
ARTICLES OF ASSOCIATION PLAN OF OPERATION

COLORADO FAIR PLAN ASSOCIATION

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Article I

Creation, Operation, and Name of Association and Plan

1. Creation. The Colorado Fair Access to Insurance Requirements (FAIR) Plan was created in 2023 as a result of HB23-1288. HB23-1288 was signed into law on May 12, 2023, by Colorado Governor Jared Polis. The FAIR Plan was created to address situations where insurance companies may refuse property coverage due to high-risk factors, such as the property's location or vulnerability to certain perils such as wildfires. It ensures homeowners and businesses in Colorado have access to property insurance even in areas prone to natural disasters or other risks.
2. Operation and Amendments. The Plan itself is subject to the provisions of C.R.S Section 10-4-1801, et seq (the "FAIR Act"). The Association's Board of Directors may amend the Plan to meet changing conditions and to extend the types of coverage within which coverage is provided. The Board of Directors may make each such amendment with the approval of "The Commissioner" of Insurance, as required by within C.R.S Section 10-4-1801 et seq.
3. Name. The entity governed by these Articles of Association shall be named the "Colorado FAIR Plan Association." The insurance program operated by the Association shall be known as the "Colorado FAIR Plan" or the "Plan." These Articles sometimes refer to the Colorado FAIR Plan Association as the "Association".

Article II

Plan Purpose and Association Authority

1. Purpose. The basic purpose of the Association in operating the Plan is to provide a residual market mechanism whereby property insurance can be made available to all eligible applicants who are unable to find property coverage in the standard markets and to distribute equitably the costs, losses, or gains, if any, arising therefrom among all members of the Association in accordance with the FAIR Act and these Articles and upon approval by the Commissioner.
2. Statutory Authority. The authority for, and the requirements with respect to, the establishment and maintenance of the Plan and the Association are set forth in C.R.S Section 10-4-1801 et seq.
3. Association Status. The Association is a nonprofit unincorporated public entity of all insurers licensed to write property insurance on a direct basis in Colorado. As stated in C.R.S Section 10-4-1804 (4), the Association shall have authority to issue property insurance policies, to reinsure in whole or in part any such policies, and to cede any such reinsurance or transfer risk to other capital markets.

4. Association Assets and Liabilities. The members of the Association shall share on a fair and equitable basis all costs, income, and losses incident to the operation of the Plan. Accordingly, the assets and liabilities of the Association shall be the assets and liabilities of the Association's respective members, which they shall share in accordance with their respective membership in the Association, as such membership may change from year to year. The State of Colorado shall have no obligation to make payments to the Association.

Article III

Definitions

The following definitions shall apply to these Articles. Any capitalized terms not defined herein shall have the same meaning as the FAIR Act

Accounting Committee

A sub-committee of the Board, designed to provide guidance and oversight to the service providers' accounting departments, to ensure compliance with the methods described in Article V below.

Board

The Board of Directors of the FAIR Plan Association created in C.R.S Section 10-4-1805.

Certificate of Authority (COA)

A legal document issued by the Colorado Division of Insurance, which licenses an entity to conduct business as an insurer in the state.

Commercial Property Insurance

Insurance against direct loss to commercial property, including buildings and building contents, resulting from the perils of fire or lightning, windstorm or hail, explosion, riot or civil commotion, aircraft, vehicles, smoke, volcanic eruption, vandalism or malicious mischief.

General exclusions are the following: ordinance or law, earth movement, water damage, power failure, neglect, war, nuclear hazard, intentional loss, governmental action.

"Commercial Property Insurance" does not include commercial automobile insurance or farm risks.

Deemer Provision

Deemer Provision means eligible risks for approved lines written by the Association are automatically deemed insured after 30 days from the date of the application, for a period of 30 days, if, through no fault of the applicant, coverage has not been provided or declined, and the applicant pays the required initial minimum premium payment at the time of submission of the application.

FAIR Plan or Plan

Fair Access to Insurance Requirements Plan as established by the Board pursuant to C.R.S Section 10-4-1806.

FAIR Plan Association or Association

Fair Access to Insurance Requirements Plan Association created in C.R.S Section 10-4-1804.

Inspection Service Organization

An inspection company designated by the Association to make such surveys as may be required under these Articles on either individually or class rated risks and to perform such other duties as may be requested by the Association.

Inspector

Any person employed by an Inspection Service Organization, or any other person or organization designated by the Association, to make such surveys or inspections as may be required under these Articles.

Insurer

Any insurance company licensed to write Property Insurance business on a direct basis in Colorado, where such company is subject to the rate and form regulatory provisions of Title 10 of the Colorado Revised Statutes.

Member Insurer or Member

Any admitted company that offers or sells any property insurance, including commercial property insurance.

