



HOMEOWNERS RISK SELECTION GUIDELINES

Table of Contents

	<u>Page</u>
Overview	HO-1
Use of Basic, Broad and Special Policy Forms	HO-1
Bureau Forms	HO-2
Farmers Mutual Forms	HO-2
Rules	HO-3
Rates	HO-3
Some Observations About the Market Value Approach	HO-3
Farm Comprehensive Personal Liability Coverage	HO-3
Requirements for Applicants	HO-4
Requirements for All Dwellings	HO-5
Unacceptable Risks	HO-5
Risks Which Should Be Submitted for Prior Approval	HO-6
Special Form Homeowners (ML-3)	HO-7
Broad Form Homeowners (ML-2)	HO-8
Broad Form Policy with Actual Cash Value Settlement Provision (ML-2ACV)	HO-10
Basic Form Policy with Actual Cash Value Settlement Provision (ML-1)	HO-12
Replacement Cost Contents Endorsement (Form ML-55)	HO-13
Homeowners Forms (List)	HO-14
Special Company Endorsements (List)	HO-14
Other Endorsements (List)	HO-14
Homeowners Rules	
Rule 1 Eligibility	HO-16
Rule 2 Program Description	HO-17
Rule 3 Policywriting Instructions	HO-19
Rule 4 Premium Determination	HO-21
Rule 5 Deductibles	HO-22
Rule 6 Premium Modifications	HO-23
Rule 7 Optional Section I Personal Property Coverages	HO-24
Rule 8 Optional Section II Liability Coverages	HO-30
Rule 9 Additional and Secondary Locations	HO-33
Territorial Definitions	HO-34



HOMEOWNERS RISK SELECTION GUIDELINES

Overview

The basic principles of our underwriting philosophy are applied in our homeowners program:

1. Amounts of Insurance are based upon market values, not replacement costs.
2. Policyholders must have an Insurable Interest In their homes.
3. Premium rates are competitive, to allow positive selection from the universe of risks.

Experience has shown us that it is as important to carefully select insureds, as it is to properly classify and underwrite the dwellings we write. Only above average policyholders will support lower than average rates. Here are some of the things you should look for:

1. **Job Stability.** A significant number of years with the same employer, or a career in the same trade or profession.
2. **Home Ownership.** Ownership of the present home for 5 or more years, or a verifiable history of owning another residence, preferably in the same community.
3. **Financial Responsibility.** Debt levels realistic to family Income. This is usually reflected by a good credit rating, and a significant amount of equity in the home (Mortgage balances below the home's market value).
4. **Stability In the Family Unit.** Five or more years since the most recent marriage or divorce.

Use of Basic, Broad and Special Policy Forms

We use policy forms as a means to classify risks, and match our exposures with proper rate levels. Many larger Insurance companies accomplish this aim by having preferred, standard, and substandard programs, and issuing policies through the several companies they control.

As an agent, you will naturally want to provide each of your applicants with the best policy a company has to offer. It doesn't take much foresight to anticipate what would happen if we wrote our smaller, older homes with wood and coal heat All Risk policies with replacement cost contents. Losses Incurred on the all risk policies would increase, and rates on this product would have to rise above competitive levels. The better risks would leave us for a lower rate, and the cycle of adverse selection would repeat itself. Please keep this mind when you apply the underwriting guidelines that follow.

Rates, Rules and Forms

Bureau Forms

Policies are issued with forms copy written by the American Association of Insurance Services (AAIS). AAIS is a rating bureau providing services similar to the better-known Insurance Services Office (ISO). There are many similarities between the AAIS forms ML-1, ML-2, ML-3 and the ISO HO-1, HO-2, HO-3 which you are probably more familiar with. But there are differences, so we advise you to check the forms or call us before giving opinions on coverage's. Copies of the most commonly used forms are found at the end of the homeowner's section in this manual.

Farmers Mutual Forms

Although we use bureau forms primarily, there are several company forms used with our homeowners program. The most important of these are described below, and copies are found at the rear of this manual section.

Insured Premises Limitation (Form FMT-125)

Limits liability coverage to non-business and non-farm exposure within 200 feet of the dwelling. Also excludes private structures designed or used for business or farming.

Broad Forms Perils Part With Actual Cash Value Settlement Provisions (FMT-ML2ACV)

Insures for the same perils as the standard Broad Form policy, but has actual cash value loss settlement provisions. Policies issued using this coverage part has an HO-5 number.

Rules

Complete sets of policy writing rules are included with the rate manual directly following the index. For the most part, we follow bureau (AAIS) rules, but several company exceptions are included. Note particularly the special limitations on scheduled property, and maximum liability limits of \$300,000. For CPL and FCPL exposures.

Rates

Basic rates have been developed using our company loss experience. Territory definitions are also unique. Be sure you check Rules page 18 to determine your territory and premium group before rating a policy. Rates for optional property and liability coverage's are primarily based on bureau experience. Farm liability rates however are significantly below bureau.

Some Observations About The Market Value Approach

Many agents have asked us to provide them with a method for determining the amount of insurance we will write on a dwelling. Like the replacement cost estimators other companies use, the market value approach lends itself to no formulas. Think about how the location of a dwelling affects its market value in your town. Also ponder how the condition of a dwelling will change its value when it is placed on the market. Landscaping, condition of the roof and wiring, new kitchen or bathroom fixtures can all vary the market value significantly. Yet these important variables do not affect replacement cost.

