

Guam Homeowners Tariff

The standard Homeowners policy provides property and liability coverages. This manual contains the Guam rules and classifications governing the writing of the standard Homeowners Policy. This Guam Homeowners Tariff replaces the existing Guam Homeowners Tariff. The rules and rates are approved by the Insurance Commissioner of Guam and will serve as the tariff rates for Homeowners policies.

The manual is structured as follows:

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RULE 1: Definitions

As used in this manual the following definitions apply:

A. Additional Living Expense (ALE) or Rental Income Expense – A type of insurance included within homeowner’s policies. ALE coverage reimburses the insured for the cost of maintaining a comparable standard of living following a covered loss that exceeds the insured's normal expenses prior to the loss.

B. Coinsurance – A property insurance provision that penalizes the insured's loss recovery if the limit of insurance purchased by the insured is not equal to or greater than a specified percentage, commonly 80%, of the value of the insured property. Notification of the coinsurance clause is required by GCA Title 22, Article 3 Subsections 18309 and 18310.

C. Composite Rate excluding Earthquake and Typhoon – This rate is used in **Rule 7. Table A.** and includes the perils of Fire, Lightning, Vandalism and Malicious Mischief. Also included are Extended Coverage and Other Perils, as defined in this manual.

D. Deductible – An amount the insurer will deduct from the loss before paying up to its policy limits. All policies are subject to a deductible that applies to a loss. A separate deductible is applied to Earthquake and Windstorm/Typhoon.

E. Dwelling – The structure on the residence premises that is listed in the declarations and used principally as a private residence, including attached structures. Examples of attached structures include carports and patio roofs.

F. Extended Coverage – is an extraneous peril included in the standard Homeowners policy. This term is used to cover perils that are less likely to occur including hail, explosion, civil commotion, riot, vehicles, aircraft, and smoke perils.

G. Long-term Rentals – A dwelling that is rented to others that do not qualify in duration as a Short-term Rental.

H. Loss Assessment – A property owner's share of a loss to property owned in common by all members of a property owners association.

I. Medical Payments – Coverage designed to pay for medical expenses to others who are accidentally injured on an insured location or by the activities of an insured, resident employee, or an animal owned by or in the care of an insured.

J. Other Perils – any extraneous perils aside from Fire & Lightning, Vandalism and Malicious Mischief, and Extended Coverage, as defined in this **Rule 1.**, that is provided within a homeowners policy and does not have to be endorsed onto the policy.

K. Other Structures – Structures on the residence premises separated from the dwelling by a clear space or connected to the dwelling by a fence, utility line, or related connection.

L. Personal Liability – Liability coverage provided by the homeowners policy that protects the insured against the financial consequences of liability to others for bodily injury (BI) and property damage (PD). This coverage also insures the cost of defense in addition to the policy limit.

M. Personal Property (Contents) – All tangible property not classified as real property (Real property includes land and things attached to land, i.e. dwellings).

N. Primary Residence – A one, two, three, or four family owner-occupied dwelling, used primarily for residential purposes, including condominium units, where the insured lives the majority of the time.

O. Primary Residence with Tenants – A primary residence as defined in K. above, where a part of the primary home is rented to tenants.

P. Secondary Residence – Applies to people who own (or rent) at least one property in addition to their primary residence. A secondary residence is a home that is lived in on a part-time basis, defined as at least six (6) months out of a one (1) year period.

Q. Short-term Rentals – A dwelling that is rented out to short-term tenants with a tenancy shorter than six (6) months. This would include homes listed on sites like Airbnb or similar vacation sites.

