



Mid-State Mutual
Insurance Company

Mid-State Mutual Insurance Underwriting Guide Cabrillo Programs

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Underwriting Philosophy

“A Preferred Underwriting Company

Our new home program offers attractive pricing and comprehensive coverages-

- a. **Credits up to 50%**
- b. **Free Identity Fraud Expense Coverage.**
- c. **Extended replacement cost at 150%.**
- d. **Ordinance or law coverage included (see below)**

We have simplified the underwriting process for these preferred properties.

- **Coverage A- up to \$750,000**
- **Protection Classes- 1-7**
- **Brush- 500 feet for tile roofs**

The property should meet or exceed the following criteria:

Pride of Ownership - The condition of the property should be neat and clean resulting in good housekeeping measures.

Environmental Similarity - Risk should not differ in any significant degree from the other structures within the neighborhood. Residential structures should be located within residential areas.

Insurance to Value - The amount of insurance requested should favorably compare to the values established by ISO Home Value or Marshall & Swift/Boeckh replacement cost valuation. Coverage A Limits: \$100,000 to \$750,000; Coverage E Limits: \$100,000 to \$500,000.

Good Location - Should be on relatively level ground and not be isolated. The protection class should be PC 1-7. Brush- 500 feet for tile roofs.

Construction to Code - Construction should be of a conventional nature.

Single Occupancy - The occupancy should be only single family owner-occupied.

Risks which do not meet these guidelines must be submitted a minimum of 30 days in advance for underwriting and binding approval.



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Mid-State Mutual Insurance Company Homeowners Program

HO 00 03 SPECIAL FORM – MINIMUM BASIC LIMITS FOR SINGLE FAMILY DWELLINGS

Coverage A	Dwelling	\$100,000 min. - \$750,000 max
Coverage B	Other Structures	10% of Coverage A
Coverage C	Personal Property	50% of Coverage A*
	Worldwide Personal Property in Other Residences	10% of Coverage C with \$1,000.00 min.
Coverage D	Loss of Use	30% of Coverage A*

Note: When Dwelling Coverage A is increased, there is an automatic proportional increase in Coverages B, C, and D.

*When coverage for **Replacement Cost composite** (Form MS-RCC) is added, **Coverage C shall be 70%** of Coverage A and **Coverage D shall be 40%** of Coverage A.



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INSTRUCTIONS FOR NEW HOMEOWNERS POLICY SUBMISSIONS

Please include the following:

1. The most current ACORD application or company application.
2. A **complete application** including the **agent's and insured's signatures**.
3. Replacement cost estimator worksheet.
4. A minimum down payment of 25% of the annual premium, unless impound account.

INCOMPLETE APPLICATIONS WILL BE RETURNED TO YOU FOR COMPLETION. APPLICATIONS THAT ARE RETURNED TO YOU FOR COMPLETION WILL **NOT** BE BOUND.

SUBMISSIONS FOR ESCROW CLOSINGS

1. Your underwriter will review the application and a policy number will be submitted to you, if required, usually within one hour.
2. Submit a completed application to the Company within 15 days.
3. The policy will be issued upon receipt of the application.



RATING - SPECIAL CREDITS AND ENDORSEMENTS – UP TO 50% CREDIT

NEW HOME AND NEW LOAN CREDIT- UP TO 30%

<u>New Home Credits*</u>	<u>New Loan Credit</u>
1st year – 20%	1st year – 10%
2nd year – 17%	2nd year – 7%
3rd year – 14%	
4th year – 11%	
5th year – 8%	
6th year – 5%	
7th year – 2%	

* **Note:** The New Home Credit and New Loan Credit can be combined if a risk qualifies for both credits. New loan credit applies to new loans on new purchases. Refinancing, equity loans and second mortgages do not apply.

NON-FLAMMABLE ROOF CREDIT- 5%

Any home, which has a non-flammable roof covering 100% of the dwelling and attached appurtenant structures, is eligible for a 5% Protective Devices credit. A non-flammable roof is one, which is of metal, slate, tile, concrete composition, or Cal. Shake brand.