Farm Comprehensive Personal Liability Coverage

We will add Farm Liability Coverage as a rider on all homeowner policies (See Form ML-10). Note that farm employee's coverage (ML-311) must be included when farm liability is written. This is for your protection as well as for the benefit of your insureds. Please note that our company form FMT-125 – Insured Premises Limitations, excludes coverage for farm liability exposures unless FCPL is written (See the specimen copy of this form in your manual).

Requirements for Applicants

1. **Property Ownership.** A new applicant must meet one of the following three criteria:
 - A. Must have owned the premises to be insured for at least five years.
 - B. Must have the premises insured with your agency for a minimum of three years. (An agency renewal or rewrite.) (Attached copy of previous company's declaration page with the submission.
 - C. Must have owned property in your community for a minimum of five years. This can include the time of ownership of the current dwelling, and previous dwelling(s) (Provide the location and mailing address of the property previously owned when you submit the application.

For our purposes, ownership means being shown on the warranty deed filed at the courthouse. Property purchased with a "wrap around mortgage", or other special financing is not acceptable.

2. **Job Stability.** The applicant must have at least two continuous years of full time employment with the company or firm he or she is presently with. Income received from sources other than in exchange for labor or services does not qualify. (Examples: disability income, aid to dependent children, social security payments). Retired property owners will be considered if they are over 60 years of age.

The following exceptions may be submitted for approval:

- A. Tradesmen (plumbers, electricians, and carpenters) who have been in their present trade for over 5 years.
- B. Property owners who have income from investments, rental properties or other passive sources.
- C. Self employed individuals who have owned their own non-seasonal business for over five years.

3. Financial Stability

- A. Applicants must have no more than two mortgages against the dwelling.
- B. Mortgage balances must be less than 90% of the market value of the dwelling (not including the value of the land).
- C. Applicants must have and maintain a good credit rating.

4. Family unit stability

Applicants should not have experienced a marriage or divorce in the last 5 years.

Requirements for All Dwellings

- 1. The dwelling must be the principal residence premise of the named insured.
- 2. The dwelling must be visible from the street or road and within 300 feet (the length of a football field) or one other residence.
- 3. The dwelling must be located within a 40-mile radius of the agent's place of business.
- 4. The dwelling must be in good condition and reflect price of ownership.

Unacceptable Risks

- 1. Dwellings without continuous foundations.
- 2. Risks brokered by other agents.
- 3. Risks with attractive nuisances. (For examples: Wild animals as pets, or old kraut tanks used as swimming pools.
- 4. Risks occupied by more than one family unit, and ones having roomers or boarders.
- 5. Tenant homeowner risks (HO-4's, or ML-4's)
- 6. Unoccupied homes and seasonal homes.
- 7. Homes up for sale.
- 8. Mobile homes and modular homes. (whether or not on permanent foundations) and including ones with additions. (See mobile-homeowners program)

Rev. 9-10-2012

Homeowner Risks Which Should Be Submitted For Prior Approval

Homeowners who report the following should have their applications submitted unbound for prior approval. Provide as much detail as possible using additional information section of the application. If time is of the essence, call us for a phone approval and binding authority.

1. Applicants who have had any claims either on the subject risk or a prior dwelling either owned or rented in the past seven (7) years.
2. Any applicant who has had a prior cancellation or refusal of property or liability insurance coverage (excluding auto insurance in the past seven (7) years).
3. Risks with business or office occupancies. Either in the dwelling or another structure on premises.
4. Dwellings with more than two mortgages.
5. Applicants with liens against their personal property.
6. Applicants with personal property schedules exceeding \$5,000.00 (Jewelry, guns, furs, paintings, etc.).
7. Applicants in the public eye. This includes, but is not limited to: performers, politicians, law officers, firemen, career military men.
8. Applicants who maintain more than one residence premises (whether owned or rented).
9. Dwellings occupied by more than one family unit.
10. Dwellings located more than 40 miles from the agent's place of business.

Special Form Homeowners (ML-3)
(Green pages in your rate manual)

We are reserving the use of the Special Form Policy for newer dwellings with central heating and air conditioning and superior fire protection. **The following requirements are in addition to those, which are found on pages HO-4, HO-5, and HO-6, which apply to all homeowner forms. Please read them carefully.**

1. The dwelling must be located within the city limits of a town with a fire protection rating of Class Seven (7) or better..
2. It must be less than 20 years since the construction date of the oldest section of the dwelling. (Less than 20 years old.)
3. The dwelling must have central heating and air conditioning. Must be a ducted system.
4. Asphalt Shingle Roofs must be in good condition and less than 10 years old.
5. Fireplaces must be vented through fully lined masonry chimneys. Dwellings with double or triple wall metal chimneys are not acceptable.
6. Homes with wood stoves must be submitted for prior approval. Stoves must be vented through fully lined masonry chimneys to be considered.
7. Minimum insurance amount \$100,000.
8. Amount of insurance must be greater than 80% but less than 90% of market value.
9. If more than one mortgage is against the property, the mortgage balances must be declared and the application submitted for prior approval.
10. **Not Acceptable.** Factory built homes, kit homes, log homes, homes with built up (flat) roofs or roll roofing, berm or underground homes.

