

SERFF Tracking Number: ARKS-125903189 State: Arkansas
Filing Company: 13757 - Farm Bureau Mutual Insurance State Tracking Number: #563885 \$100
Company of Arkansas, Inc.
Company Tracking Number:
TOI: 04.0 Homeowners Sub-TOI: 04.0001 Condominium Homeowners
Product Name: Condominium Unit Owners
Project Name/Number: /

Filing at a Glance

Company: 13757 - Farm Bureau Mutual Insurance Company of Arkansas, Inc.

Product Name: Condominium Unit Owners	SERFF Tr Num: ARKS-125903189	State: Arkansas
TOI: 04.0 Homeowners	SERFF Status: Closed	State Tr Num: #563885 \$100
Sub-TOI: 04.0001 Condominium Homeowners	Co Tr Num:	State Status: Fees verified and received
Filing Type: Rate	Co Status:	Reviewer(s): Becky Harrington, Brittany Yielding
	Author:	Disposition Date: 11/19/2008
	Date Submitted: 11/14/2008	Disposition Status: Filed
Effective Date Requested (New): 01/01/2009		Effective Date (New): 01/01/2009
Effective Date Requested (Renewal):		Effective Date (Renewal):

State Filing Description:

New Program

General Information

Project Name:	Status of Filing in Domicile:
Project Number:	Domicile Status Comments:
Reference Organization:	Reference Number:
Reference Title:	Advisory Org. Circular:
Filing Status Changed: 11/19/2008	
State Status Changed: 11/19/2008	Deemer Date:
Corresponding Filing Tracking Number:	
Filing Description:	
Rates for new Condo program.	

Company and Contact

Filing Contact Information

SERFF Tracking Number: ARKS-125903189 State: Arkansas
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TOI: 04.0 Homeowners Sub-TOI: 04.0001 Condominium Homeowners
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Project Name/Number: /

NA NA, NA@NA.com
NA (123) 555-4567 [Phone]
NA, AR 00000

Filing Company Information

13757 - Farm Bureau Mutual Insurance CoCode: 13757 State of Domicile: Arkansas
Company of Arkansas, Inc.
No Address Group Code: Company Type:
City, AR 99999 Group Name: State ID Number:
(999) 999-9999 ext. [Phone] FEIN Number: 99-9999999

SERFF Tracking Number: ARKS-125903189

State: Arkansas

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Company of Arkansas, Inc.

State Tracking Number: #563885 \$100

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TOI: 04.0 Homeowners

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Filing Fees

Fee Required? No

Retaliatory? No

Fee Explanation:

Per Company: No

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	11/19/2008	11/19/2008

SERFF Tracking Number: ARKS-125903189

State: Arkansas

Filing Company: 13757 - Farm Bureau Mutual Insurance

State Tracking Number: #563885 \$100

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Company Tracking Number:

TOI: 04.0 Homeowners

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Product Name: Condominium Unit Owners

Project Name/Number: /

Disposition

Disposition Date: 11/19/2008

Effective Date (New): 01/01/2009

Effective Date (Renewal):

Status: Filed

Comment: New Program

Rate data does NOT apply to filing.

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Item Type	Item Name	Item Status	Public Access
Supporting Document	Form RF-2 Loss Costs Only (not for workers' compensation)		Yes
Supporting Document	H-1 Homeowners Abstract	Filed	Yes
Supporting Document	HPCS-Homeowners Premium Comparison Survey		Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	Uniform Transmittal Document-Property & Casualty	Filed	Yes
Supporting Document	ARKS-125903189		Yes

SERFF Tracking Number: ARKS-125903189

State: Arkansas

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Company of Arkansas, Inc.

State Tracking Number: #563885 \$100

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Project Name/Number: /

Rate Information

Rate data does NOT apply to filing.

SERFF Tracking Number: ARKS-125903189

State: Arkansas

Filing Company: 13757 - Farm Bureau Mutual Insurance
Company of Arkansas, Inc.

State Tracking Number: #563885 \$100

Company Tracking Number:

TOI: 04.0 Homeowners

Sub-TOI: 04.0001 Condominium Homeowners

Product Name: Condominium Unit Owners

Project Name/Number: /

Supporting Document Schedules

Unsatisfied -Name: Uniform Transmittal Document-
Property & Casualty

Review Status:

Filed

11/19/2008

Comments:

Satisfied -Name: ARKS-125903189

Review Status:

11/19/2008

Comments:

Attachments:

ARKS-125903189.pdf

ARKS-125903189-1.pdf

ARKS-125903189-2.pdf

ARKS-125903189-3.pdf

BH



FARM BUREAU MUTUAL INSURANCE COMPANY OF ARKANSAS, INC.

10720 Kanis Road • P.O. Box 31 • Little Rock, AR 72203-0031 • (501) 224-4400

CH#563885 \$100

ARKS-125903189

November 10, 2008

The Honorable Julie Bowman
Insurance Commissioner
Arkansas Department of Insurance
Attention: Property & Casualty Division
1200 West Third Street
Little Rock, Arkansas 72201-1904

RECEIVED
NOV 14 2008
PROPERTY AND CASUALTY DIVISION
ARKANSAS INSURANCE DEPARTMENT

RE: Farm Bureau Mutual Insurance Company of Arkansas, Inc. - NAIC # 13757
Condominium Unit Owners – New Program - Proposed Effective Date 01/01/2009

Dear Commissioner Bowman:

Proposed for filing on behalf of Farm Bureau Mutual Insurance Company of Arkansas, Inc. are rates applicable to the implementation of our new Condominium Unit Owners policy program.

Attached are the rates which support the new Condominium policy and they are summarized on the page titled "Table of Contents".

We propose to begin using these rates effective January 1, 2009. Enclosed are the necessary filing forms, a check, and three copies of this filing. Please return two copies stamped "Filed" if this filing meets with your approval.

If you have questions concerning this filing, please let me know. Thank you for your assistance.

Sincerely,

Richard Sims, CPCU, ARe, Manager
Actuarial and Regulatory Affairs
Enclosures
Number of Pages in this filing – 9

FILED
NOV 14 2008
PROPERTY AND CASUALTY
ARKANSAS INSURANCE DEPT.

NAIC LOSS COST DATA ENTRY DOCUMENT

1. This filing transmittal is part of Company Tracking # _____

2. If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number _____

3. **A.** **Farm Bureau Mutual Insurance Company of Arkansas, Inc.** **B.** _____
 Company Name Company NAIC Number
 13757

4. **A.** **Homeowners 4.0000** **B.** **Condominium 4.0001**
 Product Coding Matrix Line of Business (i.e., Type of Insurance) Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)

5. **FOR LOSS COSTS ONLY**

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
Homeowners							
Condominium	New Program	New Program					
TOTAL OVERALL EFFECT							

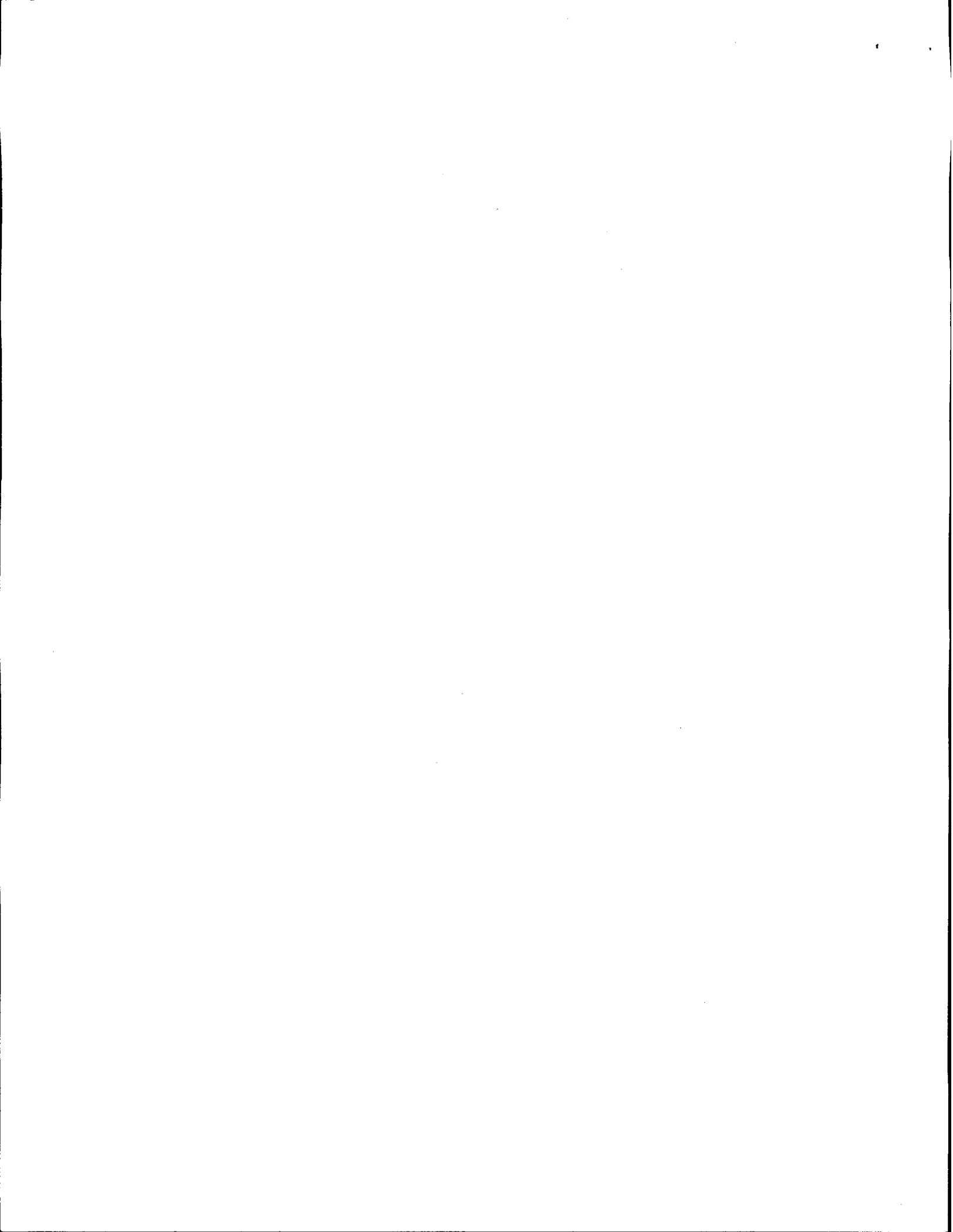
6. **5 Year History** **Rate Change History**

Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

7.

Expense Constants	Selected Provisions
A. Total Production Expense	
B. General Expense	
C. Taxes, License & Fees	
D. Underwriting Profit & Contingencies	
E. Other (explain)	
F. TOTAL	N/A

8. N Apply Lost Cost Factors to Future filings? (Y or N)
 9. _____ Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable):
 10. _____ Estimated Maximum Rate Decrease for any Insured (%). Territory (if applicable):



ARKANSAS INSURANCE DEPARTMENT

FORM HI
Rev. 4/98

HOMEOWNERS ABSTRACT

Page 1 of 2

INSTRUCTIONS: All questions must be answered. If the answer is "none" or "not applicable", so state. If all questions are not answered, the filing will not be accepted for review by the Department. Use a separate abstract for each company if filing for a group. Subsequent homeowners rate/rule submissions that do not alter the information contained herein need not include this form.

Company Name: Farm Bureau Mutual Insurance Company of Arkansas, Inc.

NAIC No. 13757

Group No. _____

1. If you have had an insurance to value campaign during the experience filing period, describe the campaign and estimate its impact.
Not applicable to HO-6

2. If you use a cost estimator (or some similar method) in order to make sure that dwellings (or contents) are insured at their value, state when this program was started in Arkansas and estimate its impact.
Not applicable to HO-6

3. If you require a minimum relationship between the amount of insurance to be written and the replacement value of the dwelling (contents) in order to purchase insurance, describe the procedures that are used.
Not applicable to HO-6

4. If you use an Inflation Guard form or similar type of coverage, describe the coverage(s) and estimate the impact.
Not applicable to HO-6

5. Specify the percentage given for credit or discounts for the following:

a.	Fire Extinguisher	0 %
b.	Burglar Alarm	2 - 10 %
c.	Smoke Alarm	2 - 10 %
d.	Insured who has both homeowners and auto with your company	5 %
e.	Deadbolt Locks	2 %
f.	Window or Door Locks	0 %
g.	Other (specify)	
	Full-time farmer	25 %
	Claims Experience	5 - 15 %

6. Are there any areas in the State of Arkansas in which your company will not write homeowners insurance? No
If so, state the areas and explain reason for not writing.

