



FARMOWNERS RISK SELECTION GUIDELINES

Farmowners Overview

The basic principles of our underwriting philosophy are applied in our Farmowners 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 on 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 in mind when you apply the underwriting guidelines that follow.

Requirements for Applicants

1. **Property Ownership.** A new applicant must meet one of the following two criteria:

- A. Must have owned the premises to be insured for at least five years.
- B. 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.* First time homeowners are not acceptable.

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. This is important because the agent will need to provide service to this business.
- 4. The dwelling must be in good condition and reflect pride of ownership.

Unacceptable Risks

- 1. Dwellings without continuous foundations.
- 2. Risks brokered by other agents.
- 3. Risks with attractive nuisances. (For example: 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.

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)

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 FO-1, FO-2, FO-3, and FO-4, 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 and metal roofs must be in good condition and less than 10 years old. Flat roofs, roll roofing, and built up roofs are not acceptable.
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, as supplemental heat sources, 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)

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 FO-1, FO-2, FO-3, and FO-4. 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 and metal 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 in good condition are acceptable.
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)

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 FO-1, FO-2, FO-3, and FO-4. 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)

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 FO-1, FO-2, FO-3, and FO-4, 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.

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.** Asphalt shingle and metal roofs must be less than 15 years of age and in good condition. Homes with metal, tile and slate roofs are acceptable if they are in good condition. Homes with roll roofing, flat or built up roofs are *not* acceptable.

Replacement Cost Contents Endorsement (Form ML-55)

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

1. The coverage is available on all forms
2. 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.

BROAD FORM MOBILE HOMEOWNERS REQUIREMENTS
(This is an Actual Cash Value Broad Form Policy)

1. Mobile homes must be owner occupied.
2. Minimum N.A.D.A. value must be in excess of \$30,000 and the minimum insurance amount on the mobile homes must be \$30,000. Policies must be written for at least 80% - and not more than 95% of actual cash value. Remember that we use the N.A.D.A. Mobile Home Guide as the final authority for unit values. Call us if you don't have access to the guide.
3. Mobile homes must be no more than ten years old at the time the policy is written.
4. Mobile homes must be heated by a centrally ducted heating system. Manufacturer installed fireplaces are acceptable as secondary heat sources. Wood stoves are not acceptable as either primary or supplemental heat sources.
5. The unit must have a 200 amp electrical service.
6. Mobile home must be on a privately owned lot. Units in mobile home parks are not acceptable. We will consider a mobile home on a family owned farm or land. Call your underwriter for prior approval.
7. Underpinning and tie downs are required. Permanent concrete or block foundations are preferred.
8. Handrails and guardrails must be in place on all decks and steps. Handrails, guardrails, steps and decks must be substantially built and worthy of being relied on to assure the safety of visitors and guests. On newly delivered mobile homes, this requirement must be met within 60 days of the date coverage is bound.
9. Seasonal and vacation homes are not acceptable in this program.
10. Vendor's single interest (VSI) is available in both the basic and comprehensive forms. The comprehensive form includes flood and earthquake coverage. Remember that these forms cover the interest of the vendor/secured party only.
11. Farm liability may be added for agricultural exposures. Remember that Farm Employer's Liability is a mandatory coverage with the FCPL. Additional farm liability coverages are described in the AAIS rule and rate manual which follows.

