



MutualAid
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**MAX Agents Dwelling Property
Underwriting Manual**



MAX Agents Dwelling Property Underwriting Manual

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Dwelling Property Underwriting Guidelines

Effective 3/31/2015

The guidelines presented here represent the broad parameters of the MAX Dwelling Property program. All new risks are subject to underwriting review and approval.

COVERAGE A

- ❖ \$30,000 Minimum
- ❖ \$650,000 Maximum

LIABILITY (Applies to IN, KS, MI, OH, OK, PA & VA)

- ❖ \$300,000 Minimum
- ❖ Liability coverage for rental property is available through the Landlord Liability coverage endorsement.
- ❖ Liability coverage for owner occupied property is available through the Personal Liability coverage endorsement.

LIABILITY (Applies to all other states)

- ❖ Liability coverage for up to two rental locations can be extended from the supporting primary homeowner policy.
- ❖ Members that own three or more rental locations must secure liability coverage for these properties on a Premise Only or Commercial Liability policy.

COVERAGE M

\$1,000 Minimum
\$5,000 Standard

Deductibles

The Dwelling Property program offers a wide range of deductibles including single all peril deductibles and split deductibles that include an all peril deductible and a separate deductible that will apply to Wind or Hail losses.

Wind/hail deductibles are required for all homes in IA, IL, IN, KS, MO, MN, MI, NE, OK, SD and a 1% wind/hail deductible is required in*specified VA independent cities and counties listed below. In all remaining states, the minimum “all/all other peril” deductible is \$500. Minimum “all other perils” deductible for all forms is \$500.

The maximum all peril deductible offered in the MAX Dwelling program is \$2,500. Wind or Hail deductibles are available in flat dollar amounts up to \$2,500 or as a percentage of Coverage A limit with 1%, 2% and 5% options available.

*Independent cities: Newport News, Norfolk, Poquoson, Portsmouth, Virginia Beach, and Counties: Accomack, Chesapeake, Gloucester, Hampton, Lancaster, Mathews, Middlesex, Northampton, Northumberland and York.

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ELIGIBLE DWELLINGS

- ❖ Eligible dwellings must be occupied for residential purposes only
- ❖ Owner occupied dwelling are eligible for this program
- ❖ Primary homeowner coverage must be written with MAX or MAXIA to insure rental property
- ❖ Maximum of 6 family units per client (1 family rental = 1 family unit)
- ❖ 100% ITV required
 - ❖ FL-1 coverage valuation is Actual Cash Value only
 - ❖ FL-2 or FL-3 coverage valuation is Replacement Cost if the coverage limit is at least 80% of replacement cost at the time of loss; otherwise Actual Cash Value applies.
- ❖ >40 Years requires System Update Information be provided
- ❖ >15 Year Old Composition Roof subject to Form 2 only, a \$500 deductible, and ACV Roof Endorsement.

MOBILEHOMES

None acceptable

LOSS HISTORY

A three year loss history is required for all new applicants. New risks are eligible for coverage if in the preceding three year experience period:

- There are no more than two weather-related claims of any payout **OR** one non-weather related claim where the claim payment did not exceed \$5,000.

GENERAL

- ❖ Signed application, photos and current rebuilding cost estimator required for all new issues.
- ❖ General housekeeping and upkeep of the premises must be maintained in good condition
- ❖ Handrails must be in place when there are three or more steps. Steps, handrails and walkways must be kept in good condition.
- ❖ Other structures must be in good repair.
- ❖ Pets must be secured properly and have no past history of biting.
- ❖ MAX strongly recommends that landlords require tenants to carry their own property and liability coverage. This is most often required as part of the lease agreement.
- ❖ MAX reserves the right to inspect all new property submissions within the underwriting period by a vendor authorized by the company.

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INELIGIBLE EXPOSURES (Not eligible to be bound without Underwriting approval)

- ❖ Rental property that MAX does not write the property coverage for is not eligible for a liability coverage extension.
- ❖ Rental property with more than four units per structure (Ex: six unit apartment building)
- ❖ Aggregate exposures that exceed \$2,000,000 for one member
- ❖ Homes that are purchased for subsequent resale (flipping)
- ❖ Risks in poor condition
- ❖ Risks previously cancelled or non-renewed by another carrier for any reason
- ❖ Vacant dwellings
- ❖ Risks with solid fuel burning appliances
- ❖ Risks undergoing major renovation are not eligible for coverage

RENEWAL UNDERWRITING

Risks subject to renewal underwriting include:

- Risks involving two or more claims (both paid and unpaid),
- Risks with losses in the first term of coverage,
- Losses involving gross negligence and/or of major proportion,
- Losses involving fire or theft, and
- All liability losses

Renewal underwriting actions may include no action, deductible changes, coverage restrictions, repair verification, requests for repairs, or non-renewal.



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MAX Eligibility Criteria MutualAid eXchange (MAX) Dwelling Property Program

MAX historically served the Anabaptist/Brethren/Quaker communities in the United States and Canada but is not tied to any specific denomination. Today, MAX can insure anyone who shares our Christian values.

One of the key ways Wholeness is sustained is through property and casualty insurance offered by MutualAid eXchange (MAX). (The Bylaws of MAX prescribe and define this purpose). The overall goal in implementing the criteria outlined in this document is to be as inclusive as possible within the parameters afforded, and subject to the normal underwriting processes. Individuals and entities not eligible for participation in MAX may apply for insurance coverage through MAX Insurance Agency, Inc. (MAXIA).

Introduction

The MAX Dwelling Property program is offered to eligible members with property that meets the established underwriting standards and guidelines provided in this manual. MAX utilizes the AAIS Dwelling Property program and forms to provide comprehensive coverage on property and liability exposures of our members. The information provided here is to assist our agent's in understanding the risks that are eligible for our program and the forms available for use to cover the applicants exposures. Our underwriters are available to assist agents in constructing the appropriate policy and forms to meet the needs of our members that qualify for our program. If you have questions regarding this program, please contact your underwriter for assistance.

MAX offers Dwelling Property coverage for non-owner occupied (FL-1, FL-2 and FL-3) one or four family structures that are occupied for private residential use only. For specific coverage information, please refer to the AAIS Dwelling Property manual and coverage form.

The guidelines presented here represent the broad parameters of the MAX Dwelling Property program. All new risks are subject to MAX Underwriter review and approval.



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Actual Cash Value (ACV)

Dwelling Property risks that are insured to the Actual Cash Value (ACV) calculated by the e2value estimate must be written on an FL-1 coverage form.

Additional Interest

A Dwelling Property policy can be endorsed to cover the insurable interest for a person or entity, other than the mortgagee, by adding the FL-41 Additional Interest form to the policy. Contact your underwriter to discuss the individual situation or needs of an applicant.

The person or entity named in this form must have a financial interest in the property that is covered under the Dwelling Property policy. Corporations, municipalities or other commercial entities are not eligible for coverage under the homeowner policy.

Agent Binding Authority

Agent's are authorized to bind coverage on risks that meet the underwriting guidelines for the state and line of business they are licensed to write business in with MAX. Independent agents should refer to their contract for specific information pertaining to their approved binding authority.

The following chart illustrates the minimum and maximum amounts of coverage that are normally written by MAX and within the agent's binding authority.

