

State of Rhode Island and Providence Plantations
DEPARTMENT OF BUSINESS REGULATION
Division of Insurance
233 Richmond Street
Providence, RI 02903

INSURANCE REGULATION 15

**BASIC PROPERTY INSURANCE INSPECTION AND PLACEMENT
PROGRAM**

Table of Contents

Section 1	Purposes of program
Section 2	Effective Date
Section 3	Definitions
Section 4	FAIR Plan -- Inspection and reports
Section 5	FAIR Plan business -- Limits of coverage
Section 6	Procedure after inspection
Section 7	Joint reinsurance association
Section 8	Standard policy coverage
Section 9	Cancellation
Section 10	Right of appeal
Section 11	Commissions
Section 12	Coding and reports
Section 13	Administration
Section 14	Annual and special meetings
Section 15	Duties of the committee
Section 16	Public education
Section 17	Termination of the program

Section 1 *Purposes of Program*

The purposes of the Program are:

- (1) To make Basic Property Insurance available to qualified applicants who have been unable to secure such insurance in the normal market, subject to the conditions hereinafter stated.
- (2) To enable insurers, including surplus line insurers, to become eligible for Federal reinsurance under the provisions of Title XI of the Housing and Urban Development Act of 1968, which adds a new title to the National Housing Act: Title XII -- National Insurance Development Program.

- (3) To encourage the improvement of properties located in urban areas and to further orderly community development.
- (4) To make public the purposes and procedures of this Program.

Section 2 **Effective Date**

- (1) The Program shall become effective on October 29, 1968, and shall conform with the applicable provisions of the Federal Urban Property Protection and Reinsurance Act of 1968 and any rules and regulations issued by the Secretary of Housing and Urban Development pursuant thereto.

Section 3 **Definitions**

- (1) "Insurer" means any insurance company or other organization licensed to write, and engaged in writing property insurance business, including the property insurance component of multi-peril policies, on a direct basis in this state who is a member of the Rhode Island Joint Reinsurance Association. Nonadmitted insurers may become "insurers" by applying for membership in the Association and receiving approval from the governing committee and the Insurance Commissioner.
- (2) "Servicing Insurer" means an Insurer who enters into an agreement with the Association to issue and service policies on risks referred to it by the Association pursuant to Section 5 of this Regulation.
- (3) "Basic Property Insurance" means, in addition to any and all coverages specifically enumerated in R.I. Gen. Laws § 27-33-10, insurance against direct loss to property as defined and limited in standard fire policies in (1) extended coverage; (2) vandalism and malicious mischief; (3) sprinkler leakage endorsements thereon; and (4) homeowners package coverage on owner-occupied habitational risks for one to four families. It shall not include automobile, or farm risks. Sprinkler leakage and homeowners coverage shall be subject to minimum requirements established by the Governing Committee with the approval of the Insurance Commissioner.
- (4) "The Rhode Island Joint Reinsurance Association" and "The Syndicate" shall be considered synonymous and hereinafter referred to as the Association and means the organization formed by Insurers to administer the Program herein set forth.
- (5) "Inspection Bureau" means the fire insurance rating organization or other organization designated by the Association with the approval of the Commissioner to make inspections as required under the Program and to perform such other duties as may be authorized by the Association.

- (6) "Premiums Written" means gross direct premiums charged during the most recent calendar year for which data is available, as determined by the Association, with respect to property in this State on all policies of Fire, Other Allied Lines (excluding "Flood", as written by the National Flood Insurers Association), all homeowners policies and the fire and extended coverage components of all commercial multi-peril policies, as computed by the Association, less return premiums, dividends paid or credited to policyholders, or the unused or unabsorbed portion of premium deposits.
- (7) "Commissioner" means the Insurance Commissioner.

Section 4 *FAIR Plan Business -- Inspection and Reports*

- (1) Any person having an insurable interest in real or tangible personal property at a fixed location in the State of Rhode Island shall be entitled to an inspection of the property without cost by the Inspection Bureau. A request for inspection need not be in writing and may be made by the property owner, his representative, an insurer, the insurance agent, broker, or other producer.
- (2) The manner and scope of the inspections shall be prescribed by the Association with the approval of the Commissioner.
- (3) An inspection report shall be made for each property inspected. The report shall cover pertinent structural and occupancy features as well as the general condition of the building and surrounding structures. A representative photograph of the property may be taken during the inspection.
- (4) After the inspection, a copy of the complete inspection report, and any photograph, indicating the pertinent features of building, construction, maintenance, occupancy and surrounding property shall be sent within five (5) business days to the insurer or the Association, as may be designated by the person requesting the inspection. Included with the report shall be a rate make-up statement, including any condition charges or surcharges imposed in conformity with the Program or under any substandard rating plan approved by the Commissioner. A copy of the inspection report shall be made available to the applicant or his agent upon request.
- (5) Deemer -- Binder -- Eligible risks are automatically insured if, (1) through no fault of the applicant, coverage has not been either offered or denied within twenty (20) calendar days after the date the request for inspection was received by the Association, and (2) the applicant at the time of requesting the inspection or at any time prior to the receipt of an

inspection report indicating that the property is uninsurable, pays an estimated annual premium subject to the maximum limits of liability.

