

GEORGIA UNDERWRITING ASSOCIATION

AMENDED AND RESTATED PLAN OF OPERATION

EFFECTIVE AS OF FEBRUARY 14, 2005

GEORGIA UNDERWRITING ASSOCIATION
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SECTION I - PURPOSES OF PLAN

The purposes of this Amended and Restated Plan of Operation (this "Plan") are:

1. to administer the Georgia Fair Access to Insurance Requirements Plan (the "FAIR Plan") pursuant to the provisions O.C.G.A. §33-33-1 et. seq. and any regulations, rules, orders or bulletins promulgated by the Commissioner (as defined below) pursuant thereto;
2. to issue policies of Property Insurance (as defined below) insuring Eligible Property (as defined below) available to qualified Applicants (as defined below), subject to the terms and conditions hereinafter stated;
3. to encourage the improvement, protection and preservation of real properties located in the State of Georgia and to further orderly community development; and
4. to make public the purposes, procedures and operations of this Plan.

SECTION II - EFFECTIVE DATE

1. This Restated Plan of Operations shall become effective as of February 14, 2005.

SECTION III - DEFINITIONS

1. "Applicant" means a Person that applies for the purchase of Property Insurance for a Habitational Risk or a Commercial Risk from the Association.
2. "Association" means the Georgia Underwriting Association, an organization formed pursuant to the Articles of Association of the Georgia Underwriting Association, to administer the FAIR Plan and this Plan of Operations.
3. "Board of Directors" means the Board of Directors of the Association.
4. "Commercial Risk" means any Eligible Property, other than a farm or manufacturing risk, that is not a Habitational Risk; provided that, for an apartment or condominium building a Commercial Risk shall include only such buildings or portions thereof as determined by the General Manager in accordance with the rating rules and plans adopted or used by the Rating Organization. In no event shall a Commercial Risk include an automobile or other vehicle.
5. "Commissioner" means the Commissioner of Insurance of the State of Georgia.

6. “Eligible Property” means Real Property and the contents thereof, which are located in the State of Georgia.
7. “General Manager” means the individual elected by the Board of Directors whose responsibilities include acting as attorney-in-fact and signing agreements, documents, leases, deeds other instruments on behalf of the Association and managing the day to day operations of the Association.
8. “Habitational Risk” means any Eligible Property that is residential (primary or secondary) real property of the owner thereof or is occupied by a tenant or lessee thereof, including mobile homes and other forms of manufactured housing, subject to coding under the rating plan adopted or used by the Rating Organization. In no event shall a Habitational Risk include an automobile or other vehicle.
9. “Hurricane Underwriting Restriction” means any time or period of time during which there exists of any portion of a hurricane designated by the U.S. National Weather Service, National Hurricane Center or any successor thereto within the boundaries of seventy (70) degrees West longitude and twenty (20) degrees North latitude until the expiration of twenty-four (24) hours after such hurricane warning has been lifted.
10. “Member” means every insurer authorized to write and writing property insurance in the State of Georgia and required to be a member of the Association.
11. “Person” means any individual, partnership, firm, trust, association, limited liability company, corporation, joint venture, unincorporated organization, or other business entity.
12. “Premiums Written” means the total amount of gross direct written premiums during the applicable calendar year, as determined by the Association, with respect to insurance policies issued for Habitational Risks and Commercial Risks located in the State of Georgia, including both (a) the property insurance premium components, and (b) where the Board of Directors determines that it is necessary or convenient for the purpose of assuring fair access to insurance requirements, the non-property insurance premiums components of all multi-peril insurance policies, less return premiums, dividends paid or credited to policyholders, or the unused or unabsorbed portions of premium deposits.
13. “Property Insurance” means insurance coverage provided through an insurance policy issued by the Association against direct loss of or damage to Eligible Property and may include insurance for non-property perils, such as casualty or liability, related, ancillary or incidental to such Eligible Property, is provided in any of the following forms:
 - A. For Habitational Risks:
 - (i) a Standard Dwelling Property or Fire Insurance Policy, which may include an Extended Coverage Endorsement and a Vandalism and Malicious Mischief Endorsement;
 - (ii) an insurance policy insuring only windstorm and hail perils;

- (iii) an insurance policy insuring the perils of burglary and robbery (Crime Policy);
- (iv) a Basic Homeowners insurance policy; and
- (v) any other class or type of Property Insurance policy, or endorsement thereto, insuring a Habitational Risk that may be approved by both the Board of Directors and the Commissioner.