Coverage	Minimum Amount	Maximum Amount
Property: Dwellings - Coverage A	\$ 30,000	\$ 600,000
Liability	\$300,000	\$1,000,000
Medical Payments	\$ 1,000	\$ 10,000

Restriction of Binding Authority - when a weather related "watch" or "warning" is issued by the National Weather Service in the area of the property to be insured, binding authority for coverage additions or increases in coverage is suspended until the watch or warning has been cancelled or allowed to expire.

Agent Bulletins

MAX periodically distributes Agent Bulletins to keep our sales staff apprised of upcoming changes to programs, products and pricing. Agents are encouraged to read these bulletins to keep up to date on changes at MAX.

Agent of Record Changes

If a client decides to change MAX agents, they need to complete the Agent of Record change form and submit it to the MAX Sales & Service Center for handling. This change will not take place until the upcoming renewal date. The new agent will not have access to the member's records from the prior agent, but the agent can call MAX's Sales & Service Center to process endorsements.

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If the agent would like to take over the account sooner than the renewal date, they must submit a new application signed by the insured with a current effective date. A signed cancellation form for the current policy will also need to be submitted for processing.

Amish Constituents

Our Amish constituents have varying degrees of need for property and liability coverage. MAX welcomes the opportunity to provide for their insurance needs. There are two exposures that we generally see an interest in the Amish purchasing:

- Reduced Coverage Requests

- Many Amish wish to purchase coverage only for the amount of the mortgage they may be carrying on their home. Most likely these value requests will be well below both the replacement cost and actual cash value estimates. The FL-1 Policy can be used to tailor the coverage needed by the customer.
- In addition, the Amish generally do not wish to carry liability coverage either. Therefore, when asked to insure a home with no liability coverage for an Amish constituent, please use the MAX Dwelling Property program for this coverage.
(The AAIS Homeowner program does not allow liability coverage to be removed in these instances, which is why the Dwelling Properties (DP) program is the best alternative for these exposures.

Applications

When submitting new business to MAX, our proprietary application must be completed in its entirety and signed by the named insured. Agent's should use the utmost care to provide full disclosure of all information pertaining to the risk on the application. Failure to submit a properly completed and signed application will cause delays in issuance of coverage, and could necessitate underwriting action.

In addition to the signed application, photos of all sides of the dwelling and related private structures should be provided to underwriting. A current rebuilding cost estimate of the risk should be completed by the agent as well.

Asbestos

MAX recognizes many older homes may include asbestos infused siding and/or roofing shingles. This material is very durable and will last many years without issue. However, this substance was banned in the late 1980's due to its ties to respiratory diseases. Consequently, while the covering may be intact and have no outwardly visual deficiencies, the significant abatement costs to remove and dispose of this material are not included in our rating leaving these properties subsidized by those homes that do not include asbestos. As a result, MAX will not accept new business that contains either siding or roofing that includes asbestos.

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Assignment or Transfer

MAX does not offer assignment or transfer of policies from one person to another. If ownership of property changes, a new application and cancellation request must be submitted to underwriting with a current effective date.

Cancellation

The named insured has the right to request cancellation of coverage at any time during the policy period. Cancellations are done at the agency level and the agent may either obtain the signature on the pre-filled Acord form within the system or they can utilize the electronic signature capability in the system in lieu of printing. [Agents: This is done by going to the Actions tab>Request Cancellation in Stingray and then either complete the form to be signed and retained in your file OR you may utilize the electronic signature as noted above.](#)

MAX has the right to cancel the coverage during the initial underwriting period if the risk is found ineligible for our program. A legal cancellation notice will be mailed to the named insured providing the number of days notice required by law in the state in which the risk is located in.

Cancelled / Non-Renewed Policies

Policies that have been previously cancelled or non-renewed by any other company for non-payment of premium, claims or underwriting reasons are not eligible for coverage. (Note: this does not apply in MO)

Claim Underwriting

MAX requires disclosure of loss history on the risk for the preceding three years from the effective date on the new business application. New risks are eligible for coverage if in the preceding three year experience period:

- There are no more than two weather-related claims of any payout **OR** one non-weather related claim where the claim payment did not exceed \$5,000.

MAX underwriters will review renewal accounts that have loss activity that meet the following criteria:

- Risks involving three or more claims (both paid and unpaid),
- Risks with losses in the first term of coverage,
- Losses involving gross negligence and/or of major proportion,
- Losses involving fire or theft, and
- All liability losses

Renewal underwriting actions may include no action, deductible changes, coverage restrictions, repair verification, requests for repairs, or non-renewal of the risk.

CLUE

MAX participates in the Comprehensive Loss Underwriting Exchange (CLUE) and will order a CLUE report on each new business risk. Agents are required to disclose to applicants that CLUE reports will be ordered by the company to verify the loss history disclosed on the application.

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Undisclosed losses found on CLUE will be scrutinized by the underwriter and discussed with the agent. Applicants will be required to provide detail of the undisclosed loss and reasoning for the non-disclosure on the original application for coverage.

Coastal Property

MAX monitors the concentration of risk in coastal areas of the United States on a quarterly basis. If the risk concentration level exceeds 5% of the total insured value for the state in any coastal area, a moratorium will be put in place by the Underwriting Supervisor until such time that the risk concentration returns to an acceptable level. Agent's and Underwriter's binding authority on coastal risks is suspended when such moratoriums are in place. Please see the deductibles section for specific deductible requirements for coastal states.

MAX **will not** accept new business in the counties of Accomack or Northampton in Virginia.

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Construction Types

The following information defines the standard construction types found in dwelling construction:

Masonry - A building with walls of masonry veneered construction is to be classified as Masonry.

Frame - A building with walls of frame, or metal-sheathed or stuccoed frame construction, or with walls of metal or metal lath and plaster on combustible supports is to be classified as Frame.

Mixed Construction - A building is to be classed as Frame when the wall area of frame construction (including gables) exceeds 33-1/3% of the total wall area.

Fire Resistive/Fireproof Construction- Buildings where the exterior walls, the floors and the roof are constructed of masonry or fire resistant materials having a fire resistance rating of not less than two hours.

Homes built of standard construction materials are eligible for the MAX program. Structures that use non-standard construction materials such as: log homes, fiberglass, recycled tires, straw or foam are just a few examples; should be discussed with an underwriter prior to quoting with MAX.

Cosmetic Loss Exclusion

Cosmetic loss refers to damage that alters the physical appearance to roofs of structures by causing dents or scratches, but does not compromise the structural integrity or the roof in that the surface can still perform its intended purpose, which is to keep the elements from entering the building.

MAX has created the cosmetic loss exclusion endorsement (DP M115) to be included when the primary risk has a metal roof covering. It is not to be used in situations where only the appurtenant structures have metal roofs. The endorsement is available in all states except Michigan, Virginia and West Virginia on either a mandatory or optional basis as follows:

Mandatory: IA, IN, KS, MO, NE & OK

Optional: IL, MN, MT, OH, PA & SD

In those states where it is optionally available, it will be applied to all homes with an existing metal roof. For those homes with a partial metal roof, consider the whole risk, to include condition and value of the home, amount of metal roof compared to other roof covering. Consider other structures used in connection with the dwelling that may have a metal roof as well as although the endorsement is not intended for use principally on other structures, it will apply to them if the primary dwelling has a metal roof.

In states where the endorsement is **not** available, we will accept the risk if the roof is in excellent condition. If there is pre-existing cosmetic damage, we will not accept the risk until the repairs are made. Furthermore, if the risk we insure has claimed cosmetic damage in those states where the exclusion is not available, we will require that the insured have the roof repaired to its pre-loss condition to renew the policy, since neither the Actual Cash Value Roof endorsement nor the Roof Exclusion are available in these states.