Coverage provided under this Binder provision shall be at the normal rates for the class of property to be insured, exclusive of any surcharge, but shall be subject to an appropriate premium adjustment, if necessary, after the property has been inspected.

- (6) Reinspection -- Reinspection may be made on a limited basis for statistical purposes or upon information that the occupancy hazards or physical condition of the property have substantially changed since the last inspection.

Section 5 *FAIR Plan Business – Distribution and Placement*

Limits of coverage shall be provided for in rules adopted by the Governing Committee subject to approval by the Commissioner and in conformity with the Urban Property Protection and Reinsurance Act of 1968. The Association will attempt to place any insurance required by the applicant in excess of the limits of coverage provided hereunder up to the full insurable value of the risk.

Section 6 *Procedure after Inspection*

- (1) The Association shall, within three (3) days after receipt of the inspection report, determine whether:
 - (a) The risk is accepted at normal rates, or
 - (b) The risk is accepted at a surcharge which will be removed if specified improvements are made, or
 - (c) The risk will be accepted, if specified improvements are made by the applicant and confirmed by reinspection, or
 - (d) The risk is not accepted for reasons stated, and shall so notify the applicant.
- (2) If the risk is accepted by the Association, a syndicate policy will be written by the Association and the Association shall deliver the policy or binder to the applicant upon payment of the premium. The premium, less any commission, shall be remitted to the Association.
- (3) In determining whether or not to accept the risk, the Association shall follow reasonable underwriting standards which shall include, but not be limited to, the following:

- (a) The right to decline or cancel insurance because of the physical condition of the property, such as its construction, heating, wiring, evidence of unrepaired damage or general deterioration (however, the mere fact that a property does not satisfy all current building code specifications would not, in itself, justify declining the risk);
- (b) The right to decline or cancel insurance because of the present use or housekeeping of the property, such as abandonment, vacancy, overcrowding, excessive rubbish or improper storage of flammable materials;
- (c) The right to decline or cancel insurance because of other specific characteristics of ownership, condition, occupancy, or maintenance which are violative of law or public policy and which result in unreasonable exposure to loss;
- (d) The right to decline or cancel insurance on buildings in which any one of the following exists:
 - 1. Failure to pay real estate taxes on the property after the taxes have been delinquent for one (1) year or more (real estate taxes shall not be deemed to be delinquent for this purpose even if they are due and constitute a lien, so long as a grace period remains under local law during which such taxes may be paid without penalty);
 - 2. Failure, within the insured's control, to furnish heat, water, or public lighting for thirty consecutive days or more;
 - 3. Failure within a reasonable time to correct conditions dangerous to life, health or safety.
- (e) The right to decline or cancel insurance on property:
 - 1. Where, because of physical conditions, there is an outstanding demolition order, outstanding order to vacate or which has been declared unsafe or uninhabitable in accordance with law;
 - 2. Where fire damage exists and the owner has not taken reasonable steps to protect and secure the property;
 - 3. Where, following a fire, permanent repairs have not commenced within sixty (60) days after satisfactory adjustment of loss; or

4. Where fire damage exists and the insured has stated or such time has elapsed as clearly indicates that the damage will not be repaired.
- (f) The right to decline insurance where the applicant is in arrears in the payment of insurance premiums to a licensed agent or broker or company for the types of coverage which are offered by the Association;
 - (g) The right to decline or cancel insurance on any building where it is idle or where sixty five percent (65%) of the building is unoccupied, unless the building is undergoing rehabilitation and the Association, upon request, has received a schedule for such rehabilitation;
 - (h) The right to decline or cancel insurance on any building which has been abandoned or where there has been removal of fixtures or salvageable material from the building and the owner can give no reasonable explanation for such removal;
 - (i) The right to decline or cancel insurance where reliable information is secured indicating that the property will be burned for the purpose of collecting insurance on the property;
 - (j) The right to decline or cancel insurance where the applicant, insured, mortgagee, loss payee, or any other person having a financial interest in the property is convicted or where an unresolved indictment for the crime of arson or for a crime involving a purpose to defraud an insurance company exists;
 - (k) The right to decline or cancel insurance where the property has been subject to more than two (2) fires, each loss amounting to at least five hundred dollars (\$500) or one percent of the insurance in force, whichever is greater, in any twelve (12) month period; or more than three (3) such fires in any twenty four (24) month period, provided that the cause of such fires is due to conditions which are the responsibility of the owner-named insured;
 - (l) In those instances where the Association has information which indicates that a moral hazard exists;
 - (m) The right to apply by endorsement in accordance with the waiver provisions of the statutory standard fire insurance policy of the State of Rhode Island a "Modern Materials" provision which would permit repairs with modern materials, not necessarily those

