

**Program of Operation of the  
Joint Insurance Association  
Under the  
Maryland Property Insurance Availability Act**

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**Program of Operation of the  
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**Article I Name**

This organization shall be an unincorporated association and shall be known as Joint Insurance Association (hereinafter referred to as "Association". Its headquarters shall be In Maryland.

**Article II Purpose**

It is the purpose of this Association to implement the provisions of the Maryland Property Insurance Availability Act (Sections 25-401 through 25-410 of the Insurance Article of the Maryland Code, hereinafter referred to as the "Act") and of this Program of Operation. All provisions of this program are to be construed so as to comply with the Maryland Insurance Code.

The Association may provide insurance coverage only on property located in the State of Maryland.

**Article III Definitions**

- A. All terms shall have the meanings assigned such terms by Section 25-401, of the Maryland Insurance Code.
- B. "Service Insurer" shall mean an insurer that enters into an agreement with the Association to issue or service policies or risks referred to it by the Association.
- C. Except as specifically noted, "Homeowners Insurance" shall mean insurance as defined and limited by Section 25-401(e) and Section 25-405(g) of the Act.
- D. The words "Essential Property Insurance components of multi-peril policies" in Title 25-401.(g)(1) of the Act shall mean one hundred percent (100%) of voluntary market homeowner's multiple peril policy premiums, ninety-five percent (95%) of farmowner's multiple peril policy premiums and one-hundred percent (100%) of commercial multiple peril policy premiums (non-liability portion).
- E. "Maryland Insurance Code" shall mean the Insurance Article of the Maryland Code.

**Article IV Membership**

**A. Members**

The Association's members shall comprise all insurers licensed to write in the State of Maryland, on a direct basis, Essential Property Insurance or any component thereof in multi-peril policies.

**B. Withdrawal of Membership**

A member which has withdrawn from the State or whose license has been suspended or revoked or against which delinquency proceedings have been instituted shall continue to be liable for its share of the obligations arising from its participation in the Association calculated

as of the end of the Association's fiscal year, regardless of the date of the withdrawal, license suspension or revocation, or institution of delinquency proceedings.

C. Merger or Consolidation

When a member has been merged or consolidated into another insurer, such member or its successor in interest shall remain liable for all obligations hereunder and shall continue to participate in the Association based upon the Premiums Written of the member and the other insurers with which it has been merged or consolidated.

**Article V Governing Committee**

A. Number

The Association shall be administered by a Governing Committee consisting of nine (9) members selected in accordance with the provisions of Section 25-403(e) of the Maryland Insurance Code.

B. Powers

1. The Governing Committee shall have responsibility for the administration of the Association and may adopt and promulgate such rules as may be necessary to carry out the purposes of the Association, subject to the approval of the Commissioner.
2. The Governing Committee is empowered to appoint a Manager, who shall serve at the pleasure of the Governing Committee, and to budget expenses, levy assessments, hire personnel, disburse funds, participate in and make contributions to arson reward funds and other similar funds, and perform all other duties provided herein or necessary or incidental to the proper administration of the Program. Further, the Governing Committee shall furnish to all members of the Association a report of operations, which shall include at least the following:
  - a. number of requests for inspection
  - b. number of inspections performed
  - c. Results of underwriting by the Association, broken down as to number of risks conditionally accepted, number of reinspections performed, number of risks declined, and such other information as the Committee may prescribe.

C. Officers

The Governing Committee shall elect from its number a Chair and a Vice-Chair and shall appoint a Secretary.

D. Place and Frequency of Meetings

Regular and special meetings of the Governing Committee shall be held in a place within or without the State of Maryland as designated by the Chair of the Governing Committee. The Governing Committee shall meet as often as may be required to perform the general duties of administration and shall meet at the call of the Chair or upon the request of any three members of the Governing Committee. Due notice of all meetings shall be furnished to all members of the Governing Committee by the Secretary.

E. Procedure

The Chair, or in the Chair's absence the Vice-Chair, shall preside at meetings of the Governing Committee and of the Association. The Secretary, or in the Secretary's absence a person appointed by the presiding officer, shall act as Secretary at such meetings.

F. Quorum

Each member of the Governing Committee shall have one vote and any matter submitted shall be carried provided it receives an affirmative vote from a majority of the members of the entire Governing Committee. Five (5) members of the Governing Committee shall constitute a quorum. Members may be present either in person or by teleconference or electronic means.

