

## **SECTION XII CANCELLATIONS**

### **A. CANCELLATION AT INSURED'S REQUEST**

Cancellation will be effective the day such request is received by the Plan or on an earlier date with proper supporting documentation. Cancellations will be calculated pro-rata.

The insured must return the original policy at the time cancellation is requested, complete a properly executed "Lost Policy Release" or submit a clearly worded request for cancellation signed by the insured. Request for cancellation by a licensed premium finance company for non-payment of premium will be honored provided a copy of the premium finance agreement is attached, or on file with the Plan. The FAIR Plan will provide proper notice to any mortgagee.

### **B. CANCELLATION INITIATED BY THE FAIR PLAN**

1. The Plan shall give an insured no less than thirty (30) days prior written notice of any cancellation or non-renewal of coverage initiated by the Plan with respect to any eligible risk, except that a shorter notice of not less than five (5) days may be used if one of the following conditions exists:
  - (a) At least 65% of the rental units in the building are unoccupied and at least 25% of said unoccupied units are left unprotected against trespass. A rental unit will be deemed to be unprotected against trespass when an entrance door to such unit or an exterior door to a hall, stairway, or other common passage leading to such unit is missing, unlocked, not capable of being locked, or otherwise unsecured, or when a door or window in such unit which is accessible to entry has not been replaced or boarded up within 2 days after notification to replace or board up the door or window.
  - (b) Fire damage exists and the insured has stated or such time has elapsed as clearly indicates that the damage will not be repaired.
  - (c) Following a fire, permanent repairs following satisfactory adjustment of loss have not commenced within 60 days.
  - (d) Property has been abandoned and there has been removal of undamaged salvageable items.
  - (e) Utilities such as electric, gas, or water services have been discontinued and the applicant has failed to pay his/her account for such services within 60 days.

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- (f) Real estate taxes have not been paid for a one year period after the taxes were first due.
  - (g) Property which has current violations of fire safety, health, building, or construction codes.
  - (h) Where, based on reliable information, good cause exists to believe that the building will be burned for the purpose of collecting the insurance on the property.
  - (i) Conviction or unresolved indictment of a named insured or lienholder or any other person having a financial interest in the property for the crime of arson or a crime involving a purpose to defraud an insurance company.
  - (j) Where the building has been subjected to more than two (2) fires, each loss amounting to at least \$500 or one percent of the insurance in force, whichever is greater, in any 12-month period; or more than three (3) such fires in any 24-month period, provided that the cause of such fires is due to conditions which are the responsibility of the owner named insured.
  - (k) Owner or occupant incendiarism.
  - (l) Material misrepresentation, including failure of Commercial Property owners to report changes from information supplied on application forms (see 4 below).
  - (m) Buildings which have characteristics of ownership, tenancy, occupancy or maintenance which violate public policy or which result in increased exposure to loss.
  - (n) Such other characteristics as may be approved by the Insurance Commissioner.
2. Any cancellation upon less than thirty (30) days notice, except those for owner or occupant incendiarism, or material misrepresentation, arising out of any of the above conditions shall follow a procedure which includes as a minimum, the following:
- (a) Notification of the cancellation, mailed to the insured by the Plan, giving the reasons for the action and setting forth the insured's prerogative to appeal to the Insurance Department for review of the cancellation. The cancellation shall stand unless the Insurance Department rules otherwise.
  - (b) Notification where requested to the Insurance Department.
3. Flat cancellation (full return of premium) of a FAIR Plan policy will not be granted

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unless proof is provided that the property was sold or other insurance coverage was in effect.

4. Any willful concealment or misrepresentation affecting acceptance or continuance of coverage shall be deemed grounds to void any policy issued.

**C. MORTGAGEE NOTICE OF CANCELLATION**

When a policy is cancelled at the Insured's or Insured's Representatives request, a notice will be sent to the Mortgagee (s).

**D. PREMIUM FINANCE COMPANY REQUEST**

Request Cancellation will be effective the date the request is received in the FAIR Plan office.