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In those states where available, the form is to be signed and returned within the initial underwriting period on new business and retained in our files. For renewal business, the form was included at the first renewal after its adoption and a policyholder notice was included to announce its inclusion. No signature was to be obtained for renewal policies.

Daycare Exposures

Tenant occupied homes with daycare exposures are not eligible for the MAX Dwelling Property program.

Deductibles

The Dwelling Property program offers a wide range of deductibles including single all peril deductibles and split deductibles that include an all peril deductible and a separate deductible that will apply to Wind or Hail losses.

The greater of \$1,000 or 1% wind/hail deductible required for all homes in IA, IL, IN, KS, MO, MN, MI, NE, OK and SD. A 1% wind/hail deductible is required in*specified VA independent cities and counties listed below.

Minimum “all other perils” deductible for all forms is \$500.

The maximum all peril deductible offered in the MAX Dwelling Property program is \$2,500. Wind or Hail deductibles are available in flat dollar amounts up to \$5,000 or as a percentage of Coverage A limit with 1%, 2% and 5% options available.

*Independent cities: Newport News, Norfolk, Poquoson, Portsmouth, Virginia Beach, and Counties: Accomack, Chesapeake, Gloucester, Hampton, Lancaster, Mathews, Middlesex, Northampton, Northumberland and York.

Note: If the \$2500 all other perils deductible is selected, the wind/hail deductible must be 2%, 5% OR \$5000.

Domestic Pets

Ownership of domestic animals is quite common, but animals do present an increased risk of loss in the Dwelling Property line of business. Several dog breeds in particular are known to have aggressive or highly protective behavior that could result in a loss. The following rules are provided to give agents guidance on how to qualify the domestic pet exposure on a new Dwelling Property policy.

If an applicant’s tenant owns or has custody of any of the following breeds of dogs, the risk is not eligible for the MAX Dwelling Property program:

- | | |
|-----------------------------------|------------------------|
| ▪ Akita | Pit Bulls |
| ▪ American Staffordshire Terriers | Presa Canarios |
| ▪ Dobermans | Rottweiler |
| ▪ German Shepherds | Wolf or Coyote hybrids |

Mixed breed dogs where a portion of the mix includes a one of the breeds named above are not eligible for the MAX Dwelling Property program.

Any animal owned or in the custody of an applicant’s tenant that has a previous bite history or displays vicious behavior will disqualify the risk from coverage in the MAX Dwelling Property program.

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In addition, exotic or unusual animals such as snakes or domesticated wild animals and animal breeding operations are not eligible for coverage.

Dwellings/Premises Condition & Upkeep

Dwellings or premises in poor physical condition, lacking proper maintenance or having some other evidence of poor housekeeping inside or outside of the premises are ineligible.

Earthquake Underwriting

MAX offers coverage for the peril of earthquake through the FL-12 Earthquake Coverage endorsement. This is an optional endorsement that can be added to the policy at the insured's request. A percentage deductible applies to this coverage; 2% is the only earthquake deductible available in the AAIS DP Program.

The standard earthquake form excludes coverage for masonry veneer on a home. This coverage can be purchased for an additional premium.

Missouri Specific EQ Deductible Requirements: 2% is the only deductible available.

Illinois Specific EQ Deductible Requirements: 2% is the only deductible available. However, there is a standing moratorium on the addition of earthquake coverage in the following counties: **Alexander, Franklin, Gallatin, Hamilton, Hardin, Jackson, Johnson, Massac, Perry, Pope, Pulaski, Randolph, Saline, Union, White and Williamson**

Indiana Specific EQ Deductible Requirements: 2% is the only deductible available

EIFS

Exterior insulation and finishing system (EIFS) also referred to as synthetic stucco has been used for several years in exterior wall cladding on homes. This type of wall system has experienced moisture problems resulting in wide-ranging damages and has resulted in lawsuits. As a result, MAX Insurance will not accept a home with and EIFS wall system.

Electrical

The electrical service and components of a home are important in underwriting the fire exposure of the risk. MAX requires that all homes have 100 amp electrical service with circuit breakers. Some older homes may still have 60 amp service which is not sufficient to run modern electronics and appliances. Homes with fuse boxes are also not eligible for the MAX Dwelling Property program.

As with many construction materials, electrical wiring has improved over time. Older homes may contain aluminum or knob and tube wiring. Aluminum wiring is inherently dangerous since aluminum is a soft metal that is prone to overheating and melting if excessive current is used in the home. Knob and tube wiring was commonly used in homes built in the early 1900's. Knob and tube wiring is easily recognized because the wire is covered in cloth materials and is run along the joist through porcelain receptacles. This wiring was not intended to handle the electrical current necessary to run modern appliances. The wires will overheat and start a fire. For this reason, homes that have aluminum or knob and tube wiring active in the home are not eligible for coverage with MAX.

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Feel free to contact your underwriter to discuss particular electrical service questions on individual risks.

For Sale

MAX will not accept a home being offered for sale, or plans to offer the home for sale in the near future, as a piece of new business. If an exception is desired, details supporting the request should be referred directly to your MAX Underwriter prior to taking the application.

Heating Systems

It is important that the heating system in a residence is kept in good working order and replaced when its useful life has expired. There are many types of heating systems on the market today including gas or electric central furnaces, baseboard heating, heat pumps, geothermal heating systems, passive or active solar heating, and combination gas/oil/electric/wood furnaces and wood furnaces. Homes with underground oil tanks are not eligible for the MAX Dwelling Property program.

All central heating systems should be installed to manufacturer specifications and maintained properly by the homeowner. It is suggested that the furnace be checked annual by a professional heating contractor and any suggested repairs made to ensure the system runs efficiently and safely. Homes that only have space heaters or solid fuel appliances not eligible for the MAX Dwelling Property program.

High Valued Dwellings

Agent's have binding authority for Dwelling Property risks with coverage amounts up to \$350,000. The MAX program has the capacity to write higher valued dwellings, but the risk should be referred to an underwriter prior to binding to qualify the coverage appropriately for our program.

Historical Homes

Older homes that have been restored to their original condition and on the local historical register present an increased risk for the carrier. Generally, the historical society conditions the listing of the home in the register on a promise by the owner that should damage occur to the home that the repairs would be conducted with original materials and workmanship. In some situations, the materials or trade knowledge to repair the home to its original condition may be difficult, if not impossible, to be obtained in the event of a loss.

There are carriers in the insurance market that have products and pricing specifically for historical homes. The MAX program is not equipped to insure these homes properly, therefore historical homes are not eligible.

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Hunting

Hunting on a described location or any location owned by an insured increases the liability exposure on the risk. These exposures are not eligible for the MAX Dwelling Property program.

Inflation Guard

MAX applies inflation factors automatically to renewal coverage amounts. The factors are based on the location of the risk and changes to construction costs in their local area. E2value provides MAX with these factors on an annual basis.

Agents are welcome to recalculate a new rebuilding cost estimate through e2value on a particular risk at any time and adjust the coverage amount accordingly. If an insured does a major remodeling project to the home or adds an addition to the home, it is recommended that the new estimate be completed to make sure that the coverage limit is adequate for the insured's needs.

Inspection Reports

MAX reserves the right to order inspection reports on all property business that is submitted for coverage. The underwriter is responsible for reviewing the inspection report and following up with the agent on any coverage adjustments, repairs needed, or hazards that are disclosed in the report.

