

American Reliable
Insurance Company

8655 E Via De Ventura
Scottsdale, AZ 85258-3321

EFFECTIVE: 7/1/05

A.M. Best Rated A-, Excellent



**CALIFORNIA HOMEOWNERS
UNDERWRITING GUIDELINES
AND RATE GUIDE**



ANDERSON & MURISON, INC.

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This underwriting manual is provided for your use as one of many decision-making tools in the acceptability of a risk. Many situations arise that are outside the scope of this manual. In those circumstances, you should obtain as many facts about the risk as possible and contact your General Agent to discuss acceptability. This manual is not all-inclusive. Please use it as a guideline for acceptability and call your General Agent with any questions you have or risks you are uncertain about.

GENERAL INFORMATION

HO-3 (Ed. 4/91)

MINIMUM VALUE: \$ 75,000

MAXIMUM VALUE: \$600,000

COVERAGE LIMITS: The maximum values to be written are \$500,000 (anything greater must be submitted unbound).

Unattached Adjacent Structures - 30% of the dwelling value or \$30,000 maximum per structure. All additional structures must be listed on application with full description and values.

Personal Effects - 50% of the dwelling value. Submit with an inventory when personal effects exceed 70% of the dwelling value.

Comprehensive Personal Liability – \$500,000 – Contact the general agent for acceptability requirements and premium. This will only be written when required by the umbrella carrier.

Deductibles – A \$500 All Peril Deductible is included. \$1,000, \$1,500, \$2,500, & \$5,000 deductibles are available with a credit to the base premium.

SUBMISSION INFORMATION

APPLICATION: American Reliable's application, Property Disclosure, and Earthquake Offer must be completed in full, signed, and be accompanied by 2 photos (front & rear) of the risk along with any other photos of additional exposures. CLUE Property reports must be run on all new applications for insurance.

PHOTOS: Photos should be recent (within the past 6 months) and legible. Photos are required when additional exposures are present such as woodstoves, swimming pools, or other structures exceeding 30% of the dwelling amount.

BINDING AUTHORITY: Bound applications that do not meet our underwriting criteria for eligibility will be processed and a Notice of Cancellation will be issued to terminate coverage. Unbound applications that do not meet our underwriting criteria for eligibility will be returned to the agent with a letter of explanation.

For coverage to begin as requested, the application must be mailed within 72 hours of the effective date, otherwise coverage is bound at 12:01 a.m. The day it was received by the company or general agent.

NATURAL CATASTROPHES – BINDING:

Hurricanes And Tropical Storms: No new policies, binders, or increases in coverage will be accepted in counties where a Hurricane Watch, Hurricane Warning, or Tropical Storm Warning has been posted by the National Weather Bureau.

When a hurricane or tropical storm has diminished to a point where it is no longer classified by the National Hurricane Center as a hurricane or tropical storm, all restrictions above are lifted.

Earthquake Restrictions: When a major earthquake occurs, the Company will impose binding authority restrictions on all agents in the affected area:

- Binding authority will be restricted when an earthquake reading 5.0 or greater on the Richter Scale occurs.
- Binding authority will be restricted for the day of the quake and for the 3 day period following the quake.
- An aftershock reading 5.0 or greater on the Richter Scale will be considered a new earthquake, and will result in a new period of suspended binding authority.
- The restrictions will apply to all counties located within 150 miles of the earthquake's epicenter.
- The same above restrictions apply to any requests to increase coverage limits.
- Renewals are not affected by these restrictions.

This only applies when earthquake coverage is provided.

Wildfires: No new policies, binders, or increases in coverages will be accepted when a wildfire is within 25 miles of the home.

As a rule, if a threat exists, agents should not bind coverage until they have called the Company and verified that no binding restrictions are in effect.

NEW PURCHASE: If the home is a new purchase, provide purchase price, prior address, previous carrier and loss history for prior location.

MANDATORY COVERAGES: It is mandatory that insurance be written for all coverages provided under both Sections I and II of the Homeowners Policy.

VALUATION: The dwelling must be insured for 100% of its replacement cost value. The Boeckh Residential Estimator can be a tool in estimating the replacement cost amount. A copy of the worksheet showing valuation must be provided with the application. Upon renewal, the Section I Coverages will be increased by the average statewide percentage set by Boeckh as an inflation guard.

