
COMMERCIAL PROPERTY RULES

General Information

The commercial property section of the Underwriting Manual and Procedure Guide contains information to obtain quotes and write commercial business with *Louisiana Citizens Property Insurance Corporation*. Please refer to the *Louisiana Citizens General Rules* for definitions and additional procedures applicable to all programs.

Eligible Risks

Acceptable risks will have the following characteristics:

1. Structures and contents must meet reasonable underwriting standards, including satisfactory housekeeping and maintenance.
2. Buildings should be of sound construction with controlled access. Doors and windows should be in place. Roofs, wiring, heating, and plumbing should be in apparent good condition.
3. The amount of insurance requested, together with other contributory insurance, is within a reasonable relationship to the policy coinsurance requirement (80% minimum). Deductibles must meet the minimum requirements. (See page CR-10 for details.)
4. All applicants may be subject to the application of condition surcharges, a modification in the amount of coverage requested, an increased deductible, or declination of the application.
5. The risk must have been declined by a carrier which offers the coverage(s) desired by the applicant and *Producer*.
 - a) The question on the application concerning declination of coverage must be answered.
 - b) The declining carrier's name must be listed on the application.

The following will now be considered eligible for a Commercial Lines policy, provided that all other requirements of the program are met:

1. A condominium association on a 1-4 unit condominium can be written for commercial building coverage. A copy of the Condominium Association's By-Laws must be submitted with the application package.
2. An individually owned storage unit that houses that individual's goods can be written for commercial building coverage.
3. Homeowner's Associations seeking *coverage* for a guard gate, tennis court, park equipment, pool, Laundromat, community gate and /or subdivision signs can be written.

Ineligible Risks

The following are ineligible commercial risks:

1. Risks that qualify under the dwelling program
2. Vacant/unoccupied property and buildings with less than 50% of the building area occupied.
Note: Newly constructed buildings will have 60 days to meet the minimum occupancy requirements
3. Risks that have structural damage due to settling or foundation problems
4. Property insured for less than 80% coinsurance.
Note: The 80% value can be obtained through the use of contributory insurance (See page CR-8 for details.)
5. Mobile Equipment
6. Structures in whole or in part over water, except in accordance with the following:
 - a. *Coverage* can be provided for structures that are easily accessible by emergency vehicles by land. If the structure is not accessible by 3 sides, *Coverage* can be provided at Protection Class 10 Fire rates and the applicable Extended Coverage rate for the Territory/Zone in which the structure is located.
 - b. Flood insurance coverage must be in full force and effect throughout the term(s) of the *Louisiana Citizens* policy.
7. Property that is under repair or renovations
(See page CR-6 for exceptions.)

Refer to the **General Rules** for further guidelines.

