

PLAN OF OPERATION

OF THE

MISSOURI PROPERTY INSURANCE PLACEMENT FACILITY

REVISED 01/2022

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Section 1 - General

House Bill No. 772 of the 75th General Assembly of the State of Missouri, enacted into law effective October 13, 1969, established the Missouri Basic Property Insurance Inspection and Placement Program, hereinafter referred to as "Program."

It is the intent and purpose of this Plan to establish and provide for the administration of an All Industry Placement Facility, which will hereinafter be referred to as "Facility," pursuant to said law.

The purpose of the "Facility" is to assist applicants in securing Basic Property Insurance and to administer the Program through a Governing Committee, hereinafter referred to as "Committee" subject to the supervision of the Director of Insurance of the State of Missouri.

Section 2 - Definitions

- A. "Director" means the Director of Insurance of the State of Missouri.
- B. "Basic Property Insurance" means the coverage against direct loss to real and tangible personal property at a fixed location in the State of Missouri provided in the Standard Fire Policy and optional extensions of coverage forms attached thereto, including Builders Risk Insurance, Sinkhole Loss, to administer the renewals of the Residential Crime Insurance policies in-force on December 31, 2016, and including such other classes of insurance as may be added to the Program with respect to said property by amendment. Basic Property Insurance does not include automobile risks or such types of manufacturing risks as the Governing Committee may exclude with the approval of the Director.
- C. "Insurer" means the Missouri Property Insurance Placement Facility.
- D. "Member" means a participant in the Missouri Property Insurance Placement Facility.
- E. "Facility" means the Missouri Property Insurance Placement Facility.
- F. "Premiums Written" means gross direct premiums charged during the second preceding calendar year with respect to property in the State of Missouri on all policies of Basic Property Insurance and the Basic Property Insurance premiums components of all multi-peril policies, as computed by the Facility,

less return premiums, dividends paid or credited to policyholders, or the unused or unabsorbed portions of premium deposits.

- G. "Habitational" means Basic Property Insurance included under the Personal Lines Statistical Plan.
- H. "Commercial" means Basic Property Insurance not included under the Personal Lines Statistical Plan.
- I. "Inspection Bureau" means the Insurance Service Office of the State of Missouri, or other Organization/ Individual designated by the Facility with the approval of the Director to make inspections as required under the Program and to perform such other duties as may be authorized by the Facility.
- J. "Property Owner" means any person having an insurable interest in real, personal, or mixed real and personal property.
- K. "Environmental Hazard" means any neighborhood or area location or any environmental hazard beyond the control of the property owner.

Section 3 - Name

This Facility shall be known as the Missouri Property Insurance Placement Facility, and it shall be unincorporated association with headquarters in St. Louis, Missouri.

Section 4 - Object

The object of the Facility shall be the formulation and administration of a program seeking the equitable apportionment of insurance among its members in accordance with the provisions of the Statute and pursuant to this Plan of Operation, hereinafter referred to as the "Plan."

Section 5 - Membership, Merger & Consolidation

- A. Membership is mandatory under the law for all insurance companies, reciprocals, or inter-insurance exchanges or other organizations licensed and authorized by the Director to write property insurance, including the property insurance components of multi-peril policies, on a direct basis in this state.
- B. 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 be liable for all obligations incurred through the entire fiscal year

of the Missouri Property Insurance Placement Facility, in which such withdrawal, license revocation or institution of delinquency proceeding occurs.

- C. 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 Facility based upon the premiums written as defined of the member and other insurers with which it has been merged or consolidated.

Section 6 - Meetings of Members

- A. Annual Meetings: There shall be an annual meeting of the members at a time and place fixed by the Governing Committee to consider such business as may be necessary. The meeting can be held in a physical location with electronic participation allowed or the entire meeting can be conducted electronically.
- B. Special Meetings: A special meeting may be called by the Committee, or upon written request to the Committee of any ten (10) members, not more than one of which may be in a group under the same management or ownership, or at the request of the Director.
- C. Notice, Agenda, Proxies Quorum: Twenty (20) days written notice of such annual or special meeting shall be given in writing by the Committee to the Members. Attendance in person, electronically, or by proxy of members holding a majority of the votes computed on the weighted basis as described in Paragraph E of this Section shall constitute a quorum. Voting by proxy or electronically shall be permitted. Notice of any meeting of the Members shall be accompanied by an agenda for such meeting.
- D. Voting by Mail: Any matter, including amendment of this Plan may be proposed and voted upon by mail or e-mail, provided that such procedure is unanimously authorized by the members of the Governing Committee present and voting. If so approved by the Governing Committee, notice of any proposal shall be mailed to the Members not less than twenty days (20) prior to the final date fixed by the Governing Committee for voting thereon.
- E. Weighted Voting: At any regular or special meeting at which the vote of the Members is or may be required on any proposal, including amendment of this Plan, or with respect to any vote of the Members which may be taken by mail on any proposal, votes shall be weighted according to the percentage that each Member's Premium Written bears to the total of all Premiums Written by all Members, provided that on a proposal deemed by the Committee to relate exclusively to either Habitational or Commercial Business, the weighing shall be in accordance with each Member's Habitational or Commercial Premium Written.

