



STATE OF TEXAS

Underwriting and Rate Guide Homeowners Program

Homeowners Policy (HO-3)
Renters Policy (HO-4)
Unit-Owners Policy (HO-6)

Edition 5

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1. POLICY FORMS AND DWELLING / PROPERTY LIMITS

- | | |
|--|---|
| A. Homeowners: | Form 3 |
| <i>Dwelling Limits:</i> | <i>Maximum: \$700,000 (\$750,000 Renewal)</i> |
| B. Renters (Personal Property): | Form 4 |
| <i>Personal Property Limits:</i> | <i>Maximum: \$150,000</i> |
| C. Unit-Owners (Condominium/Townhouse): | Form 6 |
| <i>Personal Property Limits:</i> | <i>Maximum: \$300,000</i> |

2. ELIGIBILITY

These Eligibility Guidelines are subject to the SUBMIT FOR APPROVAL and UNACCEPTABLE RISKS sections contained herein.

A. Homeowners Policy

A single-family dwelling occupied by the titled owner and used principally for private residential purposes. The dwelling must have only one family, cannot have more than two roomers or boarders, and may not have any space rented to others for any purpose.

B. Renters Policy

1. The tenant of any dwelling, apartment, condominium or cooperative unit.
2. The titled owner, who is also an occupant, of a dwelling or building containing an apartment that is not eligible for another Homeowners form.
3. The titled owner of a cooperative unit, provided:
 - a. The portion of the premises occupied as living quarters is used principally for private residential purposes.
 - b. This portion is occupied by only one family and cannot have more than two roomers or boarders.
 - c. This portion is designated by an apartment number or other positive identification.

C. Unit-Owners Policy

Owner occupied, including seasonal, and tenant occupied units, which are part of a community association organized under condominium, cooperative, town house or planned development form of ownership and where provision has been made for a master policy covering the residential building(s) real property exposure. The unit must be used principally for private residential purposes.

Note: The term "owner" includes persons purchasing a dwelling, such as under a mortgage agreement or contract of sale.

3. POLICY TERM

Policies will be written for a maximum 12-month term only. An initial term less than 12-months can only be written to ensure that the policy expiration date coincides with the annual expiration date of another insurance policy held by the named insured. If the initial term is less than 12-months, the premium (not the fees) will be prorated. The minimum premiums still apply. The minimum term is three months.

Direct bill premium invoicing is available, unless the initial term is less than 6-months. A premium invoice will be mailed directly to the insured 30-40 days prior to the installment due date. A service fee is added to all installments, but not the initial down payment. The service fee is \$10 if installments are invoiced and paid manually. The service fee is \$3 if installments are paid electronically using automatic payments.

An insufficient funds fee of \$25 will be assessed whenever a manual check, electronic check/funds transfer or credit card transaction is unable to be processed due to the lack of sufficient funds or credit limit.

4. OTHER INSURANCE

Other insurance covering the same property is permitted only when the other insurance is for perils not covered by the policy. (For example, flood insurance.)

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5. RESERVED FOR FUTURE USE

6. APPLICATION AND BINDING PROCEDURES

A. For Policies Bound Online (*using our website rating facility*)

All application questions must be fully completed by producer and applicant. After policy has been bound and a policy number has been issued, the application must then be printed and wet signed by both the producer and the applicant. The application and supporting documentation are retained at the point of sale by the producer. The records shall be open at all reasonable times for inspection by the Company.

B. For Policies Not Bound Online (*using our website rating facility*)

A Pacific Specialty Insurance Company ("PSIC") insurance application for the type of policy selected must be fully completed and mailed to PSIC (or its representative). Binding is subject to acceptance of the risk by PSIC. The following provisions must be satisfied when the application is submitted:

1. All underwriting rules are followed; and
2. A PSIC application (including any and all necessary disclosures) is fully completed and signed by both the applicant and producer; and
3. Required premium (or minimum required down payment) accompanies application; and
4. All of the above referenced items are mailed to PSIC (or its representative) within the following number of days from the requested effective date:
 - a. If premium paid in full, 15 days
 - b. If direct bill payment option is requested, 5 days

Applications received in our office that are not postmarked within the required binding periods specified above, provided all binding procedures and underwriting criteria are satisfied and approved, will be made effective the date received in our office.

An automatically populated application can be printed to sign and submit for policies that are quoted and bound online through our website facility at www.pacificspecialty.com.

If the dwelling has a woodstove, submit the application with a completed woodstove questionnaire and one photograph.

7. CATASTROPHE MANAGEMENT

A. Suspension of Binding Authority

As part of PSIC's Catastrophe Management procedures, the company may from time to time establish, at PSIC's discretion, restrictions on binding authority. Whenever binding authority is restricted by operation of PSIC's Catastrophe Management procedures, no applications for new coverage will be accepted. In addition, no endorsements of existing policies will be accepted which will have the effect of increasing the company's exposure.