Premiums Written

Direct premiums written during the preceding calendar year with respect to Property Insurance risks located in Colorado as reported in the exhibit of premiums and losses of the Statutory Annual Statement form filed with the Commissioner by each Insurer.

Producer

A person holding an active insurance producer license from the Colorado Division of Insurance with property and casualty lines of authority.

Property Insurance:

Property insurance is defined as follows:

1. Insurance against direct loss to residential property, including buildings and building contents, resulting from the perils of fire or lightning, windstorm or hail, explosion, riot or civil commotion, aircraft, vehicles, smoke, volcanic eruption, vandalism or malicious mischief.
2. Insurance against direct loss to commercial property, including buildings and building contents, resulting from the perils of fire or lightning, windstorm or hail, explosion, riot or civil commotion, aircraft, vehicles, smoke, volcanic eruption, vandalism or malicious mischief.

“Property Insurance” does not include automobile insurance, inland marine, business income or farm risks.

Service Provider

An entity that conducts the work of the Association and provides staffing and structure such as providing a:

1. Claims Department – Staff that manages the settling and adjustment of claims for the Association.
2. Underwriting Department - Staff that assesses and properly rates risk written by the Association according to defined underwriting criteria.
3. Accounting Department – Staff responsible for the recording and reporting of cash flow of the Association.

This list is not designed to be all inclusive as the service provider may provide additional services as requested.

The service provider works on behalf of the Association.

Total Insured Value

Residential Property – The sum of Coverage A-D as defined in the ISO Dwelling (DP-1) Form (Property, Other Structures, Contents and Loss of use/rent).

Commercial Property (including Apartments and any residential structures larger than four-plex)-The sum of the structure, and contents as defined by the ISO commercial policy forms (CP 00 99). Total Insured value must conform to the distance requirements as defined by the single location section.

Underwriting Committee

A sub-committee of the Board, designed to provide guidance and oversight to the service providers underwriting department, to ensure compliance with the methods described in Article VI below.

Article IV

Membership

1. Mandatory Membership of Insurers. Each Insurer that holds a Certificate of Authority pursuant to C.R.S Section 10-3-105 to write Property Insurance in Colorado shall become and remain, and is therefore deemed to be, a member of the Association as a condition of its authority to transact such business in Colorado. Each member is subject to the provisions of these Articles.
2. Participation of Members. Each member shall participate in expenses, income, and losses of the Association in any particular calendar year in the same proportions that the member's direct Premiums Written during the preceding calendar year bear to the total of such direct Premiums Written by all members during the preceding calendar year. The participation factors of all members

shall be calculated annually. Member responsibility shall be calculated based on the member's proportional market share of premiums received on property and commercial property insurance lines in this state for the three most recent calendar years for which information is available.

3. Accounting for Separate Policy Years. For purposes of the members' participation, there shall be deemed to be only one class of Plan business, despite the fact that the Plan is authorized to write separate lines of business under Article VI below. The general fiscal period of the Plan shall be the calendar year. At the end of each fiscal period, profit or loss for all of the Plan's business shall be determined separately for each policy year of the Plan. A policy year shall include all Plan policies written or renewed with an effective date during that calendar year. The Association shall keep a separate account for each calendar year. Profit shall be credited to each entity which was a member at any time during that policy year, and loss shall be charged against each such entity, all in the proportion that the member's average voluntary direct Premiums Written during the three most recent calendar years preceding that policy year bear to the total of such direct Premiums Written by all members during that same time period.
4. Surrender or Suspension / Revocation of Certificate of Authority. If any member voluntarily surrenders or any member's authority to write Property Insurance in Colorado is eliminated because the Commissioner suspends or revokes its Certificate of Authority to write Property Insurance in Colorado, it shall nevertheless remain a member of the Association and be subject to the requirements of these Articles and any assessments made hereunder until its participation factor as determined pursuant to Section 2 of this Article IV is reduced to zero.
5. Failure to Pay Assessments. The Board of Directors may make assessments against the members in accordance with C.R.S Section 10-4-1809 and Article IX below. Any member who fails to pay when due any lawful assessment shall be reported to the Commissioner by the Association for appropriate disciplinary action. The FAIR Plan Association may collect fees from member insurers and, pursuant to C.R.S Section 10-4-1810, the Commissioner may suspend or revoke a member insurer's Certificate of Authority to transact insurance business in Colorado or impose against the member insurer a fine in an amount equal to the greater of the fee plus interest and the Commissioner's cost to enforce or \$5,000 for the member insurer's failure to timely pay a fee or to comply with the Articles of Association and/or Plan of Operation for the FAIR Plan.
6. Ownership of Net Assets and Distributions. The members are the ultimate owners of the net assets of the Association. Article XI provides for the distribution of any net assets of the Association upon their dissolution. At any other time, the Board of Directors may authorize and direct the distribution of cash, securities or other property to members and former members based on the experience of the Plan with respect to one or more particular policy years of the Plan's operation and