BASIC FORM MOBILE HOMEOWNERS REQUIREMENTS
(This is an Actual Cash Value Basic Form Policy)

1. Mobile homes must be owner occupied.
2. Minimum insurance amount on the mobile home: \$15,000. Policies must be written for at least 80% and not more than 95% of actual cash value. This means the minimum value must be in excess of \$15,000. Remember, we use the N.A.D.A. Value Guide as the final determinant for unit values.
3. Mobile homes must be less than twenty years old at the inception of the policy to be eligible for this program.
4. Mobile homes with central “ducted” heating systems & baseboard electric heat are acceptable. Wood or coal stoves are not acceptable as either primary or supplemental heat sources.
5. Units must have a 200 amp electrical service.
6. Mobile homes must be on privately owned lots. Units in mobile parks are not acceptable. We will consider a mobile home on a family owned farm or land. If an applicant does not own the lot, call the Company for prior approval.
7. Underpinning and tie downs are required. Permanent concrete or block foundations are preferred.
8. Handrails and guardrails must be in place on all decks and steps. Handrails, guardrails, steps and decks must be substantially built and worthy of being relied on as safety devices. On newly delivered mobile homes, this requirement must be met within 60 days of the date coverage is bound.
9. Seasonal and vacation mobile homes are not eligible.
10. Vendor’s single interest is available in both the basic and comprehensive forms. The comprehensive form includes flood and earthquake coverage. Remember that these forms cover the interest of the vendor/secured party only.
11. Farm liability is an optional coverage. Remember that Farm Employer’s Liability is a mandatory coverage with the FCPL.

GUIDELINES FOR MOBILE HOMES WITH ADDITIONS AND THOSE ATTACHED TO CONVENTIONALLY BUILT DWELLINGS

Farmers Mutual will consider mobile homes with additions and dwellings which were built by connecting two or more mobile homes, or a mobile home and a dwelling. Valuing these structures for insurance purposes is difficult. Often, the market value of connected units is less than replacement costs and the costs of construction. Call us to discuss such risks and obtain approval before binding coverage.

FARMERS MUTUAL OF TENNESSEE Farmowner Farm Fire Section

Availability

Monoline Farm Fire and Allied Coverages are only available as an addition to the Owners Section of the Farmowner Program.

Coverages Available

The standard policy provides Fire and Lightning, Extended Coverage and Vandalism and Malicious Mischief.

Policies providing fire and lightning only are not available. If the structure will not qualify for extended coverage perils because of its condition, it should not be insured.

Vandalism can be waived at the option of the agent or the company if an unusual exposure is present.

Theft Coverage is provided for Livestock, Specifically Insured Machinery and Blanket Farm Machinery and Tools.

Types of Farm Property Written:

1. **Farm Buildings** - Barns, silos, machinery sheds and other farm structures
2. **Farm Personal Property in Farm Buildings** - Farm products, feed, grains, etc. located in insured farm buildings. *Note: There are special premium rates for hay and tobacco in barns.*
3. **Specifically Insured Machinery** - Tractors, combines, and other farm implements of significant value can be insured up to actual cash value. Coverages provided include collision, overturn, and theft in addition to fire and extended coverages.
4. **Blanket Coverage for Small Tools and Farm Machinery** - Any farm tool or piece

of farm equipment with an actual cash value of under \$200.00 can be insured under this section. In addition to fire and extended coverage, the peril of theft is included in this blanket protection. As a standard practice, we recommend that a minimum of \$3,000.00 coverage be offered to guard against the uninsured loss. The insured should be reminded that coverage applies while tools and equipment are on the farm premises only.

5. **Livestock** - Coverage for farm animals which includes the peril of theft is available at reasonable rates. The policy deductible does not apply on a livestock loss. Coverage is not available for horses of significant value. The applicant should be advised that the coverage provided is named peril and not a livestock mortality form.

Rates

All rates have been developed independently based upon our company experience. They are not deviations of any bureau filings. On farm buildings and farm personal property coverages, we have developed a system of condition and utility surcharges in order to have greater rating flexibility. By using the surcharges, nine rates are available for each building classification. Keep in mind that even with the highest surcharge combinations, the rate developed will only be a few cents per \$100.00 above the standard bureau rates now on file. We believe you'll find our monoline rates to be competitive with all other companies doing business in the State, even when the proper utility and condition surcharges are applied.

Underwriting

This program is designed for hobby farmers and other insureds who do not derive a significant income from farming operations.

