

# California Underwriting Property Manual

## Company Policy

No applicant is to be refused coverage because of race, color, creed, country of national origin, age, sex, religion, marital status, prior insurance cancellation, status as a victim of domestic abuse, geographic area, or location. No applicant is to be refused coverage solely because no other lines of insurance are in force with the Liberty Mutual Group. The coverage requested must conform to the applicable provisions of this manual. In case of conflict with state law, the state law shall supersede.

## Eligible Applicant

Eligible applicants are those meeting all eligibility requirements specified in this document. Failure to meet one or more of the eligibility or insurance requirements means that the risk should be reviewed by management or rejected.

## Insurance Requirements

1. Personal Market Definition: Coverage is to be provided on risks that meet the Personal Market definition. This means all lines of insurance, other than surety bonds, written in the name of the individual or individuals may only cover activities, property, or premises of a private or personal nature.
2. Insurable Interest: The applicant must have an insurable interest in the property to be insured. An insurable interest means that a relationship exists such that loss or destruction of property or any liability arising from the property would cause a financial loss.
3. Completed Application: A completed application, on a form prescribed by the Company, provides evidence that insurance coverage exists and has been requested by the applicant, effective on or after the time and date coverage was requested.
4. Down Payment: A minimum down payment may be required with each new business application.

## Form Eligibility

1. Form H3 (Homeowners Policies) are reserved for the owner-occupants of dwellings used exclusively for private residential purposes.
2. Form H4 (Tenant Policies) are reserved for
  - Tenants (non-owners) of a dwelling or an apartment situated in any building other than a mobile home, or,
  - Personal property and liability coverage for the owner-occupants of a multi-unit dwelling, provided that the applicant maintains concurrent dwelling coverage via a Landlord Policy with Liberty Mutual Insurance.
3. Form H6 (Condo Policies) are reserved for
  - Owner-occupant of a condominium or cooperative unit used exclusively for private residential purposes, or,
  - Owner of a condominium or cooperative unit used exclusively for private residential purposes that is rented to others, provided the applicant maintains coverage on their primary residence (H3 or H6 only) with Liberty Mutual Insurance.
4. Form FN (Dwelling Fire Policies) are reserved for
  - Owner of a dwelling used exclusively for private residential purposes that is rented to others, provided the applicant maintains coverage on their primary residence (H3 or H6 only) with Liberty Mutual Insurance. Owners may have no more than 4 FN policies with Liberty Mutual Insurance.

## Condition of Property

All property (dwelling, outbuildings, and insured premises) must not have any observable hazards or deficiencies in need of repair that may present an increased exposure to physical damage or liability loss.

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Examples of ineligible conditions include, but are not limited to:

1. Dwellings constructed of materials not able to withstand normal use and weather variations of the area.
2. The presence of broken or boarded windows, holes in exterior siding, severely peeling paint, or rotted wood.
3. Broken or uneven walkways, holes in driveways, or other areas of the premises that increase the likelihood of slip and fall type injuries.
4. Severely broken, sagging, uneven, or unsupported stairways or decks.
5. Stairways or decks without adequate railings.
6. Exterior premises littered with old tires, junk cars, refrigerators, etc., or deteriorated outbuildings on the premises.
7. Combustibles stored near heating devices.
8. A roof with curling, loose or missing shingles/slates, signs of buckling or bowing, or evidence of significant moss accumulation or roof rot.
9. A chimney that is leaning or has loose or missing bricks.
10. A dwelling with active knob and tube wiring, or a dwelling without a break/fuse box equipped with main service disconnects or circuit breakers, and a minimum rating of 100 amps (Main service disconnects provide the ability to shut down all electricity with 1 or 2 levers).
11. A dwelling powered by electrical service that does not safely meet the resident's needs.
12. A foundation that is severely cracked or heaving.
13. Water stains on interior walls and/or ceilings, bare or exposed electrical wires, or interior stairways without adequate rails.
14. The presence of an underground oil tank on the premises.
15. A water heater that is not properly braced to prevent shifting due to seismic event.
16. The property to be insured involves the existence of an adjacent physical hazard, and the factors listed below are true:

The adjacent physical hazard indicates a significant risk of loss which is directly related to the perils insured against, and also that no rate surcharge is available which could be applied to one of these adjacent physical hazards. However, adjacent residential property or traffic patterns cannot be considered to cause significant risk of loss.