**G. Mail Voting**

Any matter subject to vote by the Governing Committee may, with approval of the Chair or the Vice-Chair, be voted upon by mail, facsimile or other electronic communication and any proposal submitted to such a vote shall carry if it receives the affirmative votes of a majority of the members of the entire Governing Committee and receives two or less negative votes.

**H. Audits and Inspections**

The Governing Committee shall have the right, in person or through representatives, at all reasonable times, to audit and inspect the books and records of a Service Insurer as to matters coming within the purview of this Program.

**Article VI Meetings of Members**

**A. Annual Meetings**

There shall be an annual meeting of the members of the Association on a date fixed by the Governing Committee for the election of the Governing Committee and such other business as may be necessary.

**B. Special Meetings**

Special meetings of the members may be called by the Governing Committee on its own motion or upon the written request to the Governing Committee by any six (6) members, not more than one (1) of which number shall be in the same group of insurers as respects management or ownership.

**C. Notice of Meetings**

Written notice of any annual or special meeting, stating the time, place and principal purpose thereof, shall be given to all members at least twenty (20) days in advance of such meeting. Such notice, in the case of a special meeting, shall be accompanied by the agenda for such meeting and such supporting data and information as may conveniently be assembled by the Governing Committee. No matter may be considered at any special meeting which has not been included in the agenda thereof.

**D. Quorum**

At any annual or special meeting, members representing not less than fifty-one percent (51%) of the participation in the Association according to Premiums Written of those present or represented by proxy shall constitute a quorum.

**E. Voting**

Voting on matters requiring a vote by the members, including proposed amendments to this Program of Operation, shall be weighted in accordance with the then current participation of each member. A proposal other than for the election of members of the Governing Committee shall be considered adopted by the members when approved by at least a majority of the votes cast on such weighted basis. Voting by proxy shall be permitted at any meeting of the members.

**F. Voting By Mail and Other Means**

Any matter subject to vote by the members may be proposed and voted upon by mail, facsimile or other electronic communication, provided such procedure is authorized by a majority of the members of the Governing Committee present and voting at any meeting of the Governing Committee. Notice of any proposal so authorized shall be mailed or sent by

facsimile or other electronic communication to the members not less than twenty (20) days prior to the final date fixed by the Governing Committee for voting thereon.

### **Article VII Indemnification**

A. 1. The Association shall indemnify:

(a) each member of the Governing Committee (or other board empowered to act in the capacity of a board of directors) and the representatives of any insurer member of the Governing Committee, each member of any other committee or any subcommittee of the Association, and the estate, executor, administrator, personal representative, heirs, legatees and devisees of any such person; and

(b) every insurer member of the Association, both as a member and by reason of such insurer having one or more of its personal representatives or employees serving in any of the capacities or positions specified in clause (a) herein or as an officer or employee of the Association;

made a party to a proceeding by reason of service in that capacity unless it is proved that:

(aa) the act or omission of such member or person was material to the cause of action adjudicated in the proceeding; and (i) was committed in bad faith; or (ii) was the result of active and deliberate dishonesty; or

(bb) such member or person actually received an improper personal benefit in money, property, or services; or

(cc) in the case of any criminal proceeding, such member or person had reasonable cause to believe that the act or omission was unlawful.

2. Indemnification shall be against judgments, penalties, fines, settlements, and reasonable expenses actually incurred by the member or person in connection with the proceeding. However, if the proceeding was one by or in the right of the Association, indemnification shall not be made in respect of any proceeding in which the member or person shall have been adjudged to be liable to the Association.

3. The termination of any proceeding by judgment, order, or settlement does not create a presumption that the member or person did not meet the requisite standard of conduct set forth in this paragraph (A). The termination of any proceeding by conviction, or a plea of no lo contendre or its equivalent, or an entry of an order of probation prior to judgment, creates a rebuttable presumption that the member or person did not meet that standard of conduct.

B. 1. The Association may indemnify any officer or employee of the Association, any consultant to or independent contractor retained by the Association or the estate, executor, administrator, personal representative, heirs, legatees or devisees of such person made a party to a proceeding by reason of service in that capacity unless it is proved that:

(a) the act or omission of such person was material to the cause of action adjudicated in the proceeding; and (i) was committed in bad faith; or (ii) was the result of active and deliberate dishonesty; or

(b) such person actually received an improper personal benefit in money, property, or services; or

(c) in the case of any criminal proceeding, such person had reasonable cause to believe that the act or omission was unlawful.

