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HOMEOWNERS MANUAL

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AGENT RESPONSIBILITY

HOM – 1

The Agent is the “field underwriter” and shares a responsibility for quality risk selection with our underwriter. The company underwriter does not know the applicant and must depend upon the agent’s judgment, and the information provided on the application, to get a complete picture of the insured and the property to be insured. Moral hazards are not generally revealed by an application, so responsible agents must do their best to control loss ratios by underwriting prospects just as critically as property.

Two primary factors, which affect underwriting, are moral and physical hazards. Before submitting an application, an agent should determine whether the risk is acceptable from both the moral and physical hazard standpoints.

All risks are assessed using our Risk Meter Software. Any risk with a combined Crime/Property Index greater than 400 or more (2 times that of the national average) will not be accepted. If you are unsure as to the acceptability of the risk location, contact our office prior to inspecting or insuring the property.

Inspections must be made by the agent to determine if the risk meets all of our underwriting requirements before submitting an application for new business or binding or endorsing an existing policy.

A copy of the SEV (State Equalized Value) must be obtained and retained in the agents office. **Contact Underwriting when the difference between the Market Value (twice the SEV) and purchase price is greater than \$50,000.**

APPLICATION REQUIREMENTS

HOM – 2

The agent is responsible for submitting a fully completed application, which is signed by the proposed insured and the licensed agent. The risk must be inspected by the agent prior to submitting any application.

All applications received ten days after the requested effective date will be issued effective on the date received in our office.

At least two clear photographs showing all four sides from opposite corners of the dwelling, and one picture of all other structures must be submitted with the application. A photograph is required for each additional location to which liability is extended. If extenuating conditions prevent the submission of additional pictures, notify our office of the problem.

All information requested on the application, its supplements and the photographs are considered necessary. An application that is incomplete or unsigned by the proposed insured and the agent will be returned with no coverage bound.

Risks containing solid fuel heating units **MUST** be inspected by the agent, with a photograph and an LP-1 Inspection Form completed and attached to the application. Inspection forms completed by insureds are not acceptable. Dwellings must have smoke alarms and fire extinguishers installed. **Solid fuel heat must not be the only source of heat in primary dwellings.**

A Residential Cost Estimator is required for all new business.

A trial application should be submitted when the agent has doubt as the acceptability of the risk. TRIAL must be noted in the remarks section of the application. When sending a trial application, **DO NOT** accept money, **DO NOT** have the prospect sign the application and **DO NOT** put the effective date on the application.

Quotes can be obtained prior to insuring risks. Quotes are intended for informational purposes only and are not binding. Coverage will be authorized by our Underwriter.

PHOTOGRAPHS

HOM – 3

Photographs are the best method available to provide the underwriter with an idea of the risk to be insured. A good photograph provides the best chance for proper underwriting, as well as, prompt policy issuance. Such photographs are beneficial in settlement of some claims.

We will ask for a photograph on an existing policy if a possible problem is discovered. These problems could be discovered through the agent, a submitted claim, or investigation of a claim.

When submitting electronic photographs, please include the name of the insured, complete risk location, and quote or policy number in the address line of your email.

A photograph of all solid fuel heat units must be submitted with the application.

A photograph will be required for all outbuildings on the insured's premises.

HO 4/Renters applications must include at least one picture of the front of the risk.

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RULES AND REGULATIONS

HOM – 4

*** Great Lakes Mutual is exempt from the Essential Insurance Act of Michigan**

The Homeowner Policy provides property and liability coverage to Michigan homeowners, pertaining to the owner-occupant of a dwelling used for residential purposes. Total property coverage cannot exceed \$1,000,000.

Guaranteed Replacement Cost on dwelling is not offered.

All policies will be issued as one year, continuous renewal.

FORM 2 – Broad Form

FORM 3 – Special Form

FORM 4 – Contents (not mobile homes)

The condition of the risk is the major factor in determining whether it qualifies for the better form coverage. Interior and exterior of a home must be well maintained. Good housekeeping must be evident.

Form 3's (Special) will not be accepted if the risk is over 30 years of age, unless remodeling has been done within the last 30 years (including plumbing, wiring Romex w/ground, heating, and roofing).

Approved roofs are of: composition shingle, U.L. approved wood shingle, asbestos, slate, tile, built-up tar and gravel, and metal.