Limits Available

Maximum Limits

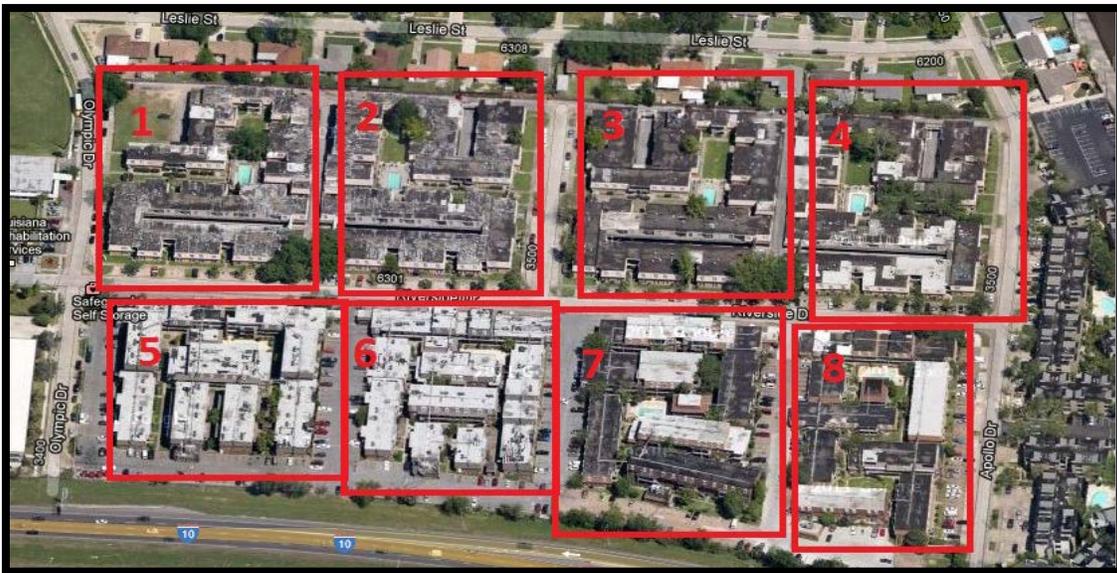
Limit of Insurance	Maximum Limits	
	Building (Minimum of 80% coinsurance needed)	Contents
Per Location*	\$10,000,000	\$3,200,000
Per Policy and Insured**	\$20,000,000	\$6,400,000
Total Property Coverage Limits Per Insured	\$26,400,000	

*Location is defined as any building or group of buildings located on continuous or adjoined pieces of land. The limit applies to Building/Contents and Stock covered at that location.

**Limit applies regardless of the number of Buildings/Contents and Stock that are being covered.

Business Income is available in addition to the above limits, per guidelines.

For clarification, please see the following:



Assumption – Each block (1 through 8) is \$10,000,000 in insured values.

Examples:

1. Blocks 5 & 6, owned by the same insured –
 - a. The total insured value at this location is \$20,000,000 (\$10 million for block 5 and \$10 million for block 6).

The LCPIC limit per location and insured is \$10,000,000. This is considered one location due to the continuous property line, and the maximum coverage would be \$10,000,000, regardless of the insured value.

2. Blocks 5 & 6, owned by **different** insureds –
 - a. The total insured value at this location is \$20,000,000 (*\$1,000,000 for block 5 and \$20,000,000 for block 6*).

The LCPIC limit per insured at a location is \$10,000,000. Since there are two different insureds that own each of the properties, each Block (5 & 6) would be eligible for up to \$10,000,000 coverage.

3. Blocks 5 & 8 owned by the same insured –
 - a. The total insured value is \$20,000,000 (*\$10,000,000 for block 5 and \$10,000,000 for block 8*).

Since the risks are not located at the same location, both blocks would be eligible up to the \$10,000,000 coverage with a maximum of \$20,000,000 for this insured.

Causes of Loss (Perils Insured Against)

The following is a general description of coverages provided: *Louisiana Citizens* uses the CCP 10 10 for Basic Perils only. You may also write a wind and hail only policy using FP-CP 95-1; currently these are the *only* peril options. These forms are available for your review in EPIC under policy forms.

1. Fire, Lightning, or Explosion
2. Windstorm or Hail, Smoke, Aircraft, or Vehicle, Riot or Civil Commotion, Sinkhole Collapse, Volcanic Action. (Optional)
3. Vandalism or Malicious Mischief (Optional) – *not available* for bars, vacant, unoccupied, seasonal, or Tenant occupied risks.
4. Sprinkler Leakage (Optional)
5. Tenants Improvements and Betterments
6. Business Income

Note: Flood is **NOT** an insurable option with *Louisiana Citizens*

Business Interruption

Louisiana Citizens Property Insurance Corporation offers Business Interruption Coverage. *Louisiana Citizens* will need to have the supporting coverage. The coverage will be added to the Commercial Policy.

Coverage is provided as described and limited below for one or more of the following options for which a Limit of Insurance is shown in the Declarations:

- a. Business Income including "Rental Value" with Extra Expense.
- b. Business Income other than "Rental Value" without Extra Expense.
- c. "Rental Value".