R. Vacant Dwelling – A dwelling that is uninhabited, all occupants have moved out with no plan to return.

S. Vandalism & Malicious Mischief – are the intentional injury/damage or destruction of property, without theft.

RULE 2: Eligibility

A Homeowners Policy may be issued to the following:

- A. Owner-occupant – When an individual owns and lives in a 1, 2, 3, or 4 family dwelling which is used for private residential purposes. (Example: Single Family Dwelling, Condominium Unit, Duplex, Triplex, or Fourplex)

- B. The occupant of a dwelling under a life estate arrangement – The term life estate refers to situations where an individual holds full rights to the possession and use of the property for the length of his or her natural lifetime. Property, such as homes, possessed by the way of a life estate, reverts back to the original owner (or the owner's estate or heirs) after the life estate-holder's death.

- C. Tenant-occupant – An individual residing in a dwelling, cooperative unit or an apartment situated in any building who is renting from the non-occupant owner.
Coverage provided is for the contents owned by the renter and for the renter's personal liability in relation to the rented premises.

RULE 3: Classifications

- A. Determine the eligibility through ownership in **Rule 2**.

- B. Determine the use of the property as follows and as defined in **Rule 1**:
 - 1. **Long-term Rental**
 - 2. **Primary Residence**
 - 3. **Primary Residence with Tenants**
 - 4. **Secondary Residence**
 - 5. **Short-term Rentals**
 - 6. **Vacant Dwelling**

- C. Determine the Construction Classification of the structure as follows:

- 1. **Masonry** as used in this manual, has two separate rating classifications, Class AA & Class A.

CLASS AA is defined as reinforced concrete pre-stressed poured into place, exterior bearing walls and foundation under reinforced concrete slab roofing.

CLASS A is defined as reinforced block and/or hollow block exterior bearing walls and foundation under reinforced concrete slab roof.

- 2. **Mixed** consists of a mix of masonry and frame construction as defined in **C1**. and **C3**. Its rating classification has been labeled as Class B.

CLASS B is defined as reinforced concrete, reinforced brick and/or concrete hollow block exterior bearing walls under wooden or steel joist roofing frame with metal sheeting.

- 3. **Frame** as used in this manual, has two separate rating classifications, Class C & Class D.

CLASS C: Galvanized iron or timber frame clad in prefabricated board such as cement boards and Radva. Open shed construction with concrete, steel or timber posts. Mixed Construction (brick and timber) not exceeding 20% wood.

CLASS D: Wholly timber or partially timber (exceeding 20% of timber). Timber sheathed with tin including modular homes.

RULE 4: Coverages

A. Mandatory Coverage:

As defined in **Rule 1**, the following are mandatory coverages on the Homeowners Policy:

1. **Dwelling OR Personal Property (Contents)**
2. **Additional Living Expense**
3. **Personal Liability**
4. **Medical Payments**

B. Optional Coverage

As defined in **Rule 1**, the following are optional coverages on the Homeowners Policy:

1. **Other Structures**
2. **Loss Assessment**

RULE 5: Perils Insured Against

A. Mandatory Perils:

1. **Fire & Lightning;**
2. **Vandalism and Malicious Mischief;**
3. **Extended Coverage;**
4. **Other Perils.**

These mandatory perils, defined in **Rule 1. Definitions** make up the ***Base Composite Rate excluding Earthquake and Typhoon*** as provided in **Rule 7. Premium Determination Table A** of this tariff.

B. Optional Perils:

1. **Windstorm/Typhoon** – For purposes of providing Typhoon insurance refer to those windstorms which the Governor of Guam has announced a change from Typhoon Condition IV, Guam’s normal weather conditions, to Typhoon Condition III until such time as the Typhoon Condition is returned to IV.

Guam Typhoon Conditions according to Guam Homeland Security:

- **Condition IV:** *Guam is always in Condition IV until the Governor declares one of the following Conditions. This means that a Typhoon may develop and hit the island within 72 hours.*
- **Condition III:** *A typhoon may possibly hit the island within 48 hours.*
- **Condition II:** *A typhoon is expected to hit the island within 24 hours.*
- **Condition I:** *A typhoon is expected to hit the island within 12 hours.*

2. **Earthquake** – The meaning of earthquake is a shaking or trembling of the earth that is volcanic or tectonic in origin.
3. **Additional Perils** – any extraneous perils not identified in **Rule 5. A.** above that are added to the standard Homeowners policy by endorsement.

