



## DWELLING PROPERTIES SELECTION GUIDELINES

### Table of Contents

	<u>Page</u>
Overview	DP-1
Property & Liability Coverages	DP-1
About Rates	DP-2
Underwriting Philosophy	DP-2
Forms & Endorsements	DP-2
Requirements for Program Applicants	DP-3
Requirements for All Dwelling Properties	DP-4
Unacceptable Risks	DP-5
Preferred Program (FMT-FL-3)	DP-6
Above Standard Program (FMT-FL-2ACV)	DP-7
Standard Program (FMT-FL-1)	DP-9
Dwelling Property Rules	
Rule 1    Eligibility	DP-11
Rule 2    Program Description	DP-12
Rule 3    Policywriting Instructions	DP-15
Rule 4    Premium Determination	DP-17
Rule 5    Deductibles	DP-19
Rule 6    Premium Modifications	DP-20
Rule 7    Coverage Options	DP-21
Rule 8    Liability Coverage Options	DP-24
Territorial Definitions	DP-25
Construction Definitions	DP-26



## DWELLING PROPERTIES SELECTION GUIDELINES

### Overview

#### Availability

The program is designed to provide coverage for rental properties and seasonal dwellings. Most owner occupied primary residences occupied can be better served by writing them through our homeowners program. Please note that Farmers Mutual does not require supporting coverage to write rental properties, but does require the primary residence to write a seasonal dwelling. We also have a completed value builder's risk form available for current insureds or applicants building a new home for their own use (not available for builders or realtors).

#### Property Coverages

The program provides coverage for dwellings using three rate and coverage tiers. The placement of risks among the tiers is based upon underwriting considerations, so please do not quote a risk without referring to the underwriting guide.

**Standard Program** - Fire, Lightning Extended Coverage, Vandalism Written with actual cash value settlement provisions.

**Above Standard Program** - Fire, Lightning Extended Coverage, Vandalism and Broad Form Perils. Written with actual cash value settlement provisions.

**Preferred Program** - All Risk Coverage with Exclusions (Special Form Written with replacement cost settlement provisions).

Vandalism is not provided for seasonal dwellings or on completed value builder's risk forms. This coverage can also be waived at the option of the agent or company if an unusual exposure exists.

Policies providing coverage for the basic perils of fire and lightning are available only as underwriting exceptions.

#### Liability Coverages

Comprehensive Personal Liability is available for owner occupied dwellings. Premises Liability is available for tenant occupied dwellings. Farm Liability is available for both owner and tenant occupied dwellings situated on acreages.



## **About Rates**

There are two rating territories. Please check the Definitions section of the rules manual to determine which rates are applicable. There are three protection groups. Dwellings meeting class 3-6 requirements are considered protected. Dwellings meeting class 7, 8 and 9 requirements are considered semi-protected. Dwellings not meeting the requirements of either the protected or semi-protected groups are considered unprotected. Rates are the same for both owner occupied and tenant occupied dwellings. Rate tables display premiums for \$250.00, \$500, and 1000 deductibles. A \$2500 and a \$100 deductible are also available. The minimum through the maximum limits of coverage we offer are shown in the tables. You will note they vary between the Preferred, Above Standard and Standard rating tiers. The underwriting guidelines provide more information about these minimums and maximums. Builder's risk (completed value) policies are written only in the standard and above standard tiers. Call us to determine the tier to use for builder's risk submissions.

## **Underwriting Philosophy**

Our studies indicate high agency loss ratios result from insuring problem people as often as from poor selection of the risks themselves. Our application questions are designed to develop information which will alert both you and our underwriters to potential problems. We expect you to share in the responsibility of avoiding problem policyholders and risks not meeting the guidelines.

One of the key ways we avoid loss problems is to make certain our policyholders have an economic interest in their properties. We attempt to do this by determining the amounts of insurance we write as a percentage of market or actual cash value rather than replacement cost. We try to target an amount which is about 90% of the market value. This becomes especially important when the real estate market slows, mortgage money becomes scarce, and the insurance company becomes the only ready buyer - and there is no sales commission.

With respect to tenant occupied dwellings, we want monthly rental income be realistic in relation to the dwelling's value and the amount of insurance we write. We know that an acceptable level of rental income enables insureds to maintain their property, and generate an adequate return on their investment. Other important considerations include the length of time an applicant has owned the rental property, its condition and state of maintenance and length of time the tenant has occupied the rental property.

The financial stability of the rental property owner is another important underwriting consideration. We review credit reports on all applicants as a means to help measure financial health. We have found that poor or declining financial stability has a direct correlation with adverse claims experience.