of like kind and quality, provided the structure's integrity, utility and value are not impaired.

The Association shall not decline or cancel any risk for reasons of neighborhood or area location or any environmental hazard beyond the control of the property owner; and the Association shall not decline or cancel any risk because of vacancy in an area designated for condemnation or demolition in an urban renewal project area which has entered the execution stage if the property owner takes reasonable steps to safeguard the property.

Reasonable underwriting standards with respect to Section II of homeowners insurance shall include the general standards and, in addition, shall include, but not be limited to, the following:

- (i) Hazardous physical conditions including, but not limited to, unfenced swimming pools;
 - (ii) Presence of vicious animals;
 - (iii) Excessive loss frequency when the applicant has failed to take reasonable steps to correct any situation which has given rise to past losses.
- (4) If the determinations of the Association fall within categories (b), (c), or (d) of subsection (1) of this section, the Association shall enclose a copy of the inspection report with its notice to the applicant advising him of its determination and what improvements should be made to the property. A copy of the inspection report and notice to the applicant shall also be sent to the Commissioner. Such a notice to the applicant shall advise him of his right to appeal the determination and the procedure therefor. Upon completion of the improvements by the applicant or property owner, the Association, when so notified, will have the property promptly reinspected and determine what action it will take.
- (5) If the inspection of the property reveals that there are one or more substandard conditions, surcharges may be imposed in conformity with any substandard rating plan approved by the Commissioner.

Section 7 Joint Reinsurance Association

- (1) The Joint Reinsurance Association, acting on behalf of its members, shall be authorized to assume reinsurance and to cede reinsurance or issue syndicate policies on eligible risks written by the Association. Any reinsurance so assumed by the Association on behalf of all insurers shall be one hundred percent (100%) cession.

- (2) Each Insurer shall participate in the writings, expenses, profits and losses of the Association in the same proportion as its Premiums Written bear to the aggregate Premiums Written by all Insurers in the Program.
- (3) The Governing Committee, acting on behalf of the Association, shall be authorized to make a preliminary assessment upon all Insurers and such further assessments as may be deemed necessary.

Section 8 Standard Policy Coverage

All policies issued shall be for Basic Property Insurance on standard policy forms and shall be issued for a term of one year.

Section 9 Cancellation

- (1) All insurers participating in the Program shall give thirty (30) days notice prior to cancellation or non-renewal of any risk eligible under the Plan except in the following cases:
 - (a) Owner or occupant incendiarism;
 - (b) Material misrepresentation;
 - (c) Non-payment of premium;
 - (d) At least sixty five percent (65%) of the rental units in the building are unoccupied, and the insured has not obtained prior approval from the FAIR Plan of a rehabilitation plan which necessitates a high degree of unoccupancy;
 - (e) Fire damage exists and the insured has stated or such time has elapsed as clearly indicates that the damage will not be repaired;
 - (f) Following a fire, permanent repairs following satisfactory adjustment of loss have not commenced within sixty (60) days;
 - (g) Property has been abandoned or there has been removal of undamaged salvageable items from the building and the insured can give no reasonable explanation for such removal;
 - (h) Utilities such as electric, gas, or water services have been disconnected and the insured has failed to pay his account for such services within one hundred twenty (120) days, or real estate taxes have not been paid for a two (2) year period after the taxes have become delinquent (real estate taxes shall not be deemed to be delinquent for this purpose even if they are due and constitute a

lien, so long as a grace period remains under local law during which such taxes may be paid without penalty).