CLAIM FREE/STABILITY TRANSFER CREDIT- 10%

A new policy with proof of no claims at the insured residence during the preceding 3-year period is eligible for a 10% credit. The credit remains in place until the renewal following the occurrence of a claim on the policy. The effect of the claim is as follows:

- No more than one claim of less than \$500 total payment, including loss adjustment expenses, during the immediate rolling 3-year period, qualifies for a 10% credit.
- A second claim in the 3-year rolling period of less than \$500: the credit is reduced to 5%.
- Any subsequent claim, regardless of size: the credit is removed at renewal.
- A claim over \$500: the credit is removed.
- The credit is restored when the rolling 3-year period has no more than one claim of less than \$500.

Note: Any weather related, catastrophe or medical payments claim will not reduce this credit.



PROTECTIVE DEVICES – UP TO 15%

Local fire, smoke and/or burglary systems	2%
Fire or Police Station hookup – burglary and/or fire	3%
Central Station – burglary and/or fire	5%
Automatic Sprinklers – all areas except attic, closet and bathroom	7%
Automatic sprinklers – all areas	10%
Gated community- Manned gate	12%
Unmanned gate	7%

Note: Maximum credit allowed is 15%

DEDUCTIBLE CREDIT – UP TO 30%

A flat \$250 deductible applies to all Section I perils. No deductibles apply to Section II coverages.

Deductible are as follows:

\$ 500.00	10% Credit	\$100.00 Maximum Credit
\$1,000.00	20% Credit	\$200.00 Maximum Credit
\$2,500.00	30% Credit	\$300.00 Maximum Credit



INELIGIBLE LIST

Risks that include the following are **not** acceptable to the program:

- Duplexes, Condominiums, Townhouses or any dwelling sharing a common wall or roof line with another.
- Modular or mobile homes.
- Swimming pools that have a diving board and/or slide.
- Aggressive dogs or breeds of dog that are known to have aggressive tendencies. Examples include -- but are not limited to -- **Pit Bulls, Doberman Pinschers, Rottweilers, Bull Mastiffs, Akitas, Chows, and Wolf Hybrids.**
- Within 2,500 feet of any significant brush exposure. If the roof is tile or concrete tile, 500 feet is sufficient distance.
- More than two stories in height.
- Two or more losses within the past three years.
- More than two **Named Insureds**. If someone is helping the insured to qualify for financing, they can be added as an additional insured providing they do not reside in the same household and we have their residence address.
- Trampolines.
- Built on a significant slope.
- Seasonal, vacant or otherwise unoccupied.
- Protection Class 8, 9 and 10.
- Specialized construction, i.e. log cabins, geodesic domes.



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Mid-State Mutual Insurance Company General Rules

ADDITIONAL INSURED

Generally co-owners, executors, administrators, trustees, and beneficiaries may be named as additional named insureds on the policy. In the case of co-owners, the named insured will be the occupant of the residence with the remaining owners listed as additional named insureds. A policy should not have more than two **Named Insureds**. If someone is helping the insured qualify for financing, they can be added as an additional insured providing they do not reside in the same household and we have their residence address. (Governmental Agencies or Departments will not be permitted as Additional Named Insureds.)

BUSINESS PURSUITS

Some insureds may have business operation exposure while being employed by someone else and are not self-employed. The Business Pursuits Coverage can cover these exposures. (See the "Homeowners Program" section of this manual and endorsement HO 24 71.)

CLAIMS REPORTING

A Notice of Loss should be called, emailed or faxed into the Claims Department immediately upon notification. Losses are to be reported on the proper ACORD form.

COMPREHENSIVE PERSONAL LIABILITY

The minimum liability limit shall be \$100,000/\$1,000. Charges for increased limits may be found in the rating section.

DOMESTIC EMPLOYEES

Comprehensive Personal Liability affords Workers Compensation coverage for Domestic Employees. There is a charge for the Occasional Residential Employee built into the premium charges.

