

“Letter of Security” SPECIAL BULLETIN

COVERAGE A LIMITS

To: All Security Mutual Agents

December, 2007

2008 Coverage A Renewal Increases – We will continue to use 12% for 3 year term expirations (unless the agent has advised they would like a higher increase) and 4% for our 1 year term expirations. You will recall that commencing with our October, 2007 Homeowner (HO) expirations we converted from 3 year policy terms to 1 year terms on renewal. As such, HO annual policies will be renewing in the 4th Quarter of 2008, subject to the 4% increase.

Inflation Endorsements: ML-243 (Homeowners) & FL-10 (Landlords) – We have come to realize that over time the 1.5% per quarter and the 2.0% per quarter factors for these endorsements are too aggressive and can quickly lead to a significant over-insurance situation. Certainly, we do not want to intentionally over-insure any dwelling. We also realize the position the agent is placed in should they have to go back to a policyholder and advise that they have been paying premiums on a limit higher than the Company would pay out in the event of a total loss. Effective immediately, prior underwriting approval is needed for factors greater than 1.0% per quarter. If we encounter a renewal that is substantially over-insured with a 1.5% or higher factor, we will alert the agency and suggest the 1.0% factor be applied. In extreme cases, Conditional Renewals reducing the factor may be in order. Agents who advise us in writing that they want all their ML-243 & FL-10 expiring policies renewed with a 1.0% factor can avoid Conditional Renewals (as Notices adversely stress policy retention).

ML-24A Residence Special Loss Settlement (Guaranteed RC) – Consistent with the above, effective immediately, the ML-24A minimum Inflation factor requirement is reduced from 1.5% to 1.0%. Again, agents who want us to automatically make this adjustment on affected renewals should notify us of this in writing to avoid the potential for Conditional Renewal action.

Minimum Coverage A Limit Requirements –

ML-1	ML-2	ML-3	ML-4	ML-5	ULTRA	SUPERIOR	SEC DWG	MHO	ML-24A	Landlord
\$50,000	\$50,000	\$75,000	\$8,000	100%	\$150,000	90%	\$20,000	\$40,000	100%	\$75,000

This chart outlines our current Company minimum Coverage A limit requirements. Effective immediately, these minimum limits will apply to renewal business as well as new business. Again, agents who want us to automatically make this adjustment on affected renewals should so notify us in writing to avoid the potential for Conditional Renewal action.

Our 2008 Cost Estimators – Personal and Commercial – are now available in paper, EXCEL, WORD and/or PDF formats. Please contact your Marketing Representative, our Underwriting Department at 1.800.822.1232, or email Ronnie Wade at: Ronnie@securitymutual.com with your format requests. All Coverage A Replacement Cost new business is to be submitted with a supporting Cost Estimator.

PLEASE DISTRIBUTE THIS BULLETIN TO ALL AGENCY STAFF. Thank you.

Tom Randall

Director of Marketing