2. Indemnification may be against judgments, penalties, fines, settlement, and reasonable expenses actually incurred by the person in connection with the proceeding. However, if the proceeding was one by or in the right of the Association, indemnification may not be made in respect of any proceeding in which the person shall have been adjudged to be liable to the Association.

3. The termination of any proceeding by judgment, order or settlement does not create a presumption that the person did not meet the requisite standard of conduct set forth in this paragraph (B). The termination of any proceeding by conviction, or a plea of no lo contendre or its equivalent, or an entry of an order of probation prior to judgment, creates a rebuttable presumption that the person did not meet that standard of conduct.

C. A member or person shall not be indemnified under paragraph (A) or (B) of this Article in respect of any proceeding charging improper personal benefit to the member or person, whether or not involving action in the member's or person's official capacity, in which the member or person was adjudged to be liable on the basis that personal benefit was improperly received. .

D. 1. A court of appropriate jurisdiction, upon application of a member or person and such notice as the court shall require, may order indemnification in the following circumstances:

(a) if it determines a member or person is entitled to reimbursement, under paragraph (A) of this Article, the court shall order indemnification, in which case the member or person shall be entitled to recover the expenses of securing such reimbursement or

(b) if it determines that the member or person is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not the member or person met the standards of conduct set forth in paragraph (A) or (B) of this Article or has been adjudged liable under the circumstances described in paragraph (C) of this Article, the court may order such indemnification as the court shall deem proper. However, indemnification with respect to any proceeding by or in the right of the Association or in which liability shall have been adjudged in the circumstances described in paragraph (C) shall be limited to expenses.

2. A court of appropriate jurisdiction may be the same court in which the proceeding involving the member's or person's liability took place.

E. 1. Indemnification under paragraph (A) of this Article shall not be made by the Association unless authorized for a specific proceeding after a determination has been made that indemnification of the member or person is required in the circumstances because the member or person has met the standard of conduct set forth in paragraph (A) of this Article.

2. Such determination under subparagraph 1 above shall be made:

(a) by the Governing Committee by a majority vote of a quorum consisting of members of the Governing Committee not, at the time, parties to the proceeding, or, if such a quorum cannot be obtained, then by a majority vote of a subcommittee of the Governing Committee consisting solely of two or more Governing Committee members not, at the time, parties to such proceeding and who were duly designated to act in the matter by a majority vote of the full Governing Committee in which the designated Governing Committee members who are parties may participate;

(b) by special legal counsel selected by the Governing Committee or a subcommittee of the Governing Committee by vote as set forth in subparagraph (a) hereof, or, if the requisite quorum of the full Governing Committee cannot be obtained therefore and the subcommittee cannot be established, by a majority vote of the full Governing Committee in which Governing Committee members who are parties may participate; or

(c) by the insurer members of the Association.

3. Indemnification under paragraph (B) of this Article may not be made by the Association unless authorized for a specific proceeding after a determination has been made that indemnification of the person is permitted in the circumstances because the person has met the standard of conduct set forth in paragraph (B) of this Article and that in the circumstances indemnification is in the best interests of the Association.

4. Such determination under subparagraph 3 above shall be made:

(a) by the governing Committee by a majority vote of a quorum consisting of members of the Governing Committee not, at the time, parties to the proceeding, or, if such a quorum cannot be obtained, then by a majority vote of a subcommittee of the Governing Committee consisting solely of two or more Governing Committee members not, at the time, parties to such proceeding and who were duly designated to act in the matter by a majority vote of the full Governing Committee in which the designated Governing Committee members who are parties may participate; or

(b) by the insurer members of the Association.

5. Authorization of indemnification and determination as to reasonableness of expenses shall be made in the same manner as the determination that indemnification is required or permitted. However, if a determination that indemnification is required is made by special legal counsel, authorization of indemnification and determination as to reasonableness of expenses shall be made in the manner specified in subparagraph (b) of the third preceding paragraph for selection of such counsel.