FINANCING, POLICY PREMIUM PAYMENT PLAN

Money is required with all new business submissions, unless an impound account is involved. A check for the annual premium, or a 25% down payment, must accompany the application.



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Note: All billings are direct bill

Plan #	Plan	
100	Full Payment	Billed at issuance of policy for Total Premium due on inception date. (No Service Charge)
2 pay	Two Payments	1 st payment due at inception for 50% of total. 2 nd payment due in 6 months. \$3.00 Service Charge applies to 2 nd payment.
403	Four Payments	40% Down Payment plus 3 quarterly installments – each installment carries a \$3.00 Service Charge added at the time of the billing.



BILLING CYCLE

Renewal billings are sent out approximately 20 days before the renewal date.

Late payment notices are sent directly to the insured 5 days after the installment due date.

Pre-Cancellation notices are sent to the insured, mortgagee and agent—12 days after the installment due date.

Non-Pay Cancellation are sent to insured, agent and mortgagee 20 days after the installment due date. This is a 10-day notice. Payment must be received in our office by the cancellation date to be eligible for reinstatement.

If a Non-Pay Cancellation is sent out for **a second time, we will not reinstate**. If payment is received it will be applied to any earned premium and whatever is unearned will be returned.

CANCELLATIONS

If insurance is cancelled at the request of either the insured or the Company, the earned premium shall be computed on a pro rata basis.

The insured may cancel the policy at any time during the policy period by returning the original policy or submitting a signed Lost Policy Release to the Company. Backdating a cancellation is not acceptable without supporting evidence of a similar coverage or a release of insurable interest such as Escrow Documents.

Cancellation Restrictions

Policies which have been in effect for 60 days or more can be cancelled by the Company only after sending the insured 30 days notice and then only for one of the following reasons:

1. Conviction of a crime which involves increasing the hazard;
2. Discovery of fraud or material misrepresentation;
3. Discovery of grossly negligent acts or omissions which substantially increase the hazard;
4. Physical changes in the property that makes it uninsurable.



LIBERALIZATION CLAUSE

If during the policy period, any broadened coverages are adopted without additional premium charge, those broadened coverages will immediately apply.

MID-TERM CHANGES

Additional and return premiums shall be pro rata. Both are based on the premium table in effect when coverage is attached.

MINIMUM ADDITIONAL PREMIUM CHARGE

No additional premium is charged when the amount involved is less than \$5.00.

NON-RENEWAL

Company-Initiated: Notice of Non-Renewal will be sent at least 45 days in advance of the policy expiration date. The notice of Non-Renewal will be sent to the insured, the mortgagee, and the agent.

ADDITIONAL RESIDENCE PREMISES

HO 24 70 (Additional Residence Premises, Rented to Others) Endorsement is limited to rentals with not more than two (2) family units in each property.

PERSONAL INJURY LIABILITY

The homeowners policy can be endorsed to provide coverage for personal injury to others. This includes coverage for false arrest, malicious prosecution, wrongful eviction, slander, libel, or privacy violations. Use Personal Injury Endorsement (HO 24 82). Occupations such as lawyers, politicians, and actors are unacceptable.

SECONDARY RESIDENCE

Coverage will be considered for a secondary dwelling principally used for residential purposes, provided the primary insurance is with this company and the dwelling meets eligibility requirements.



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RENEWALS

Renewals are sent approximately 60 days before the renewal date. The renewal rates will be those rates in effect at the time.

New forms or endorsements will be issued only in cases where they have been revised.

VACANT/UNUSED LAND

CPL coverage of vacant land is automatically covered under the Homeowners policy.

WHOLE DOLLAR RULE

Round off all premiums and totals to whole dollars.

TRANSFER OR ASSIGNMENT

Transfer or assignment of insurance to a new owner is not permitted

EARTHQUAKE COVERAGE – MS-EQ

Coverage may be provided by endorsement and applies to all Section I coverages for the same limits as provided under the policy. See separate Earthquake section for details.

