

## Revised HARRP UNDERWRITING GUIDELINES

In order to calculate, adopt and collect premiums that are fair and equitable, HARRP has to evaluate the risks of loss associated with structures that are included in its coverage programs. The following underwriting guidelines will be applicable, on and after December 31 2004, until modified by the HARRP Board of Directors in its sole discretion:

1. These guidelines are applicable to all newly added structures submitted by existing HARRP members, except newly constructed facilities that have not been occupied previously. (Some properties may be of such deteriorated condition that HARRP cannot provide coverage under any circumstances.).
2. These guidelines are applicable to all properties of non-member public housing authorities seeking HARRP membership. Required reports must be part of the underwriting materials submitted by such prospective members.
3. The HARRP Preliminary Underwriting Questionnaire & Property Coverage Change form must be completed for all buildings (or developments if the information being provided is the same for substantially all structures contained in the development).
4. The HARRP Preliminary Underwriting Questionnaire & Property Coverage Change form must be submitted with a detailed inspection report (see below) at least sixty (60) days prior to the proposed date that coverage will start.

The detailed inspection report must be from an outside independent licensed firm or individual that is experienced in building inspections from a life safety and building integrity perspective. This inspection will be conducted at the expense of the member/prospective member. HARRP will assist in finding a qualified inspector if requested.

NOTE: Inspections Requirement: If a member submits a HARRP Preliminary Underwriting Questionnaire & Property Coverage Change form without the required inspection report HARRP will not provide coverage for that location until the inspection form has been received, reviewed and approved. HARRP's 60-day underwriting period will not begin until the inspection form is received by HARRP.

5. Staff will review the underwriting documents to determine if there are factors (age, condition, prior usage, code compliance, sub-surface conditions etc.) that might contribute to an increased probability of severe property or liability claims.
6. If staff determines that any structure(s) creates a higher risk potential than HARRP can prudently cover at the standard premium and/or deductible, HARRP's underwriting options include (but are not limited to) the following:
  - A. Covering the building/project at a higher premium and/or deductible until the conditions are addressed and the risk of loss is reduced. (Staff may

utilize the Insurance Services Office [ISO] premium rating manual and increase HARRP rates to an appropriate level to cover the risk presented.)

- B. Covering the property with exclusions and/or a quota-share deductible for either property or liability claims (or both) until renovations are completed that reduce the risks of loss.
- C. Determining that the building/project cannot prudently be covered by HARRP and refer it to a commercial insurance company.

Property Value: If a HARRP member submits appropriate underwriting documents for a Property in Transition with low square foot property values, that appears inadequate and if the member elects not to increase the value to a value recommended by HARRP, then HARRP will only cover the property (if at all) at the submitted value and issue an ACV endorsement [ACV coverage is replacement cost minus depreciation.]

Properties in Deteriorated Condition: For properties that are submitted and that are determined by staff to be in a deteriorated condition, that do not impose major property loss and life safety exposures, HARRP will offer Actual Cash Value (ACV) coverage until repairs are made that eliminate the deteriorated condition(s). These properties will not be eligible for the increased 25% replacement costs, which HARRP's standard buildings receive if a loss occurs. Once the property is renovated and the deterioration abated, the property will be eligible for underwriting for standard building coverage. General Liability and Errors and Omissions coverages may also be restricted until proper repairs have been made.

Building Ordinance: If a property was built prior to 1980, HARRP will provide no building ordinance coverage, unless the member can provide evidence of recent rehabilitation of electric, plumbing, roofing and other major building components, which have brought the building up to current codes.

Water Intrusion: On properties with evidence of current water intrusion issues that are noted on inspection reports, HARRP will issue an endorsement excluding mildew and mold coverage, until the member provides evidence that water intrusion issues have been corrected and that no mold or mildew exist.

Life Safety and Fire Prevention: If building and life safety upgrades are needed and those repairs are started within two months after acquisition by a member, HARRP will issue coverage with limitations in place until the repairs addressing the identified concerns are significantly completed. Properties with longer repair periods will be analyzed for modification of coverage restrictions at the member's renewal date.

Immediate Repairs: Members may circumvent some coverage limitations by submitting evidence that a detailed itemized budget immediately addressing HARRP's life safety and property preservation concerns has been adopted. The budget must have funds in escrow, earmarked for and restricted to the noted repair(s).

Special Endorsements: All coverage limitations or exclusions will be reported to the member, listed on a HARRP endorsement and will be identified on the HARRP database until needed repairs are made.