7. Specify the form(s) utilized in writing homeowner insurance. Indicate the Arkansas premium volume for each form.

Form	2007 Earned Premium
HO-6	New Program

8. Do you write homeowner risks which have aluminum, steel, or vinyl siding?

Yes

9. If there is a surcharge on risks with wood heat? **Yes**

If yes, state surcharge: **15%**

Does the surcharge apply to conventional fireplaces? **No**

If yes, state surcharge:

THE INFORMATION PROVIDED IS CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

Richard Sem
Signature

Actuarial and Regulatory Affairs Manager
Title

501-224-4400
Telephone Number

AID PC H-1 (4/96)

Farm Bureau Mutual Insurance Company of Arkansas, Inc.

Condominium Unit Owners Program

Rate Explanatory Letter

This filing introduces a new program for Condominium Unit Owners referred herein as the Condominium Policy. This filing includes rates for Condominium Units. We are offering this new product to expand our current product line to better address the insurance needs of our current and prospective clients.

After a thorough review of competitor's programs, an in-depth rate study, discussions within our Company from Actuarial and Underwriting personnel, we have selected rates which we feel are competitive with the market and reflect the underwriting philosophy of our Company. Once we gain statistical experience with these dwellings, we will adjust our rates accordingly.

The rating algorithm is modeled after our current Homeowners program and includes such variables as: Amount of Insurance Factors, Class Factors, Deductible Factors, Construction Factors, and Territory Factors. The rates that are proposed will follow in this filing.

The rating algorithm will also incorporate a Claims Experience factor along with Insurance Credit Scoring. The Claims Experience factors are included in this filing. The Insurance Credit Scoring factors were previously approved under our Homeowners program with the Supplement to Proposed Revision of Homeowner Rates filed with the Department of Insurance on July 23, 2008.

The following coverages are available under the Condominium Policy: Coverage A (Unit), Coverage C (Personal Property), Coverage D (Additional Living Expenses), Coverage E (Personal Liability), Coverage F (Medical Payments to Others), and Additional Coverages. We have also developed a new endorsement, the Increased Loss Assessment Endorsement.

Statistical reporting will be coded to the Homeowners Multiple Peril line of business in the annual statement. The form used for the proposed policy will be Form HO-6. The details of the proposed rates follow in this filing.

Any comments or questions can be addressed to the undersigned at (501) 224-4400.

Richard Sims, CPCU, ARe

Manager – Actuarial and Regulatory Affairs

Farm Bureau Mutual Insurance Company of Arkansas, Inc.

Condominium Unit Owners Policy

Table of Contents

Exhibit	Page	Description
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	8	Rating Element Factors and Formula
II	9	Credits, Charges, Endorsements

FARM BUREAU MUTUAL INSURANCE COMPANY OF ARKANSAS, INC.

Condominium Unit Owners Policy

Base Rate

226.25

Coverage C (Personal Property Coverage)

Amount	Factor
10,000	0.570
12,000	0.614
14,000	0.658
16,000	0.702
18,000	0.746
20,000	0.790
22,000	0.834
24,000	0.878
25,000	0.900
30,000	1.000
35,000	1.095
40,000	1.190
45,000	1.285
50,000	1.380
55,000	1.475
60,000	1.570
70,000	1.760
80,000	1.950
EA 1,000	0.019

For factors between listed amounts, use interpolation.

Coverage A (Unit Coverage)

Limit	Rate
20% of Coverage C	Included
EA 1,000	\$5.00

Coverage E & Coverage F

Personal Liability	Medical Payments	Rate
\$25,000	\$1,000	Included
\$50,000	\$2,000	7
\$100,000	\$2,000	8
\$300,000	\$5,000	13
\$500,000	\$10,000	21

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FARM BUREAU MUTUAL INSURANCE COMPANY OF ARKANSAS, INC.

Condominium Unit Owners Policy

Territory Factor	1.00
------------------	------

Construction Factor	1.00
---------------------	------

Class	Factor
Select	0.90
Preferred	1.00
Standard	1.15

Protection Class Factor	1.00
-------------------------	------

Deductible	Factor
0	2.00
50	2.00
100	1.72
250	1.20
500	1.00
1000	0.81
2000	0.71

Premium Determination

- Base Rate
- x Territory Factor
- x Protection Class Factor
- x Amount of Insurance Factor
- x Insurance Credit Score Factor
- + Additional Coverage A
- x Deductible Factor
- x Construction Factor
- x Class Factor
- x Wood Heat Factor
- x Claims Experience Factor
- + Additional Premiums

FARM BUREAU MUTUAL INSURANCE COMPANY OF ARKANSAS, INC.

Condominium Unit Owners Policy

Credits, Charges, and Endorsements

Credits	
Occupational Credit	
Full Time Farmer	25%
Retired Person	25%
Ultrasonic Local Burglar Alarm	2%
Fire or Smoke Local Alarm (FSLA)	2%
FSLA with active voice synthesized phone dialer	4%
Complete Local Burglar Alarm	5%
Dead Bolt Locks & Fire Extinguisher	2%
Fire and/or Burglar Alarm Reporting	10%
Homeowner/Auto	5%

Wood Heat Factor	1.15
------------------	------

Endorsements		Rate
Sewage Backup		\$30
Increased Loss Assessment	<u>Limit</u> \$5,000	\$4
Extended Theft	\$5,000	\$22
	\$10,000	\$39
	\$15,000	\$53
	\$25,000	\$73
	\$35,000	\$91
Incidental Business Occupancy	<u>Liability Limit / Medical Payments Limit</u> \$25,000/\$1,000	\$16
	\$50,000/\$2,000	\$20
	\$100,000/\$2,000	\$22
	\$300,000/\$5,000	\$27
	\$500,000/\$10,000	\$33

Claims Experience Factors				
Years Insured	Qualifying Claims			
	0	1	2	3+
0	1.00	1.00	1.00	1.00
1	1.00	1.05	1.15	1.30
2	0.95	1.00	1.09	1.24
3	0.90	0.95	1.04	1.17
4	0.90	0.95	1.04	1.17
5	0.90	0.95	1.04	1.17
6+	0.85	0.89	1.00	1.13

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HOMEOWNER INSTRUCTIONS

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HOMEOWNER INSTRUCTIONS

GENERAL RULES

The Homeowner policy has evolved into a basic insurance policy many individuals use to cover their dwelling and possessions and protect them from liability claims at their home. The insurance industry developed the policy in the 1950's to streamline personal coverages. Previously, three or more policies were necessary to provide the same insurance protection.

Packaging these property and liability coverages is advantageous to both insureds and companies. There are fewer gaps in coverage, fewer duplications of coverage, and sales and issuance of one policy is less costly and more efficient than handling several single line policies.

Homeowner Policies provide insurance property protection for loss to the home, personal property, other structures such as garages, and loss of use. Personal liability and medical payments coverage provides liability protection against certain types of claims or lawsuits brought by third party non-residents of the house.

I. THE HOMEOWNER CONTRACT (01-01-09)

Homeowner policies are divided into two (2) sections. Section I provides protection for the dwelling and personal property, other structures on the premises, and additional living expenses. Section II provides personal liability, medical payments and voluntary property damage coverage.

The Company offers four (4) different Homeowner policies, the HO-1, HO-3, HO-4 and HO-6 forms. The agent should become familiar with these forms and the Homeowner classifications eligible for each form.

The following is a brief discussion of the Homeowner provisions. Answers to questions concerning actual coverage, the conditions, exclusions, special limits on certain personal property, and other terms of the contract can be found in the actual policy issued by the Company.

A. HO-1 FORM

The HO-1 form is a twelve (12) peril policy providing basic Homeowner protection. The twelve (12) covered perils are:

- (1.) Fire or Lightning
- (2.) Windstorm or Hail
- (3.) Explosion
- (4.) Riot, riot attending a strike, and civil commotion
- (5.) Aircraft
- (6.) Vehicles
- (7.) Smoke
- (8.) Vandalism or Malicious Mischief
- (9.) Theft
- (10.) Breakage of glass
- (11.) Collapse of buildings
- (12.) Falling Objects

HO-1 losses for Coverage A (Dwelling), Coverage B (Other Structures) and Coverage C (Personal Property) will be adjusted at the actual cash value of the damaged property at the time of the loss. Actual cash value includes deduction for depreciation on the cost of repairs.

Optional Perils (Endorsement L) is available for qualifying dwellings. This endorsement adds the following five perils to the HO-1 policy:

- (1) Weight of ice, snow or sleet.
- (2) Sudden or accidental tearing apart, cracking, burning, or bulging of a heating or air conditioning system, water heating appliance or fire sprinkler system.
- (3) Accidental discharge or overflow of water or steam from a plumbing, heating or air conditioning system, household appliances or fire sprinkler system.
- (4) Freezing or plumbing, heating or air conditioning systems, appliances and fire sprinkler systems.
- (5) Sudden and accidental loss caused by surges of artificially generated electrical currents.

B. HO-3 FORM

The HO-3 form provides coverage for direct loss (with certain exclusions) to Coverage A (the dwelling), Coverage B (other structures), and named peril coverage is provided for Coverage C (personal property).

HO-3 losses for Coverages A and B will be adjusted on a replacement cost basis, without depreciation on the cost of repairs, up to the policy limits for Coverages A or B, when the insured dwelling has coverage equal to 80% or more of the full replacement cost. Losses under Coverage C will be adjusted on an actual cash value basis.

In addition, the HO-3 coverage amounts provided by "Special Limits on Certain Property" are double the amounts found in the HO-1 form. The limitation for each group is the maximum amount payable for any one loss. Some groups limit various types of items. (Please refer to the "Special Limits on Certain Property" in the HO-3 policy booklet for a listing of groups of property that have special limits and what those limits are.)

Many applicants will ask what type of losses are covered under an HO-3 policy. The agent should review with the applicant the named perils section in the HO-3. Most of these specifically apply to the dwelling contents. But these perils would also apply to the dwelling as they are not excluded. What other type of losses would be covered?

The following are examples of actual losses experienced by the insurance industry under an HO-3 Form:

- (1) A car battery was left setting on a hardwood floor. Acid leaked out causing damage to the floor.
- (2) A bucket of paint was dropped on the carpet causing damage to the carpet and walls.
- (3) A two year old boy found a hammer and went on a hammering spree in his home. Walls toilets and wash basins were heavily damaged.

Read the HO-3 policy to be aware of its coverages, conditions and exclusions.

C. HO-4 FORM PROVISIONS FOR RENTERS, TENANTS OR LESSEES

This business must be underwritten very carefully. Special considerations are the length of time the agent has known the applicant and the frequency with which the applicant changes residences.

The perils insured against are the same as the HO-1 form with the exception that there is no coverage on the dwelling or on other private structures. The declaration is the same one used on the other Homeowner forms with "no coverage" shown for Coverage A and B.

Review the HO-4 policy booklet in the "Special Limits On Certain Property" section for coverage limitations for certain groups of items. The limitation for each group is the maximum amount payable for any one loss. Some groups limit various types of items. For example, there is a \$1,000 limit on theft of firearms. This limitation also includes tape and stereo units. *Please refer to the "Special Limits on Certain Property" in the HO-4 policy booklet for a listing of groups of property that have special limits and what those limits are.*

The rates are higher for this policy if the insured lives in an apartment. For the purpose of rating this policy, an apartment is described as any structure housing more than four families.

No coverage should be written on the contents of any dwelling that would not qualify in its own right for a Homeowner policy if the occupant owned the dwelling.