Insurance to Value

Insurance to value (ITV) is a key component in the MAX Dwelling Property program. We require that each applicant and insured select a value that reflects 100% insurance to value. The fundamental purpose of insurance is to provide peace of mind that should a catastrophic loss occur to the residential property by a peril insured under the policy, the coverage contained in the policy will restore the insured to the place they were before the loss occurred; i.e. rebuild or repair their home and replace the contents that were damaged.

Talking Points: Those customers that choose to insure their homes for less than 100% ITV run the risk of not having adequate coverage if/when a significant loss occurs. Also, if the home is not insured to value, it will not be eligible for some products in the MAX Homeowner program. Insuring homes properly requires that agents educate consumers on the need for insurance to value.

The following example illustrates application of the coinsurance penalty when a home is underinsured and a loss occurs:

A home's rebuilding estimate is \$100,000. The insured chooses to insure the home for \$60,000. There is an 80% coinsurance clause in the policy. A \$30,000 fire loss occurs and the insured carries a \$1,000 deductible. The claim payment plus coinsurance penalty for underinsurance is as follows:

$\$100,000 \times 80\% = \$80,000$ (amount of coverage that should have been carried to avoid the coinsurance penalty)

$\$60,000 / \$80,000 = 75\%$ (amount of coverage carried divided by amount that should have been carried)

$\$30,000$ of sustained damage in the fire $\times 75\% = \$22,500$ covered under the contract

$\$22,500 - \$1,000$ deductible = $\$21,500$ paid to the insured for the fire loss.

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MAX will not extend premises liability to locations where we are not also writing the property coverage.

Loss Control Measures

Loss control is the means by which underwriters, agents and policyholders can minimize or prevent the chance of a loss occurring in your tenant occupied-dwelling. MAX is dedicated to sharing effective measures that can be utilized to reduce the likelihood of a loss occurring. Some simple loss control measures that can be incorporated by a homeowner include:

- Install working smoke detectors in the home
- Install a working carbon monoxide detector in the home
- Install deadbolt locks on exterior doors
- When the home is not occupied, ensure the HVAC system is working properly and is set appropriately to provide a reasonable climate based on the outside conditions

Market Value vs. Replacement Cost

When it comes time to buy insurance, consumers have a difficult time separating the market value of their home from the replacement cost required to rebuild it should a total loss occur. Market value is defined as the price which a seller of property would receive in an open market by negotiation. Market value of real property is normally determined by a professional appraiser who makes comparisons to similar property sales in the area.

The market value on a residence is impacted by a myriad of economic forces that may affect the entire country, or just the local community. Market values tends to decline during periods of economic recession and conversely rise when there is steady or rapid economic growth in our country. **Note:** Max has a minimum purchase price (market value) of **\$30,000** if the home was purchased within the last three years.

Mine Subsidence

Mine subsidence means the collapse or lateral or vertical movement of structures resulting from the caving in of underground mines, including underground coal mines, clay mines, limestone mines, and salt mines. It does not include loss caused by earthquake, landslide, volcanic eruption, or collapse of strip mines, any surface mines, storm and sewer drains or rapid transit tunnels.

Mine subsidence is a required offering and is available in the following states/counties:

Indiana, Illinois, Ohio and West Virginia.

Indiana:

Clay, Crawford, Daviess, Dubois, Fountain, Gibson, Greene, Knox, Lawrence, Martin, Monroe, Montgomery, Orange, Owen, Parke, Perry, Posey, Putnam, Spencer, Sullivan, Vanderburgh, Vermillion, Vigo, Warren and Warrick

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MAX Agents Dwelling Property Underwriting Manual

Illinois:

Bond, Bureau, Christian, Clinton, Douglas, Franklin, Fulton, Gallatin, Grundy, Jackson, Jefferson, Knox,

LaSalle, Logan, McDonough, Macoupin, Madison, Marion, Marshall, Menard, Mercer, Montgomery, Peoria, Perry, Putnam, Randolph and Rock Island (May be waived by insured)

Ohio (mandatory):

Athens, Belmont, Carroll, Columbiana, Coshocton, Gallia, Guernsey, Jackson, Jefferson, Harrison, Hocking, Holmes, Lawrence, Mahoning, Meigs, Monroe, Morgan, Muskingum, Noble, Perry, Scioto, Stark, Trumbull, Tuscarawas, Vinton and Washington

Ohio (optional):

Delaware, Erie, Geauga, Lake, Licking, Median, Ottawa, Portage, Preble, Wayne and Summit

West Virginia (required/waiver):

Barbour, Boone, Braxton, Brooke, Clay, Doddridge, Fayette, Gilmer, Grant, Greenbrier, Hancock, Harrison, Kanawha, Lewis, Lincoln, Logan, Jefferson, Marion, Marshall, Mason, McDowell, Mercer, Mineral, Mingo, Monongalia, Monroe, Morgan, Nicholas, Ohio, Pendleton, Pocahontas, Preston, Putnam, Raleigh, Randolph, Summers, Taylor, Tucker, Tyler, Upshur, Wayne, Webster, Wetzel and Wyoming (May be waived by insured)

West Virginia (optional)

Berkeley, Cabell, Calhoun, Hampshire, Hardy, Jackson, Jefferson, Monroe, Morgan, Pendleton, Pleasants, Ritchie, Roane, Wirt and Wood (no waiver required)

Modular vs. Manufactured Homes

A modular home is constructed of pre-made parts and unit modules. A complete kitchen and bath may be pre-set in the house. Wall panels, trusses, and other pre-fabricated house parts are transported on a flatbed truck from the factory to the building site. You may even see an entire half-house moving along the highway. At the building site, these house sections are lifted onto the foundation where they are permanently anchored. Modular homes must conform to the building codes for the locations where they are erected. A panelized home is a modular home assembled with pre-made wall panels.

A manufactured home is one that is constructed almost entirely in a factory. The house is placed on a steel chassis and transported to the building site. The wheels can be removed but the chassis stays in place. A manufactured home can come in many different sizes and shapes. It may be a simple one-story "mobile home," or it can be so large and complex that you might not guess that it was constructed off site. Local building codes do not apply to manufactured homes; instead, these houses are built according to specialized guidelines (Federal HUD regulations in the United States) for manufactured housing.

A simple way of determining if you are dealing with a modular or manufactured home is to ask the customer whether they have a title to the home (similar to an automobile) or a deed to the home. Modular homes are subject to real estate property taxes, whereas manufactured homeowners pay personal property tax similar to what is normally paid on an automobile annually.

Modular homes are eligible for the MAX Dwelling program, but manufactured homes are not. Modular homes must be delivered to the home site and construction completed (or nearing completion) to be eligible for binding. Coverage for manufactured homes is available through the MAXIA markets.

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Mobile Homes

Mobile homes, also known as manufactured homes, are not eligible for the MAX Dwelling Property program. MAXIA has carriers that will write these risks for you, please contact MAXIA for more information.

Multiple Rental Locations on One Dwelling Property Policy in Stingray

The MAX Dwelling Property program guidelines allow for up to a total of six family units for one member. These separate rental locations may be placed under a single dwelling policy in Stingray. Any member that has more than a total of six family units will require an exception by a MAX underwriter to proceed with the quote. Stingray allows for a streamlined application process, one payer for the policy, reduced fees and reduced paper usage.