ELIGIBILITY INFORMATION

OCCUPANCY: The dwelling must be occupied on a full time basis by one family. The dwelling must be used exclusively for private residential purposes. The dwelling must be occupied by the titleholder.

DWELLING CONSTRUCTION: Both Frame and Masonry dwellings are eligible for coverage under this program. No premium credit is given for either type of construction.

DWELLING AGE & UPDATES: Dwelling must be 75 years old or newer at policy inception. Dwellings over 50 years of age must have plumbing, wiring, and heating updated. If the roof is not a tile roof, it must have been updated in the past 15 years.

DWELLING CONDITION: Dwelling and roof must be in good to excellent condition and show proper maintenance. Dwelling and its premises must show pride of ownership. Dwelling should be in a neighborhood showing pride of ownership; i.e., no boarded up houses, condemned dwellings, graffiti on buildings.

DWELLING LOCATION: Dwellings located in all protection classes are eligible, however, if the risk is located in PC 9 or 10, it must be submitted to the company, unbound. Other location information is shown under the "Dwelling Condition" section above as well as under "Submit Risks" and "Unacceptable Risks".

OTHER EXPOSURES:

- Risks with **swimming pools** must have a 4½ foot or higher fence around the pool with self-closing gate and locks.
- **Jacuzzis, Hot Tubs, and Trampolines** must have a 4½ foot or higher fence or be otherwise enclosed.
- **Woodburning, coal, pellet stoves:** the woodstove questionnaire must be completed. Refer to "Unacceptable Risks" for types of woodstoves that may make the risk ineligible.

All of the above types of exposures must comply with applicable state and local ordinances.

- **Animals:** An animal liability exclusion will be attached to all policies issued.

PREVIOUS LOSS HISTORY: For all types of losses, except water losses, previous loss history is based on the applicant, not the risk being submitted for insurance. For water losses, previous loss history is based on the risk location. Refer to the "Submit Risks" and "Unacceptable Risks" sections for information regarding the number and paid amounts that are acceptable. Additionally, the "credit / surcharge" section of the rate manual will advise the amount of surcharge that will be applied. Applicants that have sustained 2 or more burglary, theft, or vandalism losses must provide proof of measures taken to prevent future losses of these types, otherwise no policy will be issued. Applicants with a previous theft loss in the past 36 months will have a policy issued with a \$5,000 theft limit.

POLICY PROCESSING INFORMATION

POLICY TERM: The policy may be written for a term of 12 months. Renewal policies will be based upon the rules, rates and forms in effect on the effective date of the renewal.

CHANGES OR CANCELLATIONS: It is not permissible to cancel any of the mandatory coverages in the policy unless the entire policy is canceled. If insurance is increased, canceled, or reduced, the additional or return premium shall be computed on a pro-rata basis. All changes will be based upon the rules, rates and forms in effect on the effective date of the change.

PREMIUM REVISIONS: The effective date of premium revisions will be announced in advance. The revisions will be applicable to new and renewal policies only and not affect policies that are endorsed.

TRANSFER OR ASSIGNMENTS: Transfer or assignments are not available. New applications are required.

WHOLE DOLLAR PREMIUM RULE: The policy and endorsement premiums will be a full dollar amount. A premium of fifty cents (\$.50) or more shall be rounded to the next higher whole dollar.

INSTALLMENT BILLING OPTIONS: A fully earned premium of up to \$6.00 for each installment will be collected from those insureds who elect to pay via an installment billing plan.

MINIMUM PREMIUMS: A minimum retained premium of \$100.00 for each policy applies. Monetary endorsements are subject to a minimum written premium amount of \$5.

WAIVER OF PREMIUM: If a policy is changed and results in a premium increase of less than \$5, this adjustment will be waived.

