

Underwriting Guidelines

California Safeguard Homeowners

General Procedures

Policy Period

CSE Homeowners policies are written for 12 month terms. Renewals are continuous and based upon the premiums in effect at the time of renewal. All rates listed in the manual are based on a 12-month policy term.

Premium Collections

New Business

All new business applications must be accompanied by either:

- Full payment or the initial premium payment if paid on an installment plan.

Exception

If the payment is to be paid by an escrow or mortgage company, the new business application may be sent without payment. The escrow or mortgage company must remit the full 12-month policy premium upon policy issuance.

Note: Be sure to indicate in the designated space on the application the name and address of the individual, and the escrow or mortgage company to be billed for the premium, as well as any special billing procedures.

Late Payment

If payment has not been received by the cancellation effective date, a cancellation notice will be sent to any additional insureds and loss payees or mortgagees indicating that the policy was canceled for non-payment.

Renewals

All renewals are billed to the appropriate party per the agent's instructions 45 days prior to the renewal date, and the premium payment is due by the renewal date.

Partial Payments

The CSE Homeowners premium payment plan is a paid-to-date program. When a partial payment is made and no further payments are received, the policy will be canceled as of the date that the coverage purchased by the initial payment ceases.

- A cancellation pending notice will be issued to all concerned parties 15 days prior to the time coverage ceases.
- A notice of cancellation will be issued on the date coverage ceases.

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- There is no mid-term billing of any outstanding balance other than the second payment due from the insured paying under the installment plan.
- If paid-to-date coverage extends into the renewal billing cycle, any balance due will be carried forward and added to the premium due on renewal. If paid-to-date coverage ends before the renewal billing cycle begins, the policy will be canceled unless payment of the amount due is received.

Installment Payment Plans and Fees

Billing Options

Number of Payments	Down Pay	Number of Installments	Installment amount	Total Installment fee (\$6 each)
1 Full pay	n/a	0	n/a	n/a
4	25%	3	25%	\$18
6	16.7%	5	16.66%	\$30
9	20%	8	10%	\$48

- Credit card payments are acceptable.

Policy Fee

A \$15 policy fee will be charged on new policies.

Reinstatement Fee

If a policy is reinstated, a fee of \$20 will apply.

Late Fee

A fee of \$15 will be applied to all late payments.

Non-Sufficient Fund Fee

If a payment is returned to CSE by the bank for Non-sufficient funds, account closed, etc., a fee of \$15 will be assessed for each occurrence.

Minimum Premium

The minimum premium shall be \$200 per policy.

Rounding of the Premium

All premiums for coverage must be rounded to the nearest dollar.

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EFT Payment Plan

EFT automatically transfers the monthly insurance policy premium payments from the insured's checking account to CSE.

A signed EFT Authorization Form form must be sent to CSE to authorize the the withdrawals. Each policy requires a separate authorization form.

This form is available in the "Print on Demand" Forms section of the guidelines.

EFT Payment Plan Description

1. Electronic Funds Transfer (EFT) is only available as a monthly installment payment plan, and only for Auto, Homeowners, and Dwelling Fire policies. CSE does not draft annually or quarterly.
2. A voided check is needed. A deposit slip will not work since some banking institutions do not code all of the necessary routing numbers on deposit slips.
3. The direct bill payment program may impose a service charge on each payment.
4. A separate draft authorization is required for each policy. If there are two policies, then two separate drafts will occur. Two policies cannot be combined on one EFT draft.
5. The policy effective (renewal) date controls the EFT program. You may choose any withdrawal date you wish that is from 0 to 15 days prior to the policy effective date. If the chosen date is outside of this range, CSE will use the policy effective date.
6. The agent's trust account may be drafted for the first payment, but not thereafter. The client's check may also be used to make the initial payment. EFT draft from the insured's account will begin with the second payment. Please note that the program is designed to withdraw on the first draft the amount needed to place the policy in force and to make it current so that future drafts will be consistent and correctly timed. Therefore, the first withdrawal may be more or less than the future transfers.
7. Because liability for coverage is inherent in the payment drafts, written notice signed by the insured is needed to terminate or change the automatic bank transfers. CSE will refund premiums if withdrawals are made after the requested termination of coverage.