Applications with an effective date/postmark combination, which would violate the prohibition(s) listed throughout this section, will be rejected and no coverage will exist. Renewals of the company's expiring policies will be issued provided there is no increase in coverage or exposure, other than that which would normally occur (such as Inflation Guard).

All temporary suspensions of binding authority will remain in effect until the binding restrictions have been lifted by PSIC.

B. General (Non-Earthquake Related) Emergency Restrictions

All binding authority is automatically suspended whenever the following conditions exist in a given area:

1. Impending severe local weather conditions, bulletin(s) or civil unrest; or
2. When any designated* tropical storm or hurricane is forecast to affect any portion of the state within 5 days.

In addition, binding authority may be suspended at PSIC's discretion during periods of potential floods, mudslides, forest or wild fires, or other natural or manmade events.

Producers who are aware of any of the above conditions SHOULD NOT BIND COVERAGE UNTIL THEY HAVE CALLED THE COMPANY TO VERIFY THAT NO BINDING RESTRICTIONS ARE IN EFFECT.

**Note: A "designated" tropical storm or hurricane is a weather disturbance identified as a tropical storm or a hurricane by the United States National Weather Service.*

C. Earthquake-Related Emergency Restrictions

When a major earthquake occurs, PSIC (or its representative) may impose binding authority restrictions in the affected area:

1. Binding authority will be restricted when an earthquake reading 5.0 or greater on the Richter Scale occurs.
2. Binding authority will be restricted for the day of the earthquake and for the 30-day period following the earthquake.
3. An aftershock reading 5.0 or greater on the Richter Scale will be considered a new earthquake, and will result in a new period of suspended binding authority.
4. The restrictions will apply to all counties located within 150 miles of the earthquake's epicenter.

The same above restrictions apply to any requests to increase coverage limits. Renewals are not affected by these restrictions.

D. Miscellaneous Restrictions

Pacific Specialty, as part of its Catastrophe Management Program, may also establish (at its discretion) temporary and/or permanent restrictions on binding authority to properly control and maintain appropriate geographic concentration levels or to address reinsurance concerns.

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8. **INSPECTION FEE, POLICY FEE AND MINIMUM PREMIUMS**

An independent inspection firm will be hired to inspect each property on both HO-3 and HO-6 new and renewal business.

For homeowners and unit-owners policies, inspections will be performed on all new business, along with all renewals for homeowners policies and every other annual renewal for unit-owner policies. The inspection fee is \$43 per policy, applicable to homeowners and unit-owners policies only. The new and renewal business policy fee is \$30 per policy. The inspection fee and policy fee are non-refundable (fully retained).

The annual minimum written premium (excluding fees) is:

- | | |
|------------------------|-------|
| A. Homeowners: | \$250 |
| B. Renters: | \$130 |
| C. Unit-Owners: | \$150 |

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9. COVERAGES AND AMOUNTS

A. Homeowners (Policy Form 3)

This policy contains two sections: Section I – Property Coverages and Section II – Liability Coverages. Below is a brief description of the coverage provided. For a complete description, please refer to the policy.

Section I – Property Coverages			
		Standard (Included Coverage)	Optional Preferred Package
Coverage A: Dwelling	The Described Residence	100% of Limited Replacement Cost	125% Extended Replacement Cost
Coverage B: Other Structures	Unattached Private Structures on Insured Premises	10% of Coverage 'A' Amount	
Coverage C: Personal Property	Unscheduled Personal Property	50% of Cov A (ACV)	70% of Cov A (RC)
	Summary of Types of Property Subject to Special Limits of Liability:	Special Limits	
	Money, Bank Notes, Coins	\$100	\$500
	Property used in business	\$500 (on premises)	\$5,000 (on premises)
		\$250 (off premises)	\$2,000 (off premises)
	Securities, Accounts, Deeds	\$500	\$5,000
	Watercraft and Equipment	\$500	\$5,000
	Trailers not used with Watercraft	\$500	\$5,000
	Grave Markers	\$500	\$5,000
	Jewelry and Furs (Theft)	\$500	\$5,000
	Silverware, Goldware and Pewterware (Theft)	\$500	\$5,000
	Firearms (Theft)	\$500	\$5,000
	Computer Equipment	\$500	\$5,000
	Antiques and Fine Arts	\$500	\$5,000
	Rugs and Carpets (Theft)	\$500	\$5,000
	Photographic and Video Equipment	\$500	\$5,000
	Glassware and Crystal	\$500	\$5,000
	Electronic Apparatus while not in or upon a motor vehicle if designed to be operated solely by power from the vehicle	\$500	\$5,000
	Musical Instruments	\$1,000	\$5,000
	Tools	\$2,000	\$5,000
	Jewelry, furs, etc. while in bank, safe deposit or trust company (Preferred Package Only)	\$0	\$50,000
Coverage D: Loss of Use	20% of Coverage A		
Additional Coverages:	Debris Removal Reasonable Repairs Trees, Shrubs and Other Plants Fire Department Service Charge Property Removed	Credit Card, Fund Transfer Card, Forgery and Counterfeit Money Collapse Inflation Guard Loss Assessment Limited Section 1 – Property Coverages for Home Day Care Business	Refer to Policy for Details
Section II – Liability Coverages			
Coverage E: Personal Liability	\$100,000 Included		
Coverage F: Medical Payments To Others	\$1,000 (Per Person) Included		
Additional Coverages:	• Claim Expenses • First Aid Expenses	• Damage to Property of Others • Loss Assessment	Refer to Policy for Details