If option **a.** above is selected, the term Business Income will include "Rental Value".

If option **c.** above is selected, the term Business Income will mean "Rental Value" only.

The form numbers are:

CP 0030 (10/12)

CP 0032 (10/12)

The maximum Business Interruption coverage limit per policy is:

- 25% of the Building limit.
- 25% of the Tenants Betterments & Improvement (TBI).
- 25% of the Contents limit – if no building or TBI coverage.
- 25% of the Building or TBI limit – if building/TBI and contents are covered.

Betterments and Improvement

1. Improvements and betterments are improvements to real property. The improvements and betterments are either installed or acquired at the tenant's expense, but are not legally removable by the tenant.
2. This protects a tenant's use interest in improvements and betterments which may be damaged or destroyed by a covered cause of loss.
3. Coverage is **NOT** offered for loss of use caused by cancellation of a lease due to damage or destruction caused by a covered cause of loss. Improvements and betterments may be written as a separate policy.
4. When written use the building rate.

Builders Risk

- A. *Coverage* is available only on new structures prior to commencement date of construction. Buildings must be constructed by a licensed general contractor. This is a twelve month policy and a renewal will not be offered. The amount of insurance will be the completed value of the structure.
- B. A builders risk commences when building materials are delivered to a job site exclusive of fill dirt and grading of land.
- C. *Louisiana Citizens* may offer one (1) additional renewal for each location upon written request of the insured or *producer*. The request must be received prior to the expiration date of the current active term.

Builders Risk – Renovations

- A. Occupied / Non Occupied Damaged Property
 - i. *Coverage* is available for occupied structures provided that services and utilities have been restored.
 - ii. May be quoted in EPIC with a minimum 2% Wind and Hail deductible for the *FAIR Plan* and a 5% Wind and Hail deductible for the *Coastal Plan* and \$5,000 for *FAIR Plan* & \$10,000 for *Coastal Plan* Group I deductible.
 - iii. A signed contract with a licensed contractor or a building permit must be submitted with the application.
 - iv. Policy term is for one year only.
 - v. New application must be submitted when construction is complete.
- B. *Louisiana Citizens* may offer one (1) additional renewal for each location upon written request of the insured or *producer*. The request must be received prior to the expiration date of the current active term.
 - i. The estimated finished value of the renovated property must be used to determine the coverage limit and to calculate the premium.
 - ii. The endorsement form CTZ U 0464 (06/17) must be uploaded to EPIC.
 - iii. *Coverage* is available for damaged properties including unoccupied properties provided the intent to occupy is demonstrated via a signed contract with a Licensed Contractor or a building permit issued to allow repairs to be made to the property.

- iv. The property must be gutted and prepared for the repairs prior to the application for *coverage*.
- v. Both exterior and interior photographs are required.

Wind and Hail Only

The *Louisiana Citizens* Windstorm and Hail rate for an item shall be *Louisiana Citizens'* Base Group II rates multiplied by the following factors:

Construction	Wind Zones 01-03	Wind Zone 4	Wind Zone 5
Frame	1.10	1.15	1.20
All Other	1.05	1.10	1.15

Commercial Rates

New commercial business and renewal business, the base rates will be derived as follows:

All base rates in the manual and previously in effect shall be multiplied by the factors published in our rate change section on our website for all *Fair Plan & Coastal Plan* policies.

Note: All quotes are tentative and when a policy is issued the Tentative Rate Endorsement CP 9993 will be attached. The policy is subject to the final rates, which will be developed after the property is inspected. The final rates will be applied effective from the inception date of the policy. Also, the limits of liability will remain in effect as initially requested unless the insured's representative is notified by Underwriting of any change in limits necessary to place *coverage* in proper order for continuance.