Broad Form Replacement Cost Policy (ML-2)
(Yellow pages in your rate manual)

The Broad Form Replacement Cost policy is reserved for newer homes with superior heating systems. For older homes of superior construction, see the Broad Form Actual Cash Value Program description. **The following requirements are in addition to those applying to all homeowner's policies found on pages HO-4, HO-5, and HO-6. Please be sure to read them carefully.**

1. **Minimum insurance amount on the dwelling** - \$75,000. Policies must be written for at least 75% and no more than 90% of market value.
2. **Acceptable Primary Heating systems**
 - A. Central heat and air (ducted).
 - B. Baseboard Electric in all rooms.
 - C. Ceil Heat in all rooms.
 - D. Gas Floor Furnaces, and Natural Gas or Propane Stoves installed in a manner in which they provide heat for the entire living area.
3. **Fireplaces and wood stoves** are acceptable as secondary heat sources to the above if they are vented through a fully lined masonry chimney. Houses with double and triple walled metal flues are not acceptable.
4. **Fire Protection.** Dwellings located in protection classes 9 and 10 are acceptable if they are visible from the street or road, and are within 300 feet and in sight of, at least two other occupied dwellings. Homes in lower (better) protection classes are also acceptable.
5. **Age.** It must be less than 30 years since the completion of construction of the oldest part of the dwelling.
6. **Roofs.** Asphalt shingle roofs must be less than 12 years of age. Homes with roll roofing or flat or built up roofs are not acceptable. Homes with metal roofs should be submitted for prior approval.
7. **Electrical and Plumbing.** The dwelling must have 200 amp electrical services, and the plumbing must have been upgraded within the past 20 years. Minimum of one full indoor bathroom.

8. **Pre-cut homes (kit homes) of standard construction** are acceptable subject to the other requirements. Factory built, modular and doublewide homes are not acceptable (see the mobile-homeowners program for dwellings of these types).

9. **Log homes and earth or berm homes** are not acceptable (See Actual Cash Value Programs).

Broad Form Policy with Actual Cash Settlement Provisions (ML-2ACV)
(Blue pages in your rate manual)

The Broad Form Actual Cash Value Program is reserved for older homes of above standard construction with superior heating systems. The home must be in an excellent state of repair, and exhibit above average pride of ownership. **The following are additional requirements applying to all homeowner's policies found on pages HO-4, HO-5, and HO-6. Please read them carefully.**

1. **Minimum insurance amount on the dwelling** - \$50,000. This must be more than 70% but less than 90% of the home's market value, excluding the land.
2. Dwellings must have a minimum market value of \$50 per square foot.
3. **Acceptable Primary Heating Systems**
 - A. Central heat and air (ducted).
 - B. Baseboard electric in all rooms.
 - C. Ceil heat in all rooms.
 - D. Gas floor furnaces, natural gas or propane stoves installed in a manner in which they provide heat for the entire living area.
4. **Not Acceptable as Primary Heating Systems**
 - A. Wood or coal stoves or furnaces.
 - B. Wall or portable electric heaters.

Fireplaces and wood stoves are acceptable as secondary sources of heat if they are vented through fully lined masonry chimneys. Houses with double or triple walled metal flues are not acceptable.
5. **Fire Protection.** Dwellings located in protection classes 9 and 10 are acceptable if they are visible from the street or road, and are within 300 feet and in sight of at least two other occupied dwellings. Homes in lower (better) protection classes are of course acceptable.
6. **Age.** Homes built before 1900 should be submitted for prior approval.

7. **Roofs.** Asphalt shingle roofs must be less than 12 years of age and in good condition. Homes with roll roofing, flat or built up roofs are not acceptable. Homes with metal, tile and slate roofs are acceptable if they are in good condition.
8. **Electrical and Plumbing.** The dwelling must have 200-amp electrical service, and the plumbing must have been significantly upgraded within the past 20 years.
9. Log homes and berm or earth homes are acceptable if they meet all other requirements.

Basic Form Policy with Actual Cash Value Settlement Provisions (ML-1)
(Pink pages in your rate manual)

This program is designed to provide insurance for older lower value homes, which are in good condition and exhibit superior pride of ownership. It is not designed for substandard dwellings (or nonstandard applicants). Compare these rates with those of our nonstandard carriers. We must insure superior risks to support these rate levels. **The following requirements are in addition found on pages HO-4, HO-5, and HO-6, which apply to all homeowner's risks. Please read them carefully.**

1. The minimum insurance amount for a dwelling: \$40,000. Policies must be written in amounts of not less than 70% or more than 85% of market value.

2. Acceptable Primary Heating Systems
 - A. Central heat and air (ducted).
 - B. Baseboard electric and ceil heat.
 - C. Natural gas and propane stoves and furnaces.
 - D. Electric wall heaters and portable electric heaters.

Wood Stoves. Wood, coal and oil stoves are acceptable if they are supplemented with other heat sources shown above in all living areas of the home.

3. **Chimneys and Flues.** Masonry chimneys must be fully lined and in good condition. Triple walled metal chimneys are acceptable if properly installed and in good condition.

4. **Electrical.** Minimum of 200 amp electrical service, with wiring in good condition.

5. **Plumbing.** All plumbing must be in good condition, and the dwelling must have at least one full indoor bath.

6. **Roof.** Roofs must be in good repair. Shingle, tile, slate, and metal roofs are acceptable. Rolled or built up roofs are not acceptable.