F. 1. Reasonable expenses incurred by a member or person (other than an officer or employee) who is a party to a proceeding shall be paid or reimbursed by the Association (and, in the case of an officer or employee, may be paid or reimbursed by the Association) in advance of the final disposition of the proceeding upon receipt by the Association of:

(a) a written affirmation by the member or person of the member's or person's good faith belief that the standard of conduct necessary for indemnification by the Association as authorized by this Article has been met; and

(b) a written undertaking by or on behalf of the member or person to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

2. The undertaking required by subparagraph (b) of the preceding paragraph shall be an unlimited general obligation of the member or person but, in the discretion of the Governing Committee, need not be secured and may be accepted without reference to financial ability to make the repayment.

3. Payments under this paragraph (F) shall be made as provided by contract or as specified in paragraph (D) or (E) of this Article, as the case may be.

G. The indemnification and advancement of expenses provided or authorized by this Article shall not be deemed exclusive of any other rights, by indemnification or otherwise, to which the member or person may be entitled under the Act, a resolution of the insurer members or the Governing Committee, an agreement or otherwise, both as to action in an official capacity and as to action in another capacity while holding such position.

H. This Article does not limit the Association's power to pay or reimburse expenses incurred by a member or person in connection with an appearance as a witness in a proceeding at a time

when the member or person has not been made a named defendant or respondent in the proceeding.

I. 1. The Association may purchase and maintain insurance on behalf of any entity or person who is or was an insurer member, a member of the Governing Committee, a representative of any insurer member of the Governing Committee, a member of any other committee or any subcommittee of the Association, and the estate, executor, administrator, personal representative, heirs, legatee and devisees of any such person, or an officer or employee of the Association and the estate, executor, administrator, personal representative, heirs, legatees or devisees of such officer or employee, or which (or who), while an insurer member, member of the Governing Committee, representative of an insurer member of the Governing Committee, member of any other committee or any subcommittee, officer or employee of the Association, is or was serving at the request of the Association as a director, officer, partner, trustee, employee, or agent of a foreign or domestic corporation, partnership, joint venture, trust, other enterprises, or employee benefit plan, against any liability asserted against and incurred by such entity or person in any such capacity or arising out of such entity's or person's position, whether or not the Association would have the power to indemnify against liability under the provisions of this Article.

2. The Association may provide similar protection, including a trust fund, letter of credit, or surety bond, not inconsistent with this Article.

3. Any insurance or similar protection provided by the Association may be procured through an insurer member or other affiliate of the Association.

4. The indemnification provided by this Article shall be secondary to any benefits which the member or person may be entitled to receive from any applicable insurance policy providing Directors and Officers, Errors and Omissions or other applicable insurance coverage which has been procured by the Association or for which the Association has paid the premium.

J. The indemnification provided by this Article shall be primary over any indemnification provided by insurer member or a member of the Governing Committee at his or its own expense. The indemnification provided for in this Article shall be deemed to be an expense of the Association to which all of the members of the Association shall contribute in the proportion that such member participates according to law in writings, expenses, and losses of the Association.

K. In this Article the following words have the meanings indicated.

(a) "Member" means any entity which is or was an insurer member or a member of the Governing Committee of the Association.

(b) "Expenses" includes attorney's fees.

(c) "Official capacity" means the following:

(i) When used with respect to an insurer member, the role of insurer member of the Association;

(ii) When used with respect to a member of the Governing Committee, the office of member of the Governing Committee of the Association; and

(iii) When used with respect to an entity or person other than, insurer member or a member of the Governing Committee, the elective or appointive office in the Association held by the officer, or the employment relationship undertaken by the employee on behalf of the Association.

(d) "Party" includes a person who was, is, or is threatened to be made a named defendant or respondent in a proceeding.



(e) "Proceeding" means any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative.