pursuant to approval by the Commissioner. Any such distributions shall be made to members, and to former members, based on their participation factor for the policy year for which a distribution is made. Each distribution shall be based on the members' and former members' net direct Premiums Written on a voluntary basis in Colorado during the three calendar years preceding the policy year for which a distribution is made. The Plan shall not make any distribution of cash, securities, or any other property to members or former members prior to dissolution if, immediately after such distribution, the Plan would have less than 300% risk based capital ratio. In addition, any distribution of assets or income to member insurers shall be limited to recoupment of any assessment paid by a member insurer that the member insurer has not separately recouped from its policy holders. The term "surplus" shall mean all assets less all liabilities, including, but not limited to, estimates for losses reported, estimates of incurred but unreported losses, and estimates of future expenses to be incurred in the settlement of losses, all as computed on a statutory basis for member insurers, and thus shall have the same meaning as "members' capital" in the Plan's audited statutory basis financial statements.

7. Distributions to Former Members and Escheat Requirements. The Plan shall use its best efforts to locate any former member or the legal successor of any former member for the purposes of delivering any distribution which may be due that former member to the extent required by C.R.S Section 10-4-1804, as then in effect, or any applicable successor statute or other statute of the State of Colorado. The Plan shall pay such distribution amount, without interest, to the State of Colorado Unclaimed Property Fund if, despite the Plan's best efforts to locate the former member or its applicable legal successor, the Plan is unable to identify the proper payee and make delivery within the time required by law.
8. No Fiduciary Duty. Nothing in this Article IV or in any other provision of these Articles shall make the Board of Directors, the Commissioner, the Plan, or the Association a fiduciary with respect to any member or former member.
9. Reports to Members. The Plan shall cause a report to be sent, or be made available electronically, on an annual basis, which will contain all necessary data for the members to report their respective shares of the Plan's premiums, losses, income, and expenses. The report will include Schedule "P" information that may be properly included in the respective members' annual statements as reinsurance assumed.

Article V

Plan Governance and Administration

1. Board of Directors. The Plan and the Association shall be governed by a single Board of Directors of nine people appointed by the Governor pursuant to the representation requirements of C.R.S Section 10-4-1805. All such persons shall serve at the pleasure of the Governor.

By law, Board members must represent the following interests:

- a. Two individuals representing admitted mutual insurers writing property insurance in Colorado;
- b. Two individuals representing admitted stock insurers writing property insurance in Colorado;
- c. One individual representing a Colorado-based insurance trade organization that represents insurers of various property interests;
- d. One member representing a Colorado-based insurance trade association that represents independent insurance agents licensed to write property and casualty insurance in Colorado;
- e. One insurance producer licensed to write property and casualty insurance in Colorado;
- f. Two individuals representing the interests of consumers and, to the extent practicable, representing consumer advocacy organizations and diverse geographic areas of the state.

Board terms are for three years, except that, to ensure staggered membership, some of the initial appointments will be for one- or two-year terms.

2. Board of Directors Powers and Duties. The Board of Directors shall have the following powers and duties:
 - a. The Board of Directors shall establish, maintain and exercise the general management and control of the Plan and the Association. It shall determine and implement all matters of policy consistent with goals and legislative intent as expressed in the pertinent statutes, subject to the approval of the Commissioner.
 - b. With the approval of the Board of Directors, the Executive Director and/or the Executive Director's designee may contract with third parties for the performance of any service or duties required under these Articles or in connection with the operation of the Plan and the Association, including but not limited to contracts for data processing and computing services, claims

adjustment services, and other services necessary for the efficient operation of the Plan.

- c. Each member of the Board of Directors shall have one vote on any matter coming before the Board, and 6 members in attendance in person or by proxy shall constitute a quorum for the conduct of business. A simple majority of those present and voting at a lawful meeting of the Board shall constitute an action of the Board.
- d. Upon request by the Commissioner or any member, the Plan shall provide, in such form and detail as the Plan may determine, reports of operations of the Plan and the Association, including such reports as may be necessary to permit members to be informed of their proportionate share of results of the Plan for inclusion in their own operational reports.
- e. The Board may create one or more committees of the Board in addition to the Executive Committee and any standing committees and appoint one or more Board members to serve on them, which committees shall have and exercise the powers authorized by the Board. The Board may appoint individuals who are not members of the Board to any committee other than the Executive Committee.
- f. The Board shall carry out any other lawful activities deemed necessary to further the objectives of the Association.