The minimum coverage, which can be written on the HO-4 form, depends upon the applicable Homeowner classification. The only deductible allowed on the HO-4 policy is \$500.

The Optional Perils Endorsement K can be attached to an HO-4 policy.

This endorsement adds the following five perils to the HO-4 policy:

- (1) Weight of ice, snow or sleet.
- (2) Sudden or accidental tearing apart, cracking, burning or bulging of a heating or air conditioning system, water heating appliance or fire sprinkler system.
- (3) Accidental discharge or overflow of water or steam from a plumbing, heating or air conditioning system, household appliances or fire sprinkler system.
- (4) Freezing of plumbing, heating or air conditioning systems, appliances and fire sprinkler systems.
- (5) Sudden and accidental loss caused by surges of artificially generated electrical currents.

D. HO-6 FROM PROVISIONS FOR CONDO UNIT-OWNERS

When you have a client who owns a condominium unit, the property exposure coverage needs are not quite the same as for traditional home ownership. The HO-6 form is similar to the HO-4 in that the primary property exposure is typically personal property because the condominium "association" will have common ownership of the structure within which the units are contained. However, some Coverage A (Dwelling) is afforded under the HO-6 because the "association" contract may specify that the unit-owner is responsible for a portion

of the unit structure. The extent of this responsibility varies so this should be a point of discussion with your client in determining the amount of Coverage A to be insured.

The perils insured against are the same as the HO-3 form. The "Special Limits On Certain Property" section for coverage limitations for certain groups of personal property items is the same as HO-3. The Declaration is the same one used on the other Homeowner forms with "no coverage" shown for Other Structures, Coverage B. If a condo unit-owner client does happen to have sole ownership of an outbuilding on the premises (such as a detached garage or carport), then Coverage A limits from the policy can be applied to such exposure.

Townhouse and patio homes should not be written under the condominium unit-owners HO-6 form. They may qualify for regular HO-1 or HO-3 policy coverage. See "Townhouses" section in PUG pages for more information and guidance.

E. EXTENSIONS OF COVERAGE

There are several extensions of coverage broadening Section I coverages. The deductible provision does not apply to any of these extensions of coverage.

- (1.) Debris Removal - This covers expenses incurred up to \$250 on HO-1 and HO-4 policies and up to \$500 on HO-3 policies for the removal of debris of covered property after a loss for which coverage is afforded.
- (2.) Refrigerated Food Products - This coverage pays up to \$500 for any occurrence of loss to contents of all freezers or refrigerators on the residence premises. The contents must be owned by the insured and must not be for business purposes. The loss must be caused by a covered peril which interrupts electrical service, creating a change in temperature inside the refrigerators or freezers causing the spoilage of food products. The insured must use all reasonable means to protect the property from further damage.
- (3.) Necessary Repairs After Loss - This coverage pays the reasonable cost of repairs made solely to protect the property from additional damages following a loss from a covered peril.
- (4.) Trees, Shrubs, Plants and Lawns - This coverage pays up to \$250 per occurrence for loss to trees, shrubs, plants and lawns when damage is caused by certain named perils. Check the policy for specific wording. **This is not a coverage extension on the HO-4 policy.** Under the HO-6, the item must be solely owned by the insured.
- (5.) Fire Department Service Clause - This extension of coverage provides that the Company will pay charges made by an organized fire department when called because of fire in, on, or exposing the insured property. The HO-1 and HO-4 pay up to \$250. The HO-3 pays up to \$500. These limits may be increased. See the "Additional Premiums/Credits" pages of the Homeowner Rate section of this manual.
- (6.) Emergency Removal - This provides coverage for up to 30 days for covered property damaged in any way while being removed or while removed from a premises because of danger from a peril we insure against.

- (7.) Stolen or Lost Credit Cards, Bank Fund Transfer Cards and Forgery - The policy will protect the insured for losses, up to \$1,000.00, for liability resulting from illegal use of lost or stolen personal credit cards and Bank Fund Transfer Cards (ATM Cards). Coverage is also provided for forgery or alteration of a check.
- (8.) Locks - This provides coverage for expenses, up to \$250 to re-key locks on exterior doors of the insured dwelling when keys to those locks are stolen in a covered theft loss.
- (9.) Building Additions/Alterations (Available on HO-4 only) - This provides coverage for building additions, alterations, fixtures, installations and improvements made to the residence, which is used by the insured. Up to ten percent (10%) of the Personal Property Coverage amount can be applied to a loss.
- (10.) Identity Fraud- (Effective 07-01-07) We will pay up to \$1,000 for the reasonable expenses incurred as the direct result of any one identity fraud first discovered or learned of during the policy period. Any act or series of acts committed by one or more persons is considered to be one identity fraud, even if a series of acts continues into a subsequent policy period. Expenses include the resulting costs required to reestablish favorable credit standing. We do not cover expenses arising out of or in connection with a business.
- (11.) Inflation Protection - (HO-1 & HO-3 forms only) Each year, on the renewal of the policy, the Dwelling-Coverage A amount may be increased depending on a residential building cost index for the area. The limits for Coverage B, C, and D may also be increased at the same percentage as Coverage A. This increase in Coverage A does not guarantee a sufficient amount of coverage to rebuild the dwelling if a covered peril destroys the building.
- (12.) Loss Assessment - (01/01/09) (HO-6 form only) The condo unit-owner may be subject to being assessed by the condominium association. This could be a proportionate share of costs/expenses related to damage to common property (e.g. swimming pool clubhouse). The HO-6 provides up to \$1,000 reimbursement for costs assessed to the condo unit owner for loss to common property.

F. PROPERTY COVERED – SECTION 1

Section I of the policy indemnifies the insured when a covered loss is caused by one or more of the perils, or extensions of coverage, to the dwelling, other private structures, unscheduled personal property, or when a covered loss causes additional living expenses to be incurred.

- (1.) Coverage A - Dwelling: The policy uses a standard description for identifying the insured dwelling (or condo unit) and the declaration will show the amount of coverage applicable. Condo UNIT Coverage A is equal to 20% of Coverage C. If more coverage is desired, a higher limit may be selected for additional premium.
- (2.) Coverage B - Other Structures: Coverage is provided up to 10% of the dwelling amount and is designed only for those other private structures located on the premises used to service the dwelling insured. Coverage may be increased. Rates for increased coverage are found in the Homeowner Rates section of the manual. Structures used for business or farming do not qualify for Coverage B. (Coverage for these types of structures might be

considered under a Commercial Fire or Property Owners policy.) Structures should be in good condition. There is no coverage B under HO-4 or HO-6.

- (3.) Coverage C - Unscheduled Personal Property: With the exception of the HO-1, Class 3, the amount of coverage on personal property is 50% of the coverage written on the dwelling. **On the HO-1, Class 3, the amount of coverage is 25% of the coverage on the dwelling.** Coverage may be increased upon request. (There are other restrictive limits as to the amount of coverage on certain types of personal property, which may be found in the "SPECIAL LIMITS ON CERTAIN PROPERTY SECTION" of each Homeowner policy.) The limit for Coverage C under the HO-4 or HO-6 is selected by the insured and is not a percentage(%) of Coverage A.
- (4.) Coverage D - Additional Living Expense: Coverage is provided up to 20% of the dwelling amount. The purpose of this coverage is to reimburse the insured for necessary **additional** living expenses incurred in the event the insured dwelling is damaged by an insured peril and made uninhabitable as a result. For HO-4 and HO-6, the Coverage D limit is a (%) factor of Coverage C (20% on the HO-4; 40% on the HO-6).

G. LIABILITY AND MEDICAL COVERAGE – SECTION II FORMS HO-1, HO-3, AND HO-4

Section II of the homeowner provisions is divided into three (3) parts:

Coverage E - Liability: This coverage protects the insured, subject to the limits selected, against liability for damages because of bodily injury or property damage arising out of the use of the premises and for personal non-business activities of the insured on or away from the premises. The basic coverage provides \$25,000 Liability for each occurrence and may be increased.

Coverage F - Medical Payments For Others: This coverage will pay, subject to the limits of this coverage, medical expenses incurred for each person (not including the named insured and residents of the insured household) who sustains bodily injury, sickness or disease caused by accident while on the premises or elsewhere if caused by the personal non-business activities of the insured. The basic coverage is \$1,000 each person and may be increased.

Additional Coverages - Physical Damage to Property: This coverage will pay for damage or destruction (excluding theft) of certain non-owned property in the care, custody and control of the insured. Two hundred fifty dollars (\$250) of coverage is provided under HO-1 and HO-4, and five hundred dollars (\$500) of coverage is provided under HO-3. This coverage cannot be increased.

Loss Assessment - (HO-6 form only) The condo unit-owner may be subject to being assessed by the condominium association for costs/expenses related to liability situations involving the association, including its directors. The HO-6 provides up to \$1,000 reimbursement for costs assessed to the condo unit owner for such loss.

There are certain exclusions and conditions applicable to Section II coverage. The agent should become thoroughly familiar with the entire Section II portion of the policy.

**H. ADDITIONAL COVERAGE FOR VACANT LOTS, ADDITIONAL RESIDENCES,
AND WATERCRAFT (06-01-07)**

- (1) **VACANT LOTS:** Vacant lots in the state of Arkansas may be included under the extension of Coverage E and F, Section II (personal liability and medical payments only) by showing the number of lots (limit of 3 per policy) and giving their location. This coverage affords only premises liability coverage for acts or negligence of the insured. The policy provides that a lot will not be deemed vacant when construction has commenced. Coverage for lots under this extension is limited to those not exceeding five acres. There will be an additional premium charge for this coverage. This coverage does not include land used for farming or business purposes.
- (2.) **ADDITIONAL RESIDENCES:** Additional residences in the state of Arkansas may be included under the extension of Coverage E and F, Section II (premises liability and premises medical coverage). This coverage can be extended to rental property. (Limit 3 per homeowner Policy.) Any additional locations for which legal liability is to be covered must be shown on the declaration of the policy and a premium paid.
- (3.) **WATERCRAFT COVERAGE:** Section II of the Homeowner policy extends liability and medical coverages to boats with motors of 25 horsepower or less automatically with no additional charge. These do not have to be declared or shown on the declaration.

Watercraft with motors exceeding 25 horsepower should be insured on the Boatowner Policy even if liability coverage is the only coverage requested. If any such watercraft is ineligible for the Boatowner Policy, coverage may be placed on a GL or HO, with Underwriting prior approval.

For an additional charge, Section II can be extended to:

- (a.) Boats powered by one or more motors with more than 25 total horsepower;
- (b.) All houseboats shown as additional residences when powered by one or more motors with more than 25 total horsepower.
- (c.) Jet skis and wave runners

The premium varies according to the limits of liability and the medical coverage selected. Policyholders insuring more than two (2) watercraft having more than 25hp each must insure all watercraft for liability coverage on a General Liability policy.

Policyholders who need Section II coverages extended to boat motors in excess of fifty (50) hp or any personal watercraft (i.e. jet skis) must choose a liability limit of \$50,000 or greater to be in compliance with Arkansas law.

Consult your Underwriter about any new boat liability exposures exceeding 25 hp. If eligible, these risks will need to be written on a Boatowner Policy (effective 01-01-08).

If the policyholder has more vacant lots, additional residences, or watercraft than this policy can be endorsed for, these exposures can be considered under a General Liability policy.

II. ENDORSEMENTS (01-01-09)

In addition to the additional coverages shown above, there are also endorsements that may be attached to the policy to limit and/or broaden certain coverages. (Refer to the "Additional Premiums/Credits" pages of the Homeowner Rate Section of this manual for the premiums to charge.)