#### **Article VIII Insolvency**

- A. In the event any member fails, by reason of insolvency, to pay its proportion of any expense or any loss incurred by the Association, such unpaid loss or expense shall be paid by the remaining members, each contributing in the manner provided for in the distribution of expenses and losses under the Program, deleting there from the proportion of the defaulting member. The Association shall be subrogated to the rights of the remaining members in any liquidation proceeding and shall have full authority on their behalf to exercise such rights in any action or proceeding.
- B. In the event of insolvency of a member, any reinsurance assumed by the Association with respect to policies issued by such member pursuant to the Program shall be payable, on the basis of liability of the member without diminution because of the insolvency of the member, directly to the member, or to its liquidator, receiver or statutory successor, except where the Association with the consent of the insured under such reinsured policy, as evidenced by endorsement thereon, has assumed the policy obligations of the member as direct obligations of the Association to the payees under such policy and in substitution for the obligations of the member to such payees.
- C. The liquidator, receiver or statutory successor of the member shall give written notice to the Association of the pendency of a claim against the member on the policy reinsured within a reasonable time after such claim is filed in the insolvency proceeding. During the pendency of such claim, the Association may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated any defense or defenses that it may deem available to the member or its liquidator, receiver or statutory successor. The expense thus incurred by the Association shall be chargeable subject to court approval against the insolvent member as part of the expense of liquidation to the extent of a proportionate share of the benefit which may accrue to such member solely as a result of the defense undertaken by the Association.

#### **Article IX Dissolution**

The Association shall be dissolved when the Program terminates and all obligations under policies issued under the Program have been discharged.

Upon dissolution the Governing Committee shall have the power and authority to: collect all accounts, assets or funds belonging to the Association or to its members resulting from the operations of the Association; pay debts and obligations of the Association; sell, transfer and convey all good will which may have accrued to the Association or to its members resulting from the operations of the Association; adjust, as between members, all rights and interests in the Association or in the fruits or proceeds thereof, and in the relations of the members of the Association to each other resulting from the operations of the Association; and take all other steps and action as may be deemed by the Governing Committee to be necessary to carry into full effect the foregoing provisions and for liquidating and determining the affairs of the Association.

#### **Article X Producers**

- A. The Association shall have no producers. It shall do business directly with applicants or with licensed producers which represent applicants.

- B. Commissions shall be paid by the Association to the licensed producer, if any, designated by the applicant.
- C. Commissions payable on sales of Essential Property Insurance and on sales of Homeowners Insurance shall be at such levels as may be determined by the Governing Committee.
- D. The Association will not recognize or protect the ownership of policy expirations of any licensed producer placing risks with the Association.

#### **Article XI Assumption of Liability**

All liability assumed by the Association under this Program of Operation shall be through its own policies or through 100% reinsurance of Service Insurers which shall issue their own policies on behalf of the Association in accordance with this Program of Operation. Criteria for accounting, recording of statistics and claims handling shall be developed by the Governing Committee.

The Governing Committee may, in its discretion, determine to reinsure all or any portion of the liability assumed by the Association with such reinsurers as it may deem appropriate.

#### **Article XII Policy Issuance**

##### A. Policy Issuance

All policies issued by the Association shall be for such Essential Property Insurance or Homeowners Insurance as is desired by the applicant and for which the applicant may qualify. Policies shall be on only those policy forms designated by the Governing Committee and approved by the Commissioner for use by the Association and shall be written in accordance with the rates, rules and forms filed by a rating organization or by the Association on behalf of or for use by the Association. Such policies shall be issued for a term of one (1) year; provided, however, a policy may be issued on request by the applicant for a period of less than one (1) year so as to obtain a common expiration date with other policies.

##### B. Binding

Eligible risks shall be subject to tentative binding in accordance with procedures adopted by the Governing Committee in the Rules of the Program.

#### **Article XIII Homeowner's Insurance Program**

- A. A Program of Homeowner's Insurance shall be established by the Association to provide homeowners insurance coverage to eligible applicants as required by Section 25-402(6) and 25-405(g) of the Maryland Insurance Code.
- B. The Association will make Homeowner's Insurance available in accordance with procedures adopted by the Governing Committee in the Rules of the Program.

#### **Article XIV Inspections and Reports**

- A. The Association shall prescribe the manner and scope of inspections contemplated by Section 25-407 of the Maryland Insurance Code.
- B. The original inspection or attempt to inspect shall be at no cost to the applicant. If the inspector is unable to complete an inspection of the property due to the fault of the owner or applicant or their designated responsible representative, the Association shall require the applicant to pay, in advance, the reasonable cost of any subsequent inspection efforts.

- C. The fact that an owner is not present shall not be the basis for denying an inspection to a tenant. However, the applicant or owner or their designated responsible representative shall be present, and the inspector must be provided full access to the building. Inspections will be made according to the Association's Rules of the Program.

