

SUGAR CREEK MUTUAL DWELLING PROPERTY PROGRAMS

Effective January 1, 2015

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The Dwelling Property Program of the Sugar Creek Mutual Insurance Company

Broad Form FL-2 Actual Cash Value A & B

Perils Insured Against

Form FL-2 Ed. 1.0 insures property covered under Coverages A, B, and the related costs covered under Coverage D: Additional Living Costs at 10% of Coverage A, against risks of direct physical loss by the perils indicated below. **Form FL-35 Ed. 1.0** adds Limited Theft Coverage on premise. Coverage B and Coverage C must be added and a separate premium is charged.

Coverage B, related private structures requires a limit be added to the policy and an additional premium charged.

Coverage C, Personal Property requires a limit be added to the policy. When coverage C is listed that becomes the limit for Form FL-35 Limited Theft Coverage Form FL-35 is **on premise** theft coverage.

Form FL-2 Perils Covered

1. Fire or Lighting
2. Explosion
3. Windstorm or Hail
4. Riot or Civil Commotion
5. Aircraft
6. Vehicles
7. Sudden and Accidental Damage Smoke
8. Vandalism
9. Burglary Damage
10. Falling Objects
11. Weight of Ice, Snow, or Sleet
12. Sudden and Accidental Tearing Apart, Burning, or Bulging
13. Accidental Discharge of Water or Steam
14. Freezing
15. Sudden and Accidental Damage from Artificially Generated Electrical Currents
16. Sinkhole Collapse
17. Volcanic Eruption

Form FL-35 Limited Theft Coverage

18. Theft (On Premise up to Coverage C limit)

This is an actual cash value policy. The actual cash value of the dwelling, Coverage A, should not be less than 80% of the actual cash value and no more than 110% of the market value.

Coverage B is related private structures on the "insured premises" which are not attached to the residence. This covers fences; driveways, sidewalks, and other permanently install outdoor fixtures that are within 250-feet of the residence described in Coverage A and must be listed separately and a premium charged. **We do not cover barns or other structures designed or used for farming under Coverage B.** Coverage B is a stated amount listed on the declaration page and a separate premium is charged.

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Replacement cost for coverage C; personal property is a stated amount listed on the declaration page and a separate premium is charged.

Additional Living Costs or Loss of Rent, Coverage D. We pay the necessary and reasonable loss of rental income, or if owner occupied, the increase in living costs the insured incurs to maintain the normal standard of living of the insureds household if part of the insured premises is made unfit for use by an insured loss and is limited to 10% of Coverage A.

Policy Forms and Descriptions of Property Coverage

Please refer to the appropriate policy form and endorsements for perils and coverage. The following is a general description of the coverage provided by the Dwelling Property Program.