3. Board of Directors Meetings

- a. The Board shall meet at least annually at a time and location provided with proper advanced notice. Meetings may take place in Denver, Colorado, or at such place as the Board shall determine, to include virtual meetings, for the purpose of reporting to the members and for receiving from them such recommendations as they may have for the improvement of the Plan and the Association and their administration.
- b. The Board shall meet, as often as required to perform its duties, at any other time and place on the call of the Chairperson, the Vice Chairperson or four members acting jointly. The Board shall also meet at any time and place, to include virtual meetings, upon order of the Commissioner.
- c. Notice of meeting and the agenda therefore may be by mail, telephone, or electronic notification and shall be given to the Board members at least seven days in advance thereof unless the person(s) calling the meeting limits it to a single subject which is declared to be an emergency matter, in which case notice may be limited to three days.
- d. The Commissioner or their designee shall be given advance notice of and invited to attend all meetings of the Board of Directors.
- e. The Board, or any Board committee, may enter into an executive session at any regular or special meeting for the purposes allowed by the Colorado Open Meetings Law, C.R.S. Section 24-6-401 et seq.

- 4. Officers. The principal officers of the Association shall consist of a Chairperson, Vice Chairperson, and any other officers as is deemed necessary, including, but not limited to, a Secretary and Treasurer. The Board of Directors may appoint one or more subordinate officers and agents as the Board or Chairperson deem

necessary, who shall hold offices and agencies for such terms and shall have such authorities, powers, and duties as shall be determined from time to time by these Articles, the Board, or the Chairperson. The Chairperson and Vice Chairperson must be Board members.

- a. The Board of Directors shall elect a Chairperson from the members of the Board to serve in such position for a period of at least one (1) year. The Chairperson shall be the Chairperson of the Executive Committee and shall be an ex-officio member of all committees. The Chairperson shall be empowered to appoint subcommittees necessary or convenient for the operation of the Plan. The Chairperson shall have power to call and preside at all meetings of members and the Board; to sign, execute, acknowledge and deliver for and on behalf of the Association all of the certificates, deeds, notes, mortgages, pledges, leases and other instruments or documents authorized by the Board; and to exercise such authority and perform such other duties as are customarily exercised or performed by the president or Chairperson of the Board.
 - b. The Board of Directors shall elect a Vice Chairperson from the members of the Board to serve in such position for a period of at least one (1) year. The Vice Chairperson shall act in place of the Chairperson in their absence and shall serve on the Executive Committee. The Vice Chairperson shall have such additional authority, powers and duties as are prescribed by the Board of Directors or Chairperson.
 - c. Vacancies in an office may be filled by the Board for the unexpired portion of the officer's term, and the duties of any office may be temporarily conferred by the Board upon any other officer or Board member.
 - d. Any officer may resign at any time by giving written notice to the Chairperson, or Vice Chairperson in the case of the Chairperson. The resignation of an officer shall be effective when notice is received by the Chairperson or Vice Chairperson, and acceptance of such resignation shall not be necessary to make it effective unless the notice so provides.
 - e. Any officer elected by the Board may be removed with or without cause by the affirmative vote of a majority of the Board of Directors then in office at any meeting of the Board, provided that written notice of the time, place and purpose of the meeting called to consider the same shall have been given to each member of the Board. Any subordinate officer appointed by the Chairperson may be removed by the Chairperson.
5. Executive Committee. The Executive Committee shall consist of the outgoing Chairperson, Chairperson, Vice-Chairperson, Secretary, and Treasurer. The Executive Director shall serve as an ex-officio non-voting member. The Executive Committee shall transact the business of the Plan between Board meetings. It shall present a report of such business transactions to the Board at the next meeting of the Board. A meeting of the Executive Committee may be called upon request of a majority of the members of the Executive Committee or by the Chairperson. The Executive Director shall issue notice of such meetings to all Executive Committee members and arrange a time and location of the meeting

as is most expedient in the circumstances. In all instances, the time and location of the meeting must be agreed to by a majority of the Executive Committee.