A. Underwriting Farm Buildings

Amounts of Insurance: Determining an amount of insurance for a farm building is a problem which requires a special concept of Value. Our method considers the actual cash (depreciated) value and utility value. In the case of most hobby, or occasional farmers, the farm buildings in question were originally built by a previous owner or the applicant's parents and were fully utilized in a farming operation which played an important role in the family income. Often, they now provide a supplementary income at best, and are seldom fully utilized for the purpose originally built. Consequently, we feel usage is the primary determinant of value, and feel the following questions are in order:

1. Is the barn contributing to the family income?
2. If it were to be destroyed, would the insured rebuild it?
3. If he would rebuild, what type and size structure would he have to build to serve the same purpose as the one which was lost? Many huge old barns could be replaced with smaller metal buildings which would cost less than the depreciated value of the lost structure, and serve the insured's purpose better. As a result, cost of rebuilding the structure may not be a valid consideration in establishing an amount of insurance.
4. If the applicant is not using a barn or using it for storage, its value is limited to the

salvage of the building products it contains.

5. If a barn is rented to others, (for hay, tobacco storage, or whatever), its value is limited to a realistic amount in relation to the rental income it generates.

If the building gets high marks on the utility scale, actual cash or depreciated value should then be considered.

1. What would it cost to build a building which would serve the same purpose?
2. How old is the building?
3. Is it structurally sound and well maintained?
4. Is the roof nailed on well and in good condition with no missing pieces?
5. Are the doors properly hung and in working order?
6. Are lightning rods installed on the roof ridge?
7. Especially check the barn wiring. It should be permanently installed, run in conduit and have a control box in the barn.
8. Remember that barns are often constructed by the farmer using lumber harvested from the farm property and built by the owner himself in spare time. If the insured is not gainfully employed, these factors must be seriously taken into consideration. In several instances we have paid total losses which included the insured's labor at contractor's rates. This allowed an insured who was not otherwise employed to earn a few months' wages he badly needed.
9. If an insured requires an amount of coverage greater than you (or we) consider to be advisable, the Deferred Loss Payment Endorsement can be offered, (see FMT-181). The insured must accept and sign this endorsement before the higher amount is written. Our system of surcharges allows us to take some variation in condition and utility into consideration by adjusting rate levels. There are nine rate levels for each farm building classification. Remember that even when the highest combination of surcharges is applied, the rates are only about 10% above the current ISO monoline farm fire and allied lines levels. Therefore, you should not be hesitant about applying the surcharges realistically and objectively. Also remember that buildings with negligible utility value and in poor condition should not be insured at any amount. This is especially true of properties purchased for short term real estate speculation. Often the land is worth more without the buildings in this case.

B. Underwriting Farm Personal Property in Farm Buildings

1. The rate for the farm building will determine the rate for the structure's contents, unless hay or tobacco coverage is requested. In this case, use the utility and condition factors determined for the barn and apply them to the hay or tobacco rate.

2. Visually inspect the barn to be sure the amount requested appears realistic.
3. Be sure the applicant knows the coverage will apply to farm personal property only. Household goods, business personal property, automobiles, etc. will not be covered if a loss occurs. It is a good idea to read the definition of farm personal property in the policy form.
4. All losses are settled on the basis of actual cash value at the time of the loss, and an itemization of the property lost is always required to substantiate values.
5. Farm implements, equipment and livestock should not be insured under this section. The premium rates are lower (generally) and the coverages provided are broader and have fewer limitations when these items are insured separately.