## **Forms and Endorsements**

We use standard simplified language forms developed and filed for us by the American Association of Insurance Services (AAIS). In addition, we use several special company forms. Among them are the following:

1. A special form which reduces coverage to 50% of the amount shown in the declarations when a dwelling has been vacant or unoccupied for more than 30 days. Underwriters can temporarily waive this coverage reduction with a vacancy permit if a dwelling is being refurbished for a new tenant (Read form FMT-160).

2. A broadened definition of vandalism to include vandalism by tenants. This peril is subject to a higher deductible and special aggregate limit (Read form FMT-FL-241).
3. A premises limitation which excludes farm and commercial buildings from coverage as private structures and limits liability coverage to areas within 200 feet of the covered rental dwelling. Coverage for both farm buildings and farm liability are available (Read Form FMT-FL-242).

## **Requirements For Program Applicants**

### **Job Stability**

We find our loss ratios are the most favorable when we write applicants who have at least two years of full time employment with the same employer. Applicants whose income is received from sources other than in exchange for labor or services should be discussed with your underwriter. Examples of this type of income include: disability payments, aid to dependent children, and social security payments for those other than the retired. We are happy to insure retired property owners — if they are over 60 years of age.

Applicants declaring the following occupations should be written with caution, and we invite you to discuss them with your underwriter:

1. Tradesmen (such as plumbers, electricians, carpenters) who have been in their present trade for less than five years.
2. Self-employed individuals who have owned their own non-seasonal business for less than five years.

### **Financial Responsibility**

1. Applicants should have no more than two mortgages secured by the property. Those with more than one mortgage or a mortgage and an equity line of credit should be discussed with your underwriter before being submitted.
2. Mortgage balances should be less than 90% of the market value of the dwelling unless the home is a new purchase. Remember land values are not considered part of the insurable value
3. Applicants should be able to show good financial responsibility through acceptable credit reports. It is our policy to perform credit checks on all applicants. Social Security numbers are required on all applicants and spouses.

### **Family Unit Stability**

Applications for people who have experienced a recent separation or divorce (within the last two years) should be handled with caution and discussed with your underwriter before submission.

## Property Ownership

“Ownership” means being shown on a warranty deed filed at the courthouse. Dwellings being purchased using a “wrap around mortgage”, a “rent to own” contract, or through other special financing agreements are not acceptable. Seniors with homes recorded under a life estate can be written. Previous dwelling ownership is looked upon favorably if the home submitted is a new purchase, but this is not a requirement.

## REQUIREMENTS FOR ALL DWELLING PROPERTIES

### Risks and Exposures Requiring Prior Approval

If an applicant reports any of the following, please call your underwriter or submit an application unbound for prior approval. If you submit the risk, provide as much detail as possible in the additional information section of the application, or attach your notes. Of course, if you need to bind coverage immediately, contact us by phone.

1. Applicants who have had claims in the past seven years that fit the following criteria: Any claim over \$2,000, any theft claim over \$1000, or more than one claim in the last seven years. *This applies to all owned properties of the insured.*
2. Applicants who report a prior cancellation or refusal of insurance coverage (excluding auto insurance) in the last seven years.
3. Risks with businesses or office occupancies in the dwelling or on the premises, whether on a full or part time basis. Remember that child day care is considered a business.
4. Applicants in the public eye. These include, but are not limited to: performers, musicians, actors, politicians, law enforcement officers, firemen, and career military.
5. Risks with living divisions occupied by more than one family unit.
6. Dwellings located more than forty miles from the agents place of business
7. Dwellings with more than two mortgages or liens.
8. Applicants who maintain more than one residence premises, whether owned or rented.
9. Applicants with collections of jewelry, guns, furs, antiques, toys or other collectibles.

## UNACCEPTABLE RISKS

Please do not bind or submit the following:

1. Risks brokered by other agents.
2. Risks with attractive nuisances on the premises. These include, but are not limited to wild animals as pets, sinkholes, trampolines, quarries and unfenced swimming pools.
3. Applicants with tenants who have dogs that have bitten in the past, or those who allow tenants to keep any of the the following breeds on premises: Doberman Pincher, Rottweiler, Pit Bull Terrier or any other known problem breed.
4. Risks with roomers or boarders.
5. Dwellings up for sale, which may be listed for sale or which the owner intends to sell within the next twelve months.
6. Dwellings which are vacant or unoccupied.
7. Tenant occupied dwellings with wood or coal stoves.
8. Dwellings without continuous foundations.
9. Mobile homes and manufactured housing (dwellings of these types may be written in our mobile home program). If you are unsure about whether a home may qualify because of construction type, please call and discuss it with your underwriter.

### PREFERRED PROGRAM USING GROUP A RATES AND FORM FMT-FL-3

The Preferred Program is reserved for newer homes with superior heating, electrical and plumbing systems. Loss settlements on structures are made on a replacement cost basis. For older homes of superior construction, please see the requirements for the Above Standard Program.