6. Compensation. Members of the Board shall serve without compensation, except they may receive a per diem and reimbursement for travel and other necessary expenses while performing official duties of the Board.
7. Standards of Conduct of the Board of Directors. Each member of the Board of Directors shall perform their duties as such including without limitation, duties as a member of any committee of the Board, and each officer with discretionary authority shall discharge their duties, in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances and in a manner the member of the Board or officer reasonably believes to be in the best interests of the Association.
8. Conflicts of Interest. The Association prohibits members of the Board from creating an actual conflict of interest, or the appearance of a conflict of interest. Therefore, any transaction or financial relationship with the Association in which a member of the Board or a party related to a member of the Board has a direct or indirect financial interest must be fully disclosed and approved by the Board before entering the transaction.
9. Plan Administration. The daily operations of the Plan and the Association shall be administered by an Executive Director and/or their designee-appointed by the Board of Directors. The Executive Director shall submit an annual budget for approval by the Board of Directors that shall include expenses for the operation and staffing of the Plan. The Executive Director shall be empowered to execute on behalf of the Plan documents, contracts or other instruments necessary or convenient for the operation of the Plan subject to the approval of the Board of Directors. The Executive Director may promulgate, subject to the approval of the Board of Directors, procedures for the day-to-day conduct of the affairs of the Plan and the Association. Such procedures shall be in conformity with applicable law and these Articles.
10. Reports. The Executive Director shall provide an annual report to the Board of Directors and Commissioner of Insurance on or before April 1 of each year. This shall include the following:
 - a. An overview of the financial condition of the Plan.
 - b. The number of policies in-force and coverages available by the Plan.
 - c. The number and types of claims submitted to the Plan in the prior calendar year.
 - d. A description of the sufficiency of coverage under the Plan.
 - e. A description of the finances of the Plan.
 - f. Such other information requested by the Commissioner, including but not limited to claim counts, claim amounts, premium collected, denials, complaint numbers, balance statement, income statement, cashflow statement, and auditor's report.

11. Education Programs. The Board of Directors and Executive Director may establish and operate public awareness and educational programs to assure that the Plan receives adequate public attention.
12. Other Programs. The Board of Directors and Executive Director are authorized, on behalf of the Plan, to participate in or contribute to public programs conducted by other non-profit or governmental organizations, which have as their principal purposes the advancement of insurance availability, loss control, or public protection of insurable hazards.

Article VI

Plan Operations

The lines of Property Insurance to be written by the Association in the name of the Plan shall be as follows.

1. Dwelling Property – Basic policy form covering loss against 9 perils.
2. Commercial Property – Basic policy form covering loss against 11 perils.

The Board of Directors may authorize the writing of additional coverage only with the prior approval of the Commissioner. In addition, if the Commissioner orders that additional coverages should be written according to the standards set forth in C.R.S Section 10-4-1801 et seq then the Board of Directors shall amend these Articles to include such coverages and shall cause the Association to provide sufficient time to market for new coverages to be offered.

Coverage Limits

Dwelling Property: \$750,000 Maximum Exposure per risk (combined all coverage parts)

Commercial Property: \$5,000,000 Maximum Exposure per risk (combined all coverage parts)

A location is defined as a single building at the designated premise with a minimum of one hundred (100) feet of distance between the insured building and any other insured building. The FAIR Plan shall not insure risks that are intentionally subdivided to conform to the acceptable limits of the FAIR Plan. Every insured entity covered by the FAIR Plan must have been formed and maintained in good faith for purposes other than obtaining insurance. It is the intent of the plan to insure risks that are deemed to be separate insureds.

In the event the insurable value of such property exceeds the maximum limits of the Plan, the Producer shall provide evidence, if requested, of any other insurance written on the same property. A co-insurance penalty may be applied on commercial risks written through the FAIR Plan.

Forms

The FAIR Plan has adopted the use of ISO forms for the following lines of coverage:

Personal Lines - DP-1 (Dwelling Fire)
Commercial Lines – CP 00 99 (Commercial Property Basic)

A list of associated forms the FAIR Plan has adopted are listed in Appendix A. This list does not constitute a comprehensive and final list of forms and the FAIR Plan reserves the rights to add/delete forms as needed as well as manuscript forms to adequately support the needs of the Plan subject to Commissioner approval.

Covered Perils

Dwelling: Fire or lightning, windstorm or hail, explosion, riot or civil commotion, aircraft, vehicles, smoke, volcanic eruption, vandalism or malicious mischief.

Commercial: Fire, lightning, windstorm or hail, explosion, riot or civil commotion, aircraft or vehicles, smoke, volcanic eruption, automatic sprinkler system, sinkhole, vandalism.

Application/Qualification

1. Any person, firm, or corporation desiring insurance coverage in the FAIR Plan Lines who is unable to obtain such coverage in the admitted market may apply to the Association through a Producer who is actively licensed in the State of Colorado. The application shall only be submitted on forms provided by the Association. A separate application shall be completed for each risk when coverage for multiple locations under common ownership is requested. If the monthly payment method is chosen, two months premium in advance must be collected. The minimum annual premium per policy is \$200.
2. The FAIR Plan reserves the right to inspect any and all property submissions to the FAIR Plan for acceptability. This is to clearly demonstrate that the risk to be insured (other than household contents) meets the underwriting standards of the Plan. The Plan shall employ an Inspection Service Organization (physical or virtual) or an Inspector to conduct an inspection of that risk. The manner and scope of the inspection shall be prescribed by the Association. All inspections made on behalf of the Plan shall be limited to the likelihood of damage from covered perils to the insured property itself.
3. In the event the Underwriting Department does not receive or is unable to review a completed inspection within 30 days, the FAIR Plan reserves the right to deny the application or cancel the policy.
4. A minimum of \$200 in premium shall be deemed fully earned when any period of coverage is provided under a Deemer Provision or by the issuance of either a binder or a policy, but if the risk is rejected during the first 30 days following receipt of the application, the entire initial premium payment shall be returned.
5. When a risk is rejected or a binder cancelled, the Underwriting Department shall notify the producer and the applicant and, if applicable, include what

requirements must be met before such risk can be resubmitted for further consideration.