Unapproved roofs are: wood shingles not treated with fire retardant chemicals, boards, tar paper roofing, metal with heavy rusting or split seams, and all other material not listed as "approved".

Siding must be secured with no missing sections or pieces. Wood surfaces must be maintained. Unapproved siding is of: tar paper or rolled roofing, black building board and similar non-finishing building materials.

Homes under construction:

A dwelling that is intended to be owner-occupied, and is being constructed by a contractor or owner does not qualify for coverage under the Homeowner program. Coverage can be provided on a Dwelling Fire Policy as FL1 Basic with vacancy surcharge. The amount of insurance on the dwelling may be increased in increments during the construction of the risk.

Seasonal Homeowner qualifications, (in addition to its condition):

- Permanent plumbing system must be in place. The indoor plumbing must be connected to an existing water system or well.
- The electrical system must be attached by an approved service entrance with the local power utility with a minimum of 100 AMP service with circuit breakers.
- Solid fuel heat may be primary source of heat, providing stove meets underwriting.
- Docks or rafts located at a seasonal dwelling must be well maintained and in good condition.
- Pipes must be drained and winterized with antifreeze if heating system is turned off.
- When we have both a primary and seasonal dwelling, the seasonal is given a \$25.00 credit.
- Liability can be extended from the primary to the seasonal. Rates available in HOM 8/Rating.

Swimming Pools:

Built-in and permanent above ground pools must be fenced in. Free-standing temporary pools do not require fencing.

DayCare:

Risks offering in-home daycare are acceptable with evidence of licensing and professional liability insurance provided yearly to the Company.

Trampolines:

Trampolines are unacceptable under all circumstances.

Misc:

Exterior oil tanks must be on the gable side unless a protection is placed over it.

Modular homes can be written as Homeowners providing they have a deed and meet State codes.

Wiring, including service entrance cable, must not be frayed or deteriorated. A minimum of 100 AMP service with circuit breakers is required.

Electric Heat must be baseboard with 200 AMP service.

Liability Coverages:

The liability limit must be properly underwritten in accordance with the individual exposure but not limited to:

- A. Steps, decks and similar landings must have railings, and there are no broken, sagging or unsupported areas.
- B. Property must be maintained with dangerous conditions to be corrected, including severely broken or uneven sidewalks, holes in driveway or other areas which may cause a fall.
- C. Dogs must be chained or contained to an area which would pose no threat to individuals on insured's premises. Company must be advised if any complaints have been filed against such animal.
- D. The insured must have proper moral characteristics.

Underinsured Policies:

Those risks insured for less than 80% of their Replacement Cost.

These risks may be written for no greater than the current market value or 20% above the purchase price (if purchased within the past 5 years).

Market value is determined by using the purchase price if purchased within the past 5 years, two times the SEV (State Equalized Value), or appraisal value of the risk itself.

In accordance with the provisions of the policy, losses will be settled on an ACV basis for all risks that are insured to less than 80% of their replacement cost.

RULES AND REGULATIONS

HOM – 4

RECREATIONAL MOTOR VEHICLES AND SNOWMOBILE PHYSICAL DAMAGE AND LIABILITY IS NOT OFFERED.

THE FOLLOWING RISKS ARE NOT ACCEPTABLE UNDER ANY CIRCUMSTANCES:

- Applicant, spouse, or member of the household convicted of a felony within the past five years that can be related to this exposure. (Arson or attempt to commit arson; burglary, theft, robbery or malicious destruction of property; fraud, forgery, falsifying claims or evidence).
- Applicants who are unable or unwilling to follow reasonable safety precautions.
- Applicants who do not maintain or repair their property.
- Applicants who are poor moral risks.
- Conditions which present hazardous risks.
- Applicants engaged in any illegal business.
- Wiring less than 100 AMP service.
- Main service having fuses.
- Knob and tube wiring.
- Risks built on wooden posts or supports.
- Any mobile home whether or not set on blocks, foundations, or otherwise stationary.
- Trampolines.
- Boarding and rooming houses, hotels, motels and similar occupancies.
- Premises with solid fuel heat as primary source. Allowed in Seasonals only.
- Premises heated with plug-in type heaters.
- Dwellings with permanent swimming pools that are not fenced in.
- Oil/Gas tanks buried underground.
- Risks with business conducted on premises.
- Condominiums.
- Risks which have a Crime Index or Property Crime value of 300 or more.
- UNACCEPTABLE DOG LIST:
We do not accept any dogs comprised of the following breeds:

| | |
|--------------------|----------------|
| AKITAS | GREAT DANES |
| ALASKAN MALMUTES | BOXERS |
| CHOWS | DALMATIONS |
| DOBERMAN PINSCHERS | PITBULLS |
| IRISH WOLFHOUSES | MASTIFFS |
| ROTWEILERS | SAINT BERNARDS |