- (i) Where reliable information that good cause exists to believe that the building will be burned for the purpose of collecting the insurance on the property;
 - (j) Conviction or unresolved indictment of a named insured or loss payee or any other person having a financial interest in the property of the crime of arson or crime involving a purpose to defraud an insurance company;
 - (k) Where the building has been subject to more than two (2) fires, each loss amounting to at least five hundred (\$500) or one percent (1%) of the insurance in force, which ever is greater, in any twelve (12) month period; or more than three (3) such fires in any twenty four (24) month period, provided that the cause of such fires is due to conditions which are the responsibility of the owner-named insured;
 - (l) Any reason which would have been grounds for declination of the risk under Regulation 15 if such reason had been known at the time of acceptance.
- (2) Any cancellation upon less than thirty (30) days notice arising out of any of the conditions listed above of this section shall follow a procedure which includes as a minimum, the following:
- (a) The designation of a responsible official by the state insurance authority to serve as the point of contact with the FAIR Plan.
 - (b) The notification either in writing or by phone to the official by the FAIR Plan of any such cancellation. The State Insurance Commissioner's Office shall maintain a record of all such cancellations.
 - (c) The notification to the insured by the FAIR Plan of the cancellation, giving the reasons for the action and setting forth the insured's prerogatives to appeal to the State Insurance Commissioner for review of the cancellations. The cancellation shall stand unless the State Insurance Commissioner rules otherwise.

Section 10 Right of Appeal

Any applicant for insurance and any person insured under the Program or any affected insurer may appeal to the Governing Committee within fifteen days after mailing of notice of any final ruling, action, or decision of the Association. The Governing Committee shall issue its decision without undue delay. Any decision of the Committee may be further appealed to the Commissioner within thirty days. Orders of the Commissioner shall be subject to judicial review pursuant to R.I. Gen. Laws § 42-35-15.

Section 11 Commissions

- (1) Commissions to the licensed agent or broker designated by the applicant shall be set by the Governing Committee with approval of the Commissioner.
- (2) In the event of cancellation of a policy, or if an endorsement is issued which requires premium to be returned to the insured, the producer shall refund ratably to the Insurer commissions on the unearned portion of canceled liability and on reductions in premiums at the same rate at which such commissions were originally paid.
- (3) All Insurers shall solicit the cooperation of their agents with this Program and no agent, broker, or other producer shall be penalized for submitting risks to the Association.

Section 12 Coding and Reports

- (1) Risks placed in the Association shall be separately coded.
- (2) The Association shall submit periodic reports to the Commissioner and Secretary of Housing and Urban Development as may be required, setting forth the number of requests for inspection, the number of risks inspected, and the results of applications to the Association together with such other information as the Commissioner may request.

Section 13 Administration

- (1) This Program shall be administered by a Governing Committee (hereinafter referred to as the Committee) of the Joint Reinsurance Association, subject to the supervision of the Commissioner.
- (2) The Governing Committee shall consist of eighteen members. Ten members of the Committee shall be insurers, at least two (2) of which shall be domestic insurers. These members shall be elected annually by cumulative voting of the Insurers of the Association whose votes shall be weighed in accordance with the proportion that each insurer's premiums

written in the state during the most recent calendar year for which data is available bears to the aggregate premiums written by all insurers in the program. Not more than one insurer in a group under the same management or ownership shall serve on the Committee at the same time. Six members of the Governing Committee shall be individuals who are not employed by or otherwise affiliated with insurers, insurance agents, brokers, producers or other entities of the insurance industry. These members shall be appointed annually by the Chairman of the Committee. The Committee shall also include two (2) members who shall be licensed resident fire and casualty agents or brokers in the State of Rhode Island. One of the aforementioned licensed fire and casualty agents or brokers shall be appointed by the Independent Insurance Agents of Rhode Island. The second licensed fire and casualty agent or broker shall be appointed by the Professional Insurance Agents of New England.

Section 14 **Annual and Special Meetings**

- (1) Meetings -- The annual meeting of the Insurers for the election of the Committee and such other business as may be necessary shall be held in the State of Rhode Island during the month of June of each year. At any regular or special meeting at which the vote of the Insurers is or may be required on any proposal, voting may be in person or by proxy. Voting at regular or special meetings, or any vote of the Insurers which may be taken by mail, shall be cast and counted on a weighted basis in the same proportion as each Insurer's Premiums Written bear to the aggregate Premiums Written by all Insurers in the Program.
- (2) As soon as practicable after election to membership on the Committee, and thereafter from time to time as it may elect, an Insurer shall designate a qualified representative and an alternate of such representative to serve for it and shall immediately notify in writing the Manager of the Association of such designation.
- (3) Officers -- The Committee shall elect a Chairman, Vice Chairman, Secretary, Treasurer, and Manager.
 - (a) The Chairman shall preside over all meetings of this Committee and at all meetings of the Insurers which are Members of the Rhode Island Joint Reinsurance Association. He shall discharge such other duties as may be incidental to his office or as shall be required of him by these rules or by the Committee.
 - (b) The Vice Chairman shall preside at any meeting of the Committee in the absence of the Chairman. In the event of death, incapacity, or disability of the Chairman, the Vice Chairman shall perform the

duties of the Chairman until such office has been filled by the Committee.