Coinsurance Requirements

Policies may be issued subject to a coinsurance of 80%, 90%, or 100%. The minimum required coinsurance is 80%. Building and contents not insured for 80% of the Actual Cash Value or Replacement Cost (whichever option is chosen) of the policy, are *not* eligible for insurance through *Louisiana Citizens*. It is acceptable to use contributory insurance to meet the coinsurance requirement.

Contributory Insurance

Louisiana Citizens Property Insurance Corporation requires that all commercial properties insured be insured to at least 80% of the actual cash value or replacement cost, whichever option is chosen, of the policy. The *Louisiana Citizens'* policy will share exposure with another company's policy, or multiple companies' policies, in order to fulfill the 80% coinsurance requirement needed for the policy.

Citizen's will settle their portion of the claim based on the contributing insurance listed on ISO's form CP 99 20, which list all contributing insurers. You will need this information when quoting and will need to submit a copy of the declarations with the application in order to bind insurance. The Citizen's policy pays pro rata, and is **not** an excess policy, nor will it respond as a deductible over a high limits policy. The contributory policy or policies **must** cover all of the same perils that the *Louisiana Citizens* policy covers; it is also suggested that the settlement options match.

A copy of the declaration page is required of all contributory insurers.

Example:

A building has an ACV of \$20,000,000, and an 80% co-insurance value of \$16,000,000. *Louisiana Citizens* would **NOT** write a policy for the \$10,000,000 limit stand alone, as it would not meet the required 80% co-insurance. However, if the insured purchased additional insurance and the additional insurance added up to \$6,000,000 (either through a single carrier or multiple carriers), *Louisiana Citizens* would write a \$10,000,000 policy on a contributory basis. Therefore, the total amount of insurance in force would equal the minimum 80% co-insurance. In this case, any loss would be shared by all carriers contributing insurance. In this example, *Louisiana Citizens'* percentage would be 62.5% of any insured loss.

Valuation

It is acceptable to insure for either Actual Cash Value (ACV) or Replacement Cost. An appraisal, through MS&B, will need to accompany the application in order to verify the insurable value for the Replacement Cost option. Agreed valuation and blanket coverage are not available.

Replacement Cost on Commercial Property:

1. New Business – Please indicate on the application next to the building or contents amount that you would like Replacement Cost. Please submit a MS&B building valuation.
2. Existing Business – To request this coverage, please send an endorsement requesting Replacement Cost and the new building value.
3. Mobile trailers are NOT eligible for Replacement Cost.

Commercial Wind & Hail Only:

If a policy is issued for the perils of Wind & Hail only, the coverage limits should equal the limits of the supporting fire policy provided that the valuation is the same.

Example:

The building is insured for \$250,000 with Replacement Cost for Fire.

Louisiana Citizens is being requested to write a wind & hail only policy.

- i. If RC is requested, the policy limits must equal the supporting fire policy.
(\$250,000)
- ii. If ACV is requested, the policy may be issued with a lower limit.
(\$200,000)

A copy of the supporting policy's declarations page may be required at the time of policy issuance.

Deductible Options

Mandatory Minimum Deductibles

FAIR Plan

Coverage Amount*	Minimum Deductible**	
	All Other Peril	Wind & Hail
Up to \$999,999	\$500	2%
\$1,000,000 and up	\$2,500	2%

Coastal Plan

Coverage Amount*	Minimum Deductible**	
	All Other Peril	Wind & Hail
Up to \$3,000,000	\$2,500	5%
\$3,000,001 and up	\$5,000	5%

*Combined Building and Contents amount.

**All Peril Deductible is Flat, Wind and Hail Deductible is a percentage of the limit of insurance applicable to the property that has sustained loss or damage.

