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## HO 00 03 UNDERWRITING GUIDELINES - TEXAS

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The Company evaluates the general aspects of every risk to determine its underwriting profile, uniformly reviewing policy characteristics. Trusted Resource Underwriters Exchange (TRUE) will provide coverage for a one or two family owner-occupied dwelling used as a primary residence. Underwriting will maintain discretion in all cases.

Below are the underwriting guidelines for eligibility in the (TRUE) Texas Homeowners Programs. These guidelines apply to both new and renewal business.

TRUE reserves the right to refer any business to Underwriting.

### ELIGIBILITY – RESIDENCE

1. A Homeowners policy may be issued:
  - a. To an owner-occupant(s) of a dwelling which is used exclusively for private residential purposes and contains not more than 2 families and with not more than 2 boarders or roomers per family, regardless of main or other structure(s).
  - b. To the purchaser-occupant(s) who has entered into a long-term installment contract for the purchase of the dwelling and who occupies the dwelling but to whom title does not pass from the seller until all the terms of the installment contract have been satisfied. The seller retains title until completion of the payments and in no way acts as a mortgagee. The seller's interest in the building and premises liability may be covered using Endorsement **HO 04 41** – Additional Insured; or
  - c. It is permissible to extend the Homeowners Policy, without additional premium charge, to cover the interest of a non-occupant joint owner in the building and for premises liability. Use Endorsement **HO 04 41** – Additional Insured.
  - d. When a 2-family dwelling is occupied by co-owners, each occupying a separate apartment, the Homeowners policy providing building coverage may be issued to only one of the co- owner occupants of the dwelling. The policy may be endorsed to cover the interest of the other co-owner in the building and for premises liability.
2. Homes with no more than two (2) separate living units are eligible.
  - a. Tenants in the separate living unit must hold a Tenant Insurance Policy.

### OCCUPANCY/APPLICANT

1. Policies listed in the name of an Estate, Trustee, LLP, or LLC (except where the Trust is living and revocable) are ineligible.
2. Exotic animals including alligators, crocodiles, snakes, primates, large cats and other non-domesticated animals that are traditionally found in the wild or in zoos are ineligible. Exotic animals do not include domesticated animals, birds, rodents, fish and non-venomous animals that live primarily in a tank or cage.
3. Risks with animals with bite history are ineligible.
4. Risks with commercial or retail farming on premises are ineligible.
5. Risks with home daycares are ineligible.
6. Risks that are not a primary residence are ineligible.
7. Risks with more than two (2) families are ineligible.
8. Risks with more than two (2) roomers/boarders per family are ineligible.
9. Risks rented to others if the property is subject to any time-sharing, lease, or rental agreement are ineligible.
10. Risks with business on premises are ineligible.
11. Applicants who have ever been convicted of fraud or arson are ineligible.

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12. Property may not have more than 2 mortgages.
13. Applicants with a personal or business occupation, activities or reputation resulting in high public recognition, including entertainers, athletes, media personalities, authors, etc., are ineligible. This does not include elected officials.

**VALUATION / COVERAGE / INSURANCE-TO-VALUE**

1. Coverage A maximum at point of sale is \$3,000,000.
2. Inspection is required prior to binding if Coverage A per square foot at point of sale is less than \$125.00.
3. We reserve the right to inspect all homes and to non-renew/cancel if insured does not comply.
4. Dwellings must be insured to at least 100% of replacement cost value.
5. The purchase price is less than 80% of the replacement cost value (e.g., a home purchased for \$500,000 and insured for \$800,000).
6. Risks that have been previously rejected, canceled or non-renewed for something other than reduction of hurricane exposure.

**DWELLING CONDITION**

1. Risks with adverse conditions or hazards or that display a lack of maintenance as identified through an inspection or otherwise are ineligible.
2. Townhouses or row-houses in buildings of four (4) or more units must be separated from units on either side by masonry firewalls, with parapets extending through the roof at least 15 inches. Buildings with more than 8 units are ineligible.
3. TRUE reserves the right to require a four-point inspection prior to bind.

***Exterior***

1. Dwelling cannot be in poor condition, have debris, or unrepaired damage.
2. Dwelling cannot be considered a historical dwelling (i.e., listed on a historical register).
3. Dwelling cannot have a tree overhanging the roof or deemed by the company to be in dangerous proximity to the dwelling or appurtenant structures.
4. Porches or decks more than 3 feet off the ground or with 3 or more steps leading to them must be protected with properly installed handrails.
5. Burglar bars including quick release are ineligible.
6. Underground oil or gasoline tanks are ineligible.

***Interior***

1. A business may not operate in any way on the residence premises other than an incidental business occupancy for a home office with no foot traffic.
2. Dwelling must be occupied 6 or more months in a 12-month period and cannot be an unoccupied home for sale, in foreclosure, or have foreclosure pending. Vacant dwellings are ineligible.
3. Properties occupied less than 12 months in a 12-month period must have a central burglar and fire monitored alarms.
4. Dwelling must be protected by functioning smoke detectors in good working order located close to or near the kitchen and all sleeping areas.