RULES AND REGULATIONS

HOM – 4

PROTECTION STATUS

The location of the building(s) determines its fire protection classification as defined below:

Protected

Buildings located within five road miles of a responding fire department and:

- within 1,000 feet of a fire hydrant; or
- within 1,000 feet of a year-round water source of at least 3,500 gallons and the responding fire department is equipped to respond with pumper truck capabilities; or
- the responding fire department is equipped to respond with pumper-tanker truck capabilities of at least 3,500 gallons.

are to be classified as Protected.

Partially Protected

Buildings located within five road miles of a responding fire department but that do not otherwise qualify for the Protected classification are to be classified as Partially Protected.

Unprotected

Buildings that do not qualify for the Protected or Partially Protected classifications are to be classified as Unprotected.

BILLING/CANCELLATIONS/REINSTATEMENTS

HOM – 5

We offer two payment options, Annual and Semi-Annual. The annual premium must be at least \$400 to qualify for semi-annual billing. Those electing the semi-annual payment are charged $\frac{1}{2}$ the annual premium plus a \$5.00 service fee per billing (every 6 months).

Payments are accepted by check or money order. We do not accept electronic forms of payment (VISA, EFT, Etc.).

A Notice of Termination will be issued if payment is not received by the date it is due. If payment is received within 12 days of this notice, a reinstatement may be issued with no lapse in coverage.

A policy will not be reinstated after cancellation for 3 late payments.

A policy may be cancelled if the risk deteriorates to a point to where it no longer meets our underwriting and/or if the insured fails to correct a condition that poses a clear hazard or liability exposure.

Policies, which have 3 or more losses within the past five (5) years totaling \$1,000 or more, inclusive of weather, may be non-renewed.

A policy which has cancelled for non-payment may be reinstated within 45 days of cancellation. Full annual payment plus a \$25 reinstatement fee and signed Statement of No Loss must be submitted.

Requests for reinstatements beyond 45 days will require that the policy be rewritten.

Any money to be returned for cancellation will be calculated on a pro-rata basis from the date of cancellation to the policy date.

ENDORSEMENTS/POLICY PROVISIONS

HOM – 6

HO 1520 - Outbuilding Exclusion: Any outbuildings, (barns, old outbuildings, etc.) which would normally cause a policy not to be issued or disqualify the property as being eligible for a homeowners or standard policy, may be excluded. The exclusion form IM-2 must be signed by the insured and kept on file in our office.

HO 6041 - Additional Insured: Protects other people/organizations who have an insurable interest in the property by expanding the definition of insured to include them. This entitles them to Coverage A, Coverage B, Coverage L & Coverage M only.

HO 4855 – Replacement Cost on Contents: Provides an increase in Coverage C to 70% of Coverage A. A minimum of \$10,000 is required on ML-4's requesting Replacement Cost.

HO 6270 – Additional Residential Premises – Rented to Others: This endorsement can be added to the policy as long as the rental does not burn wood and is limited to two (2) separate locations, not to exceed \$100,000 liability.

HO 3801 - Watercraft Liability Endorsement: Provides liability coverage for the operation of a boat in excess of the policy provisions, regarding size and horsepower of the unit in question. Joint owners should have separate policies naming both. Wood boats are not acceptable.

HO 4851: Form is used when the combined replacement value of all detached private structures on the insured premises (excluding fences, driveways and sidewalks and in ground pools) is less than \$1,000.

HO 2708 – Water Damage (Sewers, Drains, and Sumps): Provides coverage for direct physical loss caused by water that backs up through sewers or drains or overflows from a sump for property covered under Coverages A, B, and C. Coverage is limited to \$5,000 with a \$250 deductible.

HO 1509 – Repair Cost Loss Settlement Terms: Waives depreciation on risks insured to less than 80% of replacement in the event of a partial loss.