Replacement Cost Contents Endorsement (Form ML-55)
(Rule 7.6 in your rate manual)

We have filed the replacement cost contents endorsement to accommodate your superior insureds whose dwellings are written through one of our replacement cost programs. We ask that you do not “sell” this coverage.

1. The coverage is available only on the Broad Form Policy with Replacement Cost Settlement Provisions (ML-2), Broad Form Policy with Actual Cash Value Settlement Provisions (ML-2ACV) and Special Form Policy (ML-3).
2. The risk must meet one of the following two criteria:
 - A. The dwelling must have been insured with Farmers Mutual for the past three years.
 - B. The dwelling must have been insured through your agency for the past five years (verifiable with copies of declarations pages).
3. The Insured must have had no personal property losses (either at the current or any previous residence premises) in the past five years. Applicants for this coverage who have had one loss during the five-year period will be considered for an exception if submitted for prior approval.

Homeowners Forms

FORM	EDITION	TITLE
ML-1	7-78	Perils Section (Basic)
ML-2	7-78	Perils Section (Broad)
ML-2 ACV	9-86	Perils Section (Broad - ACV)
ML-3	7-78	Perils Section (Special)
ML-4	7-78	Perils Section (For Renters and Condo Unit-Owners)
ML-9	7-78	Liability Coverage Section
ML-10	12-78	Liability Coverage Section - Farm
ML-20	7-78	Agreement and General Policy Provisions

Special Company Endorsements

FORM	EDITION	TITLE
FMT-125	9-86	Insured Premises Limitations
ML-150	6-86	Amendatory Endorsement - Liability Coverage Section

Other Endorsements

FORM	EDITION	TITLE
ML-31	7-78	Condo Unit-Owner Additions - Higher Limit
ML-34	4-79	Related Private Structures and Condo Fixtures
ML-35	7-78	Condo Loss Assessments Coverage
ML-35A	7-78	Earthquake Loss Assessment Coverage for Condo Unit-Owners
ML-37	7-78	Glass Breakage - Condo Unit-Owner
ML-40	7-78	Related Private Structures Rented to Others (1 or 2 Families)
ML-41	7-78	Additional Insured
ML-42	7-78	Office, Professional, Private School or Studio Use - Insured Premises
ML-45	11-78	Change
ML-48	7-78	Related Private Structures
ML-49	7-78	Outdoor Antenna Coverage Higher Limit
ML-50	7-78	Homeowners Association Loss Assessment Coverage
ML-51	7-78	Tenants Improvements and Betterments - Higher Limit
ML-52	7-78	Earthquake Loss Assessment Coverage for Homeowners
ML-54	7-78	Earthquake
ML-55	7-78	Replacement Value for Coverage C - Personal Property
ML-61	7-78	Scheduled Personal Property
ML-63	5-82	Credit Card, Forgery and Counterfeit Money Coverage – Higher Limit
ML-65	11-79	Coverage C - Higher Limit of Liability on Certain Property
ML-66	7-78	Personal Property - Higher Limit Away from the Insured Premises

Other Endorsements (continued)

FORM	EDITION	TITLE
ML-68	7-78	Scheduled Glass
ML-69	7-78	Physicians, Surgeons, Dentists and Veterinarians
ML-70	4-79	Additional Residential Premises Rented to Others - Liability Only
ML-71	7-78	Business Activities
ML-75	7-78	Watercraft
ML-152	6-81	Personal Property in Rental Units
ML-153	6-81	Related Private Structures - Designed But Not Used for Business
ML-176	9-79	Rating Information
ML-178	7-8	Insurance By More Than One Company
ML-181	7-78	Deferred Premium Payment Plan
ML-216	7-78	Premises Alarm or Fire Protection System
ML-305	10-79	Added Perils for Refrigerated Food Products
ML-311	7-78	Farm Employer's Liability Coverage Schedule
ML-319	7-78	Exclusion of Farm Employees Illegally Employed
ML-320	12-82	Incidental Farming
ML-337	7-78	Animal Collision

Homeowners Rules

RULE 1 ELIGIBILITY

1.1 Owner Occupied

A policy may be issued to an owner-occupant of a dwelling used only for private residential purposes and occupied by no more than two families and no more than one boarder or roomer per family.

Use Form ML-1, 2, 3

1.2 Tenant Occupied/Condominium

Form ML-4 is written on an exception basis only. Refer to the company for prior approval.

1.3 Co-owner Occupancy

Policies are written for co-owners on an exception basis only. Refer to the company for prior approval.

1.4 Dwellings Under Construction

Farmers Mutual of Tennessee will not issue homeowners policies for dwellings under construction. See the dwelling fire section of the underwriting manual.

1.5 Seasonal Dwellings

Seasonal dwellings are not eligible for owner's forms. See the dwelling fire section of the underwriting manual.

1.6 Ineligible Occupancies

The following are ineligible for coverage under this manual:

- Mobile homes, trailer homes or house trailers whether or not set on foundations or otherwise made stationary.
- Modular or factory built homes are generally ineligible but can be submitted for consideration if exceptionally well built.

RULE 2 PROGRAM DESCRIPTION

The following is a general description of the coverages provided by the Homeowners forms. The policy forms state the complete conditions.