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B. Renters (Policy Form 4) and Unit-Owners (Policy Form 6)

These policies contain two sections: Section I – Physical Damage Coverages and Section II – Liability Coverages. Below is a brief description of the coverage provided. For a complete description, please refer to the policy.

Section I – Physical Damage			
Coverage A: Dwelling	Building Property	HO-4: Not Applicable HO-6: 10% of Cov. C	
Coverage C: Personal Property	Unscheduled Personal Property (amount based on value of personal property)		
	Summary of Types of Property Subject to Special Limits of Liability:	Standard (Included Coverage)	Optional Preferred Package
	Money, Bank Notes, Coins	\$100	\$500
	Property used in business	\$500 (on premises)	\$5,000 (on premises)
		\$250 (off premises)	\$2,000 (off premises)
	Securities, Accounts, Deeds	\$500	\$5,000
	Watercraft and Equipment	\$500	\$5,000
	Trailers not used with Watercraft	\$500	\$5,000
	Grave Markers	\$500	\$5,000
	Jewelry and Furs (Theft)	\$500	\$5,000
	Silverware, Goldware and Pewterware (Theft)	\$500	\$5,000
	Firearms (Theft)	\$500	\$5,000
	Computer Equipment	\$500	\$5,000
	Antiques and Fine Arts	\$500	\$5,000
	Rugs and Carpets (Theft)	\$500	\$5,000
	Photographic and Video Equipment	\$500	\$5,000
	Glassware and Crystal	\$500	\$5,000
	Electronic Apparatus while not in or upon a motor vehicle if designed to be operated solely by power from the vehicle	\$500	\$5,000
	Musical Instruments	\$1,000	\$5,000
	Tools	\$2,000	\$5,000
Jewelry, furs, etc. while in bank, safe deposit or trust company	\$0	\$50,000	
Coverage D: Loss of Use	Actual Loss Sustained (20% of Coverage C)		
Additional Coverages:	Debris Removal	Additional 5% if Loss and Debris Removal Costs Combined Exceed Limit/\$500 to Remove Fallen Trees	
	Reasonable Repairs	Included in Limit for Damaged Property	
	Trees, Plants, Shrubs or Lawns	Up to 10% of Coverage C Limit / \$500 Maximum Per Tree, Shrub or Plant	
	Fire Department Service Charge	\$500 Per Occurrence	
	Property Removed	30-Day Limit	
	Credit Card, Forgery and Counterfeit Money	\$500 Per Occurrence	
	Loss Assessment	\$1,000 Per Occurrence	
	Collapse	Included in Limit for Damaged Property	
	Building Additions and Alterations (HO-4 Only)	Up to 10% of Coverage C Limit	
	Glass or Safety Glazing Material	Included in Limit for Damaged Property	
Section II – Liability Coverages			
Coverage E: Personal Liability	HO-4: \$50,000 Included HO-6: \$100,000 Included		
Coverage F: Medical Payments To Others	\$1,000 (Per Person) Minimum		
Additional Coverages:	• Claim Expenses	• Damage To Property of Others	
	• First Aid Expenses	• Loss Assessment	

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10. LOSSES INSURED

Below is a brief description of the losses insured (Please refer to the policy for a complete description of the coverage):

A. Section I – Property Coverages

Damage to insured's property is covered under the Property Coverages section of the policy. For the following coverages, coverage is provided for direct physical loss with certain exclusions:

1. Coverage A – Dwelling (*Not Applicable to Renters*)
2. Coverage B – Other Structures (*Not Applicable to Renters or Unit-Owners*)
3. Coverage D – Loss of Use

Listed below are the losses that are insured for Coverage C – Personal Property:

1. Fire or Lightning
2. Windstorm or Hail
3. Explosion
4. Riot or Civil Commotion
5. Aircraft
6. Vehicles
7. Sudden and Accidental Damage from Smoke
8. Sinkhole Collapse
9. Volcanic Action
10. Vandalism
11. Theft
12. Falling Objects
13. Weight of Ice, Snow or Sleet
14. Sudden and Accidental Tearing Apart, Cracking, Burning or Bulging of Water Heater, etc.
15. Accidental Discharge or Overflow of Liquids or Steam of Water Heater, Domestic Appliance, etc.
16. Freezing of a Water Heater, Domestic Appliance, etc.