B. For Commercial Risks:

- (i) a commercial property insurance policy;
- (ii) a Builder's Risk Insurance Policy; and
- (iii) any other class or type of Property Insurance policy, or endorsement thereto, insuring a Commercial Risk that may be approved by both the Board of Directors and the Commissioner.

14. "Rating Organization" means the insurance rating organization or other organization designated by the Association with the approval of the Commissioner to make surveys of property as required under this Plan of Operations and to perform such other duties as may be authorized by the Association.

15. "Real Property" means real estate or real property.

16. "Windstorm and Hail Area" means Real Property located as follows:

A. Properties on the following Off Shore Islands

Butler's Island	Little Sapelo Island
Cabbage Island	Little Tybee Island
Cain Creek Island	Little Wassaw Island
Champney Island	Ossabaw Island
Cockspur Island	Raccoon Key
Colonel's Island	Rainbow Island
Cumberland Island	Saint Simon's Island
Green Island	Sapelo Island
Isle of Wright	Sea Island
Jekyll Island	Tybee Island
Little Cumberland Island	Wassaw Island
Little Saint Simon's Island	

B. All other properties, wherever located, in the counties of Bryan, Camden, Chatham, Glynn, Liberty and McIntosh of the State of Georgia.

SECTION IV - APPLICATIONS FOR AND ISSUANCE OF PROPERTY INSURANCE POLICIES

1. An Applicant may apply to the Association for the purchase of a Property Insurance policy for a Habitational Risk or Commercial Risk by submitting to the Association an application for insurance on an application form supplied by the Association. An Applicant may make such application directly or through a licensed insurance producer representing the Applicant. All applications made for the purchase of a Property Insurance Policy for a Habitational Risk or Commercial Risk from the Association shall be subject to the rates, rating plans and underwriting rules and guidelines established by the Association. No Applicant may make application to the Association for a Property Insurance policy or increased coverage under an existing Property Insurance policy issued by the Association when a Hurricane Underwriting Restriction is in effect.
2. Upon the Association's approval of an application for Property Insurance policy from an Applicant and upon the Association's receipt of payment of the required insurance premiums from such Applicant for such Property Insurance policy, the Association shall issue a policy of Property Insurance to the Applicant. If the Applicant is represented by an insurance producer, such insurance producer shall submit payment of insurance premiums "net of commission" to the Association. All insurance premiums shall be paid in the form of cash, agency check, certified check, bank check, money order, or the check of a licensed lending institution or other means as approved by the Board of Directors.
3. The Association may offer a "two-payment installment plan" to an insured that purchases an insurance policy from the Association if the Association determines in its sole discretion that the insured qualifies for such plan. The insured shall pay to the Association a minimum of fifty percent (50%) of the total insurance premiums due for such insurance policy, rounded up to the nearest dollar, that is required to place insurance coverage into effect. The premium balance, plus a four dollar (\$4.00) service charge, must be paid by the insured to the Association within one hundred and twenty (120) days after the inception date of such insurance policy.

SECTION V - FAIR PLAN - SURVEY AND REPORTS

1. An Applicant having an insurable interest in Real Property that is a Habitational Risk or Commercial Risk may, if deemed necessary by the Association, be entitled upon making an application for the purchase of a Property Insurance policy from the Association to receive a survey of such Real Property by the Rating Organization at no cost to the Applicant.
2. The method, manner and scope of such surveys shall be determined by the Association with the approval of the Commissioner.
3. The Association shall cause a written survey report to be prepared for each Real Property so surveyed. Such report shall cover pertinent structural and occupancy features, as well as the

general condition of the building and surrounding structures. Representative photographs of such Real Property may be taken during the survey.