A. INCIDENTAL BUSINESS OCCUPANCY (ENDORSEMENT A)

When the insured dwelling (or other structure) or condo unit contains an incidental business occupancy and qualifies in every other way for a Homeowner contract, Endorsement A should be attached, subject to the following provisions:

- (1) The premises must be occupied by the owner principally for dwelling purposes.
- (2) There is no other business conducted on the premises.
- (3) The incidental business occupancy must be described in detail.
- (4) The incidental business must be operated solely by the owner occupants of the dwelling (no employees).
- (5) The incidental business occupancy cannot occupy more than five hundred (500) square feet in area and no more than fifty per cent (50%) of the floor area of the dwelling or condo unit.
- (6) The following incidental occupancies are eligible when located in otherwise qualified dwellings:
 - (a) Small home enterprises such as barber shops, cobblers, dressmakers, hairdressers, photographer's studios, telephone exchanges, small equipment and appliance repair shops, and other similar small enterprises. Café, daycare or childcare operations (more than four children), lunchroom, commercial woodworking or metalworking shop, cabinet shop or any industrial manufacturing operations are not eligible.
 - (b) Offices: Doctors, insurance, real estate, dentist, etc. when no stock or merchandise is kept for sale and when not more than one such office is located in a dwelling.
 - (c) Merchandise in Storage: With no processing and with no sales and the value of the merchandise does not exceed \$1,000.

To insure a dwelling or condo unit containing an incidental business occupancy under a Homeowner contract, the agent should:

- (a) Submit a photograph of the structure taken from an angle that shows the entrance and the business sign, if any.
- (b) Increase the contents coverage, Coverage C, sufficiently to cover the business personal property contained in the dwelling. (Policy does not cover business personal property away from the premises.)

Business personal property is rated as other personal property. The Total Coverage amount for personal and business property is to be shown on the application and rated according to rates provided to increase Coverage C, Contents, above the basic amount.

Since the liability and medical exposures are increased because of an incidental business occupancy in a dwelling, it is necessary to rate for this exposure. The premium for the attachment of Endorsement A, the Incidental Business Occupancy Form, Section II, is to be shown on the application.

PLEASE NOTE: If the incidental business occupancy is located in an "other structure" on the residence premises, the only coverages extended to the "other structure" from the Homeowner policy are Personal Property, Personal Liability, and Medical Payments to Others Coverages. Physical damage coverage for the "other structure" should be insured on a separate Commercial Fire policy. The Homeowner policy does not cover loss to "other structures" used to any extent for business purposes.

Caution should be used when adding this endorsement. DO NOT write a Homeowner contract on a dwelling or condo unit containing an incidental business occupancy UNLESS Endorsement A is also written. This endorsement is not available on Class 1 property without prior approval before binding.

B. BUILDER'S RISK (ENDORSEMENT B)

The Homeowner policy may be written to cover a new dwelling under construction, which upon completion will be eligible for Homeowner coverage. This is not to be used for any new condominium unit construction.

The agent should apply for a Homeowner policy with a Builder's Risk, Endorsement B. The application should be completed the same as any other Homeowner application. A check box is provided on the application to indicate the application is for new home construction.

This endorsement is designed to insure the new construction for the person who will occupy the dwelling, not the contractor.

The full annual premium must be paid and the coverage must be written for the full anticipated completed value of the dwelling to assure adequate premiums for total and partial losses. When the Builder's Risk, Endorsement B is added to the Homeowner policy, coverage applies to the dwelling under construction and extends Coverage C of Section I and Coverage E and F of Section II to the residence where the insured is temporarily residing during the period of construction. Coverages E and F of Section II do not include any coverages for employees working on the dwelling under construction.

Construction of a new home should be completed within six (6) months, in most situations. Therefore, the Company will contact the agent six months after the policy has been issued. It will then be determined if additional time is required to complete construction.

If extensive remodeling is being done to an existing dwelling and the dwelling is vacant or unoccupied during the remodeling, this endorsement should not be added to the dwelling. Instead the Complete and Occupy Endorsement discussed below should be added along with a

Vacancy Permit. Completion of an electrical inspection form by a licensed electrician may be required by Underwriting.

The terms of the Builder's Risk, Endorsement B are automatically voided when the dwelling is completed **and** occupied. The agent will be required to use the Marshall & Swift / Boeckh Residential Component Technology (MS/B RCT) software to establish an estimated replacement cost on the newly completed home. A (MS/B) replacement cost summary must accompany the request to delete the Builder's Risk, Endorsement B.

PLEASE NOTE: During construction the coverage amount is provisional. In the event of loss, the company's liability will be limited to the actual cost of material and labor used at the time of loss, not to exceed the policy limit. The Underwriter may require photos of the house during and after construction.

C. NEW HOME CONSTRUCTION, THEFT (ENDORSEMENT T)

This endorsement amends the Builder's Risk, Endorsement B - Endorsement B to provide coverage for theft of building materials (appliances are not considered building materials) in the dwelling under construction when: the dwelling is fully enclosed, all windows and doors are locked, and visible signs of forcible entry are present.

A \$250 deductible will apply per occurrence of theft. The maximum amount we will pay per occurrence is \$2,000. This limit does not increase the limit of liability under Coverage A or any Special Limit stated under Coverage C.

D. EXTENDED THEFT (ENDORSEMENTS D, D1, D2, D3 AND D4)

The Homeowner policy limits recovery for theft on certain personal articles such as jewelry, gold, silver, silverware, furs, firearms, etc. The Extended Theft Endorsement allows the insured to increase the limit under SPECIAL LIMITS OF LIABILITY - COVERAGE C - for categories 2, 5, and 8 to \$5,000, \$10,000, \$15,000, \$25,000, or \$35,000. THE THEFT COVERAGE PER ARTICLE IS LIMITED TO \$1,000 BY THIS ENDORSEMENT ON THE HO-1 AND HO-4 FORMS. THE LIMIT PER ARTICLE IS \$2,000 ON THE HO-3 and HO-6.

E. COMPLETE AND OCCUPY CONSTRUCTION (ENDORSEMENT E)

This endorsement keeps coverage on a dwelling "provisional" during a period of construction or remodeling, not to exceed six (6) months. Coverage is limited to the value of the building plus the cost of labor and materials used to remodel at the time of loss, not to exceed the provisional amount of the policy. This endorsement will be used when the insured is living in the dwelling while the dwelling is being added to or remodeled. Coverage must be written for the estimated value of the dwelling upon completion of construction. If there is a large difference between the original estimated amount of value and the final estimated amount of value upon completion, Underwriting may require an increase or decrease in the coverage amount. The terms of this endorsement become void when the building is both completed **and** occupied.

There is no additional premium required for this endorsement. Additional photos during the remodeling process may be required by Underwriting. A licensed electrician may be required to complete an electrical inspection form. New business with this endorsement must be written

as a Class 3. A Construction Evaluation Form will be required when this endorsement is used. After construction is complete, the dwelling may be eligible for another class.

PLEASE NOTE: This endorsement does not include a vacancy permit. If it is being added to a vacant dwelling, a vacancy permit must be added as well.

This endorsement should not be used with the HO-6, Condo Unit-Owners form.

F. VACANCY OR UNOCCUPANCY PERMIT (ENDORSEMENT G) (06-01-07)

The Homeowner policy is designed only for dwellings occupied on a full time basis by the owner. For this reason, some coverages end after 30 days when the dwelling becomes vacant or unoccupied. All coverages end after 60 days. To prevent suspension of coverage for periods of temporary vacancy or unoccupancy, a Vacancy or Unoccupancy Permit may be requested. The permit extends coverage for a 60-day period. This endorsement should not be written on new business.

When requesting this permit, the agent should submit an explanation of why the dwelling is not occupied. If the permit is added, a letter is sent to the insured advising that the policy will cancel at the end of the 60-day permit. The Underwriter will contact the agent prior to the expiration of the permit to determine if the dwelling is occupied. If the dwelling remains vacant or unoccupied, and it is determined that another permit is needed, the agent is responsible for collecting and submitting premium for the second permit. If the dwelling remains vacant or unoccupied, and it is determined that another permit will not be issued, a letter is sent to the insured as a reminder that the policy is canceled and a refund of the unearned premium, if any, is included.

Only two successive permits will be allowed. A charge is made for each 60-day period. The premium for the charge becomes fully earned upon payment. This applies regardless of location of dwelling.

G. VENDORS SINGLE INTEREST (VSI) (ENDORSEMENT I)

This endorsement provides coverage for the mobile home lien holder or mobile home dealer for damages to the insured mobile home. The damages must result from one or more of the following: collision or upset, alteration, conversion, concealment or repossession expenses. This endorsement is available for mobile homes less than 10 years old, which have been "underpinned."

H. PERSONAL PROPERTY REPLACEMENT COST (ENDORSEMENT J)

Coverage may be extended to include the full cost of repair or replacement without depreciation for loss to property insured under Coverage C. All class plans *(except Mobile) are eligible for this coverage. Property written on the HO-1 Form with Endorsement L may also qualify for Endorsement J. *Certain double wide manufactured housing will be eligible for this endorsement. See III. Homeowner Property Classification Plan, Section F. The deductible for the dwelling will also apply to this coverage.

(j) Loss Experience

A new business applicant cannot have more than two (2) losses exceeding \$500 per loss in the past five (5) years.

(k) Ineligible Endorsements and Childcare

When first written, a Class 3 dwelling will not be eligible for a Vacancy Permit. Homeowner coverage can be written on a Class 3 dwelling while the dwelling is undergoing renovation/remodeling. After construction is complete, the dwelling may qualify for a Class 1 or Class 2 if all other underwriting requirements are met.

Dwellings with childcare activity (1-4 children max) will be allowed with a maximum personal liability limit of \$100,000 with an Incidental Business Endorsement.

No Builders Risk, Complete and Occupy or Childcare for condo unit coverage.

(l) Unusual Hazards on the Premises

The premises must not be exposed to unusual hazards, i.e. vicious dogs, exotic animals, unfenced pools, unfenced trampolines, slip and fall hazards, etc. The yard area around the dwelling should be mowed and maintained. Brush and weeds growing next to the dwelling can create a fire hazard. Cluttered, junky premises with non-working appliances, vehicles, or other items indicate a probable morale hazard in addition to being a liability hazard. These are examples of unacceptable conditions of the premises. For condominium exposures, the complex grounds and neighboring units must show signs of proper maintenance and safety precautions. (See Underwriting the Property in the Property Underwriting Guidelines section for specific information.)

(m) Security Measures and Loss Control for High Value Homes (02-15-08)

Homes with Coverage 'A' of \$750,000 or more, or condo units with Coverage 'C' exceeding \$350,000, will be required to have an activated central fire and burglar alarm system. Proof of alarms will be required. A copy of the bill reflecting payment of monitoring services, installation, etc. will be sufficient proof. The burglar alarm portion of this requirement will be waived if the home is located in a gated community which has a guard house and 24 hour guard service, or electronic gate which requires access via security card. A photo of the gated area will be required.

4. CLASS 4 - MOBILE OR MODULAR HOMES

This is the classification assigned to manufactured mobile and modular homes. A modular home is one which is built at a factory and moved in sections to the buyer's property. A manufactured home meeting the following eligibility requirements can be insured as follows:

(a) Eligible Forms

HO-1 & HO-4

Frequent Endorsements

Optional Perils Endorsement L or K (HO-1 & HO-4, respectively)

Personal Property Replacement Cost Coverage

HO-23

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- (b) **Eligible Protection Classes**
Property located in all fire protection classes will qualify for the Mobile.
- (c) **Market Value Requirements and Minimum Coverage Amounts**
A manufactured dwelling can be insured to 100% of market value for property in protection class 2-8, and up to 95% of market value for property in all other protection classes. For an HO-1 form, the dwelling should be insured for a minimum coverage amount of \$12,000 (single wide) or \$25,000 (double wide). For an HO-4 form, the minimum coverage amount for contents should be \$10,000. Dwellings or contents insured for less than the minimums shown may be submitted as a trial application. Coverage must be adjusted periodically to account for depreciation.
- (d) **Design and Maintenance Characteristics (06-01-07)**
Dwelling must be the primary residence for the applicant. Mobile homes with an addition or other structural modifications may be acceptable. Permanent steps at all entrances are required. Dwellings with entrances that have portable steps, steps of stacked blocks or other unstable materials, or no steps at all will not be acceptable. More than three steps may require at least one handrail depending on the height of the entry way.
- (e) **Heating and Cooling Requirements (06-01-07)**
Primary heat source must be a modern heating system thermostatically controlled which uses gas, electricity, or solar. A factory installed fireplace with a "UL" approved metal flue is acceptable. Primary heat source must be gas or electricity. Fireplace "inserts" and wood stoves are unacceptable unless specifically designed for mobile home use. Mobile homes with room additions having a wood heating appliance will be eligible if the appliance is properly installed. (See Underwriting Guidelines for more information.)
- (f) **Electrical System Requirements**
Dwellings must have a modern electrical system in good condition no more than fifteen (15) years old when first written. Homes with an addition or other structural modifications may be required to have an electrical inspection by a licensed electrician. A satisfactory electrical inspection may be required to qualify for or maintain coverage. Aluminum wiring in any dwelling is unacceptable.
- (g) **Foundation Requirements**
Dwelling must have a continuous exterior underpinning, enclosed foundation (brick, concrete block, or rock), or concrete slab. Underpinning and enclosed foundation must fully enclose the bottom of the home and extend from the ground to the bottom of the dwelling without gaps.
- (h) **Plumbing Requirements**
Must have modern interior plumbing. No plumbing over fifteen (15) years old when first written.
- (i) **Roofing Requirements**
The roof should be constructed of quality material, in good condition, and must not be over fifteen (15) years old when the policy is first written. Do not submit an application on a dwelling whose roof is worn out or damaged. We will not accept

applications for dwellings on which a Wind and Hail Roof Exclusion endorsement would be necessary. (See Roofing in the Property Underwriting Guidelines.)