B. Section II – Liability Coverages

Section II Liability includes coverage for bodily injury or property damage and defense costs associated with a suit brought against an insured. Mandatory endorsements apply to all policies that exclude animal liability coverage.

11. LOSS SETTLEMENT – SECTION I

Below is a brief description of the loss settlement provisions for Section I of the policy (Please refer to the policy for a complete description of the coverage):

A. Dwelling – Homeowners (HO-3) and Unit-Owners (HO-6)

The loss settlement provision for the Dwelling is on a replacement cost basis without a deduction for depreciation.

B. Personal Property – ALL PROGRAMS

The loss settlement provision for Personal Property is on an actual cash value basis. Optional replacement cost coverage is available for an additional charge.

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12. SUBMIT FOR APPROVAL

The following risks require prior approval and applications must be submitted unbound:

A. ALL PROGRAMS (Homeowners, Renters and Unit-Owners)

1. Dwellings with professionally installed (by a licensed contractor) commercially-made wood burning stoves that do not violate any of the unacceptable provisions detailed in this underwriting rule must be submitted with a fully completed Wood Burning Stove Inspection Report (ATTACH Form PU1) along with one photograph of applicable woodstove. A Wood Burning Stove Surcharge will be applicable (see Section 15 – Premium Credits and Surcharges).
2. Dwellings or Units with an individual or private party listed as a lender (*except HO-4*).

13. UNACCEPTABLE RISKS

PACIFIC SPECIALTY will not accept the following risks:

A. Unacceptable Locations:

1. Properties that are isolated or inaccessible to fire fighting equipment.
2. Dwellings located within 500 feet of brush area.
3. Properties located in flood (unless proof of in-force flood coverage for the Dwelling/Unit accompanies application), wavewash, sinkhole, pollution, landslide, mudslide, cave-in or forested areas, or any area of increased fire hazard.
4. Properties located in protection class 10.
5. Unless coverage for wind and hail is excluded, properties that are located:
 - a. Within 1000 feet of any seacoast, bay, sound, tidewater; or
 - b. On any barrier island or land located south and east of the Intracoastal Waterway.

B. Unacceptable Properties:

6. Properties larger than 20 acres.
7. Properties with barns valued over \$5,000 or with extensive farming or ranching equipment, or with active farming or ranching operations.
8. Properties with pools, hot tubs, spas or similar structures not completely fenced and fully complying with all city and/or county ordinances. Please note that liability for swimming pool slides, diving boards and similar structures is excluded for all policies.
9. Properties with a trampoline on the premises are acceptable, however liability for trampolines is excluded for all policies.
10. Properties with abandoned, non-operational, not regularly used vehicles, or where company vehicles are stored.
11. Buildings over three (3) stories are only acceptable for HO-4 and HO-6 policies and must have enclosed stairwells and no exterior fire escapes.
12. Buildings with lobbies must have 24-hour security or buzzer system on lobby entrance doors (*HO-4 & HO-6 only*).

C. Unacceptable Dwellings:

13. Mobile homes (except HO-4), trailers (including recreational and utility), modular homes, boats, houseboats, automobiles, basement homes, portable buildings, prefabricated homes (or similar dwellings) or any structure made of cloth or canvas.
14. Dwellings of unusual or irreplaceable construction or cantilevered construction.
15. Dwellings with more than three (3) stories (*HO-3 only*).
16. Dwellings not on a permanent or solid foundation.
17. Dwellings on posts, stilts or pilings. This does not include dwellings on a solid foundation with post and pier construction that creates a small enclosed crawl space under the dwelling (*HO-3 only*).
18. Pacific Specialty accepts the roofing systems described in a. through e. below. Any roofing system not fitting a description in a. through e. below is unacceptable:
 - a. Composition shingles composed of organic material or fiberglass coated with asphalt and ceramic granules;
 - b. Wood shingles composed of treated cedar (all other wood shingle systems are unacceptable);
 - c. Concrete, clay, or slate tile shingles;