2.1 Section I Coverages — Property (Mandatory)

- Coverage A - Residence
- Coverage B - Private Structures
- Coverage C - Personal Property
- Coverage D - Additional Living Expense

2.1.1 Forms ML-1 and ML-2 cover the residence, private structures, personal property and additional living expense against losses resulting from the perils indicated below.

	<u>ML-1</u>	<u>ML-2</u>
Fire or Lightning	✓	✓
Windstorm or Hail	✓	✓
Explosion	✓	✓
Riot or Civil Commotion	✓	✓
Aircraft	✓	✓
Vehicles	✓	✓
Smoke	✓	✓
Vandalism and Malicious Mischief	✓	✓
Glass Breakage	✓	✓
Theft	✓	✓
Falling Objects		✓
Weight of Ice, Snow or Sleet		✓
Collapse of Building		✓
Sudden and Accidental Tearing Apart, Burning or Bulging		✓
Accidental Discharge of Liquids or Steam		✓
Freezing		✓
Sudden and Accidental Damage from Electrical Currents		✓

NOTE:

Policy Form ML-1 - The ML-1 Perils Section is issued on an actual cash value basis.

Policy Form ML-2 - The ML-2 Perils are issued both on a replacement cost and actual cash value basis. See underwriting guidelines for requirements.

2.1.2 Form ML-3 covers the residence, private structures and additional living expense against all physical loss, with certain exceptions. Personal property is covered for the perils shown for Form ML-2.

2.1.3 Form ML-4 covers personal property including the insured's interest in building additions and alterations and additional living expense against loss by the perils shown for Form ML-2. Form 4 is issued on an exception basis only.

2.2 Section II Coverage's - Liability (Mandatory)

Personal Liability - Pays on behalf of the insured for damages due to bodily injury or property damage caused by an occurrence related to the insured's premises or personal activities.

Medical Payments to Others - Pays medical expenses incurred by persons, who are not insureds, if the bodily injury occurs in connection with the insured's premises or personal activities.

Use Form ML-9

Special Limitation - Because homeowners policies are often written to cover risks located on farms or acreage, premises liability and medical payments coverages are limited to areas within 200 feet of the residence.

Use Form FMT-125

2.3 Package Policy Requirements

The minimum limits of liability for the Homeowners Policy are as follows:

Section I				
<u>Coverages</u>	<u>Form 1</u>	<u>Form 2</u>	<u>Form 3</u>	<u>Form 4</u>
Residence	\$40,000	\$75,000	\$100,000	
Private Structures	10% of limit on residence	10% of limit on residence	10% of limit on residence	
Additional Living Expense	20% of limit on residence	20% of limit on residence	20% of limit on residence	40% of limit on personal property
Section II				
<u>Coverages</u>	<u>All Forms</u>			
Personal Liability	\$25,000 each occurrence			
Medical Payments to Others	\$500 each person \$25,000 each accident			

RULE 3 POLICYWRITING INSTRUCTIONS

3.1 Inception Time

Policies are to take effect at 12:01 A.M. Indicate inception time on Declarations Page

3.2 Annual Policy Term

Policies may not be written for less than one year except to maintain common anniversary dates with other policies. It is permissible to extend the policy for successive terms by extension certificate using the premium in effect on renewal date. The then current applicable forms and endorsements must be made part of the policy.

3.3 Three-Year Policy Term Payment Plan

A policy may be written for a period of three years and the premiums paid in annual installments. The premium for each installment is based on the rates, rules, and forms in effect on the anniversary date.

Attach Endorsement ML-181

3.4 Continuous Renewal Plan

This rule does not apply.

3.5 Additional Interests

The policy may cover the interests of additional owners at no additional premium. This coverage is limited to the building and premises liability.

Attach Endorsement ML-41

3.6 Transfer or Assignment

This policy can be assigned only with the company's knowledge and consent. Underwriting information about the new owner will be required.

3.7 Restriction of Coverage

If a policy would not be issued because of unusual exposures, the applicant may request a restriction of coverage at no reduction of premium. The request, signed by the applicant, must be referred to the company.

3.8 Cancellation or Reductions in Limits of Liability or Coverages

Mandatory coverages may not be cancelled unless the entire policy is cancelled. If the policy or non-mandatory coverages are cancelled or the amount of insurance is reduced:

3.8.1 By the company or in the event of foreclosure of the mortgage on the insured real property, compute return premium pro rata.

3.8.2 By the insured, compute return premium at 90% of the pro rata unearned premium.

3.9 Contributing Insurance

Coverage under Section I of the policy may be divided between two or more carriers with all carriers' knowledge and consent.

- All policies must contain the same deductible.
- All Section I additional limits and coverages must be divided between the companies. Scheduled personal property may be shared at the option of the companies.
- All Section II coverages must be assumed entirely by one of the companies. Section II premium charges are shown in the State Rate Pages and must be subtracted before the total premium is divided between the companies.
- All policies must include the policy number and company names and must identify the company providing the Section II coverages.

Attach Endorsement ML-178

3.10 No Private Structures - Forms 1, 2, 3

If private structures are not insurable, the company may exclude coverage for them. See the rates section for the premium credit.

The word "None" will be shown for the private structures limit on the Declarations Page.

3.11 Private Structures Limitation

Because policies are often issued for risks located on farms or acreage, coverage for private structures is limited to buildings located within 200 feet of the residence, and which are incidental to the occupancy of the dwelling.