FL-2 Broad Form

FL 5815 02 14 Actual Cash Value Terms Coverage A and Coverage B

FL -55 Replacement Value Coverage C

FL-35 Limited Theft up to Coverage C Limit

MANDATORY ENDORSEMENTS

FL 5085 06 12 Wisconsin Endorsement

SCMI 402 09 14 Amendments to Dwelling Coverages

FL 5800 02 14 Exclusion to Metal Roof for Appearance Loss Caused by Hail

FL 5820 02 14 Exclusion of Mismatched Property that is Undamaged

FL 0440 08 10 Water Exclusion Endorsement

FL 0675 10 06 Virus or Bacteria Exclusion

FL 1428 04 08 War and Military Action Exclusion

SCM-1 05/07 Articles of Incorporation

SCM-1 05/07 By-Laws

GENERAL RULES

Acceptability

1. The residence must contain an approved central heating system. A solid fuel stove is not an approved central heating system.
2. The Company will inspect all new business by independent inspectors. The inspection will occur within the first 60-days of the policy period. The inspection may include both the interior and exterior of all structures.
3. Solid fuel burning stoves are permitted with surcharges and installation in compliance with NFPA 211 Guidelines. **POLICIES ARE NOT PERMITTED TO HAVE SOLID FUEL STOVES IN AREAS WHERE FLAMMIBLE VAPORS OR LIQUIDS ARE PRESENT.** Examples would include garages, machinery storage, shop buildings.
4. **Fused electric service is NOT permitted in dwellings.** Existing policies will be surcharged and must be updated to circuit breakers no later than June 30, 2014. Minimum, 100-ampere electric service with circuit breakers is required.
5. Fire extinguishers, smoke detectors, carbon monoxide monitors, and surge-protection for large screen televisions and computers are recommended.
6. All buildings that are insured must be substantially built and in good repair.
7. The residence must be neat and with generally good housekeeping. Evidence of hoarding excessive amounts of personal property or excessive clutter is not acceptable and final determination is at the discretion of the Company.
8. Roofs that have more than two layers of shingles will be restricted and no coverage provided for windstorm or hail or resulting damage. Obsolete shingle types, such as, but not limited to, diamond shape, or T-Lock will not be covered for windstorm or hail loss, or resulting damage. Roofs with shingles showing cupping, curling, or clawing will not be covered for windstorm or hail loss, or any resulting damage. The roof should be in good condition, unless restriction is available for the policy type. **Roof restriction form SCMI 304 06 13 is to be applied to the whole roof per building, exceptions are not permitted (July 2013).** A dwelling with distinct separate roofs may be restricted by permission of the company.
9. Individual Risk Premium Modification (IRPM's). We have available modifiers that may be used to compete, maintain, or add business. These modifiers will also be used to encourage policyholders that fail to comply with underwriting requirements. Failure to comply with underwriting may result in IRPM (Individual Risk Premium Modification) surcharges up to 200%

FL-2 Broad Perils Acceptability

The property valuation should be no less than 80% of the actual cash value and no more than 110% of the current market value.

The residence must contain an approved central heating system. Solid fuel stoves are not an approved central heating system.

This coverage applies to dwellings that are in average condition.

The moral and financial hazards must be minimal.

The residence must be in average physical condition.

A basement is not required.

The property is covered for stated perils only and depreciation applies.

There is not an actual age or effective age requirement.

The residence must be neat and with generally good housekeeping. Evidence of hoarding excessive amounts of personal property or clutter is not acceptable and final determination is at the discretion of the Company.

The Company will inspect all new business by independent inspectors. This inspection may include both the exterior and interior of all structures. The inspection will occur within the first 60-days of the policy period. Failure to cooperate with scheduling of inspection is grounds for cancellation, non-issue, or non-renewal.

There is not an actual age or effective age requirement.

NO NEW POLICIES ARE PERMITTED TO HAVE SOLID FUEL STOVES IN AREAS WHERE FLAMMIBLE VAPORS OR LIQUIDS ARE PRESENT. Examples would include garages, machinery storage, shop buildings.

Fused electric service is NOT permitted on NEW policies. Existing policies will be surcharged and must be updated to circuit breakers no later than **June 30, 2014**. Minimum, 100-ampere electric service with circuit breakers is required. Fire extinguishers, smoke detectors, and surge-protection for computers are required.

All buildings that are insured must be substantially built and in good repair.

Evidence of hoarding either within structures or on the grounds are indications of an unacceptable risk.

Eligibility

A policy may be issued to the owner, or owner-occupant of the residence. The residence must only be used for private residential purposes.

The main residence must be used exclusively for residential purposes, except for incidental occupancies, which have been declared, and the appropriate premium charge(s) have been made.

Dwellings can contain no more than two-families and not more than two boarders per family.

Ineligible Risks

The following are ineligible: Property in a rundown condition.

Examples may include but are not limited to:

- Bank Owned (REO-real estate owned)
- Bankruptcy
- Foreclosure
- Fused electric service with less than 100-ampere service in the dwelling
- Solid fuel burning stoves or appliances not in compliance with NFPA 211
- Roof in poor condition (wear, cupping curling),
- Roofing materials that are obsolete, Diamond shape, t-lock
- Damaged windows and/or siding
- Missing or broken steps or railings
- Evidence of mold, fungi, or mildew
- Any prior history of water damage
- Evidence of hoarding in either structures or the surrounding area

Also, see the Sugar Creek Agent Liability Manual for additional ineligible risks.