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- d. Metal shingles (shingles composed of tin or any corrugated metal roof system are unacceptable);
 - e. Solid, monolithic (seamless) closed-cell, fully-adhered, polyurethane foam systems.
- The policy declarations will note whether replacement cost loss settlement for the roofing system, actual cash value loss settlement for the roofing system, or roofing system coverage limited to the perils of fire and lightning only is applied to the policy. Coverage level will be determined based on roof type, age, and roof condition as described in Section 17, Roofs, of this manual.
- 19. Dwellings with permanently installed space heaters.
 - 20. Dwellings that have a main source of heat that is not permanently installed and thermostatically controlled. Dwellings with wood, coal or kerosene stoves are acceptable as long as the stove is not the only primary heat source (see Submit rules in Section 12 regarding woodstoves).
 - 21. Dwellings where construction was done by or at the direction of the owner, unless performed by a professional licensed contractor (includes wiring, heating and plumbing).
 - 22. Dwellings with any remodeling or construction performed without permits.
 - 23. Dwellings undergoing extensive remodeling and/or construction.
 - 24. Dwellings/Units with unrepaired damage (including earthquake damage) and/or open or pending claims, and/or known potential (a) defects, (b) claims disputes, (c) property disputes, and/or (d) lawsuits.
 - 25. Dwellings that do not have the minimum number of smoke alarms as required by law.
 - 26. Dwellings without copper wiring or with any fuse(s) providing power to any portion of the dwelling (*HO-3 only*).
 - 27. HO-3 risks without copper, galvanized steel, polyvinyl chloride (PVC), or chemically cross-linked polyethylene (PEX) plumbing in good condition, unless the Water Damage Exclusion for Plumbing endorsement (Form PM6) is attached to the policy. For risks with PVC, the entire plumbing system utilizing PVC must meet ASTM or ANSI standards (usually stamped directly on the pipe), or be certified by Underwriters Laboratories, Inc. (UL). For risks with PEX, the plumbing system must utilize a manifold appropriate for the plumbing system's size. Risks with plastic pipes other than PVC, PVC-C, or PEX, in whole or in part, including without limitation, polybutylene (PB) plumbing are unacceptable. Risks with copper plumbing systems must utilize copper plumbing for 100 percent of the pressurized portion of the plumbing system, with the exception of drainage systems (such as under a sink) or exterior landscape irrigation to qualify for the Copper Plumbing Discount (form PM7, Copper Plumbing Agreement, will be attached to the policy when this discount is applied). This underwriting rule does not apply to non-pressurized pipes within the dwelling, such as drainage under a sink, or to flexible plumbing that is required by building codes for connections to water heaters, water softeners, toilets and similar items. This rule also does not apply to plumbing outside the dwelling, or to exterior landscape or irrigation systems. (*HO-3 only*).
 - 28. Dwellings not insured to 100% of replacement cost. A 3% annual inflation guard adjustment will be made to the Coverage A limit at each annual policy renewal if no other adjustment is indicated, however it remains the insured's responsibility to ensure that the dwelling remains insured to 100% of its replacement cost (*HO-3 only*).
 - 29. Townhomes, condominiums, or any building not constructed specifically to be a single family dwelling, or any dwelling sharing common walls with other adjacent properties. However, a unit that is part of a townhouse or row house and shares common walls with other units where the structural components of the unit are owned by the Named Insured can be written as an HO-3 risk, provided firewalls exist between all units and the appropriate townhouse and row house rating factors are applied (no more than one unit per HO-3 policy). (*HO-3 only*).

D. Unacceptable Risks:

- 30. Risks (applicant and/or dwelling) that have had more than one (1) paid theft loss within the past three (3) years, or more than one (1) water-related loss within the past five (5) years.
- 31. Risks (applicant and/or dwelling) that have had more than two (2) losses of any type in excess of \$250 apiece within the last three (3) years. However, in accordance with Rule 21.1007 of the Texas Administrative Code, this rule does not apply to mold losses that have been fully remediated, or to the first two (2) water-related appliance claims, or to the first water-related loss that has been fully remediated.
- 32. Risks (applicant and/or dwelling) with repetitive similar cause losses.
- 33. Any risk with declared value of more than the policy limit (*HO-4 & HO-6 only*).

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34. Risks with other insurance in force, except insurance which covers perils not insured by this policy.
35. Risks where the titled owner does not reside full time (*except HO-4 & seasonal or tenant-occupied HO-6*).
36. Seasonal or secondary properties or any property where the insured states they maintain two or more primary residences (*HO-3 only*).
37. Unrelated individuals living together are acceptable if ALL are listed as named insureds (maximum 3) and their total property values are combined (*HO-4 only*).
38. Risks with any type of business, trade or illegal activity on the premises. When a trust is listed as an Additional Insured, a trustee or beneficiary of the trust that conducts or engages in any activities on or related to the insured location for monetary gain or compensation is unacceptable.
39. Risks with dwellings or units where insured rents space in exchange for money, goods, or services to any other person for any purpose (*except tenant-occupied HO-6*).
40. Risks occupied as rooming houses, fraternities, sororities, student housing or other similar types of occupancies (*HO-3 and HO-6 only*).
41. Risks with more than two non-pay cancellations with PSIC or any affiliated company in a three-year period.
42. Risks with properties owned by well-known personality (i.e.: political, entertainer, sports, etc.).
43. Churches or non-profit organizations.
44. Risks without legal title to land upon which dwelling is located (*HO-3 only*).
45. Risks that have more than two (2) mortgages or lenders (*except HO-4*).
46. Dwellings or Units with an individual or private party listed as the first or primary lender (*except HO-4*).
47. Corporate or Business owned risks or any risk titled in a corporate or business name (this includes a Land Trust), except that the Named Insured can be a Limited Liability Corporation (LLC) if the Managing Member is listed as an Additional Insured. This rule does not apply to HO-4 policies.
48. Risks where the applicant has had foreclosure proceedings initiated against an owned property anytime within the last three (3) years.
49. Dwellings purchased at, from, or through foreclosure, bank or trustee sale are acceptable as long as a copy of the property inspection report is provided to the producer and/or the Company and made part of the application. Applicant and producer must confirm condition of risk comports with all the underwriting guidelines and prohibited risks.
50. Properties where occupant in possession of dwelling is adverse to owner.
51. Risks with more than one family, including duplexes, triplexes, etc.
52. Risks with more than two unrelated individuals on the deed of trust. (If more than two unrelated individuals are on the deed of trust, the risk may be submitted on an approval basis only. Complete details as to the relationship and reason for the multiple names must be submitted.) This rule does not apply to HO-4 policies.
53. A trust as a Named Insured (trusts should be listed as an Additional Insured).
54. A trust as an Additional Insured when the Named Insured is not a trustee or beneficiary.