Adjacent physical hazards include, but are not limited to overhanging and rotted trees or branches, an enterprise where flammable or explosive materials are present, or a vacant, non-residential structure which is not properly secured against vandals or fire.

### **Sound construction and general maintenance**

All dwellings must be constructed to comply with local building codes.

The dwelling, outbuildings, and premises must not exhibit any observable hazards or deficiencies. Conditions such as broken or boarded windows, holes in the exterior siding, peeling interior or exterior paint, rotted wood, and combustibles stored near heating devices all increase susceptibility to loss. Liability hazards may also result from substandard construction or a lack of general maintenance. Steps without a handrail, a deck with inadequate support, or a deck without railings adequate to prevent passage of a small child can pose serious liability exposures. Cracks and heaves in walkways, icy walkways and loose steps can create trip hazards or be signs of sinkholes. No applicant is eligible for sinkhole coverage. Old tires, junk cars and refrigerators, and deteriorated buildings can be attractive nuisances and pose a liability hazard. Visible maintenance deficiencies may also be indicative of insufficient maintenance of unobservable conditions (e.g. electrical system).

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## **Liability hazards**

Liability hazards make homes ineligible for coverage. Many liability hazards are readily observable upon seeing the property and assessing its condition. Examples of premises liability hazards include, but are not limited to: unfenced or unsecured swimming pools, swimming pools with diving boards, unfenced or unsecured trampolines, unsecured tools or machinery, and any extremely aggressive household animals or pets.

Liability hazards also include one or more incidents involving a threat, harassment, or physical assault by the insured or applicant for insurance on an insurer employee, agent, or agent employee while acting within the scope of his or her employment so long as a report of the incident was filed with an appropriate law enforcement agency.

## **Construction Type**

Homes built of non-conventional construction types cannot be bound if they are located in a semi-protected or unprotected location. Homes built of Exterior Insulation and Finish Systems (EIFS) or Synthetic Stucco must have the mold exclusion in place and be built after 2000 to be eligible for coverage.

## **Roofs**

Roofs cannot be in need of repair. Several common roof compositions and observable conditions that indicate unbindable deficiencies of a roof include but are not limited to:

- All types of roofs - There must be no evidence of roof rot or significant moss accumulation, or any signs of buckling or bowing along the entire roof.
- Asphalt Shingles - Shingles made of felt or inorganic fiberglass saturated with asphalt and surfaced with mineral granules. Also called composition shingles, these may be made in individual strips, interlocking and self-sealing. There may be no evidence of curling, loose, or missing shingles. Asphalt shingles cannot be more than 20 years old.
- Slate - Hard rock cut into thin tiles or slabs. Slate comes in a number of sizes, thickness, and finishes. All slates must be intact and the flashing must not appear deteriorated.
- Built-up - Cannot be more than 2 layers or 10 years old.
- Tile - Tiles that are either tapered or straight and barrel shaped with interlocking side laps or side joints. All tiles must be intact and the flashing must not appear deteriorated. Tile roofs cannot be 40 years old.
- Wood Shakes - Wood roofs are not acceptable in designated fire/brush areas. In non-designated areas, wood roofs must be 10 years old or newer with a minimum policy deductible of \$1,000. All chimneys must have spark arrestors. Wood shakes are manufactured in 3 grades of quality: grade 3 is ineligible.

In addition to wear and tear of the roof, there are other adverse roof conditions. The roof must be clear of overhanging trees and dead limbs. Gutters must be free of debris and can't drain onto walkways. There can be no water stains on interior ceilings or patching.