Attach Form FMT-125

RULE 4 PREMIUM DETERMINATION

Annual premiums and rates are shown in the State Rate Pages.

The Basic Policy Premiums are for property and liability coverages.

Liability coverage for the following exposures is required if they exist. The additional premium is shown in the State Rate Pages.

- All additional or secondary residence premises where the Named Insured or spouse maintains a residence other than business or farm properties.
- All residence employees of the Named Insured or spouse not covered or not required to be covered by Workers' Compensation Insurance. A charge is required for residence employees in excess of two.
- Incidental office, professional, private school or studio occupancies by the Named Insured on residential premises of the Named Insured.
- Three or four family dwellings.

4.1 Calculation of Premium

The premium is computed as follows:

- 4.1.1** Determine the Basic Policy Premium based on the amount of Coverage A or Coverage C, as applicable. This basic premium must reflect revised limits of Coverage C.
- 4.1.2** Modify the amount determined in 4.1.1 to reflect the selected deductible option.
- 4.1.3** Modify the amount determined in 4.1.2 for premium credits or charges.
- 4.1.4** Add to the amount determined in 4.1.3 the additional premium for all mandatory or optional Section I Personal Property Coverage's and all mandatory or optional Section II Liability Coverage's.

4.2 Changes in Limits of Liability or Addition of Coverage's

The limits of liability may be increased or coverage's added during the policy term. Compute the additional premium on a pro rata basis using the same rates in effect when the current policy premiums were calculated. Additional premiums of \$6 or less may be waived at the option of the company.

4.3 Specifically Rated Dwellings— Forms 1, 2, 3

The premium for specifically rated dwellings of fire resistive or fireproof construction is 85% of the applicable brick or masonry premium.

The applicable Fire and Extended Coverage rates shall be used for other specifically rated dwellings when written under a Homeowners policy.

4.4 Row and Townhouses

The premium for an eligible one or two family owner-occupied dwelling in a townhouse or row house is determined as shown in the State Rate Pages.

An eligible two family owner-occupied dwelling is considered two individual units when determining the number of family units within a fire division.

RULE 5 DEDUCTIBLES

The deductible amount is shown on the Declarations Page; no endorsement is needed.

5.1 Flat Deductibles - All Perils

The policy may be issued with one of the following options at the premium credit shown in the State Rate Pages.

Deductible Amount

\$ 250
500
1,000
2,500

RULE 6 PREMIUM MODIFICATIONS

6.1 Protective Devices

The premium credits shown in the State Rate Pages may be allowed for the installation of the following approved and properly maintained alarm and/or sprinkler systems:

- Central Station Burglary and/or Fire Alarms.
- Fire Department and/or Police Department Alarms.
- Local Alarms - Including smoke and/or gas detection.
- Sprinkler Systems.

Attach Endorsement ML-216

6.2 Reduction in Limit - Coverage C

For one or two family dwellings, the Coverage C limit may be reduced to not less than 40% of the Coverage A limit at the credit shown in the State Rate Pages.

Show limit on Declarations Page

This reduction is not permitted when Endorsement ML-42 is attached.

RULE 7 OPTIONAL SECTION I PERSONAL PROPERTY COVERAGES

7.1 Vandalism and Malicious Mischief

This rule does not apply.

7.2 Earthquake

Earthquake coverage may be provided at the additional premium shown in the State Rate Pages. Coverage applies to all Section I Coverages and must be written at the limit provided by the policy. The earthquake rates for Coverages B, C, and D shown in the State Rate Pages must be applied to the increases or additions of these coverages.

Attach Endorsement ML-54

7.3 Inflation Guard Coverage

This option is not available.

7.4 Private Structures

7.4.1 Increased Limits - An additional amount of insurance may be written on a specific private structure at the additional premium shown in the State Rate Pages. Prior underwriting approval is required.

Attach Endorsement ML-48

7.4.2 Rented to Others - This option is not available. These structures should be written under a dwelling fire form.

7.4.3 With Incidental Occupancies - Coverage for a private structure on the described premises with an office, professional, private school or studio occupancy are written on an exception basis with prior underwriting approval. The additional premium is shown in the State Rate Pages.

Attach Endorsement ML-42

7.4.4 Designed but Not Used for Business - Private structures designed but not used for business may be covered if prior underwriting approval is obtained from the company. The additional premium is shown in the State Rate Pages.

Attach Endorsement ML-153

7.5 Personal Property

- 7.5.1** Increased Limit - With prior underwriting approval, the Coverage C limit of liability may be increased at the additional premium shown in the State Rate Pages. A household inventory may be required.

Show limit on Declarations Page

- 7.5.2** Increased Limit Away from Premises - With prior underwriting approval, the Coverage C limit of liability for personal property away from premises may be increased at the additional premium shown in the State Rate Pages.

Attach Endorsement ML-66

- 7.5.3** In Rental Units - With prior underwriting approval, personal property of the insured located in the rental portion of the dwelling or private structure, not occupied by the insured, may be covered at the additional premium shown in the State Rate Pages.

Attach Endorsement ML-152

- 7.5.4** In Residences Occasionally Rented - This option is not available.

7.6 Replacement Value - Personal Property

Actual Cash Value Forms (ML-1) - This option is not available.

Forms (ML-2, ML-2ACV & ML-3) - Personal property may be insured for replacement value at the additional charge shown in the State Rate Pages. Special underwriting requirements apply to this coverage. Read your underwriting guide before offering it.

