

“Letter of Security”

SPECIAL BULLETIN

Homeowners 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 the Homeowners line 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.

ML-3 or ML5 Policy Form: There is a 25 year old roof threshold for acceptance. As such, it is very important that the renovation year section of the application be fully completed on dwellings over 25 years of age. Neither of these forms is available on secondary/seasonal dwellings. ML-2 is the maximum coverage available if the roof is over 25 years of age or the dwelling is secondary/seasonal in nature. Effective immediately, ACV is no longer available with the ML-3 and ML-5 forms. Residence coverage A Replacement Cost Value (RCV) is required for the ML-3 and ML-5 forms. If Actual Cash Value (ACV) coverage is desired, ML-2 is the maximum coverage available.

ML-70 Additional Residence Rented to Others: We have seen a substantial increase in the requests for this coverage extension. Effective immediately, the ML-70 will no longer be offered. If we can't or don't want to write the property, we don't want to write the liability.

Trampolines: We do not want any risk with a trampoline on premises due to the obvious severe injury hazard. (This applies to all Homeowners, Manufactured Homeowners, Landlord Package and Fire with OL&T exposures).

Secondary/Seasonal Dwellings: Effective immediately, the primary Homeowners is required as supporting business if the primary coverage is within the agency territory or the agency writes the primary (within state). Otherwise, unsupported secondary/seasonal homeowners remain acceptable. ML-55 Replacement Cost Contents coverage is only available if the Coverage A limit is \$100,000 or more. Again, ML-2 coverage is the maximum available. ML-3 and ML-5 coverages are not available.

Replacement Cost Value (RCV): There is a \$75,000 minimum Coverage A limit requirement. Actual Cash Value (ACV) is the maximum available if the Coverage A limit is less than \$75,000. A Cost Estimator supporting the Coverage A limit is required.

Authority to bind Security Mutual is modified in accord with this Bulletin.

We ask that you also reference our January, 2004 All-Lines Underwriting Guidelines Bulletin and Security Mutual Manual for additional requirements.

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

Sincerely,

Tom Randall
Director of Marketing