(j) Loss Experience

A new business applicant cannot have more than one (1) loss exceeding \$500 in the past five (5) years.

(k) Ineligible Endorsements and Childcare

Not eligible for Vacancy Permit when first written. Child care activity (1-4 max) is allowed with a maximum personal liability limit of \$100,000.

(l) Unusual Hazards on the Premises

The premises must not be exposed to unusual hazards, i.e. vicious dogs, exotic animals, unfenced pools, unfenced trampolines, slip and fall hazards, etc. The yard area around the dwelling should be mowed and maintained. Brush and weeds growing next to the dwelling can create a fire hazard. Cluttered, junky premises with non-working appliances, vehicles, or other items indicate a probable morale hazard in addition to being a liability hazard. These are examples of unacceptable conditions of the premises. (See Underwriting the Property in the Property Underwriting Guidelines section for specific information.)

(m) Other Considerations

Dwellings must be located on land owned by the applicant(s) or located in an approved mobile home park. Dwellings which are secondary residences, vacant, unoccupied, or "For Sale" are not eligible. Dwellings leased under any type of lease-purchase agreement are not eligible.

5. GUIDELINES FOR WRITING A SECONDARY HOMEOWNER POLICY

The following guidelines will be used in determining qualifications for acceptability in allowing a second homeowner policy for an insured with an existing primary residence homeowner insurance policy. All secondary residences must obtain prior approval from the Area Underwriter prior to binding coverage. A separate supplemental form will be required on all secondary residences along with (2) two photos (front and back).

(a) Eligible Forms

HO-1 form (Dwelling must be within a 200 mile radius of applicant's primary residence.)

HO-3 form (Dwelling must be within a 100 mile radius of applicant's primary residence.)

HO-4 form (Dwelling must be within a 200 mile radius of applicant's primary residence.)

HO-6 form (Condo unit must be within a 100 mile radius of applicant's primary residence)

Frequent Endorsements

Optional Perils Endorsement L or K (used only with HO-1 and HO-4, respectively)

Personal Property Replacement Cost Coverage (automatically included in HO-6)

(b) Class Requirements

A Class 3 will be used on all secondary residences. Optional perils and contents replacement cost endorsement (where applicable) will be available as long as all underwriting guidelines are met.

(c) Eligible Protection Classes

Property must be located in fire protection classes 2- 9. The secondary residence must be located on an all weather surfaced road and within view of three other homes.

(d) Insurance to Value and Coverage A Minimum Requirements

HO-3 Form, Class 3

Minimum 80% of MS/B Value

HO-1 Form, Class 3

Minimum 60% of MS/B Value

The dwelling should have a minimum replacement cost of \$55 per square foot, as determined by the MS/B program, and must meet the minimum insurance to value guidelines based on policy form. Consideration for new homeowner property business for less than these amounts can be considered on a non-binding trial application.

(e) Design and Maintenance Characteristics (06-01-07)

The secondary residence can be a newer or older dwelling or condo unit with the interior and exterior in a good state of repair. The dwelling or condo unit should have been constructed by a licensed building contractor. Dwellings with an addition or other structural modifications may be acceptable. An electrical inspection by a licensed electrician may be required.

Permanent steps at all entrances are required. Dwellings or condo units with entrances that have portable steps, steps of stacked blocks or other unstable materials, or no steps at all will not be acceptable. More than three steps may require at least one handrail depending on the height of the entry way.

PLEASE NOTE: The following type dwellings are not eligible(1) kit homes; (2) shell type or pre-manufactured houses; (3) any other type housing using non-traditional building methods such as underground homes, Geodesic homes, 'A' frame homes, etc.; (4) any house constructed of materials which are not readily available; (5) mobile or modular homes; (6) hunting cabins/lodges; (7) dwellings attached to or built around a mobile home or any existing structure; (9) dwellings relocated and moved to the applicant's premises; (10) flat roofed homes; or (11) rolled roofing (if the rolled roofing covers more than 25% of the living area), tin, or tar paper roofed homes.

(f) Heating and Cooling Requirements

Primary heat source must be a central heat and air conditioning system fueled by gas, electricity, or solar. Wood heating units must have "UL" approved metal flue or masonry fully lined flue. There will be a wood heat charge for any source of wood heat other than a conventional fireplace or a zero clearance fireplace. (Fireplaces with inserts will be charged.) No wood heat will be allowed in condo units other than conventional fireplace or zero clearance fireplace.

★ When insuring new business, a Chimney Sweep inspection will be required, on all dwellings or condo units having a wood heat unit over ten (10) years of age other than an open fireplace or central units located outside the dwelling.

★ The chimney sweeping must be performed by a Chimney Sweep. Written proof that a sweeping has been performed in the past twelve (12) months will be acceptable. A copy of the Chimney Sweep's inspection or billing clearly describing the services will be sufficient proof.

(g) Electrical System Requirements

Must have modern electrical wiring system in good condition. The electrical system cannot be more than thirty (30) years old when first written. Homes with an addition or other structural modifications may be required to have an electrical inspection by a licensed electrician. A satisfactory electrical inspection may be required to qualify for or maintain coverage. Aluminum wiring in any dwelling or condo unit is unacceptable.

(h) Foundation Requirements

Dwellings or condominium structures must have continuous enclosed foundation of solid masonry (brick, concrete block, or rock) or concrete slab.

(i) Plumbing Requirements

Must have modern interior plumbing systems. No plumbing over thirty (30) years old when first written. Log homes with plumbing less than twenty (20) years old are acceptable.

(j) Roofing Requirements

The roof must be constructed of quality materials and should be in good condition. Do not submit an application on a dwelling whose roof is worn out or damaged. We will not accept applications for dwellings on which a Wind and Hail Roof Exclusion endorsement would be necessary. A Field Underwriter may inspect and approve any roof over fifteen (15) years old when written as new business. (See Roofing in the Property Underwriting Guidelines.)

(k) Loss Experience

A new business applicant cannot have more than one (1) loss exceeding \$500 in the past five (5) years.

(l) Ineligible Endorsements and Childcare

The secondary residence will not qualify for the claim free or home/auto discount or occupational credit. Not eligible for the Complete and Occupy Endorsement or Vacancy Permit when first written. Dwellings with childcare activity do not qualify. No Builders Risk, Complete and Occupy or Childcare for condo unit coverage.

(m) Unusual Hazards on the Premises

The premises must not be exposed to unusual hazards, i.e. vicious dogs, exotic animals, unfenced pools, unfenced trampolines, slip and fall hazards, etc. The yard area around the dwelling should be mowed and maintained. Brush and weeds growing next to the dwelling can create a fire hazard. Cluttered, junky premises with non-working appliances, vehicles, or other items indicate a probable morale hazard in addition to being a liability hazard. These are examples of unacceptable conditions of the premises. For condominium exposures, the complex grounds and neighboring units must show signs of proper maintenance and safety precautions. (See Underwriting the Property in the Property Underwriting Guidelines section for specific information.)

(n) Other Considerations

The applicant must have a homeowner insurance policy in force for his primary residence insured with Farm Bureau Mutual Insurance Company of Arkansas, Inc. The secondary residence must be fully furnished with contents and occupied on a regular basis. It may not be occupied by anyone other than the named insured, legal dependant, father, mother, son or daughter. It cannot be listed "For Sale," rented or leased to others.

(o) Security Measures and Loss Control for High Value Homes (02-15-08)

Homes with Coverage 'A' of \$750,000 or more or condo units with Coverage 'C' exceeding \$350,000, will be required to have an activated central fire and burglar alarm system. Proof of alarms will be required. A copy of the bill reflecting payment of monitoring services, installation, etc. will be sufficient proof. The burglar alarm portion of this requirement will be waived if the home is located in a gated community which has a guard house and 24 hour guard service, or electronic gate which requires access via security card. A photo of the gated area will be required.

V. FREQUENT EXPIRATIONS AND INSUFFICIENT FUNDS (05-01-2004)

Policyholders who habitually allow their policies to expire, or those whose checks are returned for insufficient funds, will create greater reinstatement and processing expenses and, as a group, will produce a higher loss ratio than other policyholders. Policyholders with a history of frequent expirations or checks returned for insufficient funds will be underwritten based on loss history and lapse frequency. The policyholder may be subject to the following actions:

1. Change in rating class at renewal
2. Loss of installment pay option (if paying by installment) with requirement of annual premium payment
3. Size of deductible increase at renewal
4. Refusal by the Company to reinstate coverage

Rules For Annual And Quarterly Pay Policyholders

If an annual pay policyholder has two or more lapses in the past 5 years, or if a quarterly pay policyholder has five or more lapses in the past 5 years, and one or more losses in excess of \$500 per loss, the rating class will be changed at the next renewal, i.e. from class 1 to class 2, class 2 to class 3. If the rating class is already class 3 and if the policy is quarterly pay, the pay mode will be changed to annual pay.

If the policy continues to expire with frequency the policy will be re-underwritten. All other options will be considered including refusal to renew the policy.

If the policyholder has frequent expirations as described above but there are no losses in the past five years, the policyholder will receive a warning letter concerning the frequent expirations. If the policy expires again, action will be taken in accordance with the above rules.

Consideration will be given to moving a policyholder back to a former rating class, or back to quarterly pay, if the policyholder corrects the frequent expirations.

Rules For Checks Returned For Insufficient Funds

New applicants who pay their first new business premium with a check which is returned for insufficient funds will not be allowed to reinstate the newly issued policy.

All existing policyholders whose premium payment has been returned for insufficient funds more than once in a five year time period will be subject to one or more of the actions listed above.

VI. REINSURANCE (10-01-2002)

Reinsurance is a contractual agreement under which one insurance company transfers a portion of its insurance exposures to another insurance company called a reinsurer. The Reinsurance Agreement, between Farm Bureau Mutual Insurance Company of Arkansas, Inc., and its reinsurer calls for reinsuring any one risk which exceeds \$500,000. A risk is defined as all items insured which are located close enough together (within 100' of each other) wherein all may be destroyed by one occurrence of an insured peril. The agent should list on the application all policy numbers insuring items which meet this reinsurance criteria.

VII. HOMEOWNER POLICY CHANGES/HOMEOWNER SUPPLEMENT FORM (03-01-2002)

The Homeowner Supplement Form must be used with the Homeowner Change Form document when an insured purchases a dwelling and places it on an active Homeowner Policy in place of the previously insured dwelling or when adding a new insured. The agent should obtain the necessary underwriting information from the insured, including completion of the underwriting questions. The Homeowner Supplement can also be used when updating the fire protection classification on a dwelling.

Note: If someone buys or inherits a currently insured dwelling, the agent should complete a new application on that dwelling.