Attach Endorsement ML-55

7.7 Money and Securities

The limit for money and related items may be increased at the additional premium shown in the State Rate Pages. Note the maximum additional amount.

Attach Endorsement ML-65

7.8 Unscheduled Jewelry, Watches and Furs

The limit for unscheduled jewelry, watches and furs may be increased at the additional premium shown in the State Rate Pages. Note the maximum additional amount.

Attach Endorsement ML-65

7.9 Guns and Gun Accessories

Coverage for guns and gun accessories may be increased at the additional premium shown in the State Rate Pages. Note the maximum additional amount.

Attach Endorsement ML-65

7.10 Silverware, Goldware and Pewterware

Coverage for silverware, goldware and pewterware may be increased at the additional premium shown in the State Rate Pages. Note the maximum additional amount.

Attach Endorsement ML-65

7.11 Motorized Vehicles

This option is not available.

7.12 Physicians, Surgeons, Dentists and Veterinarians On or Away from Premises

Coverage may be provided for surgical, medical, and dental instruments, medicines, drugs or books, while away from the insured's dwelling or office at the additional premium shown in the State Rate Pages.

The \$500 limit for business property on the insured's premises applies to the property listed above. The limit may be increased at the additional premium shown in the State Rate Pages.

Attach Endorsement ML-69

7.13 Refrigerated Food Products

Coverage is provided for loss or damage to food products contained in a freezer or refrigerated unit at no additional charge. The coverage limit is \$250.

Attach Endorsement ML-305

7.14 Increased Additional Living Expense

This option is not available.

7.15 Credit Cards and Depositors Forgery

Coverage for loss by forgery or alteration of credit cards, checks or drafts, or acceptance of counterfeit paper currency may be increased at the additional premium shown in the State Rate Pages.

Attach Endorsement ML-63

7.16 Building Additions and Alterations - Form 4

Coverage for building additions and alterations may be increased at the additional premium shown in the State Rate Pages.

Attach Endorsement ML-51

7.18 Scheduled Personal Property

Coverage may be provided against all physical loss, with certain exceptions, on scheduled personal property. The following classes of items can be scheduled using rates shown in the State Rate Pages.

- Guns and accessories.
- Silverware, goldware and pewterware.
- Musical instruments.
- Furs.
- Photographic equipment.
- Fine arts.
- Golfer's equipment

For items not shown, refer to the company.

Attach Endorsement ML-61

7.19 Glass

Coverage may be provided for specific items of glass. Refer to the company.

Attach Endorsement ML-68

7.20 Homeowners Association Loss Assessment

7.20.1 The policy may be extended to cover loss assessment charged to the insured by the homeowners association. The additional premium is shown in the State Rate Pages.

Attach Endorsement ML-50

7.20.2 Earthquake coverage may be added. The rates are shown in the State Rate Pages.

Attach Endorsement ML-53

7.21 Condominium Unit-Owners Supplemental Coverages

7.21.1 Unit-Owners Additions and Alterations

- Higher Limits - The limit of liability may be increased at the premium shown in the State Rate Pages.

Attach Endorsement ML-31

- Earthquake coverage may be added using the rates and endorsement of 7.2.
- Glass Breakage - Coverage may be provided for glass breakage of windows and doors that are part of the unit-owners portion of the building. The additional premium is shown in the State Rate Pages.

Attach Endorsement ML-37

- Miscellaneous Real Property - Unit-Owners additions and alterations outside the finished interior surfaces of the perimeter walls may be covered at the additional premium shown in the State Rate Pages.

Attach Endorsement ML-34

7.21.2 Unit Rental to Others

This option is not available.

7.21.3 Unit-Owners Private Structures

Private structures owned by the insured and located on the described premises may be covered at the additional premium shown in the State Rate Pages.

Attach Endorsement ML-34

7.21.4 Loss Assessment

- The policy may be extended to cover loss assessment for which the insured may be liable to the association of condominium unit-owners.

Attach Endorsement ML-35

- Earthquake coverage may be added. The rates are shown in the State Rate Pages.

Attach Endorsement ML-35A

RULE 8 OPTIONAL SECTION II LIABILITY COVERAGES

All mandatory or optional Section II Coverages must be written at the same limit.

8.1 Additional Residence Premises - Rented to Others

Coverage may be provided for additional one or two family residence premises rented to others, owned by the Named Insured or spouse, at the additional premium shown in the State Rate Pages.

Attach Endorsement ML-70

8.2 Private Structures - Rented to Others

If coverage is provided under Section I for private structures rented to others, apply the additional liability premium shown in the State Rate Pages for Additional Residence Premises - Rented to Others.

Attach Endorsement ML-40

8.3 Waterbed Liability - Form 4

This option is not available.

8.4 Business Pursuits

Coverage may be provided for the liability of an insured arising out of business activities, other than a business of which the insured is sole owner or a partner, at the additional premium shown in the State Rate Pages.

Classify as shown below, and apply the charges to each person insured.

Classifications:

8.4.1 Clerical Office Employees — Engaged wholly in office work and having no other duty in or about the employer's premises.

8.4.2 Salespersons, Collectors or Messengers — No installation, demonstration or service operations.

Attach Endorsement ML-71

8.5 Office, Professional, Private School or Studio Occupancy

Coverage for dwellings with incidental office, professional, private school or studio occupancies is permitted provided:

- Prior underwriting approval is obtained.
- The premises are occupied principally for residential purposes.
- There is no other business conducted on the premises.