A proposal shall become effective when approved by at least two-thirds of the votes computed on said weighted basis.

Section 7 - Governing Committee

A. Membership: The Facility shall be administered by a Governing Committee consisting of thirteen (13) members elected as prescribed in Chapter 379 RSMo., and outlined under "B" and "C" below.

B. Election of Members: Members of the Governing Committee shall be elected by each of the following, from its membership or constituent companies writing Basic Property Insurance in Missouri:

- * National Association of Mutual Insurance Companies – 2 members
- * American Property Casualty Insurance Association - 4 members
- * Missouri Insurance Coalition -2 members

Two (2) members shall be companies writing Basic Property Insurance in Missouri that may or may not be members of a trade association referred to in this paragraph.

Three (3) members shall be appointed by the Director from the following:

- Missouri Insurer (1)
- Licensed Agent of an Insurer (2)

Not more than one member in a group under the same management or ownership shall serve on the Governing Committee at the same time.

C. Election Procedure:

1. Affiliated Companies: The American Property Casualty Insurance Association, the National Association of Mutual Insurance Companies and the Missouri Insurance Coalition shall each designate in writing, at least sixty (60) days prior to the meeting at which such election is to be held, member companies as nominees for election to the Governing Committee. The quantity of nominees per organization is outlined in paragraph B above.

The nominees will be voted upon at the annual meeting by the member companies of each trade association on a weighted basis according to the percentage that each member's written premium bears to the total of all premiums written by all members of the association for the recent calendar year for which data is available.

2. Additional Companies: The Executive Committee shall designate in writing, at least sixty (60) days prior to the meeting at which such election is to be

held, two (2) companies that may or may not be members of a trade association referred to in this paragraph B as nominees for election to the Governing Committee. The nominees will be voted upon at the annual meeting by companies writing Basic Property Insurance in Missouri.

Governing Committee members shall serve a period of one (1) year or until their successors are elected, or appointed, whichever the case may be.

In any case of vacancy on the Governing Committee the Director shall appoint a representative to such vacancy pending the appointment or election of a replacement as provided herein.

- D. Powers: The Governing Committee shall have the powers described herein and shall have the responsibility for the administration of the Facility. They may adopt and promulgate such rules, establish such committees and sub-committees as may be necessary to carry out the purposes of the Facility.
- E. Officers of the Governing Committee: The Governing Committee shall elect a Chairman and a Vice Chairman, and may elect or appoint additional officers, including a Secretary. All such officers shall be elected by majority vote of those members present and voting.

Executive Committee: The Governing Committee shall appoint an Executive Committee from among its members. Such Committee shall be composed of the Officers of the Governing Committee, as well as other members if so desired by the Committee.

- F. Meetings: Meetings of the Governing Committee shall be held within the state of Missouri as designated by the Chairman of the Governing Committee. The meetings may be held in a physical location or electronically and may be held as often as necessary to administer the Facility. The meetings may be called by the Chairman of the Governing Committee, by written request of at least three (3) members of the Committee, or upon written request of the Director.
- G. Expenses: Reasonable expenses incurred by members of the Committee in attending scheduled meetings of the Committee, a subcommittee, in attending conferences with the Manager on behalf of the FAIR Plan, or at the Department of Insurance on business necessary to the proper implementation of the Missouri FAIR Plan shall be reimbursed by the Facility to the Insurer employing the member or to the member upon submission of an itemized accounting by such member.

It is the intent of the Committee that expenses are only reimbursed when it is necessary for the member to travel to some city or location other than the city where it is principally officed. No entertainment expense shall be reimbursed.

