



**HOMEOWNER INSURANCE UNDERWRITING
GUIDELINES**

California Automobile Insurance Company

California

**NAIC Company Number: 38342
NAIC Group Number: 0660**

The Underwriting Guidelines have been designed to assist you with information regarding our Homeowner Insurance program. The following guidelines identify risks that are eligible/ineligible for coverage under the California Automobile Insurance Company Homeowner Insurance Policy. The Company will not apply any criteria that may be in conflict with state statute or insurance regulation.

A. BINDING REQUIREMENTS

- 1) Agents may bind acceptable risks provided every question on the application is answered (and explained when necessary) and the application is properly signed by the applicant.
- 2) Effective date of the application can be no sooner than the date and time the application is completed, signed, down payment collected and all binding requirements met.
- 3) Applications where the premium is billed to the Mortgagee may be submitted without down payment.
- 4) All new business must be uploaded via Mercury PolicyCenter.
- 5) Do not change, strike over, white out, or otherwise alter an effective date on any application, renewal order or endorsement request. Such changes may raise doubt as to when coverage was actually bound. On new business the effective date should not be established until the application process has been completed.
- 6) For risks insured by Mercury in the past the Billing department must be contacted to ensure there are no outstanding premiums due. Approval from Underwriting for the re-write also must be obtained.
- 7) Minimum and maximum coverage limits:

	Minimum	Maximum
HOMEOWNERS (Coverage A)	\$ 80,000	\$ 1,500,000
CONDOMINIUM (Coverage A and C)	\$ 50,000	\$ 750,000
RENTERS (Coverage C and Addition and Alterations)	\$ 25,000	\$ 500,000

B. ELIGIBILITY

- 1) All Risks meeting the eligibility criteria outlined below are eligible to be written.
 - a) Use the company prescribed replacement cost estimator software to establish the Coverage A amount. Dwellings must be insured to 100% of Replacement Cost using costs associated with actual year built (e.g. homes built prior to 1940 must use “Pre-1940” costs). Pre-1940 homes using “Standard” replacement costs to determine Coverage A replacement cost are acceptable only when the Modified Functional Replacement Cost Coverage is included on the policy.
 - b) One, two, three or four family dwellings for HO-3 policies.
 - c) Earthquake coverage is offered through the California Earthquake Authority (CEA). See California Earthquake Authority Manual. The CEA may impose a moratorium after an earthquake. Mercury will advise you of such action through an Agent Bulletin.
 - d) The dwelling and all major systems (plumbing, heating, electrical, roof) must be in good condition and have no unrepaired conditions or any uncorrected fire or building code violations. Electrical wiring, plumbing and heating systems must be updated within the last 50 years.
 - e) Heating must be a central heating system or thermostatically controlled electric heating system. (Note: A converted coal furnace, kerosene heater, electric space heater or wood/coal/pellet stove cannot be the primary source of heat).
 - f) The roof must be in acceptable condition. With the exception of a slate or tile roof, the roof must be no more than 25 years old.

- g)** Can have no more than two unrelated owners, provided they both have ownership interest in the insured location and both reside there. Any non-resident cosigners will not be listed as insureds. They can be listed as additional insureds.

2) The following risks are ineligible

a) Prior loss history:

1. Has more than 2 losses in the past 5 years; or
2. Has more than 1 loss in the past 3 years; or
3. Has more than 1 fire loss, more than 1 water loss, more than 1 liability loss, more than 1 wind/hail loss, more than 1 theft loss, or more than 1 any other type of loss in the past 5 years.

Losses that do not pose a substantial relationship to the insured's risk of future loss (submit for underwriting review and approval prior to binding) are not counted as losses for the purpose of this rule.

(Losses include non-serial numbered catastrophe losses and serial numbered catastrophe losses, but excludes closed without payment losses).

Note: If any prior structural loss is at the risk address, the condition causing the loss must have been repaired.