RULE 6: Minimum Limits of Liability

The following minimum limits of liability shall apply for coverages provided under a Homeowners policy:

- A. Dwelling** – The minimum Dwelling limit when providing coverage for Mandatory Perils shall not be written for less than **80% of current replacement cost** when written on an actual cash value basis.
- B. Personal Property (Contents)** – The minimum limit shall be no less than **\$5,000**. Refer to **Rule 7C Table C Minimum Contents Limit** for minimum premiums by Class.
- C. Additional Living Expense** – The minimum limit is **\$1,000**.
- D. Personal Liability** – The minimum limit for Personal Liability is **\$20,000 per Occurrence**.
- E. Medical Payments to Others** – The minimum limit for Medical Payments is **\$500 per person/\$10,000 per occurrence**.

RULE 7: Premium Determination

A. COMPOSITE RATING – Listed below are the mandatory and optional peril ratings. The Base Composite Rates excluding Earthquake and Typhoon below are the combined rates of the mandatory perils listed in **Rule 5A Perils Insured Against**. These rates are for the coverages outlined in **Rule 6. Minimum Limits of Liability**.

Table A – Homeowners Composite Rates

DWELLING	Construction Classifications as defined in Rule 3. C.				
	AA	A	B	C	D
Base Composite Rate <u>excluding</u> Earthquake and Typhoon	.32%	.32%	.32%	.50%	.71%
Earthquake	.18%	.36%	.36%	.18%	.18%
Typhoon	<u>.81%</u>	<u>.81%</u>	<u>2.25%</u>	<u>4.00%</u>	<u>8.40%</u>
Property Dwelling Rate	1.31%	1.49%	2.93%	4.68%	9.29%
Package Discount of 15%	<u>.1965%</u>	<u>.2235%</u>	<u>.4395%</u>	<u>.7020%</u>	<u>1.3935%</u>
Final Property Dwelling Rate	1.114%	1.267%	2.491%	3.978%	7.897%
Personal Liability	.05%	.05%	.05%	.05%	.05%
*FINAL Dwelling Composite Rate	1.164%	1.317%	2.541%	4.028%	7.947%
CONTENTS					
Add for Burglary Exposure	.15%	.15%	.15%	.15%	.15%
*FINAL Contents Composite Rate	1.314%	1.467%	2.691%	4.178%	8.10%

These composite rates should be charged against the total limit of insurance for the applicable coverage. The calculated premium is the Homeowners base premium before applying any circumstantial modifiers, as identified in **Rule 7F**.

*To exclude an optional peril (earthquake or typhoon) follow the method used to get the **Final Property Dwelling Rate** in **Table A.** above. For example, if you want to exclude Typhoon you will add the Base Composite Rate excluding Earthquake and Typhoon + Earthquake Rate. You take that rate and multiply that subtotal by 15% then subtract that 15% discount from the rate calculated by adding the perils.

Example: Excluding the peril of Typhoon on a Class A dwelling
 $.32\% + .36\% = .68\%$ Property Dwelling Rate
 $.68\% \times 15\% = .102\%$
 $.68\% - .102\% = .578\%$

This is your **Final Property Dwelling Rate.**

To get the full composite rate add the personal liability rate of .05%.

$.578\% + .05\% = .628\%$ is the **FINAL Dwelling Composite Rate.**

- B. DEDUCTIBLES** – Are applicable per loss, the same for all construction classes and applies separately to building and contents.

Table B – Standard Deductible Table

PERIL	Building	Contents
Typhoon	\$ 2,500	\$ 2,500
Earthquake	\$ 1,000	\$ 1,000
All Other Perils	\$ 250	\$ 250

NOTE: A deductible must apply for all perils.

- C. Minimum Contents Limit** – The minimum limit for Contents on any Homeowners policy shall be no less than \$5,000.