- H. Quorum and Voting: Seven (7) members of the Governing Committee shall constitute a quorum. Each member of the committee present at the meeting will have one vote. Voting by proxy at meetings of the Governing Committee shall not be permitted.
- I. Procedure: The Chairman, or in his absence the Vice Chairman, shall act as Chairman of any meeting of the Governing Committee and of any meeting of the Members of the Facility, and the Secretary, or in his absence a person appointed by the Chairman, shall act as Secretary of such meeting.
- J. Reports: The Governing Committee shall furnish to all Members of the Facility, the Director and the Secretary of Housing and Urban Development, periodic written reports of operations in such form and detail as the Governing Committee may determine.
- K. Investments: The Governing Committee shall have the power to invest funds held by the Facility, which are not in the opinion of the Governing Committee necessary to meet current obligations, in Savings Accounts, Money Markets, Certificate of Deposits; U.S. Treasury or Agency Bills, Notes, or Bonds; Investment Grade Corporate Bonds; Investment Grade Municipal Bonds; Mutual Funds or ETF's that invest primarily in Investment Grade Bonds; or Highly Diversified Common Stock Index Mutual Funds or ETF's. The Plan shall invest with liquidity, security of principal, and diversification as their primary goals. The Governing Committee is authorized to adopt a more specific Investment Policy and Procedures within these general guidelines if they deem necessary.

Section 8 - Management

- A. Appointment: The Governing Committee shall appoint and arrange for compensation of a Manager and such other employees as the Governing Committee may designate, which persons shall serve at the pleasure of the Governing Committee.
- B. General Duties: The Manager and other employees who may be designated by the Governing Committee shall perform the duties provided in this Plan and such other duties as the Governing Committee may designate.
- C. Employee Benefits: The adoption of or substantive changes in pension plans or employee benefit program shall be subject to approval of the members.
- D. Assessments and Distributions: Each member shall participate in the writings, expenses, profits and losses arising out of Facility operations in the following manner:

1. for Habitational risks, the same proportion as its Habitational Premiums Written bear to the aggregate Habitational Premiums Written by all Members in the Program. However, Assessments/Distribution calculated at \$100.00 or less shall be waived. The collective amounts of the waived Assessment / Distributions shall be apportioned to the remaining members based upon each members calculated participation ratios.
2. for Commercial risks, the same proportion as its Commercial Premiums Written bear to the aggregate Commercial Premiums Written by all Members in the Program. However, Assessments / Distributions calculated at \$100.00 or less shall be waived. The collective amounts of the waived Assessments/Distributions shall be proportioned to the remaining members based upon each members calculated participation ratio.

The Committee shall from time to time assess each member its share of expenses and losses in accordance with its participation in the Plan.

- E. Budget: Annually the Manager will prepare an operating budget which shall be subject to approval by the Governing Committee. Such budget shall be furnished to the Members after approval.

Any contemplated expenditure in excess of, or not included in, the annual budget shall require prior approval by the Governing Committee.

Section 9 - Indemnification

- A. The Facility shall indemnify: (a) each member of the governing committee, and the estate, executor, administrator, heirs, legatees and devisees of any such person; and (b) every licensed agency of an insurer having a member on the governing committee and every member of the Facility, both as a member and by reason of such member having one or more of its personal representatives or employees serving in any of the capacities or positions specified in clause (a) herein above; and (c) every officer and employee of the Industry Placement Facility, and the estate, executor, administrator, heirs, legatees or devisees of such person; against all judgments including interest, fines, amounts paid or agreed upon in settlement, reasonable costs and expenses including attorney's fees, punitive or exemplary damages, and any other liability that may be incurred as a result of any claim, action, suit, or proceeding, whether civil, criminal, administrative, or other, prosecuted or threatened to be prosecuted, for or on account of any act performed or omitted or obligation entered into, whether due to negligence of the party indemnified or otherwise, if done or omitted in good faith without intent to defraud and within what he in good faith believed to be the scope of his employment or authority and for a purpose which he in good faith believes to be in the best interest of and in connection with the administration, management,

conduct or affairs of the association, committee, or Industry Placement Facility, and with respect to any criminal actions or proceedings, in addition, in good faith did not believe that his or its conduct was in violation of a criminal statute. Provided, however, that if any such claim, action, suit, or proceeding is compromised or settled it must be done so with the prior and express approval of the Governing Committee of the Facility.