Optional Higher Deductible Credit Factors

Deductible Credit Factors – Commercial

The base deductible is \$500, all deductibles options are shown

Total Amount of Insurance at Each Location	Deductible	Deductible Credit Factor
		Basic Group I
More than \$250,000 \$100,001 - \$250,000 \$50,001-\$100,000 \$50,000 or Less	\$1,000	.97
		.96
		.95
		.90
More than \$500,000 \$250,001 - \$500,000 \$100,001-\$250,000 \$100,000 or Less	\$2,500	.95
		.92
		.90
		.82
More than \$1,000,000 \$500,001 - \$1,000,000 \$250,001-\$500,000 \$250,000 or Less	\$5,000	.93
		.89
		.86
		.78
More than \$5,000,000 \$1,000,001 - \$5,000,000 \$500,001-\$1,000,000 \$250,001 - \$500,000 \$250,000 or Less	\$10,000	.92
		.86
		.82
		.79
		.71
More than \$5,000,000 \$1,000,001-\$5,000,000 \$500,001 - \$1,000,000 \$500,000 or Less	\$25,000	.82
		.76
		.71
		.61
More than \$5,000,000 \$3,500,001- \$5,500,000 \$1,000,001 - \$3,500,000 \$1,000,000 or Less	\$50,000	.73
		.67
		.63
		.54
More than \$5,000,000 \$3,500,001- \$5,500,000 \$1,000,001 - \$3,500,000 \$1,000,000 or Less	\$75,000	.66
		.59
		.57
		.49
More than \$5,000,000 \$3,500,001- \$5,500,000 \$1,000,001 - \$3,500,000 \$1,000,000 or Less	\$100,000	.61
		.54
		.52
		.43
More than \$5,000,000 \$3,500,001- \$5,500,000 \$1,000,001 - \$3,500,000 \$1,000,000 or Less	\$200,000	.49
		.41
		.40
		.33

More than \$5,000,000	\$300,000	.42
\$3,500,001- \$5,500,000		.35
\$1,000,001 - \$3,500,000		.34
\$1,000,000 or Less		.28
More than \$5,000,000	\$400,000	.38
\$3,500,001- \$5,500,000		.32
\$1,000,001 - \$3,500,000		.31
\$1,000,000 or Less		.26
More than \$5,000,000	\$500,000	.35
\$3,500,001- \$5,500,000		.29
\$1,000,001 - \$3,500,000		.28
\$1,000,000 or Less		.24

Tentative Commercial Quote Procedures

Commercial premium can be quoted for total policy limits of \$20,000,000 or less.

Note: Maximum limit per location is \$10,000,000 building and \$3,200,000 contents.
Maximum policy limit is \$26,400,000 for all insured locations.

1. A tentative quote must be obtained at www.lacitizens.com. **Producers obtaining quotes for specifically rated properties must have access to the PIAL RACE/RAPID system in order to complete the Louisiana Citizens application. Registration and access to the Louisiana Citizens EPIC System does not include registration and access to the PIAL rate information.**
2. Deductibles
 - i. A minimum wind or hail deductible of two percent (2%) is mandatory in the *FAIR Plan*, and 5% in the *Coastal Plan*.
 - ii. Applicable deductible credits shall be applied to the rates in accordance with rating plans, rules, and forms approved for use by *Louisiana Citizens*. (See the “Deductible” section starting on CR-10 for details.)
3. The tentative quote **does not** constitute a binder for *coverage*. *Coverage* can be bound only in accordance with the rules and procedures of this manual. All policies are issued with a Tentative Rate endorsement (CP 99 93).
4. Once a policy is issued, an inspection and CLUE report may be ordered. Once the inspection is returned, the rates will be recalculated and the policy will be endorsed to the new final rate promulgated. The insured will be refunded or billed the difference between the final rate and the tentative rate. The promulgated rate is applied back to the original effective date of the policy.