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8. When policy changes result in premium changes, a new installment schedule will be provided. The next withdrawal will bring the policy on schedule. Future drafts will reflect the new premium.
9. A new authorization form is not needed for policy renewal. The client will receive a bill with the premium amount and due date. Without a written request for cancellation of the installment draft, CSE will draft the new premium amount on the normal draft date of the month prior to the renewal date. This will ensure continuous coverage. Once in place, EFT can run for years without any action on the client's part.
10. CSE's EFT plan works only with checking accounts. EFT does not apply to savings accounts or government allotments.
11. The company may terminate the plan immediately if any drafts are not paid when presented for payment.

Preparing Applications

Note: Failure to comply with the following guidelines may result in the suspension of the agent's binding authority.

Effective Date

The policy effective date must be the same as or later than the date of the named insured's signature.

Post-dated applications, to be effective within 60 days of the policy submission date, are permissible.

Back-dated applications are prohibited. Backdating is defined as follows: posting an effective date prior to the time the coverage is applied for, without approval from an underwriter (Coverage is applied for when the named insured, for purposes of binding coverage, signs the application or submits money to the agent.)

Insurance Binder

CSE agents have authority to issue an insurance binder for a period of 30, 60, or 90 days from the effective date of the policy. Under no circumstances may a binder be issued for a period longer than 90 days.

When the effective date of the policy and the date the application is signed by the insured are the same, the binder section must be completed indicating the time signed.

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For example, the policy effective date is January 01, 1998 and the insured signs the application on January 01, 1998 at 2:00PM. The time of 2:00PM should be indicated as the time bound. If the time is not modified from 12:01AM, then the coverage is considered to be backdated.

If the effective date of the policy is in the future of the date signed, there is no need to complete the binder section of the application.

Timeliness

Submitted within 10 days of binding. Applications submitted more than 10 days after binding are subject to cancellation

Address

The applicant must have a definite and permanent address which is clearly stated on the application in the designated area.

If the mailing address differs from the property location the agent must state the reason using the remarks section of the application. If the property has no numerical address, clearly specify the location with respect to well-known landmarks or nearby entities which pinpoint locale.

Signature and Dates

Each application must be personally signed and dated by a named insured listed on the application as well as by the issuing agent or a licensed representative acting on behalf of the agent. If the named insured is a minor, the application and attachments must also be signed by a parent or guardian of the minor.

The following forms must be signed and retained on file in the agent's office:

- Application
- Coverage Offer Explanation Verification
- Residential Property Insurance Disclosure

Cancellations

New Business

CSE reserves the right to cancel a new business application for Underwriting reasons at any time within the initial 60-day underwriting period. General underwriting cancellation reasons include, but are not limited to, the following:

- Policy does not meeting underwriting criteria

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- Insured does not provide the required or requested underwriting information
- Material misrepresentation has been made by the insured
- CSE does not provide the coverage requested
- Non-weather or catastrophe related loss within the first 60 days of the policy period
- Policy premium is not submitted within required time period

If we decline to process the application due to general underwriting unacceptability, we will mail a notice of cancellation to the named insured with a copy to the agent, as required by statute. Unearned premium, calculated pro rata, will be returned to the named insured under a separate cover.

To request reconsideration of a policy canceled within the initial 60-day underwriting period, the agent must write to the underwriter stating the reasons why the policy should remain in force. If the underwriter agrees to rescind the cancellation, the agent should return the refund check to CSE along with the information requested by the underwriter. Under no circumstances may the agent return a refund check to the company without prior approval from the underwriting department.