Endorsements received after 10 from date of request will be changed to dated received in our office.

INLAND MARINE RULES AND RATES

HOM - 7

Blanketing of Inland Marine items will not be permitted. Each item must be scheduled and listed separately.

Jewelry:

Jewelry can be written for an insured that has a Homeowners Policy with us, provided the insured is the owner of the jewelry and maintains possession.

We will not accept a single jewelry item in excess of \$5,000, unless prior approval from underwriting has been given. We will not accept a total jewelry schedule in excess of \$15,000.

If the item is under \$500 in value, we will need a good description and a bill of sale or appraisal. If the item is over \$500 in value we will need an appraisal from a qualified and reputable jeweler.

At least 75% of the total items must be kept in a safe or vault when not in use.

All costs for appraisals must be assumed by the insured.

Boat/Trailer/Golf Carts:

A normal winter lay-up period is contemplated in the rates. Do not delete this class in the fall and add it back in the spring.

Boat coverage information needed: model, boat type, year, length, serial number and name.

Boat trailer information needed: name, model, number of axles, and year.

Motor information needed: year, horsepower, miles per hour, name and model number.

MISCELLANEOUS

HO – 8

Any additional money to be paid or returned from a change will be calculated on a pro-rata basis from the effective date of the change to the policy date.

Mailing Address:

PO Box 549
Calumet MI 49913

Physical Address:

58730 US Hwy 41
Calumet MI 49913

SOLID FUEL HEATING UNIT REQUIREMENTS

HOM – 9

The underwriting for metal chimneys is as follows:

| Acceptable | Unacceptable |
|---|---|
| Triple or double walled UL approved chimney, verification required. | Single gauge pipe. |
| Primary or seasonal home. | Must not be installed by insured. |
| Installed by contractor. | Must not be installed near combustibles. |
| Approved by appropriate county inspector. | Not for use with homemade stoves. |
| Specifications must be followed. | Must not be vented with gas or oil. |
| Must be vented separately. | Heat savers not acceptable. |
| Requires LP-1 Form and picture. | Must not be used in rental dwellings. |
| | NO metal chimneys of ANY kind are acceptable in mobile homes. |

SOLID FUEL HEATING UNIT REQUIREMENTS

HOM – 9

We require that the agent inspect each new risk. If the owner-occupied risk contains a solid fuel heating unit, a form LP-1 must be completed and a picture of the unit must be submitted with the application. The solid fuel heat surcharge will apply for new and renewal policies which contain solid fuel heating units.

Homemade woodstoves and Heat Savers are not acceptable.

The following solid fuel units/chimneys contained in the premises are not acceptable by the Company:

- Block or brick chimneys that do not contain a tile or stainless steel liner.
- Barrel woodstoves.
- Woodburning unit and stove pipes whose specifications do not meet minimum woodburning requirements.
- Woodburning units which have loose combustibles (rugs, wood, paper, etc.) located within 36 inches of unit.
- Mobile homes containing woodburning units.
- Gas and wood vented in the same chimney.
- Wood vented below oil in the same chimney.

Outdoor woodstoves must be 35' from all structures, have anti-freeze and another source of heat. The solid fuel surcharge will be waived.

Solid fuel heating units that are self-installed will not be accepted unless the unit is inspected by the agent and a licensed heating professional.

All solid fuel heating units must be 36 inches from a combustible wall. A protective barrier must be used between the wall and the unit.

Solid fuel CANNOT be the primary source of heat for risks other than seasonals.

Newly installed solid fuel heating units on policies in effect will require Company review and approval.

Fireplaces and fireplace inserts ARE considered to be woodburning units and the 10% surcharge does apply unless the fireplace is used strictly for esthetic, non-heating purposes only. A picture of a fireplace insert is required.

Wood and corn pellet stoves are considered solid fuel burning units. Photos and solid fuel questionnaire must be submitted.

HOM – 10

CLAIMS/LOSSES

All claims must be reported immediately to the Company once the Agency has been notified. A Loss Accord form must be submitted to the Company with all pertinent information provided as requested on the form.

Losses will be settled in accordance with the provisions of the policy.

The Company will assign adjuster and other outside agencies at their discretion.

The Agent has no authority to approve claim settlements on behalf of the Company.