1. Dwellings must be less than 30 years old. Age is determined by the the completion date of the original (oldest) section of the dwelling.
2. Minimum insurance amount on the dwelling is \$100,000. Policies should be written for at least 75% and no more than 95% of market value (not replacement cost).
3. The primary heat source must be a central furnace with ducted heat to all living areas of the dwelling. Wood or coal stoves or furnaces or kerosene are not acceptable primary heat sources. Portable electric or wall heaters are acceptable in bathrooms and unfinished areas of the dwelling only.
4. Dwellings in all protection classes are acceptable.
5. Asphalt shingle roofs must have been installed or completely renewed less than 10 years prior to the application date. Call your underwriter to qualify metal roofs. Homes with roll roofing, flat or built up roofing are not acceptable.
6. The dwelling must have a 200 amp electrical service and must have been wired or completely rewired within the last 20 years.
7. The dwelling must have been plumbed or completely re-plumbed within the last 20 years.
8. For rental dwellings, monthly rental income must be equal to or greater than 1.0% of the insurance amount.
9. The dwelling must be rented on a formal (written) lease with an initial term of 12 months or more. No properties leased as seasonal, week to week, or month to month rentals are acceptable. After the first annual term, month to month continuation is acceptable. A housing authority or other governmental agency may not be a party to the lease, and cannot be the pay or of the tenant's monthly rental.
10. Factory built or pre-cut kit homes of standard construction are acceptable if they are built in compliance with housing codes, and if the manufacturer employs an on site Federal inspector.
11. Modular and mobile homes are not acceptable.
12. Log homes and earth or berm homes are not acceptable in the Preferred Program. They can be submitted in the Above Standard or Standard programs.
13. The risk to be insured must be in sight of at least two other occupied dwellings, and less than 300 feet from each of them.
14. Applicants must be financially stable. Those with recent bankruptcies, late payments, or judgements are not acceptable. A current credit history must be accessible.

## ABOVE STANDARD PROGRAM USING GROUP B RATES AND FORM FMT-FL-2ACV

The Above Standard Program is reserved for older homes with superior heating and modern electrical and plumbing systems. The homes must be in an excellent state of repair, and exhibit above average pride of ownership.

1. Minimum insurance amount on the dwelling is \$60,000. Policies must be written for at least 75% and no more than 90% of market value.
2. The primary heat source must be either a central furnace with a ducted system, electric baseboard, or ceiling heat. The heating system must serve all living areas in the dwelling.

If professionally installed, electric floor furnaces, electric wall heaters, propane or natural gas space or wall heaters are acceptable as secondary or back-up heat sources.

In owner occupied dwellings, fireplaces and wood stoves are acceptable as secondary heat sources to the above if they are vented through a fully lined masonry chimney. Triple wall stainless steel flues are acceptable for fireplaces only. Note that these are acceptable heating systems only in owner occupied dwellings.

3. Dwellings in all protection classes are acceptable.
4. Asphalt shingle roofs must have been installed or completely renewed less than 13 years prior to the application date. Metal roofs must have been installed or completely renewed less than 20 years prior to the application date. Homes with roll roofing or flat or built up roofs are not acceptable.
5. The dwelling must have a 200 amp electrical service if there is an electrical heat source. A 100 amp electrical service is sufficient for approved heat sources that are not electrical. Electrical services with fuses are not acceptable. Grounded (three wire) service must be installed throughout the dwelling. The dwelling must have been wired/rewired within the last 35 years.
6. The dwelling must have been plumbed/completely re-plumbed within the last 35 years.
7. For rental dwellings, monthly rental income must be equal to or greater than 1.1% of the insurance amount.

8. The dwelling must be rented on a formal lease with an initial term of at least 6 months. No properties leased as seasonal, week to week, or month to month rentals are acceptable. After the first six month term, a month to month continuation is acceptable. A housing authority or other governmental agency may not be a party to the lease, and can not be the pay or of the tenant's monthly rental.
9. Factory built or pre-cut kit homes of standard construction are acceptable if they are built in compliance with housing codes and if the manufacturer employs an on site Federal inspector.
10. Log homes and earth or berm homes can be considered in the Above Standard program. Call your underwriter.
11. The home must be within 500 feet, and in sight of at least one other dwelling.
12. Applicants must be financially stable. Those with recent bankruptcies, judgements, or more than three late payments are not acceptable. A current credit history must be accessible.

## STANDARD PROGRAM USING GROUP C RATES AND FORM FL-1

The Standard Program is designed to provide insurance for older homes which are in good condition and exhibit pride of ownership. It is not designed to accommodate substandard dwellings or non-standard applicants.