Mid-Term

Company-Initiated

We will cancel a policy mid-term for the following reasons:

- There is a substantial increase in the hazard insured against (see "Ineligible Criteria in the Underwriting Guidelines)
- Non-payment of premium
- Vacancy or foreclosure by the mortgagee on the insured's real property
- Conviction of a crime increasing hazard insured against
- Fraud or material misrepresentation has been made by the insured
- Grossly negligent act or omission increasing hazard insured against
- Physical changes in property making it uninsurable
- Or other grounds as stated in the California Insurance Code section 676

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Insured-Initiated

The named insured may request the policy to be canceled at any time during the policy period. An ACORD cancellation form should be used to cancel the entire policy. The cancellation form must be signed and dated by the named insured or spouse, with the cancellation effective date indicated. Prohibited is retroactive cancellation where the effective date of cancellation is more than 30 days prior to the date of the named insured's signature on the cancellation form. The following cases are exceptions:

- Duplicate coverage exists with another policy issued by CSE or another insurance carrier, as evidenced by a declaration page from the new insurance carrier.
- The cancellation is pre-approved by the Underwriting Department
- The dwelling is sold at an earlier date and the insured provides proof of sale

If insurance is canceled at the request of the insured, the earned premium shall be computed on a pro-rata basis.

Non-Renewal

Reasons for non-renewal include, but are not limited to, the following;

- The agent no longer represents CSE
- Non-payment of premium occurs
- There is a substantial increase in the hazard insured against (see "Ineligible Criteria" in the underwriting guidelines for examples)
- There is an unacceptable loss history.
 - > One or more loss(es) in the first policy term that indicates insured negligence, deferred maintenance and/or insured has not taken steps to mitigate future losses.
 - > Two or more losses in the prior three (3) years as a result of insured negligence, deferred maintenance and/or insured has not taken steps to mitigate future losses.
 - > Losses involving negligence by any insured.
 - > Losses involving the lack of maintenance or care of the insured's personal property and/or premises or due to a moral/morale hazard (i.e. insured carelessness or indifference).

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In lieu of non-renewal, an increase in deductible may be applied. This exception is applicable to exposures with 2 or less losses.

We will notify the agent of our intent to non-renew. This notification will also include our reason(s) for the decision.

Policy Rescission

Policy rescission is an underwriting action that renders the entire contract between CSE and the applicant null and void as of the inception date.

We rescind a policy when misrepresentation of material fact on the application is so critical that had the correct information been known at the time of the application we would not have bound the coverage.

Reinstatement

When a policy is cancelled for non-payment of premium, the policy will be reinstated without lapse in coverage if the full amount due is received by the effective date of cancellation.

Payments received after the date of cancellation will be referred to the Underwriting Department for approval. We will decline to reinstate a policy if:

- There is a history of late payments described as:
 - > 2 or more late payments in the last year, or
 - > 4 or more late payments in the last 2 years
- There is a history of NSF (non-sufficient funds) check payments described as:
 - > 2 or more NSF checks in the last year, or
 - > 3 or more NSF checks in the last 2 years
- If the amount paid is less than the amount due when received
 - > Policies with any prior loss history.
- Policies currently set to non-renew or cancel due to underwriting cause.

If the Underwriting Department agrees to reinstate, such reinstatement will be processed without lapse in coverage. A reinstatement fee of \$20 will be assessed for each reinstatement transaction.

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If the Underwriting Department declines reinstatement, the unearned premium will be returned to the insured, and the cancellation will stand.

If payment is received more than 30 days after the cancellation date, the payment will be returned to the insured.

Transfer or Assignment

The transfer or assignment of policies is generally prohibited. A transfer or assignment may be approved under the following circumstances:

- Assignment from the Named Insured to a relative in the event of transfer to title to the dwelling, or death of the Named Insured.

In all circumstances, the request must be submitted to Underwriting for prior approval. (See Non-Bound Submission Procedure in the Eligibility Criteria section of this manual.)

Assessment Fee

The California Insurance Code requires insurance carriers to indemnify the public against loss due to the insolvency of property or casualty carriers.

The California Insurance Guarantee Association (CIGA) may assess each of its members a fee to help pay for any outstanding policyholder and claimant liability obligations left by an insolvent carrier. CIGA assesses CSE for this fee, and CSE recoups the amount of the fee from our insureds in the form of an assessment fee factor applied to each policy as required by the state insurance code.