Three constants must be maintained to be eligible for this option:

- All locations will include the same policy form. (No FL-2/FL-3 combinations.)
- All premium payments must be billed identically. (No mortgagee pays one location and insured the rest.)
- If Liability Coverage is selected, it will apply to all locations on the policy.

Individual locations may be endorsed onto the policy (up to a total of six units). Each location will share the anniversary date with the current policy. In the event one location is removed for whatever reason, the policy will remain in force, but that location will be removed (or endorsed) off the policy.

Ordinance or Law Coverage

This endorsement provides coverage for the increased cost that result from the enforcement of a code, ordinance, or law that regulates the construction, repair, replacement, or demolition of property following a covered loss. This endorsement (FL-257) does not increase the total limit of insurance so this must be factored into the final coverage amount.

Payment Plans, Fees & Insufficient Funds (NSF)

MAX offers the following payment plan options to our customers:

Annual Payment	Required on all premiums under \$200
Semi-Annual Installments	
Quarterly Installments	
Monthly Installments	

Electronic Funds Transfer (EFT) is available under all pay plans, but is mandatory for monthly installments.

The following fees apply to the MAX billing program:

- \$ 7.50 Installment fee for semi-annual and quarterly installment plans
- \$ 2 Installment fee for monthly installments, including EFT transactions
- \$15 Reinstatement fee
- \$25 NSF funds fee when a check or EFT transaction is returned for non-sufficient funds

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Payments are due to MAX by the due date stated on the invoice. Agents are not authorized to accept payment for MAX without prior approval from underwriting.

Policies that have lapsed for non-payment will be required to pay the funds necessary to bring the account current including the associated reinstatement or NSF fees.

Prior approval is required from underwriting before reinstating or rewriting a lapsed policy with MAX. Underwriters may require the agent to secure a signed statement of no losses for the period in which the lapse occurred. Policyholders that establish a history of late payments may be declined for reinstatement or rewrite of coverage with MAX at the discretion of the underwriter.

Policyholders that establish a history of late payments may be declined for reinstatement or rewrite of coverage with MAX at the discretion of the underwriter. In addition, multiple NSF payment attempts can result in declination of reinstatement. The Underwriter will review each situation and will determine if MAX will reinstate and the terms if approval is given. If a policy is denied reinstatement, the Underwriter will notify the agent at the time the decision is made and the policy will be marked "do not reinstate".

Plumbing System

The plumbing system within a home is comprised of many components that work together to carry water to and throughout the home and wastewater away from the home. Today, the most common plumbing material used is PVC pipe along with copper pipe for hot water connections. The hot water heater is considered part of the plumbing system in the home and should be maintained properly by the homeowner. The usual life expectancy for a hot water heater is 10 to 15 years. Once rust and corrosion become evident on the hot water heater it should be replaced to avoid a future rupture and subsequent water damage to the home and its contents.

Some older homes may contain polybutylene pipes. Polybutylene is a form of plastic resin that was used extensively in the manufacture of water supply piping from 1978 until 1995. This type of pipe has an extensive history of leaking and homes with this type of pipe are not eligible for coverage with MAX until this pipe has

been replaced. The best way to determine if the risk has polybutylene pipes is to visually examine the pipe - if the pipe is blue in color - it is most likely polybutylene. You may have heard the reference to "blue pipes" and this is referring to this form of water supply piping.

Policy Term

The standard policy term for a MAX Dwelling Property policy is 12 months. The policy becomes effective at 12:01am on the requested effective date on the application.

Ponds (Owner Occupied Dwellings Only)

Dwelling Property risks with ponds should be underwritten very carefully. The pond presents an increased risk of loss for the tenant and their guests, and the agent needs complete the Pond Questionnaire and attach it to the completed application when submitting a risk to underwriting. Underwriters will need to review the information supplied by the agent to insure that adequate precautions are in place to keep invitees safe while visiting this residence. The following questions are included in the Pond Questionnaire:

1. How far is the closest neighbor?
2. Is the pond visible from the front yard?

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3. Is there a fence surrounding the pond?
 - a. Partially
 - b. Fully
4. Is there a public access road to the pond area?
5. Is any public use allowed by uninvited guests?
 - a. Swimming
 - b. Fishing
 - c. Picnic areas for church groups etc
 - d. If swimming allowed, is there a diving board or Zip Line apparatus?
 - e. Are paddle boats allowed?
6. Is the pond owned by an association or by the insured?

Ponds are not eligible in the MAX Tenant Occupied Dwelling program.

Previous Cancellation or Non-renewal by A Carrier

Applicants that have been previously cancelled or non-renewed by another carrier require prior approval from an underwriter before binding. Agents must submit a copy of the cancellation or non-renewal notice as well as a full explanation of the risk to the underwriter for review.

Protection Class

The protection class refers to the fire protection available on a risk to be insured. MAX follows the AAIS protection class definition as stated below in all states.

The location of the building(s) determines its fire protection classification as defined below:

Protected:

Buildings located within five road miles of a responding fire department and:

- *within 1,000 feet of a fire hydrant; or
- within 1,000 feet of a year-round water source of at least 3,500 gallons and the responding fire department is equipped to respond with pumper truck capabilities; or
- the responding fire department is equipped to respond with pumper/tanker truck capabilities of at least 3,500 gallons;

*Kansas and Nebraska risks **only** qualify for a Protected rating if they are within five road miles of a fire department and they are within 1,000 feet of a fire hydrant.

Partially Protected:

Buildings located within five road miles of a responding fire department but that do not otherwise qualify for the Protected classification are to be classified as Partially Protected.

Unprotected:

Buildings that do not qualify for the Protected or Partially Protected classifications are to be classified as Unprotected.

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Purchase Price

MAX requires a minimum purchase price of \$30,000 for all homes purchased within the last three years. We will take into consideration unique circumstances as possible exceptions to this guideline. Agents should provide the client's purchase details when submitting the application.

In addition, MAX will consider the ratio of purchase price (within the last three years) to the full replacement cost of the home as determined by our rebuilding cost tool. We will accept homes whose estimated replacement cost is 300% or less of the purchase price. For those homes where the estimated replacement cost is greater than 300% of the purchase price, just as above, we will consider exceptions based on information provided by the agent.

Examples of acceptable consideration could include homes purchased from family members, or those purchased in substandard condition and subsequently renovated and in good condition. The dollar amount of the renovation to include labor would be very helpful. Other reasonable circumstances will be considered as well.

Rebuilding Cost Estimate Requirements

MAX has contracted with e2value for our rebuilding cost estimates on homes. Access to e2value is integrated into the MAX policy processing system. Agents are required to complete an accurate rebuilding cost estimate through e2value for all residences and related private structures insured with MAX. Photos of the residence and related structures should be uploaded to the e2value estimate or images tab by the agent.

The underwriter will review the e2value estimate as part of their new business underwriting review to ensure that the estimate was prepared properly and the risk is insured to value accordingly.

Reinstatement / Rewrite Procedure

Agents must request approval from underwriting to reinstate or rewrite coverage that has lapsed for non-payment with MAX.

Underwriters have the authority to approve reinstatement or rewrite of coverage up to 30 days after the date of the lapse in coverage. Reinstatements require a signed statement of no losses be signed by the insured and submitted along with payment in arrears plus the reinstatement fee. Rewriting of coverage must be done with a current effective date - there will be a lapse in coverage from the time the previous policy lapsed and the new policy becomes effective. Underwriters are required to fully document the policy system when they agree to reinstate or rewrite a policy for an agent. Reinstatement fees apply to accounts that have authorized reinstatement from an Underwriter.

