling was built prior to 1940.
  - b. Applicant has more than 5 paid claims (excluding glass) in the immediate past 3 years.
  - c. Dwelling was built using unconventional construction.
  - d. Applicant has multiple claims totaling more than \$50,000 in the past 3 years.
  - e. Structure was originally built for other than a private residence and later converted to residence.
  - f. Dwelling is undergoing renovation or reconstruction.
  - g. Applicants requesting HO-205 office, private school or studio – Section II liability.
3. Interior or exterior inspections may be performed at the underwriter's discretion.

## **l. Underwriting Reports**

An underwriting report will be requested on each application in order to determine eligibility.

## **m. Conflict With Laws**

In the event anything in this Manual conflicts with any law, statute or ruling specifically applicable to TFPA, the conflicting reference within this Manual shall not be applicable. The conflict shall be brought to the attention of the general manager of the TFPA so that appropriate changes may be made.

## **XXXI. Right to Appeal**

- A. All applicants shall have the right to appeal any action or decision of the TFPA or an inspector to staff of the TFPA or to its administrator.
- B. Each denial of insurance to an applicant will be accompanied by a statement to the applicant and the agent that the applicant has the right to appeal, including how an appeal can be made. Such appeal must be made in writing within 30 days after receipt of notice of the action or decision to be appealed.
- C. The staff of the TFPA or its administrator must render its decision on the appeal and notify the applicant of its decision within 45 days of receipt of the appeal.
- D. Any applicant shall have the right to appeal to the Commissioner any action or decision under "C" of this section. An appeal to the Commissioner must be made within 30 days of the decision.
- E. The decision of the Commissioner of an appeal under "D" of this section is a final order and is subject to judicial review as provided in Insurance Code Chapter 36.