Eligibility Criteria

Form Eligibility

Special Form (H003)

A CSE Safeguard Homeowners policy may be issued using Form H003, provided the policy is issued:

- to the owner-occupant(s) of a 1- or 2-family dwelling which is used exclusively for private residential purposes (except permitted incidental business occupancies) and contains not more than 1 additional family, or,
- to the purchaser-occupant(s) who have entered into a long-term installment contract (contract of sale) for the purchase of the dwelling and who occupy the dwelling, but to whom title does not pass from the seller until all terms of the installment contract have been satisfied. The seller retains title until completion of the payments and in no way acts as a mortgagee. The seller's

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interest in the building and premises liability may be covered using Endorsement H041—Additional Insured.

Loss Experience

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Policies with more than 2 losses within the last 3 years, regardless of loss type or amount, are ineligible .

General Guidelines

General Guidelines	
Requirement	Eligibility
Occupancy	May be written only for the owner-occupant of a 1- or 2-family residence, which means that not more than 1 additional family may occupy the building.
Minimum Square Feet	800 Square feet.
Insurance to Value	All new business must be written for full replacement cost based upon Marshall Swift/Boeckh estimator. At renewal, an inflation factor will apply.
Primary CSE Required	Secondary or Seasonal (Owner occupied) dwellings require the primary residence to be insured with CSE.
Coverage A - Minimum Value	\$85,000
Coverage A – Maximum (binding). Higher limits may be submitted non-bound.	\$1,200,000

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Dwelling Characteristics	
Age of Dwelling	Dwellings over 30 years old must have had plumbing, heating and electrical updates within the last 30 years. If the home’s electrical system is on circuit breakers and plumbing system is made of copper, no updates will be required for these two items.
Construction Types	<p>Frame: dwelling with exterior walls of combustible construction, including walls with metal, stucco, or metal lath and plaster, on combustible supports</p> <p>Masonry: A dwelling with exterior walls of brick, concrete, concrete block, adobe, tile, other masonry materials or non-combustible materials, on non-combustible supports</p> <p>Masonry Veneer: A dwelling with walls of combustible construction veneered with masonry materials. Dwellings of masonry veneer construction and their contents and apartment contents are eligible for masonry premiums.</p> <p>Mixed Construction: A dwelling is to be classified as masonry where the wall areas of masonry construction exceed 33 1/3% of the total exterior wall area.</p>

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Roof	The roof must be in good condition and show no visible signs of wear or deterioration.
Heating	All dwellings must have a central heating system or a thermostatically controlled electrical heating system.
General Guidelines – Continued	
Electrical	The electrical system must be in good condition. <ul style="list-style-type: none"> • A minimum 100 amp capacity service No knob and tube panel • be or aluminum wiring • Circuit breakers are required.
Plumbing	The plumbing system must be in good condition with no leaks. Properties with galvanized plumbing within the dwelling's interior are acceptable if the system is 40 or

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	less years old and the policy deductible is at least \$1,000.
Anchoring & Retrofitting † This requirement will be waived for dwellings that have a seismic gas shut-off valve installed.	Buildings constructed prior to 1960 and with an MMI* of 8.0 or greater must meet the following criteria: † 1. Structure must be anchored or bolted to the foundation. 2. Single-story and multi-story homes with crawl spaces or basements must have braced cripple walls. 3. Outside brick fireplaces must be reinforced, braced to the structure and roof to minimize separation and falling. 4. Water heaters must be secured to the wall.
Foundation	Continuous concrete slab or raised foundation.
Number of Families	One to two family dwelling One must be owner occupied.
Contents	50% of Coverage A is included in the base policy. 70% is included with the Plus Endorsement.
General Guidelines – Continued	

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Protective Devices	Dead bolts, smoke detectors and fire extinguishers required on all homes.
Wood Burning Stoves	Require completed Wood Burning Stove Questionnaire, or certification by the local Fire Department or building inspector. Not eligible if used as the primary heating source, or if it is homemade or self-installed.