Unsupported seasonal residences. Seasonal residences are written in this dwelling property program.

Discounts

Claim Free Discount

Claim-free discount applies to property, and specialty premium.

A policyholder qualifies for a claim-free discount if they have been claim-free for three-years.

Claim-free discount is allowed on new business only when the insured can prove three-years of no claims at the insured's prior location or the existing location.

The information required to determine an insured's claims payment history and tenure with the company could be obtained from:

- Applications signed by the applicant or insured
- A loss history or claims history database, and/or:
- The company's internal records.
- Tenure is the consecutive time that an insured's Homeowner's coverage (or equivalent property and liability coverage such as Mobile-Homeowners coverage) has been provided by the company as of the beginning of a new policy period.
- For the purposes of determining tenure, a lapse in coverage up to one month is not considered a break in consecutive coverage when coverage was rewritten on another policy, such as a policy covering a different location.

1. Claims Payment History

Claims payment history considers the number and type of property and liability losses experienced by all persons who are insured's under the policy. For the purposes of determining the number of claims in the claims payment history, a claim is any loss:

- That occurred within the three year period just before the date on which an application for a new policy is made or the date on which a renewal policy is prepared;
- That occurred with respect to a risk eligible for coverage under this manual or an equivalent property and liability program, such as a Mobile-Homeowners coverage program
- Resulted in payments totaling \$500 or more.

For the purposes of determining a claim's total payment, deduct any sums obtained through subrogation from the actual amount paid.

A policy is considered claim free if, during the three year period just before the date on which an application for a new policy is made or the date on which a renewal policy is prepared, all adults insured under the policy had Homeowners or equivalent coverage (provided by any company) in force and no claims, of any dollar amount and for any cause of loss, were paid under such coverage.

Deductible Credits

A \$250 deductible is the base rate. Discounts for higher deductibles are:

- \$500 deductible, 10% applies to the property premium
- \$1,000 deductible, 15% applies to the property premium
- \$2,500 deductible, 20% applies to the property premium
- \$5,000 deductible, 25% applies to the property premium

This credit does NOT apply to special property premium.

Home–Auto Discount

Applies to dwelling premium on for policyholders who have their auto insurance through 1st Auto & Casualty Insurance Company. This is a 10% discount to the dwelling premium.

Documentation of coverage through 1st Auto and Casualty Insurance Company is required by submitting a copy of that policy declarations page to Sugar Creek Mutual Insurance Company.

New Home Discount

Applicable to the dwelling premium only. The dwelling must be less than 10 years old to qualify for the 10% discount.

The maximum allowable discount is 30% of the total base premium.

Surcharges

A risk may not be bound with more than 30% total surcharges.

SUBMITTING A BINDER THAT IS NOT ACCEPTIBLE IS GROUNDS FOR REMOVAL OF YOUR BINDING AUTHORITY.

1. Poor dwelling maintenance, 20% surcharge to the dwelling premium
2. Prior cancellation by another carrier. This must be approved by the company prior to quoting.

We will **consider** applications for new business that is being cancelled by another company (Example: claims, non-payment of premium, property condition, etcetera), with a surcharge. **Generally, a \$2,500 deductible without deductible credit will be required for a policy cancelled by another carrier for claims.**

In order to consider writing insurance on a property /policyholder cancelled by a prior carrier, we will need the following information:

- A copy of their non-renewal letter from the prior carrier
- A 5-year loss history for the location and named insureds including prior locations
- A 3-year payment history

Surcharges are:

Cancelled by prior carrier for claims year 1, 60%
Cancelled by prior carrier for claims year 2, 40%
Cancelled by prior carrier for claims year 3, 20%

Cancelled by prior carrier for other reasons year 1, 15%
Cancelled by prior carrier for other reasons year 2, 10%
Cancelled by prior carrier for other reasons year 3, 5%

Percentage to decrease each year the policy is claim free.