## **Chimneys**

The chimney must be structurally sound. A leaning chimney means the flue is also leaning. This does not allow the proper draft and fumes may revert back into the house. A leaning chimney may also crack or cause chimney fire. There may be no evidence of loose or cracked bricks that can be dislodged. Loose bricks indicate the chimney needs re-pointing (cement between bricks) or seam repair. Chimney flashing should be intact. There must be only one heating system per flue. Creosote stains that are visible on the exterior of the chimney may be evidence that the chimney is not cleaned regularly. Creosote is flammable; excessive buildup can cause chimney fire.

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## **Electrical system**

Exterior connections : Exterior wiring connections may not run through or be in contact with trees, plants or landscaping. Wiring hanging down the side of the dwelling must be taut and mounted with electrical connectors.

Circuit protection : All homes must have a minimum of 100 amp electrical service. Circuits cannot be overloaded. Overloaded circuits create heat, which can easily lead to fire.

Wiring : Active knob and tube wiring cannot be present, as it poses a potential fire exposure. This wiring runs electrical current through two bare parallel wires. Because it has no protection from other conduits, it can easily cause fire or severe injury if touched.

Fuse box: The cover of the fuse box or breaker panel must be intact and closed.

## **Heating source/system**

Dwellings which are not centrally heated from a single, non-portable source are ineligible for coverage.

The central heating system should operate with a thermostat. Thermostats are a protective feature because they regulate the running of the furnace or heating unit. Thermostats prevent the system from perpetual operation and resultant overheating and maintain an acceptable minimum temperature to avoid damage by freezing. Any fuel tank and its supply lines must not be leaking or rusting.

**Supplemental heating devices other than wood or coal burning stoves:** Homes with supplemental heating devices which do not meet the requirements below are ineligible for coverage:

1. There may be no losses related to the supplemental heating device.
2. Devices requiring installation, such as solar panels, should be professionally installed and meet all codes and standards. Underwriting may obtain a professional inspection report upon review of the application.
3. The Heating Devices section in the Supplemental Application must be completed and accompany the application.

**Wood or Coal Burning Stoves:** Stoves not meeting the below criteria are ineligible for coverage:

1. The stove is professionally installed to code
2. The stove is UL listed
3. The chimney is inspected and cleaned at least once per year
4. The stove is not the primary heat source of the dwelling
5. The stove is of single wall construction
6. The stove has its own lined masonry chimney or a UL approved stove pipe
7. There is a minimum of one smoke detector in the home
8. The back of the stove is at least 3ft from any combustible wall
9. The sides and front of the stove must be at least 2 feet from any surface
10. The walls and top of the stove must be free of distortions, cracks, pits and flaking paint
11. The unit stands on four legs of equal length
12. The legs should be placed on a noncombustible floor protector that extends at least 1.5 feet from the door opening
13. There should be no flammable materials or surfaces within 36 inches of the unit. This includes kindling, newspapers, kerosene and aerosols
14. The stovepipe should not pass through the ceiling

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15. The stovepipe should be no more than 8 feet in length and have no more than two elbows
16. The chimney should extend at least three feet above any roof ridge within 10 feet. If greater than four feet it must be braced.
17. For metal chimneys, there should be no black stains on the exterior (this reveals that creosote has leaked out) and it should not appear corroded. The chimney cap should not be blue; this is usually a sign of flagrant abuse.

### **Foundation**

The dwelling must be permanently affixed to an enclosed foundation that is not cracked or heaving. Foundations built into hillsides with steep grades should be evaluated in consideration of their increased exposure and higher replacement value.

### **Hazardous Activities/Hobbies**

The Company Representative should be alert to identify any activities and/or hobbies conducted on premises that would pose an increased exposure to loss. Examples of hazardous activities/hobbies include, but are not limited to: collection of valuables without commensurate protection, welding work conducted on premises, and the use of kilns or other stoves for craft making. When present, the Company Representative must discuss the risk with Underwriting prior to binding coverage.

### Previous Cancellation

Coverage will not be declined solely on the basis of a previous insurance cancellation. Specific reasons why any applicant has previously been refused, cancelled or non-renewed is required.

### Previous Losses

Catastrophe, weather and medical claims are excluded from review.