Requests to reinstate or rewrite coverage that has lapsed over 30 days must be submitted to the Underwriting Supervisor for consideration.

Related Private Structures

Related private structures, sometimes referred to as Other Structures, are afforded coverage automatically under the Dwelling Property policy for the limit specified under Coverage B shown on the declarations page. This automatic limit is 10% of the Coverage A limit.

In the event there are structures that are not in acceptable condition, MAX has available the Related Private Structures - Specific Structure Limitation (IL M103), which can be used to limit the coverage to ACV or exclude

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coverage for the structure (depending on the state), to allow for insuring the primary structure, but avoid insuring dilapidated appurtenant structures.

Repair Cost Terms Coverage

AAIS offers the Repair Cost Terms-Coverage A endorsement (FL-255) to address situations that occur in establishing the rebuilding cost estimate on older homes that have original, obsolete construction materials built into them. This form allows the rebuilding cost estimate to be calculated on a functional cost basis which means that the estimate does not include the replacement of damaged obsolete materials; rather it includes the cost of using current construction methods and materials in rebuilding or repairing the property if it were to be damaged. A common example would be a circa 1920 home with lathe and plaster walls would be replaced with drywall material should a loss occur.

Agents are responsible for fully explaining the use of this form and its alterations of the loss settlement terms of the standard homeowner policy to the insured. The rebuilding cost estimate and subsequent coverage amount should be based upon the functional replacement cost value calculated by e2value. If the rebuilding cost estimate is based on functional replacement cost value, the agent must add the FL-255 endorsement to the policy, otherwise the insured will be faced with a serious underinsurance and coinsurance penalty situation should a loss occur.

Roof Requirements

The roof covering on a home is the part of the structure most exposed to the elements of weather. The age and condition of the roof must be underwritten closely at the inception of the policy to ensure that the proper coverage is provided on the roof.

Roofing materials may vary by the section of the country the home is located in; for instance many homes in the Southwest have clay tile roofs, while asphalt or composition shingles are common in the Midwest and Northeast sections of the United States. The quality of shingles can vary within a specific category. Basic asphalt shingles can be purchased at a local home improvement store with a 20 or 25 year warranty, while architectural asphalt shingles are available on the market with 40 or 50 year warranties. Due to the variance in both the type and quality of shingles available, it is essential that the agent gather specific details regarding the age of the roof, type of shingles, and current condition of the roof material overall.

The typical useful lifespan of a composition asphalt shingle is 15 to 20 years, but may be less in wind or hail prone areas. Wood roofs that are not installed and maintained properly can have a relatively short useful life of 10 to 12 years. Wood roofs that have cracking, cupping or curling of the shingles are not eligible for replacement cost coverage. Composition roofs that have granular loss, missing shingles or tabs, and/or show signs of significant wear are also precluded from replacement cost coverage.

The Underwriter can work within the various policy forms and deductibles available to arrive at an acceptable coverage for those roofs that are not in excellent condition. For Forms FL-2 and FL-3, the IL M107 ACV Roof Coverage is available in most states to limit the loss settlement to ACV when the roof condition does not meet MAX's preferred risk criteria.

Unique roof materials, such as asbestos, copper or T-Lock shingles, are not eligible for coverage in the MAX Dwelling Property program since we are not able to obtain an adequate premium for these exposures.

Roofs that are not maintained can cause interior water damage. MAX recommends that property owners have their roofs checked periodically by a professional roofer and any maintenance items noted should be corrected immediately.

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Metal roofs are gaining popularity in the residential home market for their durability and aesthetic qualities. Metal roofs increase the replacement cost of a home over the more commonly used asphalt or architectural shingles. One significant difference that is unique to metal roofs is that they are susceptible to cosmetic damage from hail. While the integrity of the roof remains intact and undamaged, hail can cause unsightly dents or dings in the metal roof that could detract from the home's appearance and market value. Homes with metal roofs are eligible for the MAX Dwelling Property program, however the Cosmetic Loss Exclusion (DP M115) will be added where available. (See Cosmetic Loss endorsement)

A slate roof can be an attractive and long-lasting roof covering if the proper maintenance and upkeep is undertaken. If a risk includes a slate roof, MAX Underwriters will review the photos or inspection for visual defects and will require the record of maintenance or proof of most recent inspection and verification that any maintenance has been performed. As a rule of thumb, if a maintenance inspection has been conducted within the last five years and any updates required have been made, we will insure the home with replacement cost on the roof.

If the last inspection/maintenance is not known or is well outside the last five years (and depending on the rest of the account and the risk in question), MAX may choose to offer a lesser coverage form that includes loss settlement on ACV, may include a percentage wind/hail deductibles or may not be able to insure the risk. (Any request outside of this guideline should be referred to the Underwriting Supervisor or Director of Operations.) It is also important to note that Dwelling Property policies do not cover faulty workmanship. If a roof is installed improperly and causes ensuing damage to the home, there is no coverage for the roof or the resulting damage. Customers are encouraged to investigate the background of any professional they have work on their home to make sure that the contractor is qualified, insured, and has a good reputation for the work they perform. Multi-layer roofs will include "layover" roofs in which a new roof covering will be laid directly over the existing covering. Roof professionals all will agree that this is not the preferred method of installing a roof as the disadvantages far outweigh the advantages. Layovers may include a similar roof covering such as two layers of conventional shingles or may even be dissimilar coverings such as conventional shingles over a wood shake covering, for example.

MAX will apply the following rules when underwriting multi-layer roofs:

- We will accept a risk with up to two layers of conventional shingles.
- Three or more layers of any type of roof covering: Complete tear-off and replacement will be required by the first policy anniversary. Underwriter's discretion on whether to include or exclude coverage for the first policy term.
- Composition or metal over wood or shake shingles: Complete tear-off and replacement will be required by the first policy anniversary. Roof will be excluded for first policy term.
- Metal over composition: We will accept this risk.

Secondary/Seasonal Homes

Secondary or seasonal dwellings may be written in the MAX Dwelling Property program. MAX offers coverage on secondary or seasonal homes for clients that have their primary residential coverage insured with the MAX enterprise.

A secondary home is defined as residential property that is not unoccupied for more than 90 consecutive days, whereas a seasonal home is defined as a residential property that is unoccupied for more than 90 consecutive days.

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Agents need to question current and prospective clients that have multiple residences to establish whether the additional residence(s) are secondary or seasonal residences.

Seasonal residences should be "winterized" by the insured each year, which should include turning off the water source to the home, and draining the pipes. If there are going to be long periods between visits to a secondary home, clients are strongly encouraged to turn the water off to the home to avoid an undetected water leak during their absence. Liability coverage for the secondary or seasonal home can be extended from the primary residence's homeowner policy.

Solid Fuel Appliances (Owner Occupied Dwellings Only)

Our constituency utilizes solid fuel appliances in their homes on a fairly regular basis. This presents an increased hazard for fire for the property, therefore we must exercise due diligence in underwriting these exposures at inception or when we become aware of their presence in a home or building we insure. MAX uses a Woodstove Inspection Worksheet that is required to be submitted on all new or existing risks that contain a solid fuel appliance. Photos of the solid fuel appliance, showing the appliance from all angles, must be submitted with the inspection worksheet. Interior pictures should include all angles of stove, the connecting stove pipe to the stove and where it exits the room (wall or ceiling) and exterior of the chimney. Common forms of solid fuel appliances include wood, coal, corn or pellet stoves, and outdoor wood furnaces.