3. Unsupported, 25% surcharge applied to the property premium
4. Upkeep of grounds, 10% surcharge applied to the dwelling premium.
5. Vacant, Unoccupied or For Sale
 - We will consider new business where the home is vacant, unoccupied or for sale. Surcharges apply to the property premium.
 - House for sale (New Business), 100% surcharge to the property premium. There will be no coverage for arson, vandalism, or frozen plumbing.
 - Vacant or Unoccupied, 100% surcharge to the property premium. There will be no coverage for arson, vandalism, or frozen plumbing.
 - Vacant, Unoccupied or For Sale must be inspected by the company
6. Log home surcharge
We will accept full log, half log, and log sided homes. ALL log homes will be surcharged 25% of the dwelling premium.

7. Solid Fuel Surcharge

Effective January 1, 2015, indoor solid fuel burner surcharge will be \$80 and outdoor solid fuel surcharge will be \$30. This surcharge is for each solid fuel-burning unit, indoors and outdoors. We will surcharge for each solid fuel burner on the premises. NEW BUSINESS MUST COMPLY WITH NFPA 211 STANDARDS.

All property with an existing solid fuel heating system will be inspected, inside and outside, at every three-year anniversary. Compliance with NFPA 211 standards will be required of existing policies at anniversaries after June 30, 2014.

A dwelling with a solid fuel heating system, space heater, or other alternative heat source MUST also contain at least one UL approved smoke detector alarm located near each stove or heater.

8. Claims

A policy that has filed property claims that result in payments of \$500 or more will lose their 10% claim-free discount.

A policy that has 2-property claims within 3-years, or 3-property claims within 5-years, will be subject to premium surcharges from 10% to 30%. Depending on the frequency or severity of the claims, change of deductible without discount, or non-renewal of the policy are options that the Company may exercise.

Liability claims are not subject to surcharges or deductibles. Liability claims may result in non-renewal.

9. Poor Premium Payment History

Premium billings are made 30-days in advance of the due date.

If we do not receive the complete payment by the due date, a \$25 late charge will be added to your premium plus the surcharge shown below, and sent with a 10-day notice of cancellation if not paid. A second notice will NOT be sent.

In addition to the late fee, customers with a history of late payments will be surcharged in addition to the \$25 late charge:

- \$20 for the first cancellation billing, a total of \$45
- \$40 for the second cancellation billing, a total of \$65
- \$60 for the third cancellation billing, a total of \$85

The surcharge will remain in effect until a complete payment is made by the due date. Any policy that exceeds three cancellation billings is subject to non-renewal at the next policy anniversary.

10. Individual Risk Premium Modification, (IRPM's) We have available modifiers that may be used to compete, maintain, or add business. These modifiers will also be used to encourage policyholders that fail to comply with underwriting requirements. Failure to comply with underwriting may result in IRPM surcharges up to 200% of the policy premium.

Policy Writing Instructions

Inception Time

When a policy replaces another policy, it shall become effective 12:01 a.m. on the inception date of the policy.

The policy is written for a term of one year, with continuous annual renewals.

Assignment is not permitted.

An exception may be made in an inheritance situation. Contact the company prior to assignment.

Photographs of all buildings insured or not, must be included with all applications.

All sides of all buildings must be visible in the photographs. Digital submission of photographs is required method of receipt, and must accompany applications.

Photographs must show the roof and exterior from each exposure (North, South, East, and West)

All applications must be completed in black or blue ink and signed by the agent and applicant.

Electronic submission of applications is required through www.sugarcreekmutual.com. Original signatures on undertaking applications must be retained in the agent's files. These files are subject to audit by the company, or the authorized representatives of the company.

Cancellation

We require a signed cancellation request by the insured. If you do not use the standard policy cancellation form, the request must include the policy number, cancellation date, and the insured's signature. Please include a reason for the cancellation. Return premium is calculated on a short-rate basis.

Deferred Premium Rule.

The premium due at each installment is subject to the rates then in effect.