1. Minimum insurance amount on a dwelling is \$25,000. Policies must be written in amounts of not less than 70% or more than 85% of market value.
2. Acceptable primary heat sources include central ducted systems, baseboard electric, ceil heat, natural gas and propane stoves and furnaces, electric wall heaters and portable electric heaters.

In owner occupied dwellings, wood, coal, and oil stoves are acceptable if they are used to supplement one of the other primary heat sources shown in the paragraph above. Kerosene heaters are not acceptable.

If wood or coal heat is used, masonry chimneys must be fully lined and in good condition. Triple wall metal flues are acceptable if they are properly installed and in good condition.

3. Dwellings in all protection classes are acceptable.
4. Asphalt shingle roofs must have been installed or completely renewed less than 18 years prior to the application date. Metal roofs must be in good condition and repair, and not rusted. Slate or tile roofs are also acceptable if in good condition and repair.
5. Dwellings with central heat & air, baseboard electric, portable electric heaters, electric wall heaters and ceil heat must have a 200 amp services. A 100 amp electrical service is acceptable in dwellings with central propane or natural gas furnaces, and heating systems other than those noted above as requiring 200 amp services. Both fuses and breakers are acceptable in a service (breaker-fuse) box. Sixty amp services are not acceptable. Three wire (grounded) service must be installed in all receptacles, switches, and direct wired appliances.
6. The dwelling must have been wired or rewired within the last 40 years. If there is a fused service, a written statement from a licensed electrician indicating the system is in good condition and capable of providing safe service must be obtained at the applicant's expense.
7. The dwelling must be plumbed or re-plumbed within the last 40 years. All plumbing must be in good condition and the dwelling must have at least one indoor bathroom.



8. For rental dwellings, monthly rental income must be equal to or greater than 1.0% of the insurance amount.
9. The dwelling must be rented at a minimum on a month-to-month term. No seasonal or week to week rentals are acceptable. The dwelling must be rented on a formal lease agreement. A housing authority or other governmental agency may be a party to the lease, and can be the payor of the tenant's monthly rental.
10. Factory built or pre-cut kit homes of standard construction are acceptable if they are built in compliance with factory built housing codes and if they are built with Federal inspectors on site.
11. The home must be in sight of at least one other dwelling.
12. Mobile homes are not acceptable.
13. Applicants must be financially stable. Those with recent bankruptcies, judgements, or more than three late payments are not acceptable. A current credit history must be accessible.

## DWELLING PROPERTIES RULES

### **RULE 1 ELIGIBILITY**

#### **1.1 Eligible Risks**

A Dwelling Properties policy may be issued to cover:

- a one-to-four family dwelling used for private residential purposes.
- a private residential dwelling in a row house or townhouse that contains not more than four family units per fire division.
- private structures related to dwellings.

#### **1.2 Incidental Business Activities**

Buildings with incidental business activities are not eligible for coverage under this program.

#### **1.3 Ineligible Risks**

A Dwelling Properties policy may not be issued to cover:

- mobile homes and motor homes including those permanently situated at a fixed location.
- dwellings in row houses or townhouses containing more than four family units per fire division.
- dwellings, related private structures or condominium units with business occupancies.

## **RULE 2      PROGRAM DESCRIPTION**

This is a general description of the coverage provided by the Dwelling Properties forms. The policy forms state the complete conditions.

### **2.1            Policy Forms**

Dwelling Properties are issued on one of the following three forms. Applicants and dwelling risks must meet underwriting requirements in order to establish eligibility for the respective forms. Please review the underwriting guidelines before attempting to rate the policy. Call the company if you have any questions about classification.

**FL-1 - Basic Form** - - Risks eligible for the Standard Program (Premium Group A )

**FMT-FL-2ACV - Broad Form** - - Risks eligible for the Above Standard Program (Premium Group B )

**FMT-FL-3 - Special Form** - - Risks eligible for the Preferred Program (Premium Group C )

### **2.2            Principal Coverages**

Four principal coverages are available under a Dwelling Properties policy.

2.2.1            **Coverage A – Residence** - Coverage A covers the dwelling, additions, built-in components, attached fixtures and detachable building items. Coverage also applies to appliances, carpets and window coverings in rental portions of the dwelling. Tools and equipment used to service the premises are covered under Coverage A when the policy does not otherwise include coverage for personal property.

2.2.2            **Coverage B - Related Private Structures** - Coverage B covers unattached structures related to the dwelling, including their additions, built in components, fixtures, and detachable building items. Coverage also applies to fences, driveways, sidewalks, and other permanently installed outdoor fixtures.

2.2.3            **Coverage C - Personal Property** - Coverage C covers household contents and personal property usual to the occupancy of the dwelling as a residence.

2.2.4            **Coverage D - Additional Living Costs and Fair Rental Value** - Coverage D covers increased living costs and/or loss of rental value that occurs when an insured loss makes a covered location unfit for use.