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14. OPTIONAL COVERAGES AND LIMITS

Unless otherwise stated, all credits and surcharges are applied to the basic premium.

A. Policy Deductibles

The following deductible options are available by adjusting the basic premium as indicated below. If the Preferred Package is purchased, the policy deductible is waived in the event of a total loss (see Form PM22).

1. Homeowner Deductible Options:

If a \$1,000 deductible is chosen all Homeowners (HO-3) policies will have a separate Wind and Hail Deductible (unless the wind and hail exclusion is applied). A single deductible for all perils based on the Coverage A limit can also be selected.

All Other Peril Deductible	Wind & Hail Deductible	Basic Premium Adjustment
\$1,000	2% of Coverage A (Minimum deductible amount \$2,000)	Base
\$1,000	1% of Coverage A (Minimum deductible amount \$1,000)	+15%
1% of Coverage A (Minimum deductible amount \$1,000)	1% of Coverage A (Minimum deductible amount \$1,000)	See Supplementary manual
2% of Coverage A (Minimum deductible amount \$2,000)	2% of Coverage A (Minimum deductible amount \$2,000)	See Supplementary manual

2. Unit-Owner/Renter Options:

All Peril Deductible	Basic Premium Adjustment
\$500	Base
\$1,000	-5%
\$1,500	-12%
\$2,500	-20%
\$5,000	-30%

***Important:** Policies with a prior loss within the past three (3) years cannot purchase the optional \$500 policy deductible.

Tenant-occupied risks are subject to Endorsement PM11, which increases the deductible for tenant caused damage to \$2,500 regardless of the selected policy deductible, unless a higher policy deductible is selected.

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B. Special Windstorm or Hail Exclusions

1. EXCLUSIONS – Policies issued in the following areas must have windstorm and hail coverage excluded:
 - a. **Territory 1** County: Harris, within a TWIA Catastrophe Designated Area only.
 - b. **Territory 8** County: Galveston.
 - c. **Territory 9** County: Nueces.
 - d. **Territory 10** Counties: Aransas, Brazoria, Calhoun, Cameron, Chambers, Jefferson, Kenedy, Kelberg, Matagorta, Refugio, San Patricio and Willacy.

Policies located elsewhere have the option of excluding windstorm and hail coverage. Whenever the exclusion is applied, the appropriate credit from the table below is applied to the base premium.

Policy Type	Location	Credit
All	Territories 8, 9, 10, or within a TWIA Catastrophe Designated Area in Harris County	50.0%
Homeowners (HO-3)	Remainder of State	40.0%
Renters (HO-4) or Unit-Owners (HO-6)	Remainder of State	20.0%

ATTACH: Within Cat Designated Area: Form PO12-TX, Windstorm, Hurricane or Hail Exclusion
Outside Cat Designated Area: Form PO13, Optional Windstorm, Hurricane or Hail Exclusion

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C. **Preferred Package**

For a 10% surcharge to the Base Premium the additional coverages listed below are added to the policy:

- Special Limits for Personal Property are increased (see form PM22)
- Replacement Cost loss settlement for personal property
- Home Freezer Contents Coverage
- Ordinance or Law Coverage
- \$2,500 Water Back-Up Coverage (HO-3/6 only)
- 25% Extended Replacement Cost for the Dwelling (HO-3 only)
- Personal Property (Coverage C) limit is increased to 70% of Coverage A (HO-3 only)
- Enhanced Watercraft Liability Coverage – Liability for ownership, maintenance, use, loading, or unloading of any watercraft that is 26 feet or less in length and either not motorized or with motor power of less than 50 horsepower, whether owned, rented or borrowed.