Placement and Policy Period

Upon approval by the Plan's or service provider's Underwriting Department and payment by the insured, the Plan shall forthwith issue policies of insurance in the name of the Plan to such applicants that meet underwriting guidelines at the time, for specific coverages, coverage limits and deductible requirements as the Underwriting Department may prescribe.

All policies shall be issued for an initial 12- month policy term and conditionally renewed for two policy terms (maximum 24 months after first policy term). Policies after this period will require a new application.

If an insured is unable to obtain insurance in the admitted market at the end of the three-year period, reapplication for insurance may be made to the Plan. Such reapplication shall be considered as a new application and should include attestation that they, through the Producer, have exhausted admitted market options.

Underwriting

When an application for insurance is presented to the Plan's or service provider's Underwriting Department, staff should discern if the risk is either:

1. acceptable as applied for;
2. acceptable with lesser coverage than applied for;
3. acceptable with specified condition charges;
4. not acceptable but may become so if specified improvements or repairs are made and confirmed; or
5. not acceptable for reasons specified.

Notification

The service provider's Underwriting Department shall notify the applicant and the Producer in writing when the Underwriting Department's review indicates the risk is unacceptable as applied for and, if applicable, shall include any requirements or corrections that must be made before such risk can be resubmitted for further consideration. Any such offer shall not serve to extend the Deemer Provision.

Rules and Standards

Subject to the approval of the Board of Directors, the Underwriting Committee shall adopt, and may from time to time amend, underwriting rules and standards applicable to each and every policy form which the Plan has authority to issue. During the time any such rule or standard is in effect, it shall have the same force and effect as if fully set forth in these Articles.

Board Audits

It shall be the duty of the Underwriting Committee to meet to conduct underwriting audits of applications and policies randomly selected and to assist the Plan's

Underwriting Department by reviewing, and making recommendations for changes in, underwriting procedures and the Plan's policies and forms. In evaluating such issues, the Underwriting Committee shall apply only those rules or standards prescribed by the Association and its Board of Directors in place at the time of application. It shall also be mindful that the Association operates as a residual market mechanism for the placement of distressed business and as such is intended to serve a social need rather than provide a proprietary profit.

Rate and Underwriting Filing.

Rate filings will be submitted electronically. Filings will support all material assumptions and methodologies used to develop the expected losses or pure premiums.

Loss costs or pure premium rates will be projected based on overall loss experience. This information shall be submitted on a Colorado-only basis for at least three years, if available, and on a national, regional or other appropriate basis if the Colorado data is insufficient.

Policies

Policies shall be issued in the name of the Plan by the Association on policy forms, which have been approved for such use by the Board of Directors and the Colorado Division of Insurance. Policies may be continuously renewable and may be issued and renewed only for annual terms. The policies may have the premium be paid in full at inception or in approved installments plans. A billing service charge of \$6.00 shall be charged for each installment. The billing charge may be adjusted by the Association on a yearly basis to account for inflationary or operational price changes. All policies shall be coded pursuant to approved statistical plans. Commissions shall be paid as earned.

Denial/Cancellation/Non-Renewal.

1. Denial, cancellation, or non-renewal of any applicant/insured must be authorized by the Plan's or service provider's Underwriting Department. The Underwriting Department shall have authority to deny, cancel, or non-renew any application or policy based on sound actuarial principles or objective measurement of the Underwriting Department, including, but not limited to, the existence of any one or more of the following conditions:
 - a. anticipated owner or occupant incendiarism;
 - b. at least 65% of the rental units in the building are unoccupied, and the applicant has not obtained prior approval from the Underwriting Department of a rehabilitation plan which necessitates a high degree of unoccupancy;
 - c. property damage exists and more than 180 days have elapsed as to indicate that the damage will not be promptly repaired;