- B. The Facility shall defend, at its own expense, against any claims brought or actions filed against members or persons indemnified under this Section, alleging claims which are the subject of the indemnity contained herein, whether such claims or actions are rightfully or wrongfully brought or filed. The right to select counsel to defend rests solely with the Governing Committee. Any person or member at his own expense may retain counsel to represent him.
- C. Such indemnification shall not depend upon whether or not such member is a member of the Facility, or such person is a member of the Governing Committee, Industry Placement Facility, or any committee, at the time such claim, action, suit or proceeding is begun, prosecuted or threatened, nor on whether or not the liability to be indemnified was incurred or the act or omission occurred prior to the adoption of this Section.
- D. The right of indemnification hereunder shall not be exclusive of other rights such person or member may have as a matter of law or otherwise.
- E. The indemnification provided for in this Section shall be deemed to be an expense of the Facility to which all of the members of the Facility shall contribute in the proportion that each member participates according to law in the writings, expenses, profits, and losses of the Association.

Section 10 - Insolvency

In the event any Member fails, by reason of insolvency, to pay its proportion of any expense or of any loss due, such unpaid loss or expense shall be paid by the remaining members, such contributing in the manner provided for the distribution of expenses and losses under the Program, deleting there from the proportion of the defaulting Member. The Facility 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.

Section 11 - Dissolution

Upon dissolution the Committee shall have the power and authority to: collect all accounts, assets or funds belonging to the Facility or the Members resulting from operations of the Facility; sell, transfer and convey all good will which may have accrued, adjust, as between members, all rights and interests in the Facility or in the proceeds

thereof, and in the relations of the Members to each other resulting from the operations of the Facility; and take all other steps and action as may be deemed by the Committee to be necessary to carry into full effect the foregoing provisions.

Section 12 - Effective Date

This Plan of Operation, after approval, is effective August 15, 2020 and replaces previous Plans that have been in effect provided, however, that previous Plans shall remain effective to complete all unfinished business in progress and until such time as all liability has ceased, all claims are settled and final settlement has been made as respects insurance written pursuant to said Plans.

Section 13 - Authority to Act

Member companies of the Facility shall be deemed to have authorized the Facility to execute policies in its name on behalf of member companies. Where authorized, the Facility shall pay, on behalf of such member, premium and other taxes related to Facility business on terms and conditions agreeable to the taxing authority involved.

Section 14 - Inspections and Reports

- A. Any person having an insurable interest in real or tangible property at a fixed location shall be entitled upon request to the Facility by such person or his/her authorized representative, to an inspection of the property by Facility inspectors. A one-time \$25.00, twenty-five dollar, inspection fee will be charged for new business only and will be added to the policy invoice. Any subsequent inspection will be free of charge. The request for inspection need not be in writing.
- B. The Inspector must be provided full access to the building but the presence of the owner of a building may not be required when tenant is seeking insurance.
- C. An Inspection Report shall be made for each property inspected. The report shall cover pertinent structural and occupancy features as well as the general condition of the building and surrounding structures. A representative photograph of the property may be taken during the inspection.
- D. After the inspection, a copy of the completed Inspection Report (and any photographs), indicating the pertinent features of building, construction, maintenance, occupancy and surrounding property, together with appropriate rating information, shall be sent to the Facility.

- E. Once an eligible risk has been inspected and found insurable, it shall be re-inspected only (1) upon request of the property owner, (2) on a limited basis for statistical purposes as determined by the Facility, (3) upon change in type of occupancy, (4) upon schedule of not more often than once every three years as determined by the Facility, or (5) for cause, upon information or well founded belief of the Manager that the occupancy hazards or physical condition of the property have substantially changed since the last inspection.
- F. If the property is inspected and there are one or more sub-standard conditions, condition charges may be imposed in conformity with rating plans approved by the Director.

Section 15 - Procedure After Inspection

- A. The Facility shall advise the agent or applicant that (1) the risk is acceptable and policy will be issued upon receipt of the full amount of the premium; or (2) the risk is not acceptable, but will be acceptable if improvements, noted on Report of Declination, are made by the Applicant and confirmed by reinspection; or (3) the risk is not acceptable for the reasons stated in the Report of Declination.
- B. In the event a risk is declined because it fails to meet reasonable underwriting standards, or if the applicant is notified that coverage will be written if stated improvements are made, the Facility shall send copies of the Inspection and Report of Declination to the Property Owner and shall advise the Property Owner of his rights to appeal and the procedure therefore. Reasonable underwriting standards shall include, but not be limited to, the following: (1) physical condition of the property, such as its construction, heating, wiring, evidence of previous fires or general deterioration; (2) its present use or housekeeping, such as vacancy, overcrowding, storage of rubbish or flammable materials; (3) violation of law or public policy which results in increased exposure to loss.

A risk shall not be declined for Environmental Hazard.