UNACCEPTABLE RISKS

1. Applicants that have been convicted of arson or insurance fraud.
2. Homes without permanently installed water, electricity, and sewage utility services.
3. Homes with existing damage.
4. Homes that are vacant, unoccupied, seasonally occupied, tenant occupied, or in foreclosure.
5. Homes that are occupied by more than 2 families. Duplexes can be written when the insured resides in one side.
6. Homes with portable kerosene heaters or heat reclaiming devices.
7. Homes where the primary source of heat is a permanently installed space heater or a wood, coal or pellet burning device.
8. Homes that have fuses only or knob and tube wiring.
9. Homes with Polybutelene pipes.
10. Homes with a wood shake roof that is 16 years old or older.
11. Homes located on shifting hillsides.
12. Homes with an open foundation located on more than a 35 degree slope.
13. Homes or structures used to store flammables or explosive materials.
14. Homes under construction or major renovation.
15. Homes next to any burned out or abandoned building.
16. Homes located in forested areas in Protection Class 9-10.
17. Risks where the brush clearance is less than 350 feet from the home.
18. Mobile homes, row homes, earth homes, dome homes, log homes, straw built homes, townhomes or condominiums.
19. Homes with more than 2 lien holders. Two lien holders are acceptable if one is a financial institution.
20. Homes titled in the name of a corporation.
21. Homes with childcare, homecare, lodging, auto repair or chemical processing conducted on the premises.
22. Any premises with a swimming pool or Jacuzzi that does not have a four-foot fence with a self-latching gate or an automatic pool cover, **or** any swimming pool with a diving board or slide.
23. Any premises with a trampoline.
24. Homes without permanently installed steps at all entrances, including decks and patios.
25. Homes with steps or porches, over 2 feet in height, that do not have a railing.
26. Bars on windows without quick release.
27. Applicants who own, keep, or shelter any of the following breeds: This includes but it not limited to Akitas, Chows, Dobermans, Pit Bulls, Anatolian Shepherd, Rottweilers, Wolfs or Wolf Hybrids, any mix of these breeds, any animal with a previous bite history or any exotic (snakes, monkeys, etc.) animals. Risk may be written if the Animal Liability Exclusion is attached. The maximum liability limit for the policy is \$100,000.

SUBMIT RISKS TO GENERAL AGENT – DO NOT BIND

1. Applicants that have had 2 or more property losses in the past 3 years, or any single fire, theft, liability, or flood loss in the past 3 years. If yes, give date of loss, describe the loss and the amount paid to repair the damage.
2. Applicants that have had a homeowners/dwelling policy cancelled or non-renewed for underwriting reasons (except age of home) during the past 3 years.
3. Applicants that have filed for bankruptcy in the past 3 years.
4. Applicants that have been delinquent in mortgage payments in the past year.
5. Applicants who are unemployed. (Retirees with guaranteed income and disabled persons with a consistent income are considered employed.)
6. Applicants that have been uninsured for more than 30 days immediately prior to the requested effective date. (Does not apply to a new purchase).
7. Homes that were built more than 60 years ago must be submitted with update information, contractor's certification or complete home inspection.
8. Homes with business or farming activities conducted on the premises.
9. Homes equipped with a supplemental heating device that was not installed by a licensed contractor. **Photos and the Woodstove Inspection Report must be included.**
10. Homes with more than 2 unrelated owners.
11. Homes within 1,500 feet of water (river, lake, creek or ocean) or homes on an island or in a Special Flood Hazard Area.
12. Homes with multiple horses, livestock or farm animals on the premises.
13. Any premises with 5 or more acres.
14. Other Structures that exceed 30% of the value of the home.
15. Personal Property that exceeds 75% of the value of the home.
16. Homes attached to, occupied as, or converted from or within 300 feet of a commercial risk.
17. Homes that have an open foundation or are built on stilts. **Photos must be included.**
18. Risks located in PC 9-10 must be submitted with photos. Homes attached to, occupied as, or converted from or within 300 feet of a commercial risk. Homes that have an open foundation or are built on stilts. Photos must be included. Homes located in a forested area in Protection Class 1 - 8.