Table C – Premium for \$5,000 Minimum Contents Limit Table

AA \$66.00	A \$74.00	B \$135.00	C \$212.00	D \$405.00
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*All premiums listed in the table above are subject to **Rule 8**. in this tariff

- D. Coinsurance** – As defined in **Rule 1**, the coinsurance modifier is charged against the developed base premium.

Table D – Coinsurance Table

Applicable Coinsurance	Modifier
90%	1.05
80%	1.10
50%	1.50

Any policy which contains a coinsurance clause must state the following:

“Important, this policy contains a coinsurance clause. If the amount of insurance purchased is not equal to __% of the actual cash value or replacement cost of your insured property, the settlement you receive rising from future losses will not be sufficient to replace the loss you have suffered. It is your responsibility as the insured to make certain you are insuring your home to its proper value if you desire full protection.”

- E. Additional Living Expense** – To increase the dollar amount of this coverage as defined in **Rule 1. A. Additional Living Expense (ALE) or Rental Income Expense** use the same final composite rate used to develop the Dwelling premium and multiply that by the ALE limit after subtracting the \$1,000 mandatory limit.

F. Circumstantial Modifiers

Circumstantial Modifiers are multiplied against the final composite rate developed in **Rule 7 A.-D.**

All circumstantial rate modifiers:

1. Are at the discretion of the Insurance Carrier;
2. Shall be applied one after the other and **NOT as an aggregate**;
3. The Maximum amount of all Modifiers applied **shall not exceed fifty-percent (50%)** of the final applicable composite rate after applying any modifiers from **Table E – Optional Deductible Table**.

The following are Circumstantial Modifiers available when qualified:

- a. Optional Deductibles – The following modifiers for changes made to the standard (All Other Perils) deductibles shown in **Table B – Standard Deductible Table** may be applied to the **BASE COMPOSITE RATE excluding Earthquake and Typhoon** provided in **RULE 7. Table A.** amending the **FINAL Dwelling Composite Rate** for which all other modifiers shall apply.

Table E – Optional Deductible Table

Optional All Other Deductible	Modifier
\$ 100	1.10
\$ 500	.91
\$1,000	.79
\$2,500	.62

Example: A \$1,000 All Other Deductible will apply a modifier of .79 against the Base Composite Rate excluding Earthquake and Typhoon. For a Class C home this means the rate of .50 will be multiplied against the Table E Modifier of .79. This calculates to a revised Base Composite Rate excluding Earthquake and Typhoon of .395. This is the rate that will be added to any chosen optional peril rates for earthquake and/or typhoon. That combined rate will be given an additional package discount of 15%. Ultimately, after application of the package discount, the Class C Base Composite Rate excluding Earthquake and Typhoon will be .336.

- b. Shutters – The following modifiers may be applied to the base premium only when all glass doors, glass block or plate glass windows are protected by shutters. The only exception(s) to this rule are windows of insignificant size, such as but not limited to, standard bathroom windows.

Table F – Shutter Modifiers

<u>Type of Shutters</u>	<u>Applicable Modifier</u>
*Accordion or Roll-Up Metal	.90
*Steel/Aluminum Panel	.90
Non-Metal or Wood	.95

*These shutters must be installed by a licensed vendor or contractor to apply the modifier.

*An additional 10% discount may be allowed for metal shutters if they have been newly installed within the last 5 years.

- c. Fire Protection System – Devices designed to detect a fire thereby allowing the fire department to locate the fire faster to efficiently extinguish a loss is minimized. A modifier of **.95** may be applied to the base premium but only when connected to a Fire Alarm or Fire Department.
- d. Sprinkler System – A form of fire protection mechanism installed in buildings and in the event of a fire, the ensuing smoke will trigger the smoke detector, which will, in turn, set off the sprinkler system. Water attempts to put out fire and prevent the spread of fires to other areas. When professionally installed, a modifier of **.925** may be applied to the base premium.
- e. Security Guard – When stationed on premises 24 hours a day, 7 days a week, a modifier of **.925** may be applied to the base premium.
- f. Multiple Policy – A modifier of **.90** may be applied to the base premium when the same Named Insured has more than one policy with the same Insurance Carrier.
- g. Multi-Year – A modifier of **.90** may be applied to the base premium when the customer agrees to a three-year policy term. Rates are adjustable annually.
- h. Years of Loyalty – The following modifiers may be applied to the base premium where loyalty refers to a customer who has been insured with the same Insurance Company for a minimum of three (3) consecutive years.