- d. following a loss, permanent repairs following satisfactory adjustment of loss have not commenced within 180 days unless there has been due diligence in pursuing repairs;
 - e. property has been apparently abandoned or there has been removal of undamaged salvageable items from the building and the insured can give no reasonable explanation for such removal;
 - f. property has been condemned or conditions of the property deem it uninhabitable;
 - g. utilities such as electric, gas, or water services have been disconnected and, if for non-payment of service bills, the insured has failed to pay his account for such services within 60 days, 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 a grace period remains under local law during which such taxes may be paid without penalty);
 - h. conviction or unresolved indictment of a named insured or loss payee, or any other person having a financial interest in the property, of the crime of arson or crime involving a purpose to defraud an insurance company;
 - i. where the building or the named insured has been subject to two or more fires, each loss amounting to at least \$500 or one percent of the insurance in force, whichever is greater, in any 12-month period; or three (3) such fires in any 24- month period, at the discretion of the underwriter;
 - j. material misrepresentation;
 - k. non-payment of initial, renewal or additional increased hazard premium;
 - l. failure of the insured or their agent to timely furnish when due additional primary or supplemental underwriting information requested by the Plan or Service Provider;
 - m. property located within the minimum distance requirements of another insured location as defined under the location section if this proximity has been deemed to have been intentionally developed by a larger insured to meet requirements of acceptance by the FAIR Plan;
 - n. property not properly mitigated against wildland fire pursuant to guidelines as described in the notice to the applicant; or
 - o. other conditions proposed by the Underwriting Department and adopted by resolution by the Board as established herein.
2. After a policy has been in effect for more than 60 days, there shall be no cancellation or refusal to renew the policy without a 60-day written notice to the insured, except that a written notice of not less than twenty days before the

effective date of cancellation or non-renewal may be used if one or more of the specific conditions set out in Section 6(a) above is present.

3. Each notice of denial, cancellation, or non-renewal shall contain a statement of the reason therefor. It shall be sent to the applicant/insured at the last known address with copies sent to the mortgagee, if any, and the Producer.
4. The Underwriting Department shall reinstate, without lapse in coverage or additional charge, any policy cancelled solely because of non-payment of additional initial or increased hazard premium, if and when full and complete payment of all premiums due are received before the termination date contained in the notice of denial, cancellation or non-renewal. Such reinstatement of coverage is conditioned upon any check tendered for premium payment being honored when presented for payment.
5. Non-payment of any renewal premium shall result in lapse of the policy as of the renewal date and a notice of such lapse shall be sent to the insured within 15 days following the lapse in coverage.
6. No coverage will be effective if the insured's premium remittance, which accompanies the application, is dishonored by the financial institution.
7. A charge for checks returned by a bank or financial institution due to insufficient funds (NSF) may be made by the Plan.

The filed underwriting guidelines for the Association supersede any conflicting details with the Plan of Operation.

Article VII

Reinsurance

The Association may procure reinsurance as needed in order to protect the solvency of the FAIR Plan.

Article VIII

Producer Plan Participation

1. Application Through Producers. The Association shall approve only applications which are submitted through Producers licensed to do business in the State of Colorado. A CE course may be required for Producers to complete prior to offering the product. Each application shall have the applicant's and Producer's

attestation that no other coverage can be found in the admitted markets and shall be accompanied by proof of 3 declinations from the submitting Producer.

2. **Producer Authorization.** Producers shall be authorized to submit applications on behalf of qualified applicants for coverage in the available FAIR Plan Lines of business to the Underwriting Department for acceptance or declination. The Plan's acceptance of deposit premium with an application shall in no manner represent that coverage may be afforded.
3. **Information to Applicants.** It shall be the duty of every Producer to inform applicants for coverage in any line of insurance included in the FAIR Plan Lines who do not qualify for coverage in the admitted market, of the Plan and these Articles, the applicant's right to apply for such coverage from the Association under the Plan, and the Producer's willingness to complete and submit an application on the applicant's behalf.
4. **Producer Compensation.** On all of the FAIR Plan lines compensation of ten percent (10%) of policy premiums earned shall be paid to the Producer of record, designated by the applicant/insured. Producer compensation (commissions) shall only be paid as premiums are paid. Each Producer to whom such compensation is paid shall be required to refund any unearned compensation so received in the event of policy cancellation. The Colorado Fair Plan Association does not allow the waiving of commissions and application of additional fees as any such fees could make premiums excessive to the Plans' filed rates as required in CRS 10-4-1806.
5. **Regular Market Sampling.** It is expected that each Producer shall utilize all of the Producer's normal markets for coverage before making application to the Association. Captive Producers shall look to make sure that an applicant's interests are fully protected by assisting the applicant in utilizing an independent agent who may have access to additional admitted markets to seek admitted market coverage before presenting the applicant to the Association.
6. **Awareness Programs.** All Producers and all recognized domestic associations of such Producers shall cooperate with and participate in any public awareness or educational programs conducted by or on behalf of the Association. Producers are encouraged to complete a 2-hour continuing education (CE) course on FAIR plan placement prior to the producer's next license renewal from a licensed CE provider for the State of Colorado.