Effective February 1, 2013 for new business, and March 1, 2013 for renewals, MAX will institute a solid-fuel appliance surcharge. When a solid fuel appliance is installed in the dwelling and/or appurtenant structure as a primary or secondary heat source, a flat charge of \$35 per appliance will be charged. Solid fuel appliances will include free-standing wood stoves, wood stove inserts attached to a fireplace, free-standing hearth-mounted wood stoves, free-standing corn or pellet stoves. (This surcharge will not apply to conventional fireplaces or outdoor furnaces.)

MAX prefers that customers use Underwriters Laboratories (U.L.) or Warnock Hersey approved appliances for their supplemental heating needs. For appliances that are not U.L. approved, they are required to meet the minimum standards of (National Fire Protection Association) NFPA 211. All stoves are required to be installed according to the manufacturers specifications to qualify for the MAX program. Risks with homemade solid fuel heating appliance, such as barrel stoves, or unapproved stovepipes and chimneys, as the primary source of heat are not eligible for the MAX Dwelling Property program.

NFPA 211 guidelines no longer allow solid fuel appliances in a garage attached to any to a dwelling. Detached structures that have a solid fuel appliance in them must be set apart from the main structure by a clear distance and submitted to underwriting for review prior to binding the risk.

Safe clearance distance from all combustible materials is mandatory. Customers should have the chimney cleaned annually by a professional to reduce the likelihood of a chimney fire. Disposal of ashes should be done periodically and use of a metal receptacle for the ashes is required to reduce the chance of a fire occurring from smoldering or hot coals or ash. Ashes should not be left unattended or in an enclosed structure until they are completely cool and no longer present a fire hazard.

Minimum clearance requirements for solid fuel appliances, excluding outdoor wood furnaces include the following:

- A minimum of 36" clear space to any combustible surface or object must be maintained on all sides unless specified in writing by the manufacturer and documentation is provided. The

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required clearance to combustibles can be reduced by using proper shields. A 24 gauge metal shield can be installed and would reduce the clearance 67% or from 36" to 12".

- Ceramic or brick attached to a non-combustible backing board can reduce clearance 50% or to 18" from stove to combustibles. In either case the shield must extend 20 inches above and to each side of the stove. It must be 1 to 3 inches off the floor and have a 1 inch air space between the shield and combustible wall to be acceptable.
- A minimum of 18" clear space to a properly installed heat shield must be maintained on all sides, unless otherwise specified by the manufacturer.
- If placed other than directly on a concrete floor:
 - when the stove legs are longer than 18", an approved floor protection material such as U.L. listed stove board or combination of masonry and a minimum 24 gauge sheet of metal must be used.
 - when the stove legs are 7" to 18", U.L. listed stove board must be placed under 24 gauge sheet metal.
 - when the stove legs are 6" or less, a layer of hollow 4" masonry blocks laid to allow air passage must be placed under 24 gauge sheet metal.
 - the 24 gauge sheet metal must extend at least 18" out beyond the ash removal door side and at least 6" on all other sides.
 - Stoves with legs less than 2" from the floor are not eligible.
- Stove pipes must be at least 24 gauge blue or black steel and a clearance of at least 18" must be maintained from combustibles (walls, ceilings, etc). Galvanized stove pipes are not acceptable. This distance can be reduced by shielding or using a UL approved double wall stove pipe.
- Stove pipes which pierce a wall must use a wall pass through or ceiling support box three times the diameter of the stove pipe. The wall pass through or ceiling support box must be U.L. listed.
- Stove pipes which pass through a wall should only use a tested and labeled insulated wall pass-through (or thimble). A U.L. listed ceiling support box should be used to attach the stove pipe to the chimney at the ceiling.
- Chimneys must be either flue-lined masonry or factory-built metal.
- Approved factory built metal chimneys that pass through closets or other attic spaces should be enclosed with a 2" airspace to avoid combustibles becoming in contact with chimney.
- Metal chimneys must be U.L. listed for use with wood burning stoves.
- Chimneys must be at least 3 feet above the highest point where they pass through the roof and at least 2 feet higher than any portion of the building within 10 feet.
- Each heating source must have its own flue, and preferable its own chimney.
- Chimney connectors should not pass through ceilings or concealed spaces, and should not enter the chimney in the attic.
- Ashes must be stored in a lidded metal container, located outside of the building.

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- Chimneys for radiant and air-circulating stoves should be cleaned at least annually.
- Chimneys for airtight stoves should be cleaned at least every 90 days during the burning season.

MAX reserves the right to request an inspection by a qualified professional for any solid fuel appliance located on an insured location. Solid fuel appliances require special underwriting information in order to qualify the risks appropriately for the MAX Owner Occupied Dwelling Property program. Agents are encouraged to contact their underwriter for assistance when evaluating risks with these exposures.



Woodburning
Stove



Pellet Stove

Minimum requirements for outdoor wood furnaces include the following:

- Outdoor wood furnaces must be installed to manufacturer specifications and located at least 25 feet away (unless other distance is specified by the manufacturer) from all combustibles. Combustibles include the dwelling, detached garages, and all outbuildings.
- Qualified outdoor wood furnaces include UL, ULC, CSA or Warnock Hersey approved units, in addition to the manufacturer providing a plan to prevent water corrosion.
- The unit should be installed on a solid masonry pad covering the area underneath the unit and extending 18" beyond the door and 8" beyond the other sides of the unit.
- Enclosed units should be constructed of steel or masonry/steel construction with a UL-103HT or ULC-S629M chimney or a masonry chimney.
- A spark arrestor is required.
- Fuel used for the furnace should be wood or wood products only and they should be stored a clear distance away from the unit.
- Good housekeeping around the outdoor furnace is required to prevent a grass fire from occurring.

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Photos of the outdoor furnace are required. Please provide pictures of all sides of the furnace, including those that show the clearance between the fuel storage and the furnace, as well as the 50 feet surrounding the unit itself.



Outdoor Wood Furnace

Solid fuel appliances are not eligible in the MAX Tenant Occupied Dwelling Property program.

Space Heaters

Homes that use space heaters as the primary source of heat are not eligible for the MAX Dwelling Property program.



Swimming Pools (Owner Occupied Dwellings Only)

Swimming pools have gained popularity in the residential home market. Today, there are a variety of options for swimming pools: traditional in-ground concrete swimming pools, above ground pools, and now there are inflatable above ground pools that are relatively inexpensive to purchase, but still present an additional risk exposure to the property.

Swimming pools are considered an attractive nuisance to the property. An attractive nuisance is something on the property that has a propensity to attract others onto the property and could cause potential harm to them.

For these reasons, MAX requires certain measures to be in place when a swimming pool is on the described location:

- A minimum of a 4 foot fence with self-latching and locked gate surround the swimming pool area. A split rail fence is not acceptable.
 - a. Risks located in rural areas that have swimming pools may have the requirement for the fence waived IF the pool is not visible to the public. Requires underwriting approval.

Strongly recommended by MAX:

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- Adult supervision should be required whenever the swimming pool is in use.
- Safety equipment should be kept on hand in the event of an emergency.
- Safety rules should be created and posted by the pool and enforced by the property owner at all times.
- "NO Lifeguard on Duty" signs be posted near the pool area.

Swimming pools are not eligible in the MAX Tenant Occupied Dwelling Property program.