Table G – Loyalty Modifier Table

<u>Consecutive Years Insured</u>	<u>Modifier</u>
3-4 Years	.95
5-7 Years	.90
8 Years or more	.85

- i. Age of Dwelling – The following modifiers may be applied to the base premium as identified in **Table H** below.

Table H – Age of Dwelling Modifier Table

<u>Age of Dwelling</u>	<u>Modifier</u>
Built within last 5 years of effective date	0.85
Built within 6 to 7 years from effective date	0.90
Built within 8 to 15 years from effective date	0.95
Built more than 15 years from effective date	1.00

A modifier from **Table H – Age of Dwelling Modifier Table** may be applied when insured has done a complete renovation where both plumbing and electrical wiring and panels have been replaced with new. The age of dwelling as applied in this table will be applied as of the date the renovations were completed. As an example, a full renovation that has been completed on June 26, 2020 is able

to avail of the .85 modifier in the table until June 26, 2025. After that time the insured would then qualify for the .90 modifier in the table.

- j. **Burglary Protection** – A modifier of **.95** may be applied to the base premium when an insured’s living space has any of the following theft protection listed below. Regardless of the number of qualified protection devices at any one premises this modifier only applies once.
 - 1. Steel window grills
 - 2. Security doors with deadbolts
 - 3. Commercially installed Security System including but not limited to self or security company monitored.

- k. **Method of Payment** – A single modifier of **.95** shall be applied to the base premium when an insured pays their premium using any of the following payment methods.
 - 1. Automatic ACH
 - 2. Automatic Payroll Deduction
 - 3. Payment in Full

- l. **Claim Free Modifier** – The following modifiers may be applied to the base premium as identified in **Table I** below.

Table I – Claims Free Modifier Table

Number of Years without a Claim	Applicable Modifier
1 year Claims Free	.95
2 years Claims Free	.90
3 or more years Claims Free	.85

Being claims free does not mean that an insured has not suffered a loss. Regardless of whether or not a loss occurred, damages resulted and/or a claim was filed, if no money was paid by the Carrier for damage, then that loss shall not be considered a claim and will not impact the insured’s Claims Free status as it is applied in **Table I** above.

RULE 8: Minimum Premium

- A.** A Minimum Annual Premium of **\$150.00** shall be charged for each policy.
- B.** When the policies are written under a premium payment plan, no payment shall be less than the minimum premium for each annual period.
- C.** The minimum premium may include all chargeable endorsements or coverages if written at inception of the policy.

RULE 9: Policy Period

The Policy may be written for a period of:

- A. One (1) year;
- B. Three (3) years in annual installments. Each annual installment shall be the annual premium then in effect for the company;
- C. Less than one (1) year on a pro-rata basis and may be extended.

RULE 10. Changes or Cancellations

- A.** It shall not be permissible to cancel any of the mandatory coverages in the policy unless the entire policy is cancelled.
- B.** If the insurance is increased, cancelled or reduced, the additional or return premium shall be computed on a pro rata basis, subject to the minimum premium requirement.

RULE 11: Whole Dollar Premium

The premium for each exposure shall be rounded to the nearest whole dollar, separately for each coverage provided by the policy. A premium involving \$0.50 - \$0.99 shall be rounded to the next higher whole dollar; \$0.01 - \$0.49 shall be rounded to the preceding lower whole dollar figure.

The procedure shall apply to all premium adjustments including policy cancellation.