Article IX

Plan Assessments

1. Cost Determinations. The Board of Directors shall determine the cost of operating the Plan and the Association and of the cash reserves to be maintained subject to the approval of the Commissioner. Such determinations may be based upon cash flow rather than statutory accounting principles.
2. Regular Assessments. When the Board of Directors determines that premiums written and received are insufficient to pay the cost of operating the Plan and the Association, and to maintain necessary cash reserves, it shall from time to time assess each member its share of such costs and reserves in accordance with its participation pursuant to Article IV above and the laws of Colorado, including C.R.S Section 10-4-1801 et seq. The Board may set a minimum assessment to be paid by member insurers.

Assessments against Member Insurers shall be in the proportion of their premiums reported for both property and commercial property lines to the NAIC for the three most recent calendar years for which information is available.

Each member shall make payment of any assessment within 30 days of the mailing of the notice of the assessment. With respect to any Member Insurer who fails to remit any assessment within 30 days, a second notice will be sent to the member insurer. Those member insurers that fail to remit assessments within 60 days shall be reported to the Commissioner by the Association. The Commissioner may suspend or revoke the Certificate of Authority to transact insurance business in the State of Colorado of any Member Insurer that fails to timely pay an assessment or to comply with this Plan of Operation.

Recoupment of assessments by insurers will be made pursuant to C.R.S Section 10-4-1809.

3. Advance Assessments. If it appears that assessments, when levied at the maximum allowable rate of one percent (1%) of subject premium during any calendar year, will be insufficient to pay the cost, including losses, and maintain necessary cash reserves for at least one year, the Board shall either levy an advance assessment against the next successive year's anticipated writing or borrow from its members or others an amount sufficient to cure such deficiency.

Article X

Amendments

1. Board of Directors Amendments. These Articles of the Association may be amended or amended and restated, subject to the approval of the

Commissioner, by a majority of the members of the Board of Directors present and voting at any meeting called solely or partially for such purpose.

2. Commissioner Amendments. The Commissioner may at any time request amendment of these Articles by written direction to the Board of Directors. If the Board fails to submit for approval to the Commissioner an amendment satisfactory to the Commissioner within 30 days, the Commissioner may issue an amendment.
3. Effective Date of Amendments. All amendments to or restatements of these Articles shall become effective when approved by the Commissioner unless a later date therefore has been established, in which case it shall be such later date.

Article XI

Dissolution

1. Time of Dissolution. The Association and the Plan may be dissolved only after the requirements for their existence as set forth in C.R.S Section 10-4-1801 et seq are effectively repealed in their entirety and all rights, duties and obligations under all policies issued by or on behalf of the Association, or added to it, have been discharged and all claims thereunder have been resolved.
2. Winding Up. Upon dissolution, the Board of Directors shall have the power and duty to:
 - a. collect all accounts, assets or funds belonging to the Association or any of its members resulting from operations of the Plan;
 - b. pay debts and obligations of the Association and the Plan or any of their members resulting from operations under the Plan;
 - c. adjust, as between members, all rights, interests, duties and obligations in or under operations of the Association and in the proceeds thereof, if any, or the assessment therefore, if necessary, and
 - d. take all other steps and actions necessary to fully effectuate the foregoing provisions and for liquidation and termination of the affairs of the Plan and the Association.

Appendix A – Forms

DWELLING FORMS – DP-1

<u>Form Numbers</u>	<u>Form Title</u>	<u>Edition Date</u>
DP 00 01	Dwelling Property – Basic Form	07 14
CFP PRIVACY NOTICE	Privacy Notice	06 24
CFP DWELL SUMMARY	Dwelling Summary Notice	06 24
CFP AE 01	Amendatory Endorsement	06 24
CFP TRIA 01	Terrorism Risk Insurance Letter	06 24
DP 05 38	Cap on Losses from Certified Acts of Terrorism	01 15

COMMERCIAL – BASIC FORM

<u>Form Numbers</u>	<u>Form Title</u>	<u>Edition Date</u>
CP 00 99	Commercial - Basic Form	10 12
CFP Privacy Notice	Privacy Notice	06 24
CP 10 55	Vandalism Exclusion	06 07
CP 04 50	Vacancy Permit	07 88
CFP TRIA 01	Terrorism Risk Insurance Letter	06 24
IL 09 52	CAP on Losses from Certified Acts of Terror	01 15
CP 12 19	Additional Insured - Building Owner	06 07
CP 99 93	Tentative Rate	01 95
IL 02 28	Colorado Changes - Cancellation	09 07
IL 04 15	Protective Safeguards	04 98
IL 09 85	Disclosure - Terror	12 20