## 2.3 Property Loss Settlement Provisions

2.3.1 **Form FL-1 and Form FMT-FL-2 ACV** - Covered losses are settled on an actual cash value basis.

2.3.2 **Form FMT-FL-3** - Provides replacement cost loss settlement for covered building losses. Other covered losses are settled on an actual cash value basis.

## 2.4 Perils Insured Against

2.4.1 **Forms FL-1 and FL-2** - Form FL-1 ("Basic Form Fire" and "Basic Form Fire and Extended Coverage) and Form FL-2 (Broad Form) provide coverage for loss caused by the perils indicated below.

PERILS COVERED	FL-1 Fire	FL-1 Fire & Extended Coverage	FL-2 Broad
Fire or Lightning	√	√	√
Explosion	√	√	√
Windstorm or Hail		√	√
Riot or Civil Commotion		√	√
Aircraft		√	√
Vehicles		√	√
Smoke		√	√
Volcanic Action		√	√
Sinkhole Collapse		√	√
Vandalism		√	√
Burglary Damage			√
Falling Objects			√
Weight of Ice, Snow or Sleet			√
Accidental Tearing Apart, Burning or Bulging			√
Accidental Discharge of Liquids or Steam			√
Freezing of Plumbing or Heating Systems			√
Sudden and Accidental Electrical Damage			√

2.4.2 **Form FL-3** - Form FL-3 (“Special Form”) covers the residence and related private structures against all risks of physical loss, with certain exceptions. When personal property is covered under form FL-3, the “Broad” perils apply.

2.4.3 **Vandalism - Expanded Coverage & Special Rules**

The definition of vandalism is expanded to include vandalism by tenants while a rental dwelling is in a tenant’s care, custody and control. A special per occurrence deductible of \$1000 and an aggregate limit of \$3000 apply to losses covered under this peril.

*Endorsement FMT-FL-241*

2.5 **Policy Limits**

	FL-1	FL-2	FL-3
<b>Coverage A - Residence</b>	Minimum determined by Company		
<b>Coverage B – Related Private Structures</b>	\$1,000	10% of limit on residence	10% of limit on residence
<b>Coverage C – Personal Property</b>	Rate Separately		
<b>Coverage D – Additional Living Cost / Fair Rental Value</b>	Not Available	10% of limit on residence	10% of limit on residence

2.5.1 **Form FL-1**

A policy may include Coverage A and/or Coverage C. Each is rated separately. Minimum and maximum limits are determined by the company. Consult the underwriting guidelines for more information.

Coverage B blanket limit of \$1000 is shown in the policy declarations. Additional amounts of coverage are available by specifically insuring structures. See Rule 7.5.2. Payment of a loss under the coverage B blanket limit will reduce the Coverage A limit available for the same loss. Coverage D is not available .

2.5.2 **Form FMT-FL-2ACV**

An FL-2 policy must include Coverage A. Coverage C is optional. Each is rated separately. Minimum limits are determined by the company. Consult the underwriting guidelines for more information.

Ten percent of the Coverage A limit applies to Coverage B and to Coverage D without an additional charge. Payment of a loss under Coverage B or Coverage D will reduce the Coverage A limit available for the same loss.

2.5.3 **Form FMT-FL-3**

An FL-3 policy must include Coverage A; Coverage C is optional. Each is rated separately. Minimum limits are determined by the company.

Ten percent of the Coverage A limit applies to Coverage B and to Coverage D without an additional charge. Payment of a loss under Coverage B or Coverage D will reduce the Coverage A limit available for the same loss.

**RULE 3 POLICYWRITING INSTRUCTIONS**

**3.1 Inception Date**

The policy will be issued to take effect at 12:01 A.M. on the day after coverage is bound. The binder copy sent to the company will determine the inception date shown in the declarations.

**3.2 Policy Term**

3.2.1 **Annual** - Rating information for annual policies is shown in the Rate Pages. An annual policy can be extended for successive terms by using an extension certificate. The premium for each successive term is based on the rating information, rules, forms and endorsements in effect on the renewal date.

3.2.3 **Three-Year Deferred** - 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 rating information, rules, forms and endorsements in effect on the anniversary date.

*Endorsement FL-11*

3.2.4 **Less Than One Year or Less Than Three Years** - A policy may be written for a term of less than one year or less than three years in order to maintain common anniversary dates with other policies. Prior approval is required. The annual premium will be prorated.

### **3.3 Additional Interests**

An additional owner's interest in a covered building may be covered without charge.

*Endorsement FMT-FL-240*

### **3.4 Transfer or Assignment**

With the company's prior approval, the policy may be endorsed to effect the assignment or transfer of the title of a dwelling from one insured to another.

### **3.5 Coinsurance**

A coinsurance clause is not required in any policy written under the provisions of this manual.