4. Within thirty (30) days after the completion of the survey report, a copy thereof, and any photograph, indicating the pertinent features of building, construction, maintenance, occupancy and surrounding property shall be sent to the Association. The survey report shall include a rate make-up statement, including any condition charges or surcharges imposed in conformity with the Plan or under any substandard rating plan approved by the Commissioner. The Association shall make a copy of the survey report available to the Applicant or the Applicant's authorized insurance producer upon request.

SECTION VI - PROCEDURE AFTER INSPECTION

1. The Association shall, as promptly as possible after receipt of a survey report and an application to purchase Property Insurance from the Association, advise the Applicant or the Applicant's authorized insurance producer that:
 - (a) the risk proposed to be insured is acceptable to the Association, and if surcharged, the improvements required to be made to such risk as stated in the action report to remove the surcharge, and will issue a Property Insurance policy upon receipt by the Association of the designated amount of insurance premiums; or
 - (b) the risk proposed to be insured is not acceptable to the Association, but will be acceptable if improvements noted in the action report are made by the Applicant and confirmed by reinspection by the Association or its designee; or
 - (c) the risk proposed to be insured is not acceptable to the Association for the reasons stated in the action report.
2. If the Association declines to insure a risk because it fails to meet reasonable underwriting standards as determined by the Association, the Association shall so notify the Applicant. Reasonable underwriting standards shall include, but not be limited to, the following:
 - (a) physical condition of the property, such as its construction, heating, wiring, evidence of previous fires or general deterioration;
 - (b) the property's present use or housekeeping, such as vacancy, overcrowding, storage of rubbish or flammable materials;
 - (c) violation of law or public policy which results in increased exposure to loss;
 - (d) the amount of insurance requested, together with other insurance, must bear a reasonable relationship to the actual cash value of the property involved, except where Georgia or Federal law requires coverage equal to full replacement cost, provided the total replacement cost coverage does not exceed the Association's underwriting limit.

In order for any conversion condominium structure to become eligible for replacement cost coverage, the following documentation must be furnished:

- (1) a statement based on a report prepared by an independent registered architect or engineer, describing the present condition of all structural components and mechanical and electrical systems of such conversion condominium structure, excluding fixtures and appliances within the units, material to the use and enjoyment of the condominium.
 - (2) a statement of the expected useful life of each item reported on as provided in subparagraph (1) above; or a statement that no representations are made in that regard.
 - (3) a list of any outstanding notices of uncured violations of building code or other county or municipal regulations or ordinances together with the estimated cost of curing those violations.
- (e) any structure located in a Windstorm and Hail Area, constructed within ten (10) years prior to the date of an application for insurance coverage made to the Association and not built in compliance with the applicable building code prescribed by the International Code Council, or its equivalent, including the design-wind requirements, shall not be an insurable risk of the Association. The Applicant shall furnish with the application, proof from a local building inspector, contractor, engineer or architect, in the form of a letter, that the structure is built in accordance with the International Code Council or its equivalent.

A risk shall not be declined for neighborhood or area location or any environmental hazard beyond the control of the property owner.

- (f) frequency of losses.
3. If the Association conditionally declines to insure a risk because the property does not meet the underwriting standards of the Association, but such property can be improved to meet such standards, the Association shall promptly advise the Applicant as to what improvements are noted in the action report that must be made to the property in order for such property to be an acceptable risk to the Association.
 4. If the survey of the property reveals that there are one or more substandard conditions, surcharges shall be imposed in conformity with any substandard rating plan approved by the Commissioner.
 5. If the Association declines to insure a risk or the insurance coverage will be written only on the condition that the property will be improved, the Association shall, within ten (10) days after such declination, send copies of the survey and action reports to the property owner and the Commissioner and shall advise the property owner of a right to appeal such declination and the procedures thereof.