VIII. HOMEOWNER PHOTO REQUIREMENTS (06-01-07)

Two clear, unobstructed photos are required with a new application on a dwelling or apartment /condo unit when first insured on a POP or HO. The photos must be from an angle which shows the front and backside of the entire dwelling or condo unit. Both photos should be taken from an angle and distance where the full front and one side, and full back and the opposite side can be seen.

(See diagram below)

Photo

Rear



Front

Photo

HO-29

40

There will be times when the agent will find a back yard with a privacy fence and locked gate, or an aggressive dog behind the fence. When these situations are encountered, the agent can hold the camera up over the fence and snap the best photo possible. With a digital camera, it's easy to experiment with an "over the fence" photo until an acceptable image is obtained.

IX. FIRE PROTECTION CLASSIFICATIONS (10-01-2002)

In order to qualify for certain fire protection classifications the property must be accessible by fire fighting equipment.

A. CLASS 2 THRU 8

These fire protection classifications are assigned to certain towns by ISO based upon the quality of the fire department, water pressure, water availability, and many other factors.

To be eligible for these town classifications, property must be located within the corporate limits of the towns. In addition, these classifications include property located outside Class 2 thru 8 towns but within 5 one-way road miles (must be located on an all-weather road) of a responding Class 2 thru 8 fire station and within 1,000 feet of a qualified fire hydrant. This property will qualify for the protection class of the servicing fire station. Any property located more than 5 one-way road miles from the fire station must be classified suburban or rural.

IF AN INSURED MUST SUBSCRIBE TO A FIRE DEPARTMENT AND BE A MEMBER TO RECEIVE SERVICES, PLEASE PROVIDE PROOF THE MEMBERSHIP FEE IS PAID BEFORE APPLYING THE PROTECTION CLASS OF THE SERVICING FIRE DEPARTMENT. This may be in the form of a paid receipt or a cancelled check. IF AN INSURED IS IN A FIRE PROTECTION DISTRICT SUPPORTED BY A TAX ASSESSMENT, PLEASE PROVIDE EVIDENCE OF PAID PROPERTY TAX ON THE INSURED PROPERTY UNLESS THE FIRE DEPARTMENT IS INDICATED WITH AN ASTERISK ON THE FIRE DISTRICT CODES PAGES.

FAILURE TO PROVIDE THE PROPER PROOF OF MEMBERSHIP PAYMENT OR PAYMENT OF TAX ASSESSMENT WILL RESULT IN CHANGING THE PROTECTION CLASS ON THE INSURED PROPERTY TO THE RURAL PROTECTION CLASS.

B. OTHER PROTECTED PROPERTY

If the property is located within 5 one-way road miles of a responding rural fire station, the protection class of the responding station applies. Except where indicated otherwise in the Fire Protection Classification pages, any property located more than 5 one-way road miles from the fire station must be classified suburban. The property must be located on an all-weather road.

IF AN INSURED MUST SUBSCRIBE TO A FIRE DEPARTMENT AND BE A MEMBER TO RECEIVE SERVICES, PLEASE PROVIDE PROOF THE MEMBERSHIP FEE IS PAID BEFORE APPLYING THE PROTECTION CLASS OF THE SERVICING FIRE DEPARTMENT. This may be in the form of a paid receipt or a cancelled check.

IF AN INSURED IS IN A FIRE PROTECTION DISTRICT SUPPORTED BY A TAX ASSESSMENT, PLEASE PROVIDE EVIDENCE OF PAID PROPERTY TAX ON THE INSURED PROPERTY UNLESS THE FIRE DEPARTMENT IS INDICATED WITH AN ASTERISK ON THE FIRE DISTRICT CODES PAGES.

FAILURE TO PROVIDE THE PROPER PROOF OF MEMBERSHIP PAYMENT OR PAYMENT OF TAX ASSESSMENT WILL RESULT IN CHANGING THE PROTECTION CLASS ON THE INSURED PROPERTY TO THE RURAL PROTECTION CLASS.

C. SUBURBAN PROTECTED

(Code 10) Property located outside Class 2 through 8 towns and within 5 one-way road miles (must be located on an all-weather road) of a responding Class 2 through 8 fire station but without a serviceable fire hydrant within 1000 feet. Property must also qualify for "Suburban" before allowing Suburban Protected rates.

D. SUBURBAN

(Code 11) Property that is located in a congested or built up area on all-weather roads and with at least ten (10) occupied dwellings within ½ mile of the insured dwelling. Homes in this protection class do not qualify for Class 1 when insured after March 1, 2002.

E. RURAL PROPERTY

(Code 12) Property not located within areas designated above. Homes in this protection class do not qualify for Class 1 when insured after March 1, 2002.

F. "CLASS X" CLASS 1 & CLASS 2 PROPERTY FIRE PROTECTION RULE

Class 1 or Class 2 property which has more than one responding fire department and meets the following requirements may be rated by the protection class shown on the schedule below.

Property must be located on an all-weather road and be within view of three other occupied homes; and:

1. property must be within five one-way road miles of both responding fire departments and located within 1,000 feet of a standard fire hydrant; or
2. property must be within five one-way road miles of both responding fire departments one of which can transport a minimum of 3,000 gallons of water to a fire.

If lowest published protection class of a responding fire department is: Rate as Protection Class:

1-3	5X	(Use the rates for the protection class indicated. Include the "X" in the protection class when this rule is used.)
4-5	6X	
6	7X	
7	8X	
8	9X	
9	9X	
10	10X	

If any portion of an established and plotted subdivision is within five miles of a fire station, all of the subdivision is considered to be within five miles of that station.

G. SPLIT CLASSIFICATIONS (02-15-08)

For jurisdictions listed with multiple classification numbers (e.g. 6/9), known as a "split classification", the classification number applicable to individual properties is determined as follows:

- 1) For properties located five road miles or less from a responding fire station of a designated recognized fire department indicated in the listing for the jurisdiction, and *within 1,000 feet of a fire hydrant*, the first listed classification number applies (e.g., 6/9, use Class 6).
- 2) For properties located five road miles or less to a responding fire station, and *located MORE THAN 1,000 feet from a fire hydrant*, use the second listed classification number. (e.g. 6/9, use Class 9).

X. DEDUCTIBLE PLANS AVAILABLE (01-01-09)

The following minimum deductible requirements will be effective for new Homeowner business having an effective date of April 15, 2003 or later: (1) \$500 Deductible; (2) \$1000 Deductible; (3) \$2,000 Deductible (\$1,000 and \$2,000 not available on HO-4 properties.) Obviously, the greater the deductible amount selected the greater the premium savings realized by the insured. The deductible applies to Section I. losses and does not apply to additional living expenses, fire department service charges, credit forgery losses, or to any Section II Losses.

Minimum Deductible Requirements	
Coverage	Minimum Deductible Required
Coverage 'A' < \$250,000	\$500
Coverage 'A' \$250,000 - \$500,000	\$1000
Coverage 'A' > \$500,000	\$2000
HO-4	\$500
HO-6 Coverage 'C' < \$50,000	\$500
HO-6 Coverage 'C' \$50,000 to \$250,000	\$1000
HO-6 Coverage 'C' over \$250,000	\$2000

XI. CREDITS/CHARGES (03-01-2002)

A. FULL-TIME FARMER CREDIT

A full-time farmer applicant may be eligible to receive an occupation credit on his/her policy. A full-time farmer is defined as an individual (owner or operator) who is engaged in the farming occupation as the main source of income. He/she may have other sources of income such as investments, etc., but any other occupation must not take him/her away from the premises.

B. RETIRED PERSON CREDIT

A retired person may receive a credit on their Homeowner policies. A retired person is defined as a person reaching the minimum age of 55, having retired from a full-time occupation, and not presently engaged in a full or part-time occupation. A retired person will not include disabled persons, unemployed persons, or students. Also, the retired person must live on the insured premises on a full time basis.

C. NEW HOME CREDITS

New homes are eligible for a credit based on the year of completion of dwelling. If the year occupied is different from the year completed, the earlier year would apply. Renovated dwellings will not qualify for new home credit. Not applicable to HO-4 or HO-6.

D. FIRE, SMOKE, & BURGLAR, DETECTION / PREVENTION CREDITS

The policyholder may receive credits based upon their fire and burglary detection/prevention efforts. The policyholder may receive up to 2 credits for any two types of devices. For example, if the policyholder has an ultrasonic local burglar alarm and a fire or smoke alarm, they may receive credit for both devices. However, only one credit will be allowed if the policyholder has two or more types of fire/smoke alarms, or burglar alarms.

E. HOMEOWNER /AUTO CREDIT

All forms except HO-4 qualify for the credit if the policyholder has at least one "private passenger" type vehicle (excluding motorcycles, recreational vehicles, one ton or larger commercial and farm rated trucks/trailers) insured with Southern Farm Bureau Casualty Insurance Company. Both Homeowner and Auto policies must be listed under the same County Farm Bureau membership and for the same insured or spouse for the credit to apply.

F. CLAIMS EXPERIENCE FACTOR

A claims experience factor will apply to Homeowner policyholders. The factor will be based on years insured with the company and the number of qualifying claims within the past three years. The factor can range from +30% to -15%.

Qualifying claims are regarded as any non-weather related claims in the past three years of the current renewal. The following types of claims will be excluded in the experience calculation:

1. Wind
2. Hail
3. Collapse
4. Freezing
5. Lightning

More information regarding credit percentages and definitions of certain types of alarms may be found in the "Additional Premiums/Credits" pages in the Homeowner Rate section of the manual.

XII. HOMEOWNER CODES (04-15-2003)

The following is a listing of various codes and their meanings. These codes are shown on policy declarations and inquiry screens.

<u>POLICY FORMS</u>	<u>CODE</u>	<u>RATING CLASSES</u>	<u>CODE</u>
HO-1	1	Class 1	1
HO-3	3	Class 2	2
HO-4	4	Class 3	3
Mobile or Modular			4

CONSTRUCTION CODE AS:

Frame	F
*Brick Veneer	BV
Concrete Block	CB
All Steel	S
*Brick	BR
*Rock Veneer	RV
Frame Iron-Clad	FIC
Stucco	ST
Aluminum	ALM
Rock/Stone	R
Solid Masonry	SM

For accurate statistical and rating purposes, please be sure the correct construction code is used.

If 75% or more of the outer surface is brick veneer or rock veneer, code as "BR."

If 26% or more of the outer surface is frame, code as "F."

If the outer surface is between 25% and 75% brick or rock, code as "BV" or "RV."

PROTECTION CLASS CODES

01 - Class 1	04 - Class 4	07 - Class 7	Class 10 - Suburban Protected
02 - Class 2	05 - Class 5	08 - Class 8	Class 11 - Suburban
03 - Class 3	06 - Class 6	09 - Class 9	Class 12 - Farm

Read the endorsement in regard to conditions, exclusions, and limits that apply to losses. The underwriting department may require the policyholder to complete and submit an inventory before providing such coverage.

The HO-6 Condo Unit Owners form automatically provides Personal Property Replacement cost coverage. No endorsement is necessary.

I. OPTIONAL PERILS (ENDORSEMENT K, HO-4 ONLY)

This endorsement adds five perils to the Tenant Homeowner (HO-4) policy:

- (1) Weight of ice, snow or sleet.
- (2) Sudden or accidental tearing apart, cracking, burning or bulging of a heating or air conditioning system, water heating appliance or fire sprinkler system.
- (3) Accidental discharge or overflow of water or steam from a plumbing, heating or air conditioning system, household appliances or fire sprinkler system.
- (4) Freezing of plumbing, heating or air conditioning systems, appliances and fire sprinkler systems.
- (5) Sudden and accidental loss caused by surges of artificially generated electrical currents.

J. OPTIONAL PERILS (ENDORSEMENT L, HO-1 ONLY)

This endorsement adds five perils to the HO-1 policy:

- (1) Weight of ice, snow or sleet.
- (2) Sudden or accidental tearing apart, cracking, burning or bulging of a heating or air conditioning system, water heating appliance or fire sprinkler system.
- (3) Accidental discharge or overflow of water or steam from a plumbing, heating or air conditioning system, household appliances or fire sprinkler system.
- (4) Freezing of plumbing, heating or air conditioning systems, appliances and fire sprinkler systems.
- (5) Sudden and accidental loss caused by surges of artificially generated electrical currents.