**DWELLING LOCATION**

1. Dwelling cannot be isolated (not visible by two other dwellings or from a public road).
2. Dwellings which contain a farm, ranch or orchard are ineligible.
3. Property must be 5 acres or less.
4. Dwelling cannot be located entirely or in part over any body of water.

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5. Dwellings cannot be located in an area that has been condemned for any reason, including urban renewal or highway construction.
6. Dwellings cannot be located in Special Flood Hazard Areas (SFHA), unless a National Flood Insurance Plan (NFIP) policy or qualified private flood policy has been purchased with matching building and content limits (or the maximum available).
7. Dwellings located in Protection Class 10, unless qualifying under the Protected Subdivision Rule.
8. Properties subject to brushfire or wildfire are ineligible.
9. Dwellings located within 1,000 feet or less to coastal water are ineligible.
10. TRUE may 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 company has determined that the event is no longer a threat to property located in Texas.
11. Risks in high hazard flood zones that do not have adequate elevation are ineligible.
12. Risks in flood exposed areas that do not carry adequate insurance for the peril of flood are ineligible.
13. Risks located on barrier islands are ineligible.
14. The Company will manage exposure for geographic diversity.

**CONSTRUCTION**

1. Mobile/manufactured homes, motor homes, houseboats, house trailers, prefabricated homes or trailer homes are ineligible.
2. Synthetic stucco siding (EIFS) is ineligible. Dwelling must not contain Exterior Insulation and Finishing System (e.g., Dryvit) or asbestos
3. Dwelling cannot be constructed of obsolete, unconventional, do-it-yourself, or irreplaceable design or materials, including but not limited to log homes, dome homes or earth homes.
4. Coverage may not be bound on a newly constructed home unless the home has received a certificate of occupancy and the owner must move in within 30 days of the policy effective date.
5. Homes undergoing renovation must have renovations completed within 90 days.
6. Construction of home completed by the insured or someone other than a licensed contractor is ineligible.
7. Dwellings with an open foundation or hillside pier, post and pier or water pier construction are ineligible.
8. Dwellings with Windstorm or Hail Coverage and also insured under another insurance policy, except the National Flood Insurance Program (NFIP) policies, are ineligible.
9. If Windstorm or Hail Coverage is excluded, the property must be protected by a wind policy with matching coverage limit (or the maximum available).

**LIABILITY**

1. A hot tub on the premises must have a locking cover or be protected by a locking fence at least 4-feet high.
2. Residences with in-ground pools not enclosed by a locked fence of at least 4 feet high ineligible. Residences with above-ground pools not enclosed by a 4-foot fence, unless the ladder is removable and stairs lock in an upright position when not in use are ineligible. Homes with swimming pool diving boards or slides are subject to underwriter review.
3. Homes with trampolines are subject to underwriter review.
4. Risks with exotic, farm, or saddle animals (hoofed animals, livestock, reptiles, primates and fowl) are ineligible.

## LOSS HISTORY

1. Risks with more than 2 paid losses in the past 5 years are ineligible.
2. Risks with Non-'Act-of-God' fire claim(s) with cumulative losses > \$10,000 in the last five (5) years are ineligible.
3. Risks with appliance-related water losses or prior mold damage will not be considered in determining eligibility. Appliance-related water losses or prior mold damage are defined as the following:
  - a. Prior appliance-related water damage claims if the claim has been properly repaired or remediated and the repair or remediation was inspected and certified, unless three such claims have been filed and paid in a three-year period.
  - b. Prior mold damage or a prior mold claim if the damage or claim was properly repaired or remediated and the repair or remediation was inspected and certified.
  - c. All risks with prior water claims within the last 5 years.

*'Act-of-God' claims: Weight of Ice, Snow or Sleet; Windstorm; Lightning; Hail; Earthquake; or Flood*

*Non-'Act-of-God' claims: all causes of loss other than Weight of Ice, Snow or Sleet; Windstorm; Lightning; Hail; Earthquake; or Flood*

## ROOF

1. Roof covering must be in good condition, not wood shingle, shake, tar, clay tile, and gravel (BUR), corrugated metal, or tin, with no overlay.
2. One and two family properties with flat or slightly pitched roofs (less than 3:12 pitch) are ineligible.
3. All roofs must have 5 years or more life expectancy.
4. Roof that is worn or has unrepaired damages, including evidence of curling, lifting, buckling, patches, or broken tiles, shingles, or metal panels is ineligible.
5. The following roofs listed below will require **HO 23 05**:
  - a. Older than 10 years if 3-tab composition shingle;
  - b. Older than 10 years if tile other than clay;
  - c. Older than 10 years if architectural composition shingle;
  - d. Older than 15 years if aluminum, copper, steel or rubber tile shingles;
  - e. Older than 10 years if slate.
  - f. Older than 10 years if rolled composition on flat or slightly pitched roofs (less than 3:12 pitch).