### **3.6 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 in premium. The request, signed by the applicant, must be referred to the company.

*Endorsement FL-304*

### **3.7 Cancellation or Reductions in Limits of Liability or Coverages**

If the policy is canceled or the limits are reduced, the amount of any return premium due is calculated on a pro rata basis.

### **3.8 Contributing Insurance**

With prior approval from the underwriting department, coverage may be divided between two or more companies. All policies must contain the same deductible. All additional limits and coverages must be divided between the companies.

*Endorsement FL-14*

### **3.9 Multiple Locations**

A single policy can be issued to cover property at different locations in the same state if the same form and same deductible option apply at each location. Describe each location and show the limits that apply. Use supplemental Declarations Pages if necessary. Indicate that the deductible applies "at each location".

### 3.10 Vacancy - Special Rule

In the event a covered residence or other covered structure sustains a loss following thirty or more consecutive days of vacancy or unoccupancy immediately preceding the loss, the amount of coverage applicable to such loss shall be one half the amount shown in the declarations for the structure.

*Endorsement FMT-160*

### 3.11 Farm Properties

Coverage for farm properties may be included in a policy providing dwelling properties coverage. Refer to the Farm Fire Manual for applicable rates, rules and forms.

## RULE 4 PREMIUM DETERMINATION

### 4.1 Calculation of Premium

Refer to the company if the rating information shown in this manual has not been converted from loss costs to company rates and premiums.

**Step 1** Consult the underwriting guide to determine program eligibility. There are three rating tiers: Preferred (Group A), Above Standard (Group B) and Standard (Group C)

- Standard Program: Credit Extended Coverage and Vandalism Perils if indicated in the underwriting guide.
- Preferred Program: Credit Vandalism if indicated in the underwriting guide.
- Coverage A
- Coverage C (Only available if Coverage A is written.)
- Special Rating Instructions (Rule 4.2)
- Deductible Factor (Rule 5) Table rates shown include a \$250 deductible.
- Premium Modifications (Rule 6)
- Coverage Options (Rule 7)

**Step 2** Select the appropriate rating table using the Premium Group from the Territorial Definitions Page that reflects the territory, protection and construction classifications that apply, and determine the occupancy classification.

**Step 3** Use the following steps to determine the policy premium. (Also follow any special rating instructions described in Rule 4.2.)

- A. Select the Coverage A premium for the policy limit, and apply the factor for the deductible option selected, (Tables show \$250 deductible) and apply any special rating factors from Rule 4.2.



- B. Above Standard and Standard Programs Only; If the extended coverage and vandalism perils are to be excluded, apply the credits shown in the rate pages, (Rule 7.1) and apply any special rating factors from Rule 4.2

Above Standard and Standard Programs Only: If the extended coverage perils are provided, but vandalism is not provided,, apply the credit shown in the rate pages (Rule 7.1), apply the factor for the deductible option selected, and apply any special rating factors from Rule 4.2.

Above Standard Program Only: If the Broad Form Perils are not provided, apply the credits shown in the rate tables, then apply the factor for the deductible option selected, and apply any special rating factors from Rule 4.2.

- Step 4** If Coverage C is provided, use the personal property rates shown in the appropriate rate tables. Follow the process described in Step 3.
- Step 5** If any premium modifications apply, adjust the Coverage A and/or Coverage C premiums determined in Steps 3 and 4.
- Step 6** If any coverage options apply, add the additional charges to the Coverage A and/or coverage C premiums determined in Step 5.
- Step 7** If both Coverage A and Coverage C apply, the total policy premium is the sum of the premiums determined in Step 6.
- Step 8** If liability coverages apply, add the additional premium to the total.

## **4.2 Special Rating Instructions**

### **4.2.1 Row Houses and Townhouses**

The number of family units in the fire division determines the occupancy classification for eligible row houses and townhouses.

### **4.2.2 Mobile Homes**

Mobile homes are not eligible for coverage under this program. (See the mobile home fire section of the rate manual.)

**4.2.3 Seasonal Properties**

A dwelling normally unoccupied for three or more consecutive months during the year is considered seasonal. Apply the seasonal dwelling factors shown in this manual.

**4.2.4 Dwellings Under Construction**

Use Above Standard or Standard Program Rates, and apply credits for Broad Form and / or Extended Coverage Perils and Vandalism.

**4.2.5 Multiple Family Dwellings**

Dwellings with two, three and four family occupancies can be insured under the Above Standard and Standard Programs. Apply the appropriate factors shown in the rate pages.

**4.3 Changes in Limits or Addition of Coverages**

Policy limits may be increased or coverages added during the policy term. Compute the additional premium on a pro rata basis using the same forms, endorsements and rating information in effect when the current policy premiums were calculated.