This endorsement is also available for certain manufactured housing. See IV. Homeowner Property Classification Plan, Section D, Class 4 -Mobile or Modular Homes.

K. LIMITED COVERAGES (ENDORSEMENT P) (10-15-08)

This endorsement is to be used under certain circumstances when the occupant(s) of the dwelling are immediate family of the legal owners of the property. The occupant owns the furnishings in the dwelling. The intent is to provide Coverages A and B to the owner(s) of the dwelling and Coverages C and D, as well as Section I Additional Coverages, to the occupants of the dwelling, as long as the owner(s) and occupant(s) are immediate family. Section II Liability and Medical coverages (Coverage E & F) will apply to both parties (owners and occupants). Examples include: (1) a son or daughter may purchase a home for elderly parents to live in; or (2) a mother and father may purchase a home for a daughter and her husband to live in.

This endorsement can also be used when an insured's corporation owns the dwelling and the insured occupies the dwelling or condo unit. Only three names can be listed as named insureds on the application/policy Declaration. If there are more than three, all other names will be listed on this endorsement.

The following procedures will apply to the use of this endorsement:

- (1) The "First Named Insured(s)" is the owner of the dwelling or condo unit. The underwriting and other personal information on the application or change request will pertain to the "First Named Insured(s)." The owner is the only one who may request changes to Coverages A and B.
- (2) The "Additional Insured(s)" is the occupant of the dwelling or condo unit and owner of the contents. The Homeowner Supplement Form should be used to underwrite the occupant. The occupant is the only one who may request changes to Coverages C and D.
- (3) Coverages E and F are afforded to both the Named Insured(s) and Additional Insured(s) as listed on the endorsement. Either party may request changes to Coverages E and F.
- (4) If either party cancels its coverages, the policy will be cancelled and both parties will be notified.
- (5) The names of both the first named insured (owner) and occupants will appear on the declaration. All billings, refunds and other notices and the declaration will be mailed to the first named insured (owner). The first named insured (owner) will be responsible for paying the premiums.
- (6) Both the first named insured and occupant insureds must have current County Farm Bureau memberships.

Caution should be used when writing Endorsement P on a policy. If there is any question regarding the financial condition or the relationship between the insureds, a trial application should be used.

L. SEWAGE BACKUP (ENDORSEMENT S)

This endorsement amends coverage by providing coverage for accidental direct physical loss caused by water or sewage, which backs up through sewers or drains including sump overflow. A \$250 deductible will apply per occurrence, and the maximum amount we will pay per occurrence is \$2,500. This limit does not increase the limits of liability applying to Coverages A, B, and C. We will not pay for loss of a sump pump or related equipment, which is caused by mechanical breakdown.

M. WIND AND HAIL ROOF EXCLUSION (ENDORSEMENT M)

This endorsement excludes coverage for damages to the roof of a home from the perils of wind and hail. Coverage is also excluded for damage to the contents or interior of the home which occurs as a result of pre-existing roof damage. This endorsement cannot be used on a new Homeowner policy.

This endorsement may be applied to existing business (any class plan) when the roof is in poor condition due to wear and tear, and/or when we have paid the insured to replace the roof or make repairs due to a covered loss and the repairs go unmade. In these situations, the underwriter may require a larger deductible and/or change the class plan.

III. MINIMUM REPLACEMENT COST REQUIREMENTS (10-01-2002)

An under-insured home creates several problems. If the home is destroyed by a covered peril, the insured will not receive an adequate loss settlement to rebuild his or her home. Also, when a home is under insured, the Company does not receive adequate premiums to pay for partial losses, which may occur.

For a home to be insured under one of the homeowner forms several underwriting requirements must be met. One requirement is for the home to be insured within a certain percentage of its replacement cost. Replacement cost represents the cost of repairing or replacing (subject to policy limits) the dwelling at current prices of labor and with comparable building materials. The homeowner form and class plan will determine the required percentage of replacement cost.

The agent will be required to use the Marshall & Swift / Boeckh Residential Component Technology (MS/B RCT) software to establish an estimated replacement cost. A (MS/B) replacement cost summary must accompany all new and rewrite homeowner applications.

This does not apply to HO-6 Condo Unit-Owner coverage.

Form and Class Guidelines

The following guidelines will be used for the minimum replacement cost requirements by form and class:

HO-3 Class 1	90% of MS/B Estimated Replacement Cost
HO-3 Class 2 & Class 3	80% of MS/B Estimated Replacement Cost
HO-1 Class 1	70% of MS/B Estimated Replacement Cost
HO-1 Class 2 & Class 3	60% of MS/B Estimated Replacement Cost

Annual Building Cost Inflation Adjustments (06-01-07)

Building costs (labor and materials) are not the same in all parts of Arkansas. MS/B will monitor the building costs in a number of Arkansas zip code ranges, and the annual building cost factor will vary depending on the zip code. The MS/B value will be adjusted annually based on the building cost factor established for each zip code range.

If the Coverage A amount does not meet the minimum replacement cost requirements after the annual building cost adjustment is applied, the coverage will be increased. Coverage A will not be increased over five percent (5%) a year due to annual building cost inflation adjustments or due to minimum replacement cost requirements.

Agent Adjustments to the MS/B Value

Once a policy has reached the minimum replacement cost guidelines required by form and class, the insurance to value percentage will be maintained on the policy for subsequent renewals unless coverage is increased due to additions or improvements to the dwelling. If additions or improvements have been made to the dwelling, the agent must complete and submit a new MS/B replacement cost

evaluation to establish a new MS/B value. New front and rear photos of the dwelling will be required. The MS/B RCT program may not always develop enough value to cover the mortgage. In such cases, the agent will be allowed to increase the MS/B value to a maximum of twenty-five percent (25%). The Regional Underwriting Manager must approve any requests, which exceed the twenty-five percent (25%).

IV. HOMEOWNER PROPERTY "CLASSIFICATION PLAN" (11-01-2005)

This "Classification Plan" guide is designed to give the agent and underwriter a general idea of the type of dwelling expected to be insured within each Homeowner rating classification.

Refer to the guidelines for each Homeowner classification for specific class qualifications. Refer to the Property Underwriting Guidelines pages for the minimum coverage amount guidelines and other underwriting guidelines.

Dwellings must meet all local building codes in order to qualify for homeowner coverage.

Experience has shown there can be a correlation between the age of the dwelling, wiring, plumbing and roof type and quality of construction, type of heat, wiring, plumbing, roof, housekeeping, maintenance of property, etc., and the susceptibility of that property to loss. With this in mind the following guidelines are provided to assist with proper selection and classification.

These are specific underwriting guidelines for each homeowner class. In addition to these guidelines, review I. Underwriting the Applicant and II. Underwriting the Property in the Property Underwriting Guidelines section.

A. HOMEOWNER CLASSIFICATION GUIDELINES (06-01-07)

1. CLASS 1 PROPERTY

(a) **Eligible Forms**

HO-1, HO-3, HO-4 & HO-6

Frequent Endorsements

Optional Perils Endorsement L & K (used only with HO-1 and HO-4, respectively)

Personal Property Replacement Cost Coverage Endorsement (automatically included in HO-6)

(b) **Eligible Protection Classes**

Property located in Suburban or Farm protection classes do not qualify for Class 1. All other fire protection classes may qualify for Class 1.

(c) **Market Value (HO-1 and HO-3 only)**

Market value represents the price the structure (excluding the lot or land) would bring on the market if sold today or the price the structure brought if recently purchased.

The spread between market value and replacement cost helps to determine the type of policy to be written. There should be very little difference between market value and the RCT replacement cost on Class 1 and Class 2. **The percentage difference between market value and replacement cost should not exceed 30%. (02-15-08)**

(d) Insurance to Value and Coverage A Minimum Requirements

HO-3 Form, Class 1	Minimum 90% of MS/B Value
HO-1 Form, Class 1	Minimum 70% of MS/B Value

The dwelling should have a minimum replacement cost of \$70 per square foot, as determined by the MS/B program, and must meet the minimum insurance to value guidelines based on policy form. Consideration for new homeowner property business for less than these amounts can be considered on a non-binding trial application.

(e) Design and Maintenance Characteristics (06-01-07)

The Class 1 is reserved for homes or condo units that have been custom built by a licensed building contractor. The dwelling or condominium must be constructed with above average to excellent quality materials, having superior characteristics inside and out. The interior and exterior must be in excellent condition (new or good as new) and the design of the dwelling or condominium must be of traditional construction techniques.

Permanent steps at all entrances are required. Dwellings with entrances that have portable steps, steps of stacked blocks or other unstable materials, or no steps at all will not be acceptable. More than three steps may require at least one handrail depending on the height of the entry way.

PLEASE NOTE: The following type dwellings are not eligible for the Class 1 : (1) kit or log homes; (2) shell-type or pre-manufactured houses; (3) any other type housing using nontraditional building methods such as underground homes, Geodesic homes, 'A' frame homes, etc.; (4) any house constructed with materials which are not readily available; (5) mobile or modular homes; (6) dwellings attached to or built around a mobile home or any existing structure; (7) dwellings relocated and moved to the applicant's premises; (8) flat roofed homes; or (9) rolled roofing, tin, or tar paper roofed homes.

(f) Heating and Cooling Requirements

Primary heat source must be a central heat and air conditioning system fueled by gas, electricity, or solar. Wood heating units must have "UL" approved metal flue or masonry fully lined flue. There will be a wood heat charge for any source of wood, pellet, corn or coal heat other than a conventional fireplace or a zero clearance fireplace. (Fireplaces with inserts will be charged.) Homes with a wood heating unit used as a primary heat source will not qualify for the Class 1. No wood heat will be allowed in condo units other than conventional fireplace or zero clearance fireplace.

- ★ When insuring new business, a Chimney Sweep inspection will be required on all dwelling or condo unit with a wood heating unit over ten (10) years of age other than an open fireplace or central units located outside the dwelling.
- ★ The chimney sweeping must be performed by a Chimney Sweep. Written proof that a sweeping has been performed in the past twelve (12) months will be acceptable. A copy of the Chimney Sweep's inspection or billing clearly describing the services will be sufficient proof.

(g) Electrical System Requirements

Dwellings or condominium units will have a modern electrical system, in excellent condition, properly installed by a licensed electrician in compliance with local building code requirements. No wiring over twenty (20) years old when first written. A satisfactory electrical inspection from a qualified electrician may be required to qualify for or maintain the Class 1. Aluminum wiring in any dwelling is unacceptable.

(h) Foundation Requirements

Dwellings or condominium structures must have continuous enclosed foundation of solid masonry (brick, concrete block, or rock) or concrete slab.

(i) Plumbing Requirements

Dwellings or condo units must have modern interior plumbing system. No plumbing over twenty (20) years old when first written.

(j) Roofing Requirements

The roof must show no signs of wear or previous damage. Roofs with roll roofing are acceptable if in good condition and when the roll roofing covers 25% or less of the heated and cooled area.

Do not submit an application on a dwelling/ condo unit whose roof is worn out or damaged. We will not accept applications for dwellings on which a Wind and Hail Roof Exclusion Endorsement would be necessary.

A Field Underwriter may inspect and approve any roof over fifteen (15) years old when written as new business. (See Roofing in the Property Underwriting Guidelines section)

(k) Loss Experience

A new business applicant cannot have any losses in the past five (5) years.

(l) Security and Loss Control Measures

When first written, deadbolt locks are required on all exterior doors. Fire extinguishers and smoke alarms are also required.

(m) Security Measures and Loss Control for High Value Homes (02-15-08)

Homes with Coverage 'A' of \$750,000 or more, or condo units with Coverage 'C' exceeding \$350,000, will be required to have an activated central fire and burglar alarm system. Proof of alarms will be required. A copy of the bill reflecting payment of monitoring services, installation, etc. will be sufficient proof. The burglar alarm portion of this requirement will be waived if the home is located in a gated community which has a guard house and 24 hour guard service, or electronic gate which requires access via security card. A photo of the gated area will be required.