**SECTION VII - STANDARD INSURANCE POLICY COVERAGES
AND LIMITS OF LIABILITY**

1. All insurance policies issued by the Association shall be limited to Property Insurance on standard policy forms with such changes as may be approved by the Commissioner and shall be for a term of one (1) year.
2. Limits of coverage shall be established by rules adopted by the Board of Directors subject to approval of the Commissioner. The maximum limit of coverage for any one building of all of an insured's interests shall not exceed two million dollars (\$2,000,000) on any Habitational Risk and on any Commercial Risk. The maximum limit of coverage for any complex or inter-related multiple set of buildings shall not exceed twenty million dollars (\$20,000,000) in the aggregate and two million dollars (\$2,000,000) for each building.

The following maximum limits of liability apply to Crime insurance policies:

- (a) Habitational Burglary and Robbery - \$10,000.
Special Limits
 - Cash - \$200.
 - Securities - \$500.
 - Jewelry, Articles of Gold, Silver or Platinum, Furs, Fine Arts, Antiques, Coin or Stamp Collections - \$1,500 Aggregate per Occurrence with a \$500 limit per any one article. Loss, by theft of firearms, is limited to \$2,000 per occurrence.
- (b) Commercial Burglary and/or Robbery - \$15,000.
Special Limits
 - Burglary losses of money, securities or any items of jewelry with cash value in excess of \$50 will not be paid unless the items are forcibly extracted from a locked safe. There is also a limit of \$5,000 if the safe is not rated as "Class E" or better.
 - Outside robbery losses in excess of \$5,000 will not be paid unless the insured or messenger of such insured is accompanied by an armed guard. The individual carrying the insured property and the armed guard cannot be the same individual.

The following maximum limits of liability apply to Homeowners insurance policies:

- (a) Section I Coverage
The maximum limits of liability is the maximum amount for Habitational Risks indicated in Paragraph 2 of this section.
- (b) Section II Coverage - Maximum Limits
Coverage E (Personal Liability) - \$100,000 - each occurrence
Coverage F (Medical Payments) - \$1,000 - each person

3. Insurance deductibles, percentage participation clauses, and other underwriting devices may be employed by the Association to meet special circumstances, problems or concerns regarding the insurability of any property identified by the Association. Higher deductibles may be available, upon request with applicable insurance premium adjustment, to risks that the Association determines are eligible for such higher deductibles.

SECTION VIII - TEMPORARY BINDERS OF INSURANCE

1. If the Association does not notify the Applicant of the Association's acceptance or declination of the coverage within twenty (20) days after the Association's receipt of the application, the Applicant may, upon request made to the Association, obtain a temporary binder of insurance for Property Insurance from the Association.
2. In order to facilitate the prompt processing of requests for temporary binders of insurance for Property Insurance, from the Association, the Applicant or the Applicant's authorized insurance producer shall submit to the Association a copy of the original insurance application along with a deposit of the estimated annual insurance premiums.
3. The estimated annual insurance premium shall be based on the applicable existing specific or class rate in accordance with the advisory rates of Insurance Services Office, Incorporated or in accordance with a rating plan filed by the Association with, and approved by, the Commissioner. If the coverage to be bound by the Association is presently provided under an expiring insurance policy written through the Association, the deposit insurance premium shall not be less than the insurance premium charged under such expiring insurance policy.

SECTION IX - MEMBERS' PARTICIPATION IN RESULTS OF OPERATION OF ASSOCIATION

1. Each Member shall participate in the writings, expenses, profits and losses of the Association in the manner described in this Section IX.
2. Separate accounting records for Members will be maintained for writings, expenses, profits and losses from operations of the Association.
3. Each Member's participation in the writings, expenses, profits and losses of the Association for any fiscal year of the Association shall be the proportion that each Member's Premiums Written during the most recent calendar year for which data is available bear to the aggregate Premiums Written by all Members during such calendar year.
4. The Board of Directors shall be authorized to make assessments upon all Members as may be deemed necessary.
5. All insurance policies written by the Association shall be coded separately in order that the experience of such insurance policies may be accounted for separately from the experience of the other insurance business transacted by the Members in this state.