- b)** Risks who own or board Akitas, Cane Corsos, Chows, Pit Bulls, Presa Canario (canary dog), Rottweilers, Staffordshire Bull Terriers, wolf hybrids, zoo animals, exotic animals, or any animal with a biting history. Any 'mixed breed' dog that has any unacceptable breed as part of the dog's lineage is unacceptable. Please state the breeds on application.
- c)** Households that have more than 3 dogs.
- d)** Dwellings that have been vacant for more than 30 days. A vacant dwelling is defined as a dwelling which there are no residents or personal property in the dwelling or insufficient personal property in the dwelling to occupy it as a residence.
- e)** Dwellings that are for sale.
- f)** Dwellings that are unoccupied. An unoccupied dwelling is defined as a dwelling which there are no residents living in the dwelling but sufficient personal property in the dwelling to be occupied as a residence.
- g)** Dwellings in the course of construction.
- h)** Dwellings with more than three mortgagees.
- i)** Risks with home day care operation on premises, regardless of the number of children.
- j)** Liability exposures involving any attractive nuisance type exposure including, but not limited to, unfenced in-ground swimming pools, skateboard ramps, skateboard rails, bicycle jumps, trampolines without safety net, etc...
- k)** Risks with Fireline score greater than 3 and/or with a Special Hazard Interface Area ("SHIA") determination need to be referred to Underwriting for approval.
- l)** Dwellings built on a hillside, stilts and/or pilings, or terrain with more than 30 degrees slope. (Does not apply to Condo and Tenant)
- m)** Dwellings which are cantilevered or built on stilts or piling supports
- n)** Dwellings built over water
- o)** Mobile home, trailer home, house trailer or manufactured home.
- p)** Log homes.
- q)** Is a dwelling with a roof covering of asbestos shingles, T-lock shingles, or an overlay roof (i.e. asphalt, fiberglass or composition shingles over wood shakes or wood shingles).
- r)** Short-term rentals that include home-sharing of the entire residence in excess of 180 days per year.

C. BINDING APPROVAL

The following risks need underwriting approval before they are bound:

- 1) Risks cancelled or non-renewed by Mercury, or any other insurer for any reason during the last 3 years, as they may be unacceptable
- 2) Homes with a replacement cost of more than \$1,000,000 in an ISO protection class of a 9, split 'X', 10, or 10W, or the distance to the nearest fire hydrant is greater than 1,000 feet.
- 3) Dwelling – Coverage A is \$1,500,000 or more
- 4) Condominium – Coverage A and C combined is \$750,000 or more
- 5) Tenant – Coverage C and Additions & Alterations combined is \$500,000 or more
- 6) Risks with total exposure of \$4,000,000 or more (Coverage A + B + C + D + Valuable Items Plus)
- 7) Homes that have been foreclosed within the past 3 years, unless the criteria listed under Section D are met
- 8) Homes built prior to 1940
- 9) Risks with more than 1 claims in the past 3 years or more than 2 losses in the past 5 years. Only losses which pose a substantial relationship to the insured's risk of future loss are considered.
- 10) Risks with any liability loss in the last 3 years. Only losses which pose a substantial relationship to the insured's risk of future loss are considered.
- 11) We may issue a suspension of binding coverage for wildfires. The suspension will apply to new business as well as requests for adding coverage, increasing coverage limits, reducing deductibles, or reinstatement of coverage on existing business. Binding authority will remain suspended until an announcement is made indicating that the restriction has been lifted.
- 12) Risks built on hillsides
- 13) Waterfront properties must be completely fenced from the street.
- 14) Dwellings located on the Beachfront.
- 15) Risks equipped with security bars, must have a quick release mechanism from the inside
- 16) Dwellings that are listed on the State or National Historic Home Registry
- 17) Business conducted out of home which involves client traffic on the premises
- 18) Secondary or seasonal homes with Coverage A of \$500,000 or more with no monitored central station fire and burglar alarm system
- 19) Self-employed risk working out of the residence
- 20) Farming/ranching operations.
- 21) Dwelling risks having \$1,500,000 or greater Coverage A with no monitored central station fire and burglar alarm system.
- 22) Dwelling risks having \$1,000,000 or greater Coverage A in an ISO protection class 9, split 'X', 10, or 10W with no monitored central station fire and burglar alarm system.
- 23) Over 7 road miles to the first responding fire department, unless risk is a house with Coverage A of \$1,000,000 or more and then it must be within 5 road miles of the first responding fire department.
- 24) Secondary/seasonal dwelling or Additional Residence and Mercury does not insure the primary dwelling.
- 25) Dwelling risks having \$500,000 or greater Coverage A which is unoccupied more than 3 months of the year without a central station monitored low temperature sensor or water flow sensor.
- 26) Condominium risks having \$500,000 or greater Personal Property (Coverage C) and Building (Coverage A) combined with no monitored central station fire and burglar alarm system.
- 27) Tenant risks having \$500,000 or greater Personal Property (Coverage C) and Additions and Alterations coverage combined with no monitored central station fire and burglar alarm system.

28) Short-term rentals that include home-sharing of the entire or portion of the residence in excess of 90 days per year.

D. HOMES FORECLOSED DURING THE PAST THREE YEARS

Agents may bind coverage if the home meets either of the following criteria:

- Insured with another carrier for the previous 12 months
- Home was constructed during the last 10 years.

If the home does not meet the above criteria, the agent is required to obtain a copy of the home inspection completed by a licensed home inspector.

- Agent may bind coverage if no repairs are needed.
- If minor repairs are required, agent may bind coverage and provide proof of repairs within 30 days.
- The agent may not bind coverage if the home requires major repairs related to the foundation, pipe corrosion, water leakage, plumbing, electrical systems, or other serious problems.