**RULE 5 DEDUCTIBLES**

The policy may be issued with one of the deductible options shown below. Apply the deductible factors shown in this manual.

*Deductible Amount*

- \$ 250
- 500
- 1,000
- 2,500

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

## **RULE 6      PREMIUM MODIFICATIONS**

### **6.1            Protective Devices**

The protective device factors shown in this manual may be applied for the installation of the following approved and properly maintained alarm and/or sprinkler systems:

- Central Station Fire and/or Smoke Alarm Systems
- Fire Department and/or Police Department Fire and/or Smoke Alarm Systems
- Fire Suppression Sprinkler Systems

*Endorsement FL-216*

### **6.2            Additional Hazards**

The additional hazard factors shown in this manual may be applied when any of the following additional hazards exist. Submit the risk to the company for review prior to policy issue.

- **Heat Producing Equipment** - The dwelling does not have central heating equipment or the arrangement of or clearance from furnaces, stoves, ovens, ranges, chimneys, stovepipes, gas vents or similar heating equipment is unsafe.
- **Electrical Equipment** - There is unsafe or inadequate wiring, circuits and/or outlets or overloading, overfusing, non-standard extensions or other non-standard electrical equipment exists.
- **Maintenance and Housekeeping** - The property is not in good repair; wood surfaces are in need of paint; the roof, porches or chimneys are deteriorating; there is an accumulation of refuse or litter in the building or yard or there are other indications of neglect.
- **Construction** - The original space has been subdivided or converted into overcrowded additional units or the construction was inferior or non-professional.
- **Exposure** - The buildings are in rows or congested configuration. Adjoining properties are vacant, abandoned, fire gutted or otherwise unusually hazardous.
- **Vacancy or Unoccupancy** - The dwelling is vacant or unoccupied and is expected to remain so for an extended period of time.

### **6.3 Ordinance or Law — Preferred and Above Standard Programs Only**

Coverage can be added for increased costs that result from the enforcement of a code, ordinance or law that regulates the construction, repair or demolition of covered property. Use the rating information in this manual.

Apply the ordinance or law factors shown in this manual. The amount of insurance needed to cover the increased costs can be reflected in the Coverage A limit.

*Endorsement FL-257*

### **6.4 Minimum Policy Premium**

A minimum premium charge applies to each policy. All property and liability premium charges are summed to determine if the minimum premium charge applies. The minimum premium is shown in the rate pages.

## **RULE 7 COVERAGE OPTIONS**

### **7.1 Vandalism - Above Standard and Standard Tiers Only**

Vandalism should be credited if the underwriting guidelines so indicate. The Declarations Page will show that coverage applies “without vandalism” through the use of the appropriate coverage. Code. Use the credit shown in the manual to reduce the total premium.

### **7.2 Earthquake**

Earthquake coverage can be added to policies that insure against loss by Fire and the Extended Coverage perils. It must apply to the same coverages and for the same limits to which the Fire and Extended Coverage perils apply. The deductible is a percentage of the limit of liability for each coverage and is subject to a \$250 minimum.

Apply the rating information in this manual to the following coverages when they are provided by the policy.

- Coverages A and C
- Private structures under Rule 7.6
- Added (under FL-1) or increased (under FL-2 and FL-3) limits of Coverage D
- Increased limits of Tenant’s Improvements (FL-1 and FL-2)
- Increased limits of Condominium Fixtures, Additions and Alterations (FL-2)

*Endorsement FL-12*

### 7.3 Water Damage - Preferred and Above Standard Programs Only

Coverage can be added for loss caused by water that backs up through sewers, drains or sumps. A \$5,000 limit and a \$250 deductible apply. When added to a policy that includes both Coverage A and Coverage C, coverage for the back up of sewers or drains must apply to Coverage A and to Coverage C. Use the rating information in this manual.

*Endorsement FL-208*

### 7.4 Sinkhole Collapse

Coverage is provided for the peril of sinkhole collapse on policy forms at no additional charge.

### 7.5 Private Structures

7.5.1 **Standard Program** - Blanket coverage up to \$1000 is provided for private structures at no additional charge. When limits above \$1000 are required, a private structure should be specifically insured using the premiums shown in the rate manual. Describe any specifically insured structures in the policy declarations, and show the limit of liability. To be eligible for coverage under this rule, a private structure cannot be:

- used for business purposes;
- or rented or held for rental to anyone other than a tenant of the residence, except for use solely as a private garage.

Calculate any additional Coverage B charges by using the rates shown in the manual for Specific Structures. Apply the deductible factors applicable.

If the extended coverage perils apply, but vandalism does not, reduce the **OTHER PERILS** premium by the vandalism credit (Rule 7.1) before applying the deductible credit.