Applicants are permitted 1 prior non-excluded loss in the past 3 years, provided loss was not due to negligence or fraud, and the damage has been repaired.

In the case of FN policies, applicants are not permitted any non-excluded losses in the past 3 years.

Existing customers may no longer be eligible for coverage if there have been multiple non-excluded losses in the past 3 years. Customers with 1 or more losses involving fraud and/or negligence are also subject to possible nonrenewal.

### Coverage Level

The minimum Homeowner coverage A level for new customers is \$25,000.

The minimum Tenants and Condominium coverage C level for new customers is \$15,000.

### Protected Location

The property must be in a protected location or semi-protected location. Semi-Protected locations may not be of a nonconventional construction.

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### **Hillside Exposures**

Because of increased reconstruction costs due to their unique construction and/or location, dwellings built on stilts, filled land or hillsides exceeding a 30 degree incline require prior Director of State Operations approval.

### **Wildfire Exposures**

Designated areas of California present increased exposure to wildfire and as a result writing property exposures in these areas is restricted. Liberty Mutual Personal Market leverages Safeco's Map Analyst to determine underwriting restrictions.

The wildfire exposure is not static. The map is reviewed and updated on an ongoing basis as new exposures are identified and as homes continue to be built in the wildfire interface areas.

D2 (Red), D1 (Bureau), and C3 (FIRE) are the designations for areas with extreme wildfire exposure. Taken together, these areas are known as "wildfire areas." These areas present an unacceptable wildfire exposure due to one or more of the following:

- Proximity to native and/or non-native flammable vegetation
- Wind patterns relative to fuels during typical wildfire season
- Accessibility of roads to firefighting/emergency response equipment

H3 and FN risks in D2/D1/C3 "wildfire areas" are unbindable and can only be written with approval from the Director of State Operations.

If Map Analyst cannot pinpoint the location of a property the policy will be referred for underwriting review. Generally this occurs for new homes in recently developed areas, but may occur if the address is incorrect or the street is misspelled. Risks which are unable to map should be referred to the Director of State Operations for review.

Current H3 policies in wildfire areas may be rewritten as FN policies if all other eligibility requirements are met. Current FN policies in wildfire areas may not be rewritten as H3 policies.

### **Wildfire Risk-Management Program**

Liberty Mutual may periodically utilize targeted non-renewals to reduce exposure to catastrophic wildfire events.

The following three-step process is used to non-renew in-force H3 policies located in these high-risk areas:

- 1) Safeco's Map Analyst is used to determine properties that are located in wildfire areas.
- 2) Policies in these areas are manually reviewed by the wildfire underwriting team to confirm high risk.
- 3) A secondary model based on individual policy characteristics is utilized to rank policies from highest to lowest risk.

The following two-step process is used to non-renew in-force FN policies located in these high-risk areas:

- 1) Safeco's Map Analyst is used to determine properties that are located in wildfire areas.
- 2) Policies in these areas are manually reviewed by the wildfire underwriting team to confirm high risk.

Policyholders continuously insured with Liberty Mutual since 1985 are excluded. Exceptions must be approved by the Director of State Operations.

### **Additional Restrictions:**

Homeowners and dwelling fire policies with coverage A of \$350,000 or greater are ineligible in the following zip codes. Exceptions must be approved by the Director of State Operations.

94159	94175	94121	94118	94115	94112	94143
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94169	94117	94132	94114	94170	94103	
94144	94165	94168	94102	94172	94015	
94116	94016	94123	94142	94157	94166	
94122	94146	94135	94141	94147	94109	

### Occupancy

Vacant or unoccupied dwellings are ineligible. Properties that are vacant and unoccupied are more susceptible to various perils including, but not limited to, vandalism or malicious mischief, theft, arson and freezing pipes. Vacant or unoccupied homes for less than 30 days or due to active duty as military personnel are exempt from this rule.

### Roomers or Boarders

A **Homeowner policy** may be issued to the owner-occupant(s) of a dwelling that contains not more than 2 families and with not more than 2 roomers or boarders per family.