EARTHQUAKE COVERAGE – RECONSTRUCTION COSTS (MS-EQR)

Coverage may be provided by endorsement for Reconstruction Cost Coverage, with a \$10,000 limit of liability. See separate Earthquake section for details.

UNSCHEDULED PERSONAL PROPERTY ITEMS

Increased limits certain personal property (MS-CPP) \$10.00
Increased limits unscheduled silverware (HO 04 65) (Not to exceed **\$5,000.00**)

UNSCHEDULED JEWELRY, WATCHES AND FURS

The special limit for theft of unscheduled jewelry, watches and furs may be increased to an aggregate limit of \$2,000 (but not exceeding \$1,000 for any one item.) The additional premium shall be \$4.00 per \$1,000.00.

Use Endorsement HO 04 65



COVERAGE FOR OTHER STRUCTURES

Increased Limits

Rates for structure used by member of the Insured's Household

An additional amount of insurance may be written on other structures under Coverage B. Apply a rate of \$2.00 per \$1,000

Use Endorsement HO 04 48

Rented to Others

The Homeowners Policy may be endorsed to provide coverage for other structures on the described premises, rented or held for rental to others, provided such structure is used for residential purposes and is not occupied by more than two roomers or boarders per family.

Use Endorsement HO 04 40

ADDITIONAL RESIDENCE PREMISES – RENTED TO OTHERS

Add Liability Section II charge.

Use Endorsement HO 24 70.



EXTENDED REPLACEMENT COST – DWELLING (HO 03 00 ONLY)

The Homeowners Policy may be endorsed to provide for extended replacement cost coverage on the dwelling subject to the following:

1. The dwelling is insured for 100% of replacement cost as determined by the Company at the time the endorsement is attached.
2. The insured agrees to notify the Company within 90 days of the start of construction of any dwelling alterations that increase the replacement cost of the dwelling 5% or more.
3. The dwelling must be repaired or replaced in the event of loss.
4. Amount recoverable is limited to **150%** of dwelling coverage (Coverage A or Coverage B).
5. The dwelling must be well maintained and owner-occupied
6. Dwelling located in PC 7 or better.
7. All homes must be equipped with a smoke detector or local fire alarm.

Extended Replacement Cost Coverage *	
Optional Coverage	Cost
Premium per dwelling (Extended MS-DRC)	\$10.00
Replacement cost composite (MS-RCC)*	15% of adjusted base premium (\$35.00 minimum charge)

* Comprised of Replacement Cost Dwelling (MS-DRC), Replacement Cost Contents (MS-RPP), Increased Limits on Certain Personal Property (MS-CPP), Increases Coverage C to 70% and Increases Coverage D to 40%.



ORDINANCE OR LAW COVERAGE

Ordinance or Law coverage at 10% is included on all policies. **All dwellings up to 5 years old include Ordinance or Law coverage at 50% at no charge.**

The additional charge for this coverage is based on the age of the dwelling. To calculate the premium, multiply the Adjusted Base Premium by the appropriate percentage from the following table:

Ordinance or Law Rates

Age of Dwelling	% to Apply
1 to 5 years old	INCLUDED
6 years old	1%
7 years old	2%
8 years old	3%
9 years old	4%
10 years old	5%
11 years old	6%
12 years old	7%
13 years old	8%
14 years old	9%
15 to 20 years old	10%
21 to 35 years old	15%
36 years old	20%

*Use Endorsement HO 04 77

WORKER'S COMPENSATION COVERAGE FOR RESIDENCE EMPLOYEES – (HO 24 90)

It is required by state law that all policies containing Comprehensive Personal Liability insurance include Workers Compensation coverage on Residence Employees who work more than the threshold requirements for hours worked and pay received.



SCHEDULED PERSONAL PROPERTY LIMITATIONS

Women’s jewelry.....	\$15,000.00 (earrings \$2,000.00 per set)
Men’s jewelry.....	\$5,000.00
Furs.....	\$7,500.00
Silverware.....	\$3,500.00
Musical Instruments.....	\$2,500.00
Cameras.....	\$1,500.00
Overall – 25% of Coverage A (\$35,000 maximum)	

SCHEDULED PERSONAL PROPERTY RATES

Scheduled items must be supported by an appraisal or sales receipt **dated within the last two (2) years** and contain a complete description of the item including the age, model number and serial number where appropriate.