MINIMUM PREMIUMS AND FEES

MINIMUM RETAINED PREMIUM:	\$100.00
POLICY FEE (Fully Earned):	\$ 10.00 per policy
INSPECTION FEE (Fully Earned):	\$ 40.00
<i>Each New Business risk and every other year.</i>	

CREDITS AND SURCHARGES

OPTIONAL DEDUCTIBLES:

\$1,000 All Perils	5% credit
\$1,500 All Perils	12% credit
\$2,500 All Perils	15% credit
\$5,000 All Perils	25% credit

(See the General Information section regarding availability of optional deductibles)

AGE OF DWELLING:

AGE OF DWELLING	CREDIT OR SURCHARGE	AGE OF DWELLING	CREDIT OR SURCHARGE	AGE OF DWELLING	CREDIT OR SURCHARGE	AGE OF DWELLING	CREDIT OR SURCHARGE
0	-30%	21	-9%	42	7%	63	18%
1	-29%	22	-8%	43	8%	64	19%
2	-28%	23	-7%	44	9%	65	19%
3	-27%	24	-6%	45	9%	66	20%
4	-26%	25	-5%	46	10%	67	20%
5	-25%	26	-4%	47	10%	68	20%
6	-24%	27	-3%	48	11%	69	20%
7	-23%	28	-2%	49	11%	70	20%
8	-22%	29	-1%	50	12%	71	20%
9	-21%	30	0%	51	12%	72	20%
10	-20%	31	0%	52	13%	73	20%
11	-19%	32	0%	53	13%	74	20%
12	-18%	33	0%	54	14%	75	20%
13	-17%	34	0%	55	14%	76	21%
14	-16%	35	0%	56	15%	77	22%
15	-15%	36	1%	57	15%	78	23%
16	-14%	37	2%	58	16%	79	24%
17	-13%	38	3%	59	16%	80	25%
18	-12%	39	4%	60	17%		
19	-11%	40	5%	61	17%		
20	-10%	41	6%	62	18%		

PROTECTIVE DEVICE CREDITS:

Burglary Protection – 5%

To qualify for this credit, the alarm must be a full perimeter or motion detection system connected to a remote 24 hour central station service, or directly to the police department. A copy of the alarm contract must be submitted with the application.

Fire Alarm – 5%

To qualify for this credit, the fire alarm system must be connected to a remote 24 hour central station or directly to the police or fire department. A copy of the alarm contract must be submitted with the application.

DUPLEXES:

Increase the base dwelling premium by 10%. The insured must reside in one side of the dwelling.

CLAIM FREE CREDITS:

1 year with American Reliable with no losses/lapse in coverage	5%
2 years with American Reliable with no losses/lapse in coverage	10%
3 years with American Reliable with no losses/lapse in coverage	15%

PRIOR LOSS SURCHARGES:

Any loss(es) in the past 12 months totaling less than \$10,000	10%
Any loss(es) in the past 12 months totaling greater than \$10,000	15%
Any loss(es) in the past 24 months totaling less than \$10,000	5%
Any loss(es) in the past 24 months totaling greater than \$10,000	10%

WOOD SHAKE ROOF (0-15 YEARS OLD):

Increase the base dwelling premium by 10%.

Renewals with wood shake roofs 16 years old or older will have the Roof for Fire & Lightning Only Coverage endorsement attached. The surcharge would no longer apply.

RATING INSTRUCTIONS

1. Obtain the base premium from the rate pages.
2. Apply any applicable Deductible Credit to the base premium.
3. Determine credit and surcharge amount from the **“Credits and Surcharges”** section.
4. Apply the resulting credit/surcharge amount to the base premium.
5. Apply increased coverage premiums to appropriate coverages.
6. Add optional coverage premiums.
7. Add applicable fees according to the **“Minimum Premiums and Fees”** section of this manual.
8. Total all premiums to obtain final premium.

TERRITORIAL DEFINITIONS:

Territory 1:	Counties of:	Contra Costa	Fresno		
Territory 2:	Counties of:	Amador	Mariposa	San Joaquin	Tehama
		Butte	Merced	Santa Barbara	Tulare
		Calaveras	Mono	Shasta	Tuolumne
		Colusa	Napa	Solano	Yolo
		Glenn	Nevada	Sutter	Yuba
		Madera	San Benito		
Territory 3:	Counties of:	Alameda	Lake	Plumas	Sierra
		Alpine	Lassen	Sacramento	Siskiyou
		Del Norte	Los Angeles*	San Luis Obispo	Sonoma
		El Dorado	Mendocino	San Mateo	Stanislaus
		Humboldt	Modoc	Santa Clara	Trinity
		Kern	Monterey	Santa Cruz	
		Kings	Placer		
		*Los Angeles County – Only the following zip codes:			
		91301	91302	91716	91759
		91714	91715	91711	
Territory 4:	Counties of:	Marin	Orange	Riverside	San Bernardino
		San Francisco	Ventura		
Territory 5:	Counties of:	Imperial	Inyo	San Diego	
Territory 6:		Los Angeles County – Only those zip codes not in Territory 3 or Territory 7.			
Territory 7:		Los Angeles County – Only the following zip codes:			
		90045	90059	90061	90201
		90221	90222	90223	90224
		90247	90248	90249	90250
		90255	90260	90261	90262
		90270	90293	90295	90304
		90301	90302	90303	90308
		90305	90306	90307	90312
		90309	90310	90311	90609
		90606	90607	90608	90661
		90610	90612	90660	90723
		90662	90665	90704	90748
		90745	90746	90747	
		90749	90805	90810	

OPTIONAL COVERAGES

TO INCREASE OTHER STRUCTURES: **PC 1-6** **PC 7-8** **PC 9-10**
 (Per \$1,000 of coverage) \$3.00 \$3.50 \$4.00

TO INCREASE PERSONAL PROPERTY: **PC 1-6** **PC 7-8** **PC 9-10**
 (Per \$1,000 of coverage) \$2.50 \$3.00 \$3.50

SCHEDULED PERSONAL PROPERTY (Rate per \$100 of Coverage - Minimum Premium \$25.00)

Cameras (Non-Commercial)	\$1.50	Furs	\$0.50
Coins	\$2.50	Stamps	\$1.20
Fine Arts	\$0.50	Firearms	\$2.00
Computers	\$1.00	Golf Equipment	\$1.25
Silverware	\$0.50	Musical Instruments (Non-Professional)	\$0.75
Jewelry	\$1.50		

Maximum Limits: Jewelry: \$3,000 per item; Furs: \$3,000 per item;
 All other categories: \$2,000 per item.
 Maximum Aggregate Schedule per policy: 10% of coverage A or \$15,000, whichever is less.

EXTENDED REPLACEMENT COST – COVERAGE A: \$25.00
 Extends the Coverage A amount of Insurance by 25%.

REPLACEMENT COST PERSONAL PROPERTY, per \$1,000: \$ 0.75
 Minimum Premium \$35.00

LOSS OF USE, per \$1,000 of coverage - up to maximum of 100% of Dwelling Value: \$ 2.00

ORDINANCE OR LAW COVERAGE:
 Multiply base dwelling premium by 10%. Maximum coverage amount is 25% of Coverage A.

BUSINESS PROPERTY - INCREASED LIMITS, per \$100: \$ 1.00
 Increased coverage up to \$10,000 additional coverage.

BUSINESS PURSUITS ENDORSEMENT: (Coverage Limit must be equal to CPL)

\$100,000	\$10.00
\$300,000	\$13.00

LOSS ASSESSMENT COVERAGE INCREASED LIMITS (EXCLUDING EARTHQUAKE):

\$ 5,000 Limit	\$ 3.00
\$10,000 Limit	\$ 5.00
Each additional \$5,000 up to \$50,000 maximum	\$ 1.00

TO INCREASE COMPREHENSIVE PERSONAL LIABILITY:
 \$300,000 \$40.00

INCREASE MEDICAL PAY TO:

\$2,000	\$ 3.00
\$3,000	\$ 6.00
\$4,000	\$ 9.00
\$5,000	\$12.00

PERSONAL INJURY COVERAGE:

\$100,000	\$50.00
\$300,000	\$75.00

WORKER'S COMPENSATION / RESIDENCE EMPLOYEES: \$250.00
 One to two employees only.

ADDITIONAL RESIDENCE LIABILITY: (Coverage Limit is per residence and must equal CPL)

\$100,000	\$10.00
\$300,000	\$15.00

WATERCRAFT LIABILITY COVERAGE: (Coverage Limit must be equal to CPL)

\$100,000	\$25.00
\$300,000	\$50.00

PERMITTED INCIDENTAL OCCUPANCIES:

\$100,000	\$20.00
\$300,000	\$25.00

EARTHQUAKE RATES

Limited Earthquake Coverage: Subject to a deductible of 10% or 15% and a minimum premium of \$75.00. Coverage applies to the Dwelling with a maximum \$5,000 limit to applicable personal property.