For HO-3 Policies:

ATTACH: Form PM22, Preferred Package Endorsement
Form PO19, Home Freezer Contents Coverage
Form PO40, Water Back-Up Coverage
Form PO44, Extended Replacement Cost Coverage (125%)

For HO-6 Policies:

ATTACH: Form PM22, Preferred Package Endorsement
Form PO19, Home Freezer Contents
Form PO40, Water Back-Up Coverage

For HO-4 Policies:

ATTACH: Form PM22, Preferred Package Endorsement
Form PO19, Home Freezer Contents

If the Preferred Package is purchased, the following additional enhancements can be purchased at a discounted rate:

- \$5,000 Water Back-Up Coverage (HO-3/6 only) - \$15; and
- Superior Home Protection Package - \$29
ATTACH: Form PO41, Superior Home Protection Package

NOTE: An HO-6 policy must be occupied by the unit-owner as their primary residence (no seasonal or tenant risks). All HO-4 dwelling are eligible.

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D. Increased Dwelling Coverage for Unit-Owners (HO-6 Only)

The HO-6 policy includes Coverage A (Dwelling / building property) equal to 10% of the Coverage C (Personal Property) limit. The Coverage A limit can be increased for the following additional premium:

Rate Per Thousand
\$1.75

Maximum Limit: \$150,000

E. Extended Replacement Cost Coverage for Dwelling (Coverage A) (HO-3 Only)

An additional coverage amount equal to 25% of the Coverage A limit (for a total Coverage A limit of 125%) can be added to the policy for the following charge.

Extended Replacement Cost Coverage	Charge	
	Standard (Included Coverage)	Preferred Package
125%	6%	Included

When this coverage is purchased, the insured must notify the company within 90 days of any additions or other physical changes that increase the value of either the dwelling or other buildings on the premises by \$5,000 or more and pay the appropriate premium.

NOTE: This coverage is included when the Preferred Package is purchased.

ATTACH: 25% Extended Replacement Cost
Form PO44, Extended Replacement Cost Coverage (25%)

F. Increased Other Structures (Coverage B) (HO-3 Only)

The basic policy provides a limit of liability for other structures equal to 10% of Coverage A. Increased limits (up to a maximum of 70% of Coverage A) can be provided for other structures on the premises.

This amount can be increased for the following additional premium:

Rate Per Thousand	
Protection Class	
1-8	9
\$3.00	\$5.00

G. Inflation Guard (HO-3 Only)

The limits of liability for Coverages A, B, C and D may be increased 3% annually. This Inflation Guard Coverage is designed to reflect changes in the cost of construction and assist with maintaining the adequate insurance coverage. This coverage is automatically included at no additional premium charge for all HO-3 policies.

ATTACH: Form PM20, Inflation Guard

H. Building Ordinance or Law Coverage (HO-3 & HO-6 Only)

For an additional premium, HO-3 and HO-6 policies may be endorsed to settle loss to the insured building or covered property on the basis of any ordinance or law that regulates the construction, repair or demolition of the building or property.

This coverage can be added for a 5% surcharge to the basic premium.

NOTE: This coverage is included when the Preferred Package is purchased.

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ATTACH: Form PO16, Ordinance or Law Coverage

I. Optional Water Backup Coverage (HO-3 & HO-6 Only)

All policies exclude coverage for water that backs up through a sewer or drain. This coverage can be added with a limit of \$2,500 or \$5,000 for the charge indicated below.

Water Backup Limit	Charge
\$2,500	\$25
\$5,000	\$40

NOTE: \$2,500 Optional Water Backup Limit is included when the Preferred Package is purchased.

ATTACH: Form PO40, Water Backup Coverage

J. Optional Limited Foundation Coverage (HO-3 Only)

The HO-3 policy does not provide coverage for settling, cracking, shrinking, bulging or expansion of the foundation of the covered dwelling. The HO-3 policy also does not provide coverage for the cost of tearing out and replacing any part of the building necessary to repair or replace a system from which a leak or water seepage occurs.

For the charge listed below, this optional coverage can be added to the HO-3 policy, subject to a maximum limit of 15% of the Coverage A limit or \$15,000, whichever is less. This is not additional coverage.

Financial	
Responsibility Tier	Charge
FR1	\$175
FR2	\$180
FR3	\$195
FR4	\$210
FR5	\$235
FR6	\$265
FR7	\$305
FR8	\$345
FR9	\$390
FR10	\$485
FRN	\$275

ATTACH: Form PO51, Optional Limited Foundation Coverage

K. Enhanced Mortgagee Clause (HO-3 & HO-6 Only)

The enhanced mortgagee clause can be attached to the policy for a \$10 premium charge. This endorsement maintains a \$500 mortgagee deductible regardless of the policy deductible selected by the Named Insured.