- (c) The Secretary shall issue all notices of meetings, record minutes of all meetings, keep the records of the Committee, and discharge such other duties as may be incidental to his office or as shall be required of him by these rules or by the Committee.
 - (d) The Treasurer shall discharge such duties as may be incidental to his office or as shall be required of him by these rules or by the Committee.
 - (e) The Manager shall discharge such duties as may be incidental to his office or as shall be required of him by these rules or by the Committee.
- (4) Special Meetings -- Special Meetings of the Committee or of the Insurers may be held upon the call of the Chairman or in the event of his resignation, death, or incapacity, upon the call of the Vice Chairman. Any six members of the Committee, acting by their designated representatives, may request the Chairman to call a meeting of the Committee or of the Insurers at such time and place and for such purposes as may be set out in writing in such request. Should the Chairman decline to call such meetings, the same may be called by the six (6) members making the request. Such special meetings may be held at the principal office of the Association or at such other place within or without the State of Rhode Island as may be designated in the call.
- (5) Notices of Meetings -- Notices of all meetings shall be given by the Secretary to the members of the Committee and in the case of meetings of the Insurers to the Insurers, and shall state the time and place and the principal purposes thereof, except that no notice of the annual meeting need be given to newly-elected Insurers in order to legally constitute the meeting, provided a majority of the designated representatives of the Insurers shall be present at such meeting. Such notices may be given by telegram or by mail, directed to the attention of the designated representatives of the Insurers and shall be sent or mailed at least ten days in advance of the meeting. Any Insurer or the designated representative of any Insurer may waive notice of any meeting, and the presence of such representative at any meeting shall constitute a waiver of notice as to such Insurer.
- (6) Advance Agenda -- The Secretary, after consultation with the Chairman, shall prepare in advance of each meeting of the Committee and each meeting of the Insurers an agendum which, with such supporting data and information as may be conveniently assembled, shall be forwarded to the

members of the Committee or their designated representatives or to the Insurers, as the case may be, in advance of any such meeting.

- (7) Committees -- Subject to the Articles of Agreement, the Chairman of the Committee may appoint or the Committee may elect such standing committees or such temporary or special committees as may be deemed necessary for the transaction of its business.
- (8) Ex-Officio Members -- The Chairman of the Committee shall be an exofficio member of all standing or special committees, with right to vote.
- (9) Mail Ballot by Board -- Voting by mail is permitted by the Committee and any matter thus submitted shall be carried provided it receives an affirmative vote from a majority of the members of the Committee and provided there are negative votes received.
- (10) Any amendment of the Program shall be made by the Insurers in conformity with Subsection (1) of this Section and shall be subject to approval by the Commissioner.

Section 15 **Duties of the Committee**

- (1) The Committee shall meet as often as may be required to perform the general duties of the administration of the Program or on the call of the Commissioner. Ten (10) members of the Committee shall constitute a quorum.
- (2) The Committee shall be empowered: to appoint or otherwise contract for the services of a Manager; to budget expenses; to levy assessments including preliminary assessments provided herein, or necessary or incidental to the administration of the Program. The adoption or substantive changes in pension plans or employee benefit programs shall be subject to approval by insurers. Assessments upon each insurer shall be levied on the basis of its premiums written.
- (3) Annually the Manager shall prepare an operating budget which shall be subject to approval of the Committee. Such budget shall be furnished to the Insurers after approval. Any contemplated expenditure in excess of or not included in the annual budget shall require prior approval by the Committee.
- (4) The Committee shall furnish to all Insurers and to the Commissioner a written report of operations annually in such form and detail as the Committee may determine.

Section 16 Public Education

All Insurers agree to undertake a continuing public education program, in cooperation with the producers and others, to assure that the Basic Property Insurance Inspection and Placement Program receives adequate public attention.

Section 17 Termination of the Program

This Program shall not terminate without the written consent of the Insurance Commissioner. Any obligations insured by the Joint Reinsurance Association shall not be impaired by the expiration of the Program and such Joint Reinsurance Association shall be continued for the purpose of performing such obligations.

EFFECTIVE DATE:	October 29, 1968
AMENDED:	October 15, 1970
	July 14, 1971
	September 1, 1972
	October 1, 1973
	September 23, 1975
	May 11, 1979
	August 14, 1980
	March 5, 1981
	October 25, 1977
	November 8, 1982
REFILED:	January 2, 2002