Section 16 - Placement of Insurance

- A. Premiums are payable by Cash, Credit Card, Debit Card, Certified Check, Electronic Check, Postal Money Order, or any form of payment directly from the bank account of the insured, a licensed lending institution, insurance agent or broker. Payment may be made in person, by mail, electronically, online or over the phone; but cash should not be sent through the mail. Payment must be received by the Facility before coverage can become effective. Premium financing arrangements will be honored by the Facility, if previously approved. Upon payment, the Facility will issue a Policy of Insurance.

- B. "Interim Coverage": An Applicant may obtain Interim Coverage on an eligible risk if (1) through no fault of the Applicant, coverage has not been either afforded or denied within twenty (20) calendar days after the date the request for inspection was received by the Facility and (2) the Applicant, at the time of requesting the inspection or at any time prior to the receipt of a Report of Declination indicating that the property is not acceptable, pays either the estimated annual premium or the portion thereof that is appropriate for the period of time for which the coverage is provided. The estimated premium shall be based on the applicable existing specific or class rate, in accordance with the rates approved for use by the Director of Insurance.

The period of Interim Coverage shall not commence prior to twenty (20) days after the date the request for inspection was received by the Facility. The period of coverage provided shall not be less than the time required to complete the inspection and to process fully in the ordinary course of business any related application for insurance of the property.

- C. The Facility shall, subject to the provisions of this Plan, write insurance up to the reasonable insurable value of the property, subject to a maximum of \$200,000 - on any Habitational property at one location and \$1,000,000 - on any Commercial property at one location, and shall assist in the placement of insurance of risks having insurable values in excess of such maximum.
- D. After the issuance of a policy, the following procedure shall be followed to effect any change therein by endorsements:
1. The endorsement shall be prepared by the Facility.
 2. Request for endorsement shall be implemented by proper adjustment of premium.

Section 17 - Standard Policy Coverage

- A. All policies issued shall be for Basic Property Insurance on standard policy forms and shall be issued for a term of one year.
- B. Deductibles, percentage participation clauses, and other underwriting devices may be employed to meet special problems of insurability, subject to approval of the Director.

Section 18 - Cancellation and Non-Renewal

- A. Grounds for cancellation shall be limited:
1. non-payment of premium; or

2. evidence of incendiarism (meaning arson by or at the direction of the insured): or
 3. cause which would have been grounds for non- acceptance of the risk at the time of acceptancy; or
 4. cause arising subsequent to the inspection which would have been grounds for non-acceptance of the risk under this Plan of Operation had such cause existed at the time of acceptance.
- B. Any notice of cancellation or notice of non-renewal of a policy issued under this Program together with a statement of the reasons therefore, shall be sent to the first named insured 30 days before the effective date of this action if for any reason.

Section 19 - Appeals

- A. Any applicant may appeal a decision of the Insurer relating to the conditions for acceptance of coverage to the Director in writing, within thirty (30) days from the decision of the Insurer.
- B. Other than as provided in (1) above, any applicant or Insurer shall have the right of appeal to the Governing Committee. A decision of the Committee may be appealed to the Director, in writing, within thirty (30) days from the action or decision of the Committee.

Section 20 - Commissions

- A. Commissions to the licensed agent or broker, designated by the Property Owner, shall be 12% on new business and 10% on renewal business on the policy premium.
- B. In the event of cancellation of a policy, or if an endorsement is issued which required premium to be returned to the Insured, the agent or broker shall refund to the Facility commission on the unearned portion of canceled liability and on reductions in premiums, at the same rate at which such commissions were originally paid.

Section 21 - Statistics and Reports

The Facility shall furnish to Members, to the Director and to the Secretary of the United States Department of Housing and Urban Development (HUD), a written report at such intervals and containing such information as the Director or the Secretary of HUD may from time to time require.

Section 22 - Public Education

The Members agree to undertake a continuing public education program, in cooperation with Agents and Brokers, to assure that this program receives adequate public attention.

To assure the public's access to such information, the telephone information number of the Plan shall be listed alphabetically as "FAIR Plan" (a) in the white sections and (b) under "Insurance" in the classified sections of the telephone directories of each city where the Facility maintains an office.

Section 23 - Agents' Cooperation

The members shall encourage the cooperation of their Agents in assisting Applicants in obtaining Basic Property Insurance pursuant to this Plan of Operation.

Section 24 - Modification

This Plan of Operation may be amended by the Committee, subject to approval by the Director in whole or in part in accordance with the provisions of the Statute.