C. Underwriting Specifically Insured Machinery

1. Major pieces of farm equipment should be insured under this section.
2. In addition to fire, lightning, extended coverages, and vandalism, the form provides collision and theft coverage. There is also limited coverage for newly acquired machinery and vehicles. (Read section 3 of the form ML-6)
3. Remember that farm trucks and other motor vehicles cannot be insured under this policy - even if they are not licensed for highway use.
4. In establishing limits of liability, we find that 90% of the purchase price is usually realistic if the item has been recently acquired from a reputable dealer.
5. If the equipment has been owned for some time, check with a local dealer to be sure the amount requested is within reason and call us if you're in doubt.
6. Always check the general condition of machinery to be specifically insured when you make your inspection.
7. It is imperative that a complete description be obtained of each item insured, (year, make, model, and serial number) 'Type' means kind of equipment - tractor, baler, combine, or whatever.

D. Underwriting Farm Machinery and Tools (Blanket)

This optional coverage is designed to provide protection for the insured's exposure on smaller items which would be inconvenient or impossible to schedule.

1. Remember that the coverage is provided while the tools and equipment are on the described farm premises only, and there is a \$200.00 limit on each item. (Minimum amount written is \$3,000.00)
2. The coverage provided includes the peril of theft.

E. Underwriting Livestock

1. Perils covered include the fire and extended coverages, vandalism, and theft. If an animal is killed by an automobile collision, this is also covered. (Damage to the vehicle is an FCPL exposure.)
2. Although beef and dairy cattle are the types of animals generally written, sheep, swine, goats, mules and donkeys can also be insured.
3. We will write saddle horses used by family members for recreational purposes. Underwriting approval is required in order to write them, and only conservative amounts will be written. Show horses, brood mares, stallions at stud, and thoroughbreds should not be written. We will exclude horses for liability coverage.
4. The livestock coverage includes a coinsurance clause, so it is advisable to encourage the applicant to insure the total value of the herd. This will help provide adequate protection if the number of animals grows during the year.
5. Each type or breed should be insured separately. For example, if the insured is a dairy farmer with both Holstein and Jersey cows, they should be listed separately. Purebred or registered cattle should be listed and insured separately from mixed breed or 'grade' cows since there are big differences in values.
6. Since the amount of a recovery is limited to actual cash value at the time of the loss, there is no incentive for the insured to overvalue his animals. This value is generally determined by a survey of area livestock auction prices if over insurance is suspected.
7. Remember that the deductible does not apply to livestock losses, and the maximum amount written on any one animal is \$2,000.00.
8. Remind the applicant that the peril of theft excludes mysterious disappearance, and that an adjuster's investigation or veterinarian's statement must support a lightning claim. These are the two largest problems we have in settling livestock losses.
9. If you have any problems establishing insurance amounts, give us a call.
10. Added animal perils are available.

Inspections

A thorough inspection by the producer or a member of his or her staff who is familiar with these underwriting and rating requirements is Imperative. Monoline farm fire is a difficult line to underwrite, and this can be proven by looking at the general trend in ISO premiums and our loss experience over the past five years. Sending an unschooled person out to take "drive-by" photographs and eyeball dimensions will get both of us in trouble. Measure the buildings, look inside them, check roofs and wiring, and talk to the applicant. This is the only way to determine the realistic insurance amounts.

Also, be sure to take photographs and draw a diagram while you are there.

Farm Building Classifications

Type 7 Farm Buildings - Minimum Amount \$3,000.00

1. Building cannot be over two stories in height
2. Foundation under all exterior walls must be continuous and of mortared masonry or concrete construction. Buildings framed on poles of minimum six inches in diameter at ground line, set four or more feet below ground level are also acceptable when poles have been pressure treated with wood preservative.
3. No exposed urethane or styrene insulation
4. Open sheds are acceptable if appropriate rate is used.

Type 8 Farm Buildings

Buildings of good character not eligible for Type 7 classification

The following must be classified as Type 8:

Structures used for grain grinding, seed grain drying, alfalfa or hay chopping, portable buildings and structures

Utility and Condition Classifications

All Farm Buildings must be classified in order to be rated.