#### **Article XV Underwriting**

- A. In order to achieve maximum uniformity in the definition and application of reasonable underwriting standards, the Governing Committee shall specify criteria, which shall be used by the Association in determining insurability.
- B. Neighborhood or area location or any environmental hazard beyond the control of the property owner, or of a tenant if contents coverage is under consideration, shall not be deemed to be acceptable criteria for declining a risk, or for classifying it as substandard pursuant to Paragraph C, or for requesting the applicant to make an application under Section 11-210 or 11-311 of the Maryland Insurance Code.
- C. If the inspection of the property reveals that there are one or more substandard conditions, condition charges may be imposed in conformity with the substandard rating plan approved by the Commissioner. Whenever improvements are specified, they shall be set forth in such a way that the applicant will know what must be done to achieve insurability at standard rates (a) with an approved condition charge, or (b) without any condition charge. If an approved condition charge is applicable, coverage shall be provided immediately at the approved higher rate during the period in which any improvements are being made. If improvements are completed and are verified by the Association through inspection or other means, the premium shall be pro-rated and adjusted to the proper level. Coverage bound and cancelled prior to policy issuance, will result in tentative bound premium being returned on a pro-rated basis.
- D. The Association shall, after receipt of the inspection report, promptly advise the producer or applicant that:
  - a. the risk is acceptable; or
  - b. the risk is not acceptable for the reasons stated; or
  - c. the risk will be acceptable if the improvements noted are made and confirmed.
- E. If the risk is acceptable, the Association, upon receipt from the applicant of the full amount of the required premium by check, money order, approved electronic payment methods, the check of a licensed lending institution or the check of a licensed producer shall issue its own policy or instruct a Service Insurer to issue a policy. A single policy shall be issued for the entire amount of insurance accepted by the Association for such risk.
- F. In the event that a risk is not acceptable because it is ineligible or fails to meet reasonable underwriting standards, the Association shall promptly so notify the applicant. Such notification shall include a statement setting forth the features or conditions of the property which provide the basis for a determination that it is ineligible or not an acceptable risk. Pursuant to Article XXI, each such notification shall inform the applicant of his right to appeal such a determination and shall advise him of the means whereby such an appeal may be initiated.
- G. In the event the risk will become acceptable if the improvements noted are made, the Association shall promptly so notify the applicant and the designated producer, if any.

Such notification shall conform to Paragraph F above and shall, in addition, set forth the measures which, if taken, will render the property acceptable.

- H. Whenever the quoted premium includes a surcharge in accordance with the substandard rating plan, the Association shall show on each Approval Notice an explanation of the reason for the surcharge and reflect the amount of the surcharge.
- I. The premium to be charged shall be the greater of (a) the minimum premium applicable to such property, or (b) the premium developed by the application of the appropriate specific or class rate increased by any surcharges under the substandard rating plan where the standard rating procedure results in a premium greater than the minimum premium. However, if the standard rating procedure results in a premium that would be less than the minimum premium, then the final premium shall be developed by the application of the appropriate surcharges applied on top of the minimum premium. The substandard rating plan shall be applied in addition to any published rate.
- J. Subject to special sub-limits for construction, protection and class of occupancy, the maximum limit of liability which may be placed through this Program on any property at any one location is \$1,500,000. The term "at one location" as used herein refers to real and personal property comprised of or contained in a single building.
- K. The special sub-limits for construction, protection and class of occupancy (based on codes assigned and promulgated by the Insurance Services Office), as referred to above, are as follows:

1. Habitational Classes:

Dwellings (not more than four families)

Buildings \$455,000

Contents \$228,000

2. All other Classes, Buildings and Contents:

	Protected	Unprotected
Fire-resistive	\$1,500,000	\$1,500,000
Masonry	\$1,500,000	\$1,500,000
Frame	\$1,500,000	\$1,500,000

**Article XVI Installment Payment Program**

- A. The provisions of this Article are intended to provide a premium installment plan as authorized in Title 25-405.(d)(9) of the Act.
- B. The Association will make an Installment Payment Plan available in accordance with procedures adopted by the Governing Committee in the Rules of the Program and approved by the Insurance Administration.
- C. Commissions are not paid on the installment service charge. Commissions will not be paid on the unpaid installment balance until such balance is paid.

