

Farm Mutual Insurance Company of Lincoln County

It is the intent of the Farm Mutual Insurance Company to continue to be an active participant in the South Dakota farm and residential properties market. We have been in business since 1883 and we intend to continue to be a stable participant in the industry.

The following manual will outline the types of property that we will and will not insure. Generally speaking, we are looking for the average to above average farms and homes. While the quality of construction cannot be overlooked; care, maintenance, and upkeep are critical components. They are not only a major factor in our acceptance of a risk but also in the classification and rating of a risk. It is only through proper underwriting and careful inspection that we can control our losses and thereby maintain our competitively rated program. In the long run, we believe your Agency, the policyholder, and the Farm Mutual Insurance Company will all benefit from this philosophy.

If you have any rating, underwriting or coverage questions please give us a call, we will gladly assist you. We would also like to welcome your requests for quotes and/or inspections.

Underwriting Guidelines for Farm Premises

Ineligible property will include the following:

- Where dwelling, outbuildings &/or general premises are in poor or unmaintained condition;
- Where utility systems (heating, electrical, plumbing) are in poor condition, outdated or overloaded;
- Vacant and/or unoccupied property;
- Buildings with deteriorating or missing foundations, structural supports, walls or roofs;
- Roofs not shingled within the last 20 years (Roof Exclusion or ACV will apply to roofs over 15 years old);
- Buildings with exposed urethane or styrene insulation;
- Mobile Homes;
- Property where past loss history has been unfavorable and loss control measures to improve it have not been made;
- Property with solid fuel heating systems that do not meet the standards outlined in the dwelling class section;
- Ice Fishing houses, sheds, shacks, or huts are not insurable under any coverage;
- Buildings where commercial operations other than crop and livestock farming are conducted. Large cattle/hog/poultry production facilities or cattle feedlots may be considered commercial operations. Please contact the Company for approval.
- Any operation outside the legal authority granted farm mutual insurers in SDCL 58-35.

UNDERWRITING BY CLASS OF PROPERTY

Premium Residence Package

This package is available for the above average dwelling only. Property must be owner occupied and insured for 100% of full replacement cost. This class requires a central heating system or all electric heat, approved wiring with a minimum of a 100 Amp service entrance, modern plumbing, and a fairly new roof in good repair. Dwellings where a substantial source of heat is from solid fuel are not eligible for this Class. Replacement cost coverage on the dwelling is included. Personal property and Additional Living Expense are included at 60% and 20% respectively of the amount of the dwelling. Higher amounts are available for an additional premium. Personal property is insured on an A.C.V. basis.

Several optional coverages are available that include Replacement Cost coverage on Contents, Special Form on Contents, Water or Sewer Back-up, and increased Refrigerated Foods.

Dwelling Package

This Class is available for the home that does not qualify for the PRP class. Both dwelling and contents are insured on an A.C.V. basis. The dwelling must be owner-occupied and insured for A.C.V. with that being at least 50% of full replacement cost. Dwellings must have a central heating system or all electric heat, approved wiring with a minimum of a 100 Amp service entrance. Modern plumbing is required for Broad Form coverage. The roof must be in good repair. Dwellings where a substantial source of heat is from solid fuels may not be bound in this Class. Personal Property and Additional Living Expense are added at 50% and 10% respectively of the amount of the dwelling. Minimum amount of coverage on the dwelling is \$50,000.

Several optional coverages are available that include Replacement Cost coverage on Contents, Special Form on Contents, Water or Sewer Back-up, and increased Refrigerated Foods.

Scheduled Dwelling, Contents, &/or A.L.E.

This Class may be used for owner-occupied dwellings. It also applies when only Contents and Additional Living Expense are being insured for a tenant. The dwelling must have approved wiring and heating systems. Space heaters are acceptable if properly installed and maintained. Plumbing must be modern to qualify for Broad Form coverage. The dwelling and premises must be in good, well maintained condition. The dwelling is insured on A.C.V. basis. A minimum premium of \$200 per dwelling applies.

Outdoor structures such as swimming pools should be scheduled in this class.

Dwellings where a substantial source of heat is from solid fuel may not be bound. Please contact Company for approval.

Rental Dwelling, Contents, &/or Loss of Rents

This Class applies rental property. A minimum premium of \$250 applies to each dwelling. Coverage may not be bound when there is any wood or other solid fuel heating system. The dwelling must have approved wiring. The plumbing system must be modern for Broad Form coverage to be written. Premises and housekeeping must be in good condition.

SDFM-16, Deferred Loss Payment, should be added to rental dwellings where the owner does not have a significant interest in the future operations and/or occupancy of the premises. This may be evidenced by past experience or the owner’s closeness to the occupant/operation of the premises as determined by the agent and/or the company.

A solid fuel heating system in any of the above classes must be carefully examined and general housekeeping noted when property is inspected. The chimney should be either of masonry construction with a clay liner or a stainless steel chimney with a UL listing of UL 103 or UL 103 HT. Either type of chimney should be in good condition and regularly cleaned and checked.

A clear photo of the solid fuel burning system is required along with a solid fuel burning questionnaire.

Mobile Home Package

This Class applies to owner-occupied as well as rental units. Careful inspection of the electrical, heating and plumbing systems must be made. Special attention must be paid to the frost protection of the plumbing system. If this appears inadequate, do not write Broad Form coverage. Rating of these units is based on age. Refer to rate sheet.

New mobile home business should be written on an accommodation basis based on supporting coverage.

Wood burning equipment is generally ineligible in this class. Do not bind without prior approval.