*Show the Coverage B limit on the Declarations.*

7.5.2 **Above Standard and Preferred Programs** - Coverage up to 10% of the coverage 'A' limit is provided for eligible private structures. Any payment under this option reduces the coverage A (Residence) limit for the same loss.

To be eligible for coverage under this rule, a private structure cannot be:

- used for business purposes;
- or rented or held for rental, except for use solely as a private garage.

If the extended coverage perils apply, but vandalism does not, reduce the other perils p premium by the vandalism credit (Rule 7.1) before applying the deductible credit.

7.5.3 **Specific Structures** - Coverage may be provided for a specific private structure adjacent to a covered dwelling for an additional charge. To be eligible for coverage under this rule, a private structure cannot be:

- used for business purposes;
- or rented or held for rental to anyone other than a tenant of the residence, except for use solely as a private garage.

Charge the premium shown in the rate pages and describe the structure and limit of liability in the policy declarations.

**Standard Program Only:** If the extended coverage perils apply, but vandalism does not, reduce the OTHER PERILS premium by the vandalism credit (Rule 7.1) before applying the deductible and Coverage B factors.

Describe the private structure on the Declarations and show the limit that applies.

7.5.4 **Private structures limitation**

Private structures not specifically insured must be situated within 200 feet of a covered residence.

*Endorsement FMT-FL-242*

## 7.6 **Fire Department Service Charge**

The limit for fire department service charges can be increased to \$1000. Use the rating information in this manual.

*Endorsement FL-30*

## **Rule 8      Liability Coverage Options**

Coverage can be provided for exposures associated with owner occupied and tenant occupied dwellings. Only the limits shown are available.

### **8.1            Owner Occupied Residences**

Rates for Comprehensive Personal Liability (CPL) and Medical Payments coverage are found in the rate pages. Show limits and appropriate premium charges on the application.

*Endorsement GL-700*

### **8.2            Tenant Occupied Residences**

Rates for Premises Liability (OL&T) and medical payments are found in the rate pages. Only The limits shown are available. Show limit and appropriate premium charges on the application.

*Endorsement GL-600*

### **8.3            Farm Liability Coverages**

Rates for Farm Liability coverage and Medical Payments coverage are found in the rate pages. If a policy is issued to cover a secondary residence or rental dwelling, liability exposures at the principle residence must be excluded. Farm Employer's Liability coverage must be included when writing this coverage. Only the limits shown are available. A Farm Liability application must be submitted. Show limits and appropriate premium charges on the application.

*Endorsement GL-710*  
*Endorsement GL-727 (Farm Employer's Liability)*

### **8.4            Liability Limitation**

If provided, liability and medical payments coverage is limited to occurrences within 200 feet of a residence insured under Coverage A - Dwelling. This limitation is waived if a premium charge is made for a farm premises or acreage.

*Endorsement FMT-FL-242*

## DEFINITIONS

### Territory

1. Knox, Anderson, Blount, Grainger, Knox, Jefferson, Monroe, Sevier, Union Counties
2. Balance of State

### PREMIUM GROUPS CHART

Read Underwriting Requirements to Determine Program Eligibility

<b>Preferred Program</b>	Premium Group A
<b>Above Standard Program</b>	Premium Group B
<b>Standard Program</b>	Premium Group C

### PROTECTION DEFINITIONS

#### Protected

Building is located within five road miles of a responding fire department rated Class 6 or better (lower) and:

- a. within 1,000 feet of a fire hydrant; or
- b. within 1,000 feet of a year-round water source of at least 3,500 gallons and the responding fire department is equipped to respond with pumper truck capabilities; or
- c. the responding fire department is equipped to respond with pumper/tanker truck capabilities of at least 3,500 gallons.

#### Partially Protected

Building is located within five road miles of a responding fire department rated Class 7, Class 8 or Class 9. Buildings which do not otherwise qualify for Protected status because of requirements a., b., or c. above.

#### Unprotected

All others.



## CONSTRUCTION DEFINITIONS

<b>Building or Fire Division</b>	One part of an enclosed structure that is separated from other parts of the structure by space or by masonry walls that are at least eight inches thick and that go through or to the underside of the roof. Any openings through such masonry walls must be protected by fire doors that are approved for installation on fire walls.
<b>Frame</b>	A dwelling with exterior walls constructed of combustible materials, such as wood, or constructed of incombustible materials on combustible supports.
<b>Masonry</b>	A dwelling with exterior walls constructed of brick, concrete block, concrete, tile or other masonry materials or constructed of incombustible materials on incombustible supports.
<b>Masonry Veneered</b>	A dwelling with exterior walls constructed of a combustible material covered with masonry. Dwellings of masonry veneered construction shall be classed as masonry for rating purposes.
<b>Mixed</b>	Dwellings of mixed frame and masonry construction shall be classed as frame for rating purposes if walls of frame construction exceed 33% of total exterior wall area.