Ineligible Exposures	
Exposure	Eligibility
Construction	
Open Foundations	Ineligible
Obsolete, unique, or irreplaceable construction material or components.	Ineligible An exception can be made if Functional Replacement Cost is selected.
Unapproved roofs, including roll tar paper, tin, or aluminum	Ineligible
Construction done by owner.	Ineligible unless a professional licensed contractor (includes wiring, heating and plumbing).
Where any part of structure rests on piers or pilings.	Ineligible

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Ineligible Exposures, Continued	
Exposure	Eligibility
Mobile homes, trailer homes and house trailers.	Ineligible
Manufactured homes that are not on a permanent foundation and do not have wood frame construction.	Ineligible
Dwellings equipped with fuse boxes (even if in concert with circuit breakers).	Ineligible
Galvanized plumbing is ineligible unless it is 40 years of age or less and the policy deductible is at least \$1,000.	Ineligible
Location	
Protection Class	<p>1-7 acceptable. Suburban Rating Rule for classes 8-10: Dwellings not part of a complex and not located in areas listed will fall under Protection Class 6, provided all the following requirements are met:</p> <ol style="list-style-type: none"> 1. The dwelling is located within 5 miles travel distance from a full time, paid fire department that will respond. A State Department of Forestry fire station is not considered a recognized fire department unless it has contracted to provide residential protection for the area in which the dwelling is located. 2. The dwelling is located within 1,000' of a public fire hydrant. with 2 1/2" hose outlets connected to a 4" or larger main.

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	<p>3. The dwelling is not located in a severe brush or forest conflagration area.</p> <p>The dwelling will be as classified under Protection Class 8 if either one of 1. or 2. above together with 3. are met. The dwelling will be classified under Protection Class 9 (ineligible) if 1. and 2. above are not met, but 3. is satisfied.</p> <p>For towns or areas not listed which are located in a brush or forest conflagration area, the dwelling will be classified as Protection Class 10 (ineligible).</p>
Built on or adjacent to a slope greater than 35%.	Ineligible
Risks with an ISO FireLine Wildfire Hazard Assessment of high or extreme are ineligible.	Ineligible
Within 100 feet of a commercial or industrial property.	Ineligible
Directly exposed to the Pacific Ocean or within 1,000 feet of the mean high-tide level.	Ineligible
Water front property directly exposed to large open bays/harbors.	Ineligible

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Ineligible Exposures, Continued -									
Exposure	Eligibility								
Risks within a 1 mile radius of an active wildfire or within a moratorium designated by CSE.	Ineligible								
Loss History									
Prior Losses	<p>Applications that have had any of the following in the past three years are ineligible:</p> <ul style="list-style-type: none"> • Any liability loss • More than one theft loss • Any loss where steps have not been taken to mitigate future losses • More than two losses > \$500 <p>Acceptable risks will be subject to the prior loss surcharge as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Prior 3 year claim count > \$500</th> <th style="text-align: center;">F&L and AOP</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">0.98</td> </tr> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">1.30</td> </tr> <tr> <td style="text-align: center;">2+</td> <td style="text-align: center;">2.70</td> </tr> </tbody> </table> <p>Note: The loss follows the insured and the surcharge applies if the loss occurred at the insured location.</p>	Prior 3 year claim count > \$500	F&L and AOP	0	0.98	1	1.30	2+	2.70
Prior 3 year claim count > \$500	F&L and AOP								
0	0.98								
1	1.30								
2+	2.70								
Ineligible Exposures, Continued -									

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Exposure	Eligibility
Animal Exposures	
Guard dogs, Mastiffs (all types), Working American Bulldogs, Presa Canarios, Wolf Hybrids, or dogs with a bite history	Ineligible
Chows, Dobermans, Pit-Bulls (a.k.a. American Staffordshire terriers), Rottweilers, Akita, or any mixed breed containing any of the above dog types.	Excluded under Safeguard Animal Exclusion (Not Ineligible)
Exotic pets, or Non-domesticated animals such as: large cats, bears, venomous or large snakes.	Ineligible
Ineligible Exposures, Continued -	
Exposure	Eligibility