Townhouse or Row House

When an eligible one to four family dwelling is located in a townhouse or row house structure, an additional premium is charged for this exposure. The surcharge is dependent upon the number of family units in the fire division.

The additional premium factor must reflect the total number of family units within the fire division. For example, when a two family owner-occupied dwelling is attached to a three family dwelling and is not separated by a fire wall, the total number of family units within the fire division is five.

The following images are provided to illustrate a townhouse and row house exposure:



Townhouse



Row House

Townhouse and row house style homes are generally found in urban and suburban residential areas. Agents will need to investigate the risk to determine how many family units are included in the structure between the fire walls.

Trampoline (Owner Occupied Dwellings Only)

Trampolines, like swimming pools, are popular residential recreation devices. They are considered an attractive nuisance and require additional underwriting to qualify them properly. The following underwriting requirements must be met in order for a residential risk with a trampoline to qualify for coverage:

- A minimum of a 4 foot fence with self-latching and locked gate surround the trampoline area. A split rail fence is not acceptable. We may also accept trampolines that have adequate netting with secured openings when a fence is not in place. (Unfenced trampolines are subject to review prior to acceptance.) Risk located in rural areas that have trampolines may have the requirement for the fence waived IF the trampoline is not visible to the public. Requires underwriting approval.

Strongly recommended by MAX:

- If the trampoline has a safety net, it must be installed properly and used at all times.
- Adult supervision should be active whenever the trampoline is in use.
- The number of people allowed on the trampoline should be limited to ensure the safety of everyone.

Trampolines are not eligible in the MAX Tenant Occupied Dwelling Property program.

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Training Materials

The Underwriting department provides training materials for our agents when the AAIS Dwelling Property product is revised. This information is available on the agent's website under MAX Training Materials.

Underwriting Guidelines

Underwriting guidelines are available for reference purposes in the front section of this manual. Please refer to this section for the applicable guidelines for the MAX Dwelling Property program in your state.

Underwriting Questionnaires

The MAX Underwriting department is responsible for creation and updating all questionnaires for the Dwelling Property program. Currently, we have a Woodstove Inspection worksheet that is required to be completed on all solid fuel appliances, a Swimming Pool/Pond questionnaire and a Trampoline questionnaire that are available for use in the Owner Occupied Dwelling Property program.

The questionnaires are available on the agent's website under MAX Applications/Misc. Applications & Questionnaire folder.

Vacant or Unoccupied Dwellings

Vacant and unoccupied residential dwellings are not eligible under the MAX Dwelling Property program as new business. A home is deemed vacant when the majority of the property has been removed from the residence and it is no longer occupied on a daily basis for residential purposes. An unoccupied home is one where the majority of the personal property remains in the home, but the occupants are no longer living in the residence on a daily basis.

Dwellings being renovated are also considered vacant when nobody is living there. An occasional stay in the dwelling, along with work being done, does not change the vacancy condition.

Agents have no authority to write or bind vacant dwellings. A vacant dwelling may still be insurable (with a higher deductible and some reduction in coverage) if it is in good condition. MAX underwriting approval is required for coverage on any vacant building (current photos will be required).

Note: When a home that is currently insured by MAX becomes vacant or unoccupied, the agent must notify MAX underwriting immediately. The agent should notify the customer of the Vandalism exclusion that applies once the home is vacant for 30 consecutive days. MAXIA has carriers that have programs for vacant or unoccupied dwellings. Agents should refer these exposures to MAXIA for coverage.

Wind Mitigation (Oklahoma)

Effective 4-1-2018, MAX will recognize various levels of wind and hail mitigation efforts to both new and existing residential property and provide credit on the wind portion of the premium according to the level of mitigation met.

To obtain the premium discount, rate reduction, or other adjustment provided in this section, an insurable property located in this state shall be certified as constructed in accordance with Appendix Y of the 2015 Oklahoma Uniform Building Code, as amended, including all tornado mitigation construction requirements, as long as its standards are **equal to or greater** than the FORTIFIED Home High Wind and Hail Standards as certified by the

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Institute for Business and Home Safety (IBHS), or the FORTIFIED Home High Wind and Hail Standards as may from time to time be adopted by the Institute for Business and Home Safety or successor entity.

An insurable property shall be certified as conforming to the applicable building code **only** after an inspection of the insurable property has been satisfactorily completed by a certified or licensed building inspector and certified to be conforming to the applicable building code including all high wind and hail mitigation construction requirements.

An insurable property shall be certified as conforming to the FORTIFIED Home High Wind and Hail Standards only after evaluation and certification by an evaluator certified pursuant to the FORTIFIED Home High Wind and Hail Standards.

An owner of insurable property claiming a premium discount pursuant to this section shall maintain sufficient certification records and construction records including, but not limited to, a certification of compliance with the applicable building code or the FORTIFIED Home High Wind and Hail Standards provided in subsection B of this section, receipts from contractors, receipts for materials and records from local building officials. Copies of any such records shall be presented to the insurer or potential insurer of a property owner **before** the premium discount becomes effective for the insurable property.

For the FORTIFIED program, there are three levels of wind/hail mitigation: **Bronze, Silver and Gold**. Certification in each level will carry a different premium reduction on the wind/hail premium. In addition, per the rules of the program, once certified, a home retains the particular certification for **5 years**. Therefore, for each 6th policy anniversary following the receipt of the initial certification, **the credit will fall off the policy. It will be the responsibility of the insured and their agent to provide documentation reflecting recertification of the home.**

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Revisions

Revised 5/23/2011: Updated Rental Dwelling and Modular Home sections

Revised 11/21/11: Deductible requirements, insurance to value and loss history acceptability.

6/12/12: Removed reference to Oklahoma being loss-free in claims underwriting (acceptance).

9/20/12: Removed approval to write more than one location on a single policy under Rental Dwellings.

12/20/12: Added solid fuel appliance surcharge info

Revised 3/31/13: Complete update of manual.

Revised 10/1/13: Added German Shepherd to list of unacceptable dogs.

Revised 4/3/14: Add “for sale” section.

Revised 5/27/14: Added EIFS section.

Revised 6/10/14: Added VA counties to coastal “no-writes” and updated deductible section to include VA coastal cities/counties requiring % deductibles.

Revised 7/24/14: Updated the EIFS section to include 2009 code and updated the roof section to include roof layers requirements. Also increased Agent binding authority to \$600k.

Revised 10/1/14: Added Market value section and included minimum purchase price requirement.

Revised 3/17/15: Corrected deductible section.

Revised 3/26/15: Expanded loss acceptance criteria.

Revised 5/8/15: Added modular home eligibility detail.

Revised 7/15/15: Added Multiple Rental Location section.

Revised 1/21/16: Updated member requested cancel section.

Revised 4/29/16: Updated IL and IN earthquake sections.

Revised 6/20/16: Included MAXIA as support for DP.

Revised 8/12/16: Removed EQ moratorium in IL in favor of deductible requirements.

Revised 9/16/16: Added Asbestos section.

Revised 12/1/16: Revised 11/30/2016: Added Purchase Price section to include the new “disparity” rule for purchase price: E2V ratio. Also added Mine Subsidence section and NSF info.

Revised 2/28/17: Included specifics on standing earthquake moratorium in certain Illinois counties. (Moratorium had been in place since early 2016.)

Revised 6/23/17: Updated pool and trampoline sections to follow HO redo questions.

Revised 4/1/18: Added OK wind mitigation section

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