Rates shown below are per \$1,000. Of coverage and must be the same limit as the Coverage A amount.

10% Deductible Rates

Zone A: \$4.00 Zone B: \$3.50 Zone C: \$3.50 Zone D: \$.50 Zone E: \$1.00 Zone F: \$5.00 Zone G: \$.50

15% Deductible Rates: 20% Credit on the rates above.

Earthquake Zone Definitions:

Zone A - Counties of:

Alameda	Mendocino	San Francisco	Santa Cruz
Contra Costa	Monterey	San Mateo	Solano
Lake	Napa	Santa Clara	Sonoma
Marin	San Benito		

Zone B - Counties of:

Kern	Los Angeles	Orange	San Luis Obispo
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Zone C - Counties of:

Santa Barbara	Ventura
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Zone D - San Diego County

Zone E - Counties of:

Alpine	Inyo	Riverside zip codes: 92225, 92272, 92280
Imperial	Mono	San Bernardino zip codes: 92242, 92267, 92277, 92278, 92309-92311, 92327, 92332, 92338, 92351, 92363-92365, 93558, 93562

Zone F - Counties of:

Riverside	San Bernardino
Except the zip codes in Zone E	

Zone G - Counties of:

Amador	Humboldt	Placer	Sutter
Butte	Kings	Plumas	Tehama
Calaveras	Lassen	Sacramento	Trinity
Colusa	Madera	San Joaquin	Tulare
Del Norte	Mariposa	Shasta	Tuolumne
El Dorado	Merced	Sierra	Yolo
Fresno	Modoc	Siskiyou	Yuba
Glenn	Nevada	Stanislaus	

Engineering Service and Demolition Cost Coverage: The limit of liability is 10% of coverage A. Rate = \$.15 per \$100 of coverage.

Reconstruction Cost Coverage: Included in the cost for Engineering Service and Demolition Cost Coverage. Limit of liability is \$10,000.

Additional Living Expense Coverage: \$1,500 is included.

RATING WORKSHEET

Name: _____ Date: _____

Coverage Amount: _____ Year Built: _____ Territory: _____ P/C: _____

Base Premium: \$ _____

Deductible Modifier (Multiply % x Base Premium)

(No Credit if Higher Deductible is Due to Prior Losses)

\$1,000	5% credit	<input type="checkbox"/>
\$1,500	12% credit	<input type="checkbox"/>
\$2,500	15% credit	<input type="checkbox"/>
\$5,000	25% credit	<input type="checkbox"/>

New Base Premium: \$ _____

Credits (Multiply % x Base Premium) See Page 4

Age of Dwelling: See Page 4 for Credit Amounts Available _____%

Burglary Protection 5%

Fire Alarm 5%

Claim Free – Renewal Only

1 Year	5%	<input type="checkbox"/>
2 Years	10%	<input type="checkbox"/>
3 Years	15%	<input type="checkbox"/>

Total Credits: %

Surcharges (Multiply % x Base Premium/credits applied) See Page 4

Age of Dwelling: See Page 4 for Surcharge Amounts Available _____%

Prior Losses:

Any Loss(es) in past 12 mo. totaling <\$10,000	10%	<input type="checkbox"/>
Any Loss(es) in past 12 mo. totaling >\$10,000	15%	<input type="checkbox"/>
2 Loss(es) in past 24 mo. totaling <\$10,000	5%	<input type="checkbox"/>
2 Loss(es) in past 24 mo. totaling >\$10,000	10%	<input type="checkbox"/>

Duplexes: 10%

Wood Shake Roof (0-15 Years Old): 10%

Total Surcharges: %

Net Credits / Surcharges: %

Base Premium X Net Credits / Surcharges: \$ _____

Optional Coverages (pg. 13): _____ +\$ _____
 _____ +\$ _____
 _____ +\$ _____

Policy Fee: +\$ 10
 Inspection Fee: +\$ 40

Total Premium: \$ _____