Scheduled Farm Personal Property – Class E

This Class includes all types of farm machinery, equipment, livestock, grain and feed supplies. All property should be insured for its A.C.V. An 80% co-insurance clause applies to livestock.

Installed equipment such as silo unloaders, milk pipelines and automatic feeding equipment may be insured in this class. Equipment that has been permanently installed should be insured with the structure they are a part of. The outbuilding forms and rates will then apply to these items.

Foreign Objects Coverage is available for scheduled equipment in this class. This coverage requires the Farm Mutual to add form SDFM-20. An additional charge of \$.18/\$100 of coverage should be added to the Broad Form rate, with the minimum additional charge of \$100 for this coverage. A special

deductible applies to this coverage; either 25% of the loss or the standard deductible stated in the declarations, whichever is greater. Refer to SDFM-20 for examples.

Unscheduled Farm Personal Property – Class F

This Class covers all farm personal property on a blanket basis, subject to certain exclusions. The policy minimum on the blanket is \$50,000. The policy forms include an 80% Co-insurance clause. Coverage amounts should be written at 100% of A.C.V. inventory amounts. Please refer to the policy forms for exclusions to the blanket coverage.

Farm Property Insured in Class E

A peak season may be added to Class E. The monthly rate is shown on the rate page. A minimum period of 3 months is required.

Both Class E and Class F automatically include coverage for Cab glass breakage when Broad Perils coverage is written. A \$100 deductible applies to all losses.

Superior Outbuildings – Class G-1

This Class is designed for superior farm outbuildings and steel grain storage bins without drying equipment. Minimum coverage is 80% of full replacement or \$2,000 (whichever is greater) for the structure, including permanently installed equipment, concrete floors and the foundation. Buildings are insured on an A.C.V. basis. Replacement Cost is available on a restricted basis, prior approval is required. If written, the insured building(s) must be insured for 100% of Replacement Cost.

Eligible buildings must be in excellent condition and used for their intended purpose in the farming operation. Except for pole buildings, they must be constructed on a continuous masonry foundation. They must have an approved electrical system. Buildings with solid fuel heating systems are not eligible for this class.

Outbuildings – Class G-2

This class is designed for dryer bins, grain elevator legs and average to above average outbuildings insured for at least 50% of their full replacement cost. The estimated replacement cost should include the value of any installed equipment. Buildings are insured on an A.C.V. basis. Buildings should be in good repair and used for their intended purpose in the farming operation. With the exception of pole buildings, they should be on a continuous masonry foundation. Buildings must have an approved electrical system.

Outbuildings – Class G-3

This Class is for buildings insured for at least 25% of their estimated replacement cost, including installed equipment. Barns are generally to be placed in this class. The buildings must be structurally sound and receiving necessary maintenance to remain insurable.

The electrical system is of special concern with this class of building. If it is in poor or outdated condition, coverage should be declined.

The roof is also of special concern in this class. A “Roof Exclusion” (RE) should be added to any roof in question or any one still covered in wood shingles.

Deposit Premiums and Credit Scoring

1. All applications will have a minimum of \$100 sent in with that application.
2. A system of credits and surcharges may be applied as a result of credit based insurance scores.
3. A Loss Free Discount is now available to policyholders. A 5% discount will be applied for 3 years of being loss free, and a 10% discount will be applied for 5 years of loss free with the Company.

Optional Coverages Available

1. Residence-Replacement Cost Endorsement (SDFM-2) is automatically included in all PRP's.
2. Household Goods-Replacement Cost Endorsement (SDFM-3) may be added to any of the owner occupied classes as well as for tenant policies. The rate for this coverage is \$.05/\$100 of household goods. Minimum policy amount is \$25,000 on household goods.
3. Water or Sewer Back-Up (SDFM-5) may be added to the PRP and Dwelling Package classes with limits up to \$7,500. A \$1,000 limit is available on non-owner occupied Dwellings.
4. Special Form Contents is available. The cost for this coverage is \$.03/\$100 of contents.
5. Livestock Confinement Coverage (SDFM-22) is available for confinement operations.
6. Blizzard Death to Livestock (SDFM-23) may be added to livestock covered under Class E or F.
7. Recreation Equipment (SDFM-27) is available for four wheel recreation vehicles. This coverage is provided for basic or broad perils if the unit is generally used for farm purposes only. Generally, coverage should be bound under the Inland Marine section.
8. Sheep Attack Coverage (SDFM-34) provides for coverage from vicious or wild animals to sheep. An additional rate of \$.20/\$100 applies.
9. Builders Risk Endorsement provides coverage for buildings under construction. It is included in the base coverage with the dates of coverage shown on the declarations page.

Agent's Binding Authority Limits

Premium Residence Package	Dwelling	\$ 400,000
Home Owners	Dwelling	\$ 250,000
Dwelling Package	Dwelling	\$ 150,000
Dwelling Owners	Dwelling	\$ 150,000
Scheduled – Owner Occupied	Dwelling	\$ 150,000
Scheduled – Tenant Occupied	Dwelling	\$ 150,000
Mobile Home	Dwelling	\$ 100,000
Class E - Scheduled Farm Personal Property Total		\$ 500,000
Class F - Unscheduled Farm Personal Property		\$1,000,000
Outbuildings - Limit per building:		
Class G-1		\$ 200,000
Class G-2		\$ 100,000
Class G-3		\$ 25,000

The Agent's limit on Binding Authority is a policy total of \$2,000,000 of Coverage. Any amount greater than \$2,000,000 will require prior approval for reinsurance purposes.