ATTACH: Form 438BFU, Lender's Loss Payable Endorsement

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L. Townhouses and Row Houses (HO-3 Only)

An HO-3 policy can be written for a townhouse or row house when the Named Insured owns the structural components of the individual family unit and a firewall separates all units in the same building. The HO-3 policy will be endorsed to provide a sub-limit of \$50,000 for fire or smoke losses in the event there is no firewall between all individual family units in the building. Maximum of 8 individual family units per building. Only one individual family unit may be insured by any one HO-3 policy (ie: the entire building cannot be insured by one policy). Townhouse or row house rating factors apply.

A "firewall" is defined as a passive fire protection system that serves as a barrier between individual family units within the same building. The firewall must have a fire resistance rating of either one-hour or that meets applicable building codes, whichever is greater.

ATTACH: Form PO38, Townhouse Firewall Limit

M. Mold, Fungi, Bacteria or Other Microbes (HO-3 & HO-6 Only)

The HO-3 and HO-6 policies do not provide coverage for mold, fungi, bacteria or other microbes, unless that coverage is purchased separately and added to the policy. The rates for this coverage are based on the location of the dwelling, as indicated below. The surcharge is applied to the basic premium.

Rating Territory	25% of Coverage A (Dwelling) Limit	50% of Coverage A (Dwelling) Limit
1, 8	75%	99%
2, 3, 3A	42%	60%
4, 7, 12, 12A, 14, 14A, 15C, 15N, 16C, 16N, 16S, 17, 18, 18A, 18B, 19A, 19B, 19C, 19D, 19N, 20, 20A, 20B	36%	50%
5, 13, 13A	48%	66%
10, 11, 11A	79%	107%
6, 9	92%	124%

ATTACH: Form PO7, Mold Remediation Coverage

N. Loss Assessments (HO-3 & HO-6 Only)

The limit that applies for incidental property and liability coverages for loss assessment arising out of the described location can be increased from the \$1,000 included amount, up to a maximum of \$25,000 (*please refer to policy for details*).

Rate Per Thousand
\$1.00

O. Increased Unscheduled Personal Property (Coverage C) (HO-3 Only)

The Coverage C amount for personal property can be increased (up to a maximum of 70% of Coverage A) for the following additional premium:

Rate Per Thousand
\$2.00

The maximum Coverage C Limit is 80% of Coverage A. Preferred Package policies can optionally decrease Coverage C to a minimum of 50% of Coverage A for a credit of \$1.00 per thousand to the basic premium.

NOTE: 70% of Coverage A is included when the Preferred Package is purchased.

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P. **Replacement Cost Coverage for Personal Property**

Losses for personal property are settled on an actual cash value basis. For an additional charge, replacement cost without deduction for depreciation is available.

Rate Per Thousand
\$1.00

NOTE: This coverage is included when the Preferred Package is purchased.

ATTACH: Form PO5-HO, Replacement Cost Coverage for Personal Property

Q. **Decrease Coverage C for Tenant-Occupied Unit (HO-6 Only)**

For tenant-occupied HO-6 policies, the minimum Coverage C (Personal Property) limit can be reduced in \$1,000 increments. The basic premium is adjusted as indicated in the table below. Please note that Coverage C will be quoted by rounding the requested amount to the next \$1,000 increment.

Tenant-Occupied HO-6 Only	
Coverage C Limit	Discount
\$4,000	-1%
\$3,000	-2%
\$2,000	-3%
\$1,000	-4%

R. **Increased Unscheduled Jewelry & Silverware Limits**

All policy forms include a \$500 sub-limit (see Special Limits in policy) for:

1. Theft of jewelry, watches, furs, and precious and semi-precious stones; and
2. Theft of silverware, silver-plated ware, goldware, gold-plated ware and pewterware.

The Preferred Package automatically increases these limits to \$5,000. For an additional charge of \$27, these limits, found in Section I – Coverage C – Special Limits of Liability items 8 and 9 of the policy, can be increased to \$10,000.

When increased special limits for Jewelry and Silverware are purchased, the policy Declarations page will show that these limits have been enhanced. However, these new limits do not increase the Coverage C limit of the policy.

ATTACH: Form PO17, Increased Unscheduled Jewelry and Silverware Limits

S. **Optional Personal Computer Equipment Coverage**

All policy forms include a \$500 sub-limit (see Special Limits in policy) for computers and electronic data processing equipment. For an additional charge, additional coverage for computer systems, programs, and data recreation can be purchased. No deductible applies to this coverage.

Coverage	Limit	Rate
Personal Computer System	\$0 - \$10,000	\$1.00 per \$100 in coverage
Personal Computer Programs	\$0 - \$10,000	\$1.00 per \$100 in coverage
Data Re-Creation	\$0 - \$2,000	\$1.00 per \$100 in coverage

ATTACH: Form PO18, Personal Computer Equipment Coverage