A **Condominium policy** may be issued to the owner of a condominium or cooperative unit which is not occupied by more than 1 additional family or more than 3 boarders or roomers.

A **Tenants policy** may be issued to the tenant(s) (non-owner) of a dwelling, an apartment, or a townhouse that is not occupied by more than 1 additional family or more than 3 roomers or boarders.

A roomer or boarder is a person who rents a room in another person's home (either from the owner occupant, lessee or tenant occupant) and lives there in exchange for payment.

### Animals

**Wild Animals:** The applicant, resident relatives or tenants may not own or keep on the premises any wild animals. A wild animal is any animal not intended for captivity or bred domestically for use as a household pet.

**Farm/Undomesticated Animals:** The number of farm/undomesticated animals (e.g. horses, chickens or boarding animals not typically sold in a pet store) cannot exceed two.

**Dogs:** All dogs owned or kept by the applicant, resident relatives or tenants are subject to the following eligibility criteria. This includes dogs kept by tenants in rental property and kept in multiple family units rented to others.

**All Dogs** - The following conditions are ineligible:

- 1). The dog has bitten a person or attacked another animal
- 2). The dog has caused bodily injury, property damage, or loss
- 3). The dog is trained as an attack, guard, or fighting dog
- 4). The number of dogs on the premises is three or more
- 5). The dog has previously been reported to a civil authority 6).

The animal is a wolf or any cross with a wolf breed

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**Canine Breeds subject to additional underwriting criteria** - Canine Breeds: Akita, Alaskan Malamute, Chow, Doberman Pinscher, German Shepherd, Pit Bull Terrier, Rottweiler, Siberian Husky, Presa Canario, or any cross/mix with these breeds. Do not provide coverage for the dog breeds listed if any of the following is known beforehand and the dog has not passed obedience training or an American Kennel Club certified program:

- 1). The dog has not received up-to-date vaccinations
- 2). The yard is not fenced in
- 3). The dog is not neutered or spayed
- 4). There is a business located on the premises
- 5). The dog has not been owned by the applicant for at least 6 months
- 6). There are children in the household or on the premises that are under the age of 12

Some dogs have unique breed names. Unique breeds are based on what breeds make up the derived name. For example, an Alaskan Husky is a cross between a Siberian Husky and another breed. Since the Siberian Husky is on the list of breeds which must meet additional underwriting criteria, the Alaskan Husky must also meet the additional underwriting criteria.

**Service dogs** - As defined by the American Disabilities Act, a service dog is “any seeing eye dog, guide dog or signal dog trained to provide assistance to an individual with a disability.” This would include dogs assisting the blind, the hearing impaired, and people with mobility impairments. Service dogs that are of a breed subject to “II. Canine Breeds subject to additional underwriting criteria (i.e. German Shepherd)” are bindable if they qualify for Section I criteria.

### Dwelling Under Construction

The dwelling must be completely constructed, with no unrepaired prior damage or incomplete renovations. Coverage for a dwelling under construction or renovation may be bound under a standard Homeowner policy, provided the dwelling will be owner occupied, construction will be completed within 6 months, and all work will be performed by a licensed contractor.

#### Broadening Coverage

New or additional coverage may not be bound to cover an impending catastrophe.

### Home Day Care Coverage

Home Day Care coverage is available only for those taking care of 3 or fewer children. Prior Approval is required if Home Day Care coverage is to be endorsed to the Homeowner Policy.

### Property Inspection Ordering Guidelines

Inspections may be ordered at the Company’s discretion.

### Home Protector Plus, Expanded Home Protector Plus and Expanded Replacement Cost Coverage

Coverage can only added if all the following apply:

- LibertyGuard Deluxe Homeowners Policy must be used
- Single or two family owner-occupied dwelling
- Dwellings insured to 100% of replacement cost

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- Dwelling includes Inflation Protection Coverage
- Dwellings located in a protected or semi-protected area
- Dwellings have the following protective devices installed: smoke or heat alarms on every floor, fire extinguishers, dead-bolt locks on all accessible doors.