Utility

Good (G): Fully Utilized in the farm operation for the purpose originally constructed

Fair (F): Not used for the purpose originally built, but structure is necessary to the continuance of the farming operation.

Poor (P): Building not necessary to the continuance of the farming operation or not in use

Condition

Good (G): New, or no sign of deterioration. Structurally sound and well maintained

- Fair (F): Structurally sound, but apparent that repairs are needed. Some components require replacement. Moderately worn.
- Poor (P): Minor structural deterioration. Signs of wear and effects of decay and erosion apparent throughout. Maintenance deferred. Rehabilitation and replacement needed.

**Farmers Mutual of Tennessee
Rating Rule**

Rule 1: Deductibles

All Farm Fire and Allied Line rates contemplate a \$100.00 deductible except:

Livestock—No Deductible applies (waived)
Farm Machinery & Tools—\$50.00 Flat Deductible

The following optional deductibles are available using the following rating factors:

<u>Optional Deductible</u>	<u>Factor</u>
\$250.00	.90
\$500.00	.85
\$1,000.00	
\$2,500.00	

Rule 2: Minimum Policy Premium \$25.00

Rule 3: Farm Barns and Outbuildings Condition Surcharges

Good Condition	0.0%
Fair Condition	25.0%
Poor Condition	50.0%

Rule 4: Farm Barns and Outbuildings Utility Surcharges

Good Utility Value	0.0%
Fair Utility Value	15.0%
Poor Utility Value	25.0%

Rule 5: Farm Barns and Outbuildings Deferred Loss Payment Endorsement

Reduce premium otherwise applicable 10%

Rule 6: Type 7 Buildings insured for less than \$3,000 shall be classified as Type 8.

Rule 7: Tobacco and Hay

After coverage has been in effect 60 days, premium for hay or tobacco in barns will be considered fully earned.

Rule 8: Rounding:

1. Round each item individually (each Barn, Farm Personal Property in each barn, type of Livestock or piece of Machinery)
2. Round after all computations have been completed.
3. All premiums should be rounded to the nearest whole dollar. A premium of 50¢ or more should be rounded to the next highest whole dollar.

Rule 9: Vandalism & Malicious Mischief

Vandalism is included in the premium charge for Extended Coverage perils on Farm Buildings and Farm Personal Property in Farm Buildings. At the discretion of the Company, Vandalism coverage may be waived.

**Farmers Mutual of Tennessee
Rating Procedures**

A. Farm Buildings & Structures

1. Determine building type, (7 or 8) using Classification Pages.
- * IF RATING TABLES ARE USED, SKIP STEPS 2-5
2. Select appropriate base rate.
3. Choose deductible option. If other than \$100.00 deductible, apply appropriate deductible factor.
4. Identify condition factor. Apply surcharge, if applicable.
5. Identify utility factor. Apply surcharge if applicable.
6. If deferred loss payment endorsement is used, apply factor to rate obtained in step #5.
7. Determine amount of insurance, divide by \$100. and apply rate from step #5 to determine premium.

B Farm Personal Property

- a) Rate established for the farm building applies to farm personal property in the building (other than rate for tobacco or hay).
- b) For tobacco or hay in barns, use the following procedure:

* IF RATING TABLES ARE USED, SKIP STEPS 1-4.

1. Determine base rate for tobacco or hay.
2. Apply Utility factor determined for subject barn.
3. Apply Condition factor determined for subject barn.
4. Take resultant rate times amount of insurance divided by one hundred.

Specifically Insured Machinery -

For each item, take amount of insurance divided by 100 times the machinery rate.

Farm Machinery and Tools -

1. Determine limit of liability desired.
2. Apply rate per thousand to desired amount.

Livestock -

1. Determine total number of head for each breed or type. Animals of less than one year of age may be counted as 1/2 head.
2. Establish a limit of Liability per animal.
3. Determine insurance amount by taking limit per animal times total number of head.
4. Divide insurance amount by 100 and multiply by rate.