Schedule requests predicated on sales slips must be accompanied by a typed description of the item and its cost.

1. Round to the nearest dollar the premium shown for each class of property. Fifty cents or more goes to the higher dollar.
2. For items not listed, refer to the Company.
3. All rates shown are expressed on a basis per \$100 of insurance.
4. Minimum Premium: \$10.00 per year applicable to each class.

A. Camera, Non-Commercial use only Each piece of equipment must be individually described and valued. Make, model, serial number, and date of purchase must be submitted with application.	\$1.85
B. Fine Arts (no breakage coverage)	\$.50
C. Furs Los Angeles County and Palm Springs Balance of the state Appraisal by a reliable furrier is required on new business or a bill of sale if newly purchased.	\$1.50 \$.70
D. Golfers’ Equipment, excluding golf mobiles	\$1.50
E. Jewelry Los Angeles County and Palm Springs Balance of the state IF AMOUNT FOR ANY ONE ITEM DOES NOT EXCEED INDIVIDUAL ITEM LIMITS. Appraisal must be submitted with application for all amounts. For items over \$7,500, submit to company. DO NOT BIND.	\$3.00 \$1.50
F. Musical Instruments, Non-Professional use only Organs - Not of a Mobile Nature – Refer to Company	\$1.00
G. Silverware	\$.60
H. Stamp Collections	\$.65



LIABILITY COVERAGE

1. Personal Injury (HO 24 82)

Personal Injury Liability Rates			
Liability Limit			
Coverage E	\$100,000.00	\$300,000.00	\$500,000.00
	\$10.00	\$13.00	\$19.00

2. Primary Residence, Section II Increased Limits

Main Residence Liability Rates		
Liability	Medical	Main Residence
\$100,000.00	\$1,000.00	Included
\$300,000.00	\$1,000.00	\$20.00
\$500,000.00	\$1,000.00	\$34.00

3. Additional Residence Premises – Rented to Others, Section II Increased Limits (HO 24 70)

Additional Residence Rented to Others – Liability Rates			
Liability	Medical	One Family	Two Family
\$100,000.00	\$1,000.00	\$20.00	\$30.00
\$300,000.00	\$1,000.00	\$25.00	\$38.00
\$500,000.00	\$1,000.00	\$28.00	\$40.00

Note: The HO 24 70 endorsement is limited to rentals with not more than two family units in each property.



4. Business Pursuits (HO 24 71)

Premiums for Business Pursuits, when added to Comprehensive Personal Liability: Business Pursuits provides for the liability of an insured arising out of business activities, other than a business of which he is a sole owner or partner. When coverage is provided for the liability of the Insured arising out of business activities, other than a business of which he is owner or partner or maintains financial control, classify and apply separately for each person insured.

Classifications:

- A. Clerical Office Employees, Salesmen, Collectors or Messengers: no installation, demonstrations or servicing operations. Those employees whose duties are confined to keeping the books or records and/or conducting correspondence, or who are wholly in office work where such books or records are kept or where such correspondence is conducted, having no other duty of any nature in or about the employer's premises. This classification applies only to persons who are employed exclusively in separate buildings or on separate floors of buildings or in departments on such floors which are separated from all other work places of the employer by structural partitions and within which no work is performed other than clerical office duties.
- B. Salesmen, Collectors or messengers: including installations, demonstrations or servicing operations.
- C. Teachers: Athletics, Laboratory, Manual Training, Physical Training and Swimming Instruction, excluding liability for corporal punishment of pupils – refer to Company.
- D. Teachers: not otherwise classified, excluding liability for corporal punishment of pupils.

Occupations not otherwise classified – refer to Company.