SECTION X - CANCELLATION

1. Grounds for cancellation of insurance policies issued by the Association shall include, but not be limited to:
 - (a) cause which would have been grounds for non-acceptance of the risk under the FAIR Plan had such cause been known to the Association at the time of acceptance of the risk for insurance by the Association; or
 - (b) non-payment of insurance premium; or
 - (c) evidence of incendiarism; or
 - (d) misrepresentation or concealment of any material fact concerning the property by the Applicant either before or after loss; or
 - (e) a finding by the Association on the basis of reasonable evidence that changes in the physical condition of the property or other changed conditions make the risk uninsurable by the Association; or
 - (f) frequency of losses.
2. Notices of Cancellation - The Association shall notify the insured of cancellation of an insurance policy issued by the Association at least ten (10) days prior to cancellation if cancellation is for non-payment of insurance premium or the insurance policy has been in effect sixty (60) days or less. The Association shall mail at least thirty (30) days prior notice of cancellation to the insured for insurance policies insuring a Habitational Risk for cancellation for all other reasons and at least forty-five (45) days prior notice of cancellation to an insured for cancellation of an insurance policy insuring a Commercial Risk for any reason. All notices of cancellation shall include a statement of the reason for the cancellation.
3. Any cancellation notice to the insured shall be accompanied by a statement that the insured has a right of appeal as hereinafter provided.

SECTION XI - RIGHTS OF APPEAL

Any Applicant for insurance and any person under the FAIR Plan or any affected Member may appeal to the Board of Directors within fifteen (15) days after any final ruling, action or decision of the Association. Any decision of the Board of Directors may be further appealed to the Commissioner within thirty (30) days. The Commissioner may direct the Association to provide temporary insurance coverage to a local entity (a county, municipality, or local Board of Education) while awaiting the outcome of an appeal. Orders of the Commissioner shall be subject to judicial review which shall be conducted in accordance with the provisions of the Georgia Insurance Code.

SECTION XII - COMMISSIONS PAYABLE TO INSURANCE PRODUCERS

1. The amount or rate of commissions payable by the Association to a licensed insurance producer designated by the Applicant as the Applicant's representative for an insurance policy issued by the Association to such Applicant shall be determined by the Board of Directors and approved by the Commissioner.
2. If a return insurance premium becomes due as the result of an endorsement or policy cancellation, the Plan will remit to the insured or the insured's insurance producer a check for the net return insurance premium.
 1. A check, net of commission, will be mailed to the insurance producer who shall be required promptly to remit to the insured such insurance producer's own check for the full gross return insurance premium. Under no circumstances may any insurance producer withhold from the insured any portion of the unearned commission.
 2. If any insured makes a demand upon the Plan for the return of the gross return insurance premium, or should the Plan be called upon to return the gross return insurance premium to a premium finance company, mortgagee or loss payee on an insurance policy written through an insurance producer, such insurance producer shall be required promptly to refund to the Plan, on demand, any unearned commission.

SECTION XIII - COOPERATION OF MEMBERS' AGENTS

All Members shall encourage the cooperation of their respective insurance agents in assisting Applicants in obtaining Property Insurance from the Association.

SECTION XIV - RESPONSIBILITY WITH RESPECT TO CANCELLATIONS OR NON-RENEWALS

Each Member agrees that, with respect to its cancellation or non-renewal of an insurance policy issued by such Member on Habitational Risks or Commercial Risks which may be eligible for insurance coverage by the Association, such Member will give to its policyholders, except in cases of non-payment of insurance premium or evidence of incendiarism, at least thirty (30) days to avail themselves of the Association and the Member shall, in writing, explain to the policyholder the procedures for making an application for insurance to the Association.

SECTION XV - AMENDMENT OF THE PLAN

This Plan may be amended by the Board of Directors with the approval of the Commissioner.

SECTION XVI - TERMINATION OF THE PLAN

This Plan shall terminate upon the termination of the Association as prescribed in Article XIV (Termination of Association) of the Articles of Association.

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