## ELECTRICAL

1. Dwelling must have an electrical system that is 100- amp service or greater and Ground Fault Circuit Interrupters (GFCI) outlets where water might come in contact with the electrical wiring.
2. Knob and tube wiring, aluminum/multi-strand aluminum wiring (unless outside of the home going from the meter, through the service entrance, into the electrical service panel), Federal Pacific Electric (FPE)/Stab-Lok/Sylvania/Zinsco/Challenger electrical panels, or fuses are ineligible.
3. If the age of the wiring is more than 50 years old the home is ineligible.

## PLUMBING

1. Dwelling must have plumbing made from copper, cast iron, or PVC with no presence of leaks or unrepaired damage and be forty (40) years or newer.
2. Plumbing made from galvanized metal, lead, or polybutylene material are ineligible.
3. Dwelling must have water heaters 15 years or newer if inside or 20 years or newer if in the garage or outside the home.

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4. PEX plumbing is acceptable if installed in 2011 or newer.
5. Risks with PEX plumbing installed prior to 2010 will be subject to an inspection including the following:
  - a. Age of pipes and remaining useful life (must be at least 20 years)
  - b. Condition of pipes (must be within the past 3 months)
  - c. Date of inspection (must be within the past 3 months)
  - d. Inspector's license information, including license type (either a Texas general contractor or plumbing contractor) and number.

#### **CENTRAL HEAT**

1. Dwellings without a central HVAC system, or one that is not twenty (20) years or newer.
2. Dwellings with wood stoves, pellet stoves, coal stoves, space heaters or fireplace inserts are ineligible, unless installation meets current code. If any of these heat sources are present, it must not be the dwelling's primary heat source.

#### **INSURANCE SCORE**

1. Credit history is ordered, and an Insurance Score is determined on the Named Insured for all new and renewal business policies. Agent must obtain permission from the applicant prior to requesting the credit report.
2. Adverse underwriting decisions will not be made due to credit when the insurance score cannot be generated for either a "No Hit" or lack of data.

#### **INSURANCE HISTORY**

1. Applicant must have had prior coverage if a home was owned during the twelve months prior to the effective date.
2. We will not provide coverage for a dwelling where the same coverage is provided by another insurance policy.
3. New business risks that have a current lapse in homeowner's insurance are ineligible.

#### **EXPOSURE MANAGEMENT**

We reserve the right to decline a submission or non-renew an existing policy based on the concentration of exposures in catastrophe exposed areas or to reduce our exposure to other risks we deem difficult to price adequately.

#### **MULTIVARIATE UNDERWRITING MODEL**

Dwellings that score above a defined threshold in the multivariate underwriting model based on the following property and customer characteristics: replacement cost, square footage, number of stories, age of wiring, roof age, number of baths, insurance score, prior claims, purchase versus effective date, and information specific to the property's location will either be referred to underwriting or ineligible. This model is only used to determine new business eligibility.

#### **REFERRALS AND RISK ASSESSMENT**

The company utilizes both data driven and personalized underwriting processes. At its discretion, the Company may refer an application to the underwriting department to assess the overall risk presented by the property.

Failure to provide information requested by underwriting could result in a declination or non-renewal.

## **CANCELLATIONS**

1. The Company may cancel the policy if it has been in effect less than 60 days and the Company identifies a condition that creates an increased risk of hazard that was not disclosed in the application for insurance coverage and is not the subject of a prior claim.
2. The Company may cancel the policy if the insured submits a fraudulent claim.
3. The Company may cancel the policy if there is an increase in the hazard covered by the policy that is within the control of the insured and that would produce an increase in the premium rate of the policy.

## **ENDORSEMENT ELIGIBILITY**

### **1. Water back-up endorsement**

Eligible for water back-up endorsement with a maximum limit of \$5,000 in areas where the company is managing coastal exposures.

### **2. Coverage E and Coverage F**

If dwelling has dangerous dog breed, then maximum Coverage E of \$100,000, and maximum Coverage F of \$1,000.

### **3. Scheduled personal property**

Not eligible for scheduled personal property endorsement if policyholder has a theft or mysterious disappearance loss in the last five (5) years.

### **4. Deductibles**

The Windstorm or Hail deductible must be greater than or equal to the Other Covered Perils Deductible.

## **BOOK TRANSFERS**

If a policy offer is made as part of a mass transfer or rollover from an affiliated or unaffiliated entity to TRUE, including but not limited to situations when a new policy is issued by TRUE to replace an expiring policy issued by a non-TRUE company resulting from a transfer of an agent's book or block of business, certain provisions of these guidelines may be waived.