(n) Ineligible Endorsements and Childcare

When first written, a Class 1 dwelling will not be eligible for the Complete and Occupy Endorsement, Vacancy Permit, or Wind and Hail Roof Exclusion. A Class 1 dwelling with an incidental business will require prior approval to be insured with an Incidental Business Endorsement. Dwellings with childcare activity do not qualify for

Class 1. A dwelling may qualify for a Class 1 after such endorsements are no longer required if all other eligibility requirements are met. No Builders Risk, Complete and Occupy or Childcare for condo unit coverage.

(o) Unusual Hazards on the Premises

The premises must not be exposed to unusual hazards, i.e. vicious dogs, exotic animals, unfenced pools, unfenced trampolines, slip and fall hazards, etc. The yard area around the dwelling should be mowed and maintained. Brush and weeds growing next to the dwelling can create a fire hazard. Cluttered, junky premises with non-working appliances, vehicles, or other items indicate a probable morale hazard in addition to being a liability hazard. These are examples of unacceptable conditions of the premises. For condominium exposures, the complex grounds and neighboring units must show signs of proper maintenance and safety precautions. (See **Underwriting the Property in the Property Underwriting Guidelines** for specific information.)

(p) Other Considerations

Reserved for Future Use

2. CLASS 2 PROPERTY

(a) Eligible Forms

HO-1, HO-3, HO-4 & HO-6

Frequent Endorsements

Optional Perils Endorsement L & K (used only with HO-1 and HO-4, respectively)

Personal Property Replacement Cost Coverage Endorsement (automatically included in HO-6)

(b) Eligible Protection Classes

Property located in all fire protection classes will qualify for the Class 2.

(c) Market Value (HO-1 and HO-3 only) (02-15-08)

Market value represents the price the structure (excluding the lot or land) would bring on the market if sold today or the price the structure brought if recently purchased.

The spread between market value and replacement cost helps to determine the type of policy to be written. There should be very little difference between market value and the RCT replacement cost on Class 1 and Class 2. **The percentage difference between market value and replacement cost should not exceed 30%.**

(d) Insurance to Value and Coverage A Minimum Requirements

HO-3 Form, Class 2

Minimum 80% of MS/B Value

HO-1 Form, Class 2

Minimum 60% of MS/B Value

The dwelling should have a minimum replacement cost of \$55 per square foot, as determined by the MS/B program, and must meet the minimum insurance to value guidelines based on policy form. Consideration for new homeowner property business for less than these amounts can be considered on a non-binding trial application.

(e) Design and Maintenance Characteristics (06-01-07)

The Class 2 is reserved for dwellings or condo units having a modern design. The dwelling or condo unit may be a new or older home. The dwelling or condo unit should have been built with traditional construction techniques by a licensed building contractor. Structures marginally eligible for the Class 1 may also be placed in the Class 2 if all of the Class 1 underwriting requirements are not met.

Permanent steps at all entrances are required. Dwellings with entrances that have portable steps, steps of stacked blocks or other unstable materials, or no steps at all will not be acceptable. More than three steps may require at least one handrail depending on the height of the entry way.

PLEASE NOTE: The following type dwellings are not eligible for the Class 2: (1) kit or log homes; (2) shell type or pre-manufactured houses; (3) any other type housing using nontraditional building methods such as underground, Geodesic homes, 'A' frame homes, etc.; (4) any houses constructed of material which are not readily available; (5) mobile or modular homes; (6) dwellings attached to or built around a mobile home or any existing structure; (7) dwellings relocated and moved to the applicant's premises; (8) flat roofed homes; or (9) rolled roofing, tin, or tar paper roofed homes.

(f) Heating and Cooling Requirements

Primary heat source must be a central heat and air conditioning system fueled by gas, electricity, or solar. Wood heating units must have "UL" approved metal flue or masonry fully lined flue. There will be a wood heat charge for any source of wood, pellet, corn or coal heat other than a conventional fireplace or a zero clearance fireplace. (Fireplaces with inserts will be charged.) No wood heat will be allowed in condo units other than conventional fireplace or zero clearance fireplace.

- ★ When insuring new business, a Chimney Sweep inspection will be required on all dwelling or condo unit with a wood heating unit over ten (10) years of age other than an open fireplace or central units located outside the dwelling.
- ★ The chimney sweeping must be performed by a Chimney Sweep. Written proof that a sweeping has been performed in the past twelve (12) months will be acceptable. A copy of the Chimney Sweep's inspection or billing clearly describing the services will be sufficient proof.

(g) Electrical System Requirements

Must have modern electrical wiring system in good condition and no more than thirty (30) years old when first written. Homes with an addition or other structural modifications may require an electrical inspection by a licensed electrician. A satisfactory electrical inspection from a licensed electrician may be required to maintain the Class 2. Aluminum wiring in any dwelling or condo unit is unacceptable.

(h) Foundation Requirements

Dwellings or condominium structures must have continuous enclosed foundation of solid masonry (brick, concrete block, or rock) or concrete slab.

(i) Plumbing Requirements

Must have modern interior plumbing systems. No plumbing over 30 years old when first written.

(j) Roofing Requirements

The roof must be in good condition. Rolled roofing, tin or tar paper roofed homes are unacceptable. Gravel, tar, tin, or flat roofs are unacceptable. Roofs with roll roofing are acceptable if in good condition and when the roll roofing covers 25% or less of the heated and cooled area.

Do not submit an application on a dwelling whose roof is worn out or damaged. We will not accept applications for dwellings on which a Wind and Hail Roof Exclusion endorsement would be necessary.

A Field Underwriter may inspect and approve any roof over fifteen (15) years old when written as new business. (See Roofing in the Property Underwriting Guidelines section)

(k) Loss Experience

A new business applicant cannot have more than one (1) loss exceeding \$500 in the past five (5) years.

(l) Ineligible Endorsements and Childcare

When first written, a Class 2 dwelling will not be eligible for the Complete and Occupy Endorsement, or Vacancy Permit. Dwellings with childcare activity do not qualify for the Class 2. A dwelling may qualify for a Class 2 after such endorsements are no longer required if all other eligibility requirements are met. No Builders Risk, Complete and Occupy or childcare for condo unit coverage.

(m) Unusual Hazards on the Premises

The premises must not be exposed to unusual hazards, i.e. vicious dogs, exotic animals, unfenced pools, unfenced trampolines, slip and fall hazards, etc. The yard area around the dwelling should be mowed and maintained. Brush and weeds growing next to the dwelling can create a fire hazard. Cluttered, junky premises with non-working appliances, vehicles, or other items indicate a probable morale hazard in addition to being a liability hazard. These are examples of unacceptable conditions of the premises. For condominium exposures, the complex grounds and neighboring units must show signs of proper maintenance and safety precautions. (See Underwriting the Property in the Property Underwriting Guidelines for specific information.)

(n) Security Measures and Loss Control for High Value Homes (02-15-08)

Homes with Coverage 'A' of \$750,000 or more, or condo units with coverage 'C' exceeding \$350,000, will be required to have an activated central fire and burglar alarm system. Proof of alarms will be required. A copy of the bill reflecting payment of monitoring services, installation, etc. will be sufficient proof. The burglar alarm portion of this requirement will be waived if the home is located in a gated community which has a guard house and 24 hour guard service, or electronic gate which requires access via security card. A photo of the gated area will be required.

3. CLASS 3 PROPERTY

(a) **Eligible Forms**

HO-1, HO-3, HO-4 & HO-6

Frequent Endorsements

Optional Perils Endorsement L & K (used only with HO-1 and HO-4, respectively)

Personal Property Replacement Cost Coverage Endorsement (automatically included in the HO-6)

(b) **Eligible Protection Classes**

Property located in all fire protection classes will qualify for the Class 3. The dwelling or condo unit must be located on an all weather surfaced road.

(c) **Insurance to Value and Coverage A Minimum Requirements (06-01-07)**

HO-3 Form, Class 3

Minimum 80% of MS/B Value

HO-1 Form, Class 3

Minimum 60% of MS/B Value

The minimum coverage 'A' amount for Class 3 property is \$65,000, or the required percentage of the MS/B value as shown above, whichever is greater. Consideration for new homeowner property business for less than these amounts can be considered on a non-binding trial application. (See the Minimum Replacement Cost Requirement Section.)

(d) **Design and Maintenance Characteristics (06-01-07)**

The dwelling can be a newer or older home. The dwelling or condo unit should have been constructed by a licensed building contractor. Dwellings or condo units which are marginally eligible for Class 1 and Class 2 may also be placed in the Class 3 if they do not meet all of the underwriting guidelines for Class 1 or 2.

Permanent steps at all entrances are required. Dwellings with entrances that have portable steps, steps of stacked blocks or other unstable materials, or no steps at all will not be acceptable. More than three steps may require at least one handrail depending on the height of the entry way.

Some properties may be insured on the HO-3 form. Log homes with wiring and plumbing systems no more than twenty (20) years old will qualify for the Class 3, HO-3 form.

PLEASE NOTE: Kit, shell or homes of other non-traditional building construction types will not qualify for a Class 3, HO-3. Dwellings built around another building, or a dwelling relocated and moved to the applicant's premises, may qualify for a Class 3, HO-1 or HO-3, depending upon the quality of construction. A trial application and field underwriter inspection will be required.

Dwellings attached to or built around a mobile home are not eligible for the Class 3. The Mobile class is to be used for mobile or modular homes, and should be used for homes attached to or built around a mobile home.

The following type dwellings are not eligible for Class 3: (1) those constructed of materials no longer available or used materials; (2) those with flat roofs; (3) those with rolled roofing if the rolled roofing covers more than 25% of the living area; (4) those with tin or tar paper roofs.

(e) Heating and Cooling Requirements

Primary heat source must be a modern heating system thermostatically controlled. Wood heating units must have "UL" approved metal flue or masonry fully lined flue. There will be a Wood Heat charge for any source of wood, pellet, corn or coal heat other than a conventional fireplace or a zero-clearance fireplace. No wood heat will be allowed in condo units other than conventional fireplace or zero clearance fireplace.

- ★ When insuring new business, a Chimney Sweep inspection will be required on all dwelling with a wood heating unit over (10) years of age other than an open fireplace or central units located outside the dwelling.
- ★ The chimney sweeping must be performed by a Chimney Sweep. Written proof that a sweeping has been performed in the past twelve (12) months will be acceptable. A copy of the Chimney Sweep's inspection or billing clearly describing the services will be sufficient proof.

(f) Electrical System Requirements

Dwellings or condo units must have a modern electrical system in good condition. Log homes that meet all other requirements with electrical systems no more than twenty (20) years old are eligible. A satisfactory electrical inspection may be required to qualify for or maintain coverage. Aluminum wiring in any dwelling is unacceptable.

- ★ When insuring new business, an electrical inspection will be required on any dwelling or condo unit or with electrical wiring over forty (40) years old.
- ★ The inspection must be performed by an electrician. Completion of an electrical inspection form, or written proof that an inspection has been performed in the past ten (10) years will be required. A copy of the electrician's inspection or billing clearly describing the services will be sufficient proof of the previous inspection.

(g) Foundation Requirements

Dwellings or condo units must have continuous enclosed foundation of solid masonry (brick, concrete block, or rock) or concrete slab.

(h) Plumbing Requirements

Dwellings or condo units with plumbing over forty (40) years of age when first written are not eligible for coverage.

(i) Roofing Requirements

The roof must be in good condition. Rolled roofing, tin or tar paper roofed homes are unacceptable. Gravel, tar, tin, or flat roofs are unacceptable. Roofs with roll roofing are acceptable if in good condition and when the roll roofing covers 25% or less of the heated and cooled area. Do not submit an application on a dwelling whose roof is worn out or damaged. We will not accept applications for dwellings on which a Wind and Hail Roof Exclusion endorsement would be necessary. A Field Underwriter may inspect and approve any roof over fifteen (15) years old when written as new business. (See Roofing in the Property Underwriting Guidelines section for more information.)