Payment Options

1. Available payment options in Commercial Lines Insurance are annual, 4 pay plan, or Premium Finance.
2. When determining the down payment for the 4 pay plan, please use the formula below.
(Pure Premium x 25% + Tax Exempt Surcharge(s) + Emergency Assessment Fees + Market Equalization Charge+ Non-Refundable Application Fee)

Note: **Installment Schedule breakdown follows.**

Installment 1 – Due on policy effective date – Down payment + fees

Installment 2 – 60 days from policy effective date – 25% of premium + \$10.00 Installment Fee

Installment 3 – 150 days from policy effective date – 25% of premium + \$10.00 Installment Fee

Installment 4 – 240 days from policy effective date – 25% of premium + \$10.00 Installment Fee

Commercial Lines policies are on a due date billing plan. The payment due must be received by the billing due date to prevent cancellation.

ACH/EFT (Automated Clearing House/Electronic Funds Transfer) and Credit Cards

- The insured's authorization is required each time an ACH/EFT & Credit Card is entered. Print the **Electronic Funds Transfer Authorization Form or Credit Card Authorization Form** to capture the insured's signature prior to scanning and uploading the form into the EPIC System.
- Only Personal Checks will be accepted. Third Party or mortgage company checks should not be used with ACH/EFT transactions.

Visa, MasterCard, & Discover may be used. We do not accept American Express, Visa gift cards, and any pre-paid credit cards.

Operations

All communication in matters pertaining to Louisiana Citizens Property Insurance Corporation should be mailed to:

Insured Bill:
LCPIC
Dept 2444
PO Box 11407
Birmingham, AL 35246-2444

Mortgage Bill and General Mail:
LCPIC
1 Galleria Blvd, Suite 720
Metairie, LA 70001

Phone & Fax Numbers:
(504) 831-6930 – Phone
1-888-568-6455 – Toll Free
(504) 831-6676 – Fax

Construction Definitions

Frame (Code 1)

Building where the exterior walls are wood or other combustible materials, including construction where the combustible materials are combined with other materials such as brick veneer, stone veneer, wood iron-clad and stucco on wood.

Joisted Masonry (Code 2)

Buildings where the exterior walls are constructed of masonry materials such as adobe, brick, concrete, gypsum block, hollow concrete block, stone, tile or similar materials and where the floor and roof are combustible.

(Other than constructions defined by the description for code 7.)

Heavy Timber Joisted Masonry (Code 7)

For Group II Causes of Loss, shall apply to Joisted Masonry constructed buildings where the following additional conditions exist: Where the entire roof has a minimum thickness of 2 inches with Roof Supported by timber and having a minimum dimension of 6 inches, or where the entire roof assembly is documented to have a UL wind uplift classification of 90 or equivalent.

Non-combustible (Code 3)

Buildings where the exterior walls and the floors and roof are constructed of, and supported by, metal, asbestos, gypsum or other non-combustible materials.

(Other than constructions defined by the description for code 8)

Superior Non-combustible (Code 8)

For Group II Causes of Loss, shall apply to Non-combustible constructed buildings where the following additional conditions exist: Where the entire roof is constructed of 2 inches of masonry on steel supports; or, where the entire roof is constructed of 22 gauge metal (or heavier) on steel supports; or, where the entire roof assembly is documented to have a wind uplift classification of 90 or equivalent.

Masonry Non-combustible (Code 4)

Buildings where the exterior walls are constructed of masonry materials as described in code 2 above, with the floors and roof of metal or other non-combustible materials.

(Other than constructions defined by the description for code 9)

Superior Masonry Non-combustible (Code 9)

For Group II Causes of Loss, shall apply to Masonry Non-combustible constructed buildings where the following additional conditions exist: Where the entire roof is constructed of 2 inches of masonry on steel supports; or, where the entire roof is constructed of 22 gauge metal (or heavier) on steel supports; or, where the entire roof assembly is documented to have wind uplift classification of 90 or equivalent.

Modified Fire Resistive (Code 5)

Buildings where the exterior walls and the floors and roof are constructed of masonry or fire resistive materials with a fire resistance rating of one hour or more but less than two hours.

Fire Resistive (Code 6)

Buildings where the exterior walls and the floors and roof are constructed of masonry or fire resistive materials having a fire resistance rating of not less than two hours.