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Mid-State Mutual Insurance Company Earthquake Coverage Program

GENERAL

Earthquake coverage is written as an endorsement to Mid-State Mutual Insurance Company's Homeowners or Dwelling Fire policies. The rates and rules are the same for both Homeowners and Dwelling Fire policies.

California law requires us to offer earthquake coverage to our insureds at their option. This coverage may be purchased at an additional cost. The insured must ask the Company to add Earthquake coverage within 30 days from the date of mailing of the Earthquake Coverage Notice or it shall be conclusively presumed that they have not accepted the offer. The coverage will not be available to them for two years if not accepted as above.

MORATORIUM

If an earthquake should occur and a client contacts you requesting coverage, our policy is as follows:

1. There will be a 30-day Moratorium from the time an earthquake is registered and hits a reading of 5.0 or higher.
2. The Moratorium will apply to the county where the earthquake occurred and all adjacent counties.
3. If the registered reading is less than 5.0, the Moratorium will not apply.

DESCRIPTION OF COVERAGE

1. Basic Earthquake Coverage

Earthquake coverage is written with a separate, single, aggregate EARTHQUAKE LIMIT that applies to the covered dwelling, other structures, personal property or additional living expense. This EARTHQUAKE LIMIT is different from the policy limits that apply to other perils insured against and is shown separately on the Declaration page. The insured is given the option of picking the earthquake limit that they want. The limit cannot be lower than Coverage A levels. The minimum earthquake limit is \$100,000.

If the amount to be paid for the actual earthquake damage to the insured property, plus the amount to be paid for any applicable Additional Living Expense coverage is more than the EARTHQUAKE LIMIT, an additional



\$1,500 is provided for Additional Living Expense. This is Coverage D – Loss of Use, in the Homeowners policy or Coverage E – Additional Living Expense, in the Dwelling Fire Policy.

Engineering Services and Demolition Cost

Mid-State Mutual will pay up to 5% of the EARTHQUAKE LIMIT for payment of services, except as provided by public entities, for the purpose of structural engineering costs to determine the habitability of the residential dwelling or coverage for the homeowner's liability for the actual costs of residential dwelling demolition due to structural condemnation as the result of damage or loss from the peril of earthquake. This coverage is additional insurance.

Use endorsement MS-EQ

2. Reconstruction Cost Coverage

This optional coverage is available only if the insured has basic earthquake coverage and after the insured has completed and the insured has verified steps to fit or retrofit the insured residential dwelling to reduce the earthquake damage hazard.

For an additional premium, we will pay up to ten thousand dollars (\$10,000.00) for the purpose of reconstruction costs required to bring the insured residential dwelling up to required current local residential building code standards, as required by the local government entity as part of the approval of the reconstruction permit process after a covered loss from the peril of earthquake. This coverage is additional insurance.

Use endorsement MS-EQR – Reconstruction Cost.

DEDUCTIBLE

The earthquake deductible is 10% of the EARTHQUAKE LIMIT. The deductible applies to the total loss for all covered property per occurrence.



EARTHQUAKE RATES

Construction Type		
Earthquake Class	Frame Rate per \$1,000.00	Masonry Rate per \$1,000.00
1	\$2.00	\$ 7.00
2	\$4.00	\$35.00
3	\$3.50	\$14.00
4	\$5.00	\$50.00
5	\$4.25	\$35.00
6	\$9.00	\$50.00

OUR EARTHQUAKE COVERAGE IS A BLANKET COVERAGE. **ADD COVERAGES A, B, C & D TOGETHER BEFORE MULTIPLYING BY ABOVE RATE. IF THE CUSTOMER DESIRES A LOWER AMOUNT OF COVERAGE, WE MUST HAVE A SIGNED STATEMENT FROM THE CUSTOMER, CONFIRMING THAT THEY REALIZE THEY ARE NOT PURCHASING THE FULL AMOUNT OF COVERAGE TO COVER THEIR RISK. THE MINIMUM AMOUNT OF EARTHQUAKE COVERAGE AVAILABLE IS THE LIMIT OF COVERAGE A**