**Article XVII Cancellations**

- A. The Association shall cancel, or cause to have cancelled, a policy or tentative binder issued under this Program of Operation, with not less than 5 days prior written notice. if one of the following conditions exist:

- a. Owner or occupant incendiarism or vandalism or malicious mischief;
  - b. At least 65% of the rental units in a building consisting of 5 or more units are vacant or unoccupied, and the insured has not obtained prior approval from the Association of a rehabilitation plan which necessitates a high degree of vacancy or unoccupancy.
  - c. Extensive damage caused by a covered peril which exists at the time of the issuance of a policy or tentative binder under this Program of Operation;
  - d. Following a loss caused by a covered peril, permanent repairs following satisfactory adjustment of loss have not commenced within 60 days;
  - e. Real or personal property has been abandoned or there has been removal of salvageable items from the building;
  - f. Utilities such as electric, gas, or water services have been disconnected or real estate taxes have not been paid for a two year period after the taxes have become delinquent (real estate taxes shall not be deemed to be delinquent for this purpose even if they are due and constitute a lien, so long as grace period remains under local law during which such taxes may be paid without penalty);
  - g. Where reliable information that good cause exists to believe that the property will be damaged by a covered peril for the purpose of collecting insurance proceeds on the property;
  - h. Conviction or unresolved indictment of a named insured, loss payee, occupant or any person having a financial interest in the property of the crime of arson or any other crime involving an intent to defraud the Association or an insurance company;
  - i. Where the property has been subject to more than two (2) losses caused by covered perils, in any 12 month period; or more than three (3) losses caused by covered perils in any 24 month period, each such loss amounting to at least \$500 or one percent of the insurance in force, whichever is greater, provided that the causes of such losses are due to conditions which are the responsibility of the owner or named insured;
  - j. Material misrepresentation;
  - k. Nonpayment of premium;
  - l. After the second unsuccessful attempt to inspect the property. Failure of the insured, insured's producer, or representative to allow the inspection to be made according to the Association's Rules of the Program.
- B. Any cancellation upon less than forty-five (45) days notice, but not less than 5 days written notice, arising out of any of the above conditions shall follow the following procedure:
- a. The Association shall give notification of the cancellation to the insured, mortgagee, loss payee and producer as they appear on the application, giving the reasons for the action.
  - b. The notification shall set fourth the insured's prerogative to appeal to the Maryland Insurance Administration for review of the cancellation.
  - c. The cancellation shall stand unless the Insurance Administration rules otherwise.
- C. The provisions of this Article have been adopted pursuant to the authority of Section 25-405(d)(10) of the Maryland Insurance Code for the purpose of reducing certain statutorily imposed waiting periods for policy cancellation or non-renewal and shall not affect the Association right to terminate coverage or to avoid liability under a policy of insurance in accordance with any other applicable law.

### **Article XVIII Assessments and Distributions**

- A. The Governing Committee shall determine the expense and cash flow requirements of operating the Association and shall from time to time assess each member for its share of such expenses and requirements in accordance with its participation in the Association. The Governing Committee may set a minimum assessment to be paid by any member.
- B. Each member shall make payment of any assessment on or before the due date specified by the Governing Committee.
- C. The Governing Committee shall notify the Commissioner if any member shall fail to pay any assessment on or before the due date specified by the Governing Committee.
- D. The Governing Committee may distribute excess net liquid assets to the members, if the Governing Committee determines such a condition exists.

#### **Article XIX Depopulation and Participation Credit**

- A. It is the purpose of this Article to provide incentives for the placing of risks in the voluntary insurance market and to encourage the depopulation of insureds in the Association by producers and insurers wherever possible.
- B. The Association will make available at the office of the Association to any licensed producer or insurer, a reasonable time prior to expiration, a list of all expiring policies insured by the Association.
- C. Any licensed producer which places a risk with the Association shall be considered to have waived any interest in the expiration as part of the licensed producer's book of business.
- D. The Insurance Commissioner shall annually consult with the Governing Committee and, by notice to the Association, designate those areas of the State, which have a significant portion of Essential Property Insurance Policies issued by the Association. Members which write, on a voluntary basis, Essential Property Insurance or Homeowners Insurance coverage on a qualifying habitational dwelling located within the area designated by the Commissioner shall be eligible for a participation credit.
- E. A qualifying habitational dwelling must meet the following standards:
  - a. The subject building must be devoted to habitational uses and insurable on a dwelling coverage form.
  - b. The risk must be located in the geographic area currently designated by the Commissioner at the time it is written by the member.
  - c. The risk must have been insured by the Association, either through a current or an expiring policy, at the time it is written. Coverage through another intervening insurer or an intervening gap in coverage shall disqualify the risk for any participation credit.
- F. During the first year the risk is written by a member in the voluntary market, the participation credit shall be 100% of the annual premium paid by the risk to the member.
- G. The participation credits to which a member insurer shall be entitled shall be set off against the member's assessment obligations to the Association. The Governing Committee shall designate the term during which participation credits may be used.
- H. The Governing Committee shall set up audit procedures and documentary requirements for implementation of the participation credit program.

