

“Letter of Security”

SPECIAL BULLETIN

All Lines - Underwriting Guidelines

To: All Security Agents

January 21, 2004

An internal review of our new business applications indicates a need to reinforce some existing guidelines and/or practices. In addition, we have identified some additional matters in need of attention in our ongoing effort to realize an Underwriting profit. Those items applicable to all lines of business are addressed below. As always, your understanding and cooperation in adhering to these and the other Guidelines in your Security Mutual manual will be appreciated.

Applications:

An insured signed application with fully completed underwriting information items is required. A 25% deposit payment is due with all applications unless the policy is to be mortgagee billed or agency billed.

Prior Carrier information must be provided. Please do not use “None” or “N/A” when posting Prior Carrier information. Rather, be more specific by indicating: “new purchase,” “first time buyer” or “insured has gone without coverage for a period of time.” The agency has no authority to bind any business where the “insured has gone without coverage for a period of time.” Please call for prior approval. The agency has no authority to bind nor do we want any business expiring in New York Mutual Underwriters, the FAIR Plan or any Excess & Surplus carrier.

We will not accept and there is no authority to bind Security Mutual on risks declined, cancelled or nonrenewed, for any reason, by another carrier unless you have documented prior approval from one of our underwriters (with an indication of same on or accompanying the application).

Cancellations:

Effective immediately, chronic nonpayment policy holders - defined as 3 or more per year - will not be reinstated if late pay and will be nonrenewed.

As always, please contact your Marketing Representative or our Underwriting Department at 1.800.822.1232 with any questions.

Effective immediately, there is a 50% down payment requirement on all policies, cancelled for nonpayment, converting from mortgagee bill to insured bill (earned premium protection).

Exposures:

We do not want and there is no authority to bind Security Mutual risks with the following exposures:

- ◆ Water Damage claims (of any kind) in the last 3 years
- ◆ Trampoline on premises
- ◆ Owning a dog on our “Risky Dog List”
- ◆ Properties that have tenants with unacceptable dogs
- ◆ Above ground pools without a locked gate
- ◆ In ground pools without proper fencing
- ◆ Rental property with pool of any kind

Insurance-To-Value:

A cost estimator must accompany all applications involving building Replacement Cost coverage. The 100% RCV must support the Coverage A limit requested. Endorsement increase requests and/or renewal limit increases will not be accepted in known over-insurance situations. Security Mutual does not want to be bound to known over-insurance or under-insurance situations.

Sincerely,

Tom Randall
Director of Marketing

**SECURITY MUTUAL
INSURANCE COMPANY**

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