At the additional premium shown in the State Rate Pages, coverage may be provided for the liability of an insured arising from:

- An office, professional, private school or studio occupancy in the dwelling or in a separate structure on the premises. The limit for Coverage C must be at least 60% of the Coverage A limit, or 35% for dwellings occupied by three or four families.

Attach Endorsement ML-42

- Professional instruction given by the insured in the dwelling. The insured employs no assistants and the dwelling has not been altered to accommodate the occupancy.

Attach Endorsement ML-42

8.6 Owned Snowmobiles - Off Premises

This option is not available.

8.7 Outboard Motors and Watercraft

Coverage may be provided for watercraft not covered by the policy at the premiums shown in the State Rate Pages.

- For rating purposes, combine the horsepower of all outboard motors used together with any single watercraft owned by the insured.
- Sailboats 26 to 40 feet inclusive equipped with auxiliary power are classed as inboard motor boats.

Attach Endorsement ML-75

8.8 Personal Injury

This option is not available.

8.9 Incidental Farming

Coverage may be provided for the insured's incidental farming activities at the residence premises location provided:

- Farming is not the business of the insured.
- The insured owns, rents or leases less than 10 acres of land.
- The insured has no farm buildings and no farm animals.

The additional premium is shown in the State Rate Pages.

Attach Endorsement ML-320

8.10 Farmers Comprehensive Personal Liability

Farm liability exposures at or away from the residence premises location may be covered at the additional premium shown in the State Rate Pages.

The following may not be covered:

- Farms where the principal purpose is to supply commodities for manufacturing or processing by the insured for sale to others.
- Farms where the principal purpose is raising and using horses. Any farm with equine exposures must be submitted for prior underwriting approval.
- Incorporated farms.

Attach Form ML-10

Charges must be made for the initial farm exposure and each additional farm premises, if they exist.

8.10.1 Initial Farm Exposure - This includes:

- The principal farm premises which is the largest parcel of farm land with out-building(s), whether owned and operated by the insured or rented to others.
- All farm land without outbuildings used in conjunction with the above, including any otherwise unclassified vacant farm land. Any other dwellings located on the farm shall be rated "as additional residence premises."

8.10.2 Each Additional Farm Premises - This includes any additional farm with out-building(s) whether owned and operated by the insured or rented to others and all vacant farm land used in conjunction with it. Any dwellings located on the farm shall be rated as additional residence premises.

8.10.3 Farm Employees - Coverage is provided to include liability and medical payments to farm employees of any insured for injuries sustained during the course of employment. This is a required coverage for all policies having Farmers Comprehensive Personal Liability.

Attach Endorsement ML-311

8.10.4 Farm employees employed in violation of the law may be excluded.

Attach Endorsement ML-319

8.10.5 Animal Collision - Coverage may be provided at the additional premium shown in the State Rate Pages. This coverage is not necessary if cattle coverage is provided under a farm property form.

Attach Endorsement ML-337

RULE 9 ADDITIONAL AND SECONDARY LOCATIONS

9.1 Same State

Coverage for Section I exposures may be provided under a separate fire and extended coverage policy. See the dwelling fire section of the underwriting manual.

9.2 Other State

Coverage is not available for locations outside the State of Tennessee.

Territorial Definitions

TERRITORY

- 01 All counties west and south of the western or southern borders of Scott; Morgan, Anderson, Loudon, and Blount Counties.
- 02 Anderson, Blount, Grainger, Knox, Loudon, Sevier, and Union Counties.
- 03 Remainder of the State.

PREMIUM GROUP CHART

Forms 1, 2 and 3

PROTECTION <u>CLASS</u>	<u>MASONRY</u>			<u>FRAME</u>		
	Territory			Territory		
	<u>01</u>	<u>02</u>	<u>03</u>	<u>01</u>	<u>02</u>	<u>03</u>
2	1	9	17	2	10	18
3,4	1	9	17	3	11	19
5	2	10	18	3	11	19
6	3	11	19	4	12	20
7	3	11	19	5	13	21
8	4	12	20	5	13	21
9	5	13	21	7	15	23
10	6	14	22	8	16	24

PREMIUM GROUP CHART

*Form 4 **

PROTECTION <u>CLASS</u>	<u>ALL TERRITORIES</u>
2, 4	1
5, 6	2
7, 8	3
9, 10	4

* Form 4 is written on an exception basis only. Call Company for details. Do not bind coverage without authorization.

NOTE 1: Construction - Definition of Terms

- Masonry** A dwelling with walls of masonry or masonry veneered construction.
- Frame** A dwelling with walls of frame, or metal-sheathed or stuccoes frame construction, or with walls of metal or metal lath and plaster on combustible supports.
- Mixed** A dwelling shall be classed as frame construction when the wall area of frame construction (including gables) exceeds 33.3% of the total wall area.

NOTE 2: Approved Private Fire Departments

Where the described dwelling takes Protection Class 10, and the Insured maintains a subscription to an approved private fire department, the applicable protection class will apply.

NOTE 3: Policy Declarations

The following statement may appear in the declarations if credit is given for membership in an approved fire department:

In consideration of the premium reduction given, it is warranted that the Named Insured maintains a paid up membership in the _____ Fire Department.