## **Article XX Recoupment**

- A. The provisions of this Article are intended to provide a method of recoupment as authorized by Title 25-405 of the Maryland Insurance Code.
- B. For the purposes of this Article, the following definitions will control:
  - a. Experience Period-The Experience Period shall be identical with the fiscal year of the Association.
  - b. Surcharge Period-The Surcharge Period shall be the twelve month period from the first day of the seventh month immediately following the close of the Experience Period.
  - c. Recoupment Factor-The Recoupment Factor shall be a fraction with the numerator being the sum of the assessments made by the Association on all member companies during the Experience Period and the denominator being the sum of the Premiums Written reported to the Association by all member companies for the purpose of participation in the Association during the subject Experience Period.
- C. The Association shall calculate and announce the Recoupment Factor to the members of the Association and to the Commissioner within 30 days following the close of the Experience Period.
- D. Each member of the Association shall have the option to recoup assessments made by the Association through the addition of the JIA Surcharge to premiums charged for all policies of essential property insurance, homeowners insurance and essential property insurance components of multi-peril policies. Each company shall notify the Commissioner within 60 days following the close of the Experience Period of its decision to recoup or not to recoup during the following Surcharge Period.
- E. The JIA Surcharge shall be calculated by applying the Recoupment Factor to premiums charged for all policies which include essential property insurance, homeowners insurance and essential property insurance components of multi-peril policies written during the Surcharge Period.
- F. If a member company exercises its option to recoup, it shall separately identify the JIA Surcharge on all billing documents, invoices, declaration pages or premium notices and shall do so using the label 'JIA Surcharge'.
- G. The amount of any JIA Surcharge shall not be included in premium reports to determine premium taxes, Association participation, reports to statistical agencies, nor any other expense based on premium writing.
- H. The Recoupment Factor may be adjusted by the Association to account for commissions to producers.
- I. The JIA Surcharge shall be applied to all policies issued by the Association or on its behalf.
- J. If a member company shall exercise its option to recoup and shall recoup an amount in any Surcharge Period which is greater than the assessment paid by the member to the Association during the preceding Experience Period, any excess recoupment shall be calculated and paid over to the Association within the six (6) months immediately following the close of the Surcharge Period. The Association shall use any such excess

recoupment funds received from members to reduce the assessment to members for the Experience Period during which the Association receives such funds.

- K. Under-recoupment during a Surcharge Period or exercise of the option not to recoup shall constitute waiver by a member of any unrecovered portion of its assessment paid during the Experience Period which is not recouped.

#### **Article XXI Right of Appeal**

Any applicant, member, or other affected person, may appeal to the Governing Committee within 30 days of any decision by the Association. Determinations of insurability and as to valuation are appealable, and the Governing Committee will hear and decide such appeals within 30 days of the written notice of appeal received by the Association. A decision of the Governing Committee may be appealed to the Commissioner within 30 days from the action or decision of the Governing Committee. Each denial of insurance shall be accompanied by a statement that the applicant has a right of appeal.

#### **Article XXII Marketing and Service**

- A. All members agree to undertake a continuing public education program, in cooperation with producers and others, to assure that elements of the Program receive adequate public attention.
- B. In order to facilitate communication with the public, the Association will maintain a toll-free telephone number which will enable applicants, producers and insureds to contact the Association without charge from any location within the State of Maryland.
- C. The Association will maintain an appropriate presence in media sources as deemed necessary by the Governing Committee.
- D. The Governing Committee may elect to enter into a Plan Service Agreement with another Fair Plan in an effort to offset expenses, as appropriate.

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