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Other	
Risks purchased through distressed financial sales (i.e. pre-foreclosure, foreclosure, REO, short-sale, auction, etc).	Ineligible These risks may be bound if the agent has either first inspected the property and taken both interior/ exterior photos showing the dwelling is in good to better condition or the insured has a current 3rd party, professionally completed, interior/exterior inspection (can include real estate inspections done in conjunction with the home sale).
Risks located on more than 5 acres of land.	Ineligible
Individuals with the following occupations: <ul style="list-style-type: none"> • Reporters, authors, editors/publishers of newspapers and/or magazines, • Broadcasters, television, and/or radio personalities • Professional actors, athletes, entertainers, or celebrities. • Individuals who have been elected to their occupations. • Candidates for elected office. 	Ineligible
Ineligible Exposures, Continued -	

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Exposure	Eligibility
Vacant buildings, unless to be occupied within 30 days.	Ineligible
Unusual liability exposures (e.g. unfenced swimming pool, swimming pools with free standing slides, stairs with no handrail, trampolines, etc.	Ineligible
True farming exposures, where income is derived from farming activities.	Ineligible

Non-Bound Risks (submit for approval)

- Dwellings exceeding binding authority limits or does not meet underwriting criteria.

Non-Bound Submission Procedure

- An agent may not bind an applicant who does not qualify for coverage under the underwriting guidelines of this manual.

Underwriting will review a non-bound application submitted by an agent if the following conditions are met:

1. Agent does not accept premium;
2. Agent indicates "Non-Bound" on the application;
3. Applicant and agent do not sign and date the application;
4. Application does not show effective dates but is otherwise completed in full;

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Agent includes with the application a detailed description of the circumstances surrounding the non-bound submission and includes in that description comments regarding the applicant.

If Underwriting approves the application for binding Underwriting will return the original application to the agent requesting the premium and an effective date. To assure prompt handling, the agent should forward the application, premium, and Underwriting memo of acceptance through the normal new business submittal process. We will not provide coverage prior to the date that we actually receive the premium.

Policy Attachments

All risks should be inspected by the agent prior to binding coverage. CSE orders inspections on all homeowners new business.

The following items need to be included with each application submitted to CSE:

1. Marshall & Swift Replacement Cost Estimator (current edition)
2. Supplemental wood stove questionnaire and photo of wood stove (if applicable)
3. Dog Questionnaire (if applicable)
4. Dwelling Seismic Retrofitting Form (when applicable; see 'Dwelling Retrofitting Requirements' section of this manual)

Special Form (H003)

Section I—Property Damage
Coverage A—Dwelling
Coverage B—Other Structures
Coverage C—Personal Property
Coverage D—Loss of Use

Section II—Liability
Coverage E—Personal Liability
Coverage F—Medical Payments to Others

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Swimming Pools

Risks with swimming pools on the premises will receive a \$65 charge.

For the purpose of this surcharge, a pool is defined as an above-ground or in-ground recreational receptacle utilized to hold water which is over 6 feet in diameter/or across in any direction, with the exception of:

- Inflatable Pools or “Kiddie Pool” type, or categorized as a Jacuzzi or Spa.

Optional Coverages

Refer to the Endorsement Section of this manual for optional coverages.

Mandatory Coverages

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

F.34130A Limited Wildfire Smoke, Soot, Ash or Debris Coverage

Attach to all policies

H090CA0—Workers’ Compensation and Employers

Liability Insurance (Mandatory – There is no additional premium for this coverage)

Who Is Covered

Persons covered include casual and household employees who worked a minimum of 52 hours and earned at least \$100 from the same employer, either owner or occupant of a residential dwelling, in the 90 days before the injury. This twin threshold requirement will, in most instances, effectively eliminate coverage for the incidental babysitter who previously became eligible for Workers’ Compensation benefits on January 1, 1977.

A casual employee is an employee who is not necessarily incidental to the ownership, maintenance, or use of the residence, for example, someone hired to catalog a stamp collection or someone hired to overhaul the engine of a boat owned by the insured. The January 1, 1977, legislation defined “casual work” as work of at least 10 days’ duration and for which the cost of labor was at least \$500. When this situation existed it was necessary to provide separate Workers’ Compensation coverage. But under the amended legislation the test for casual employment is the same as for residential employment: at least 52 hours worked and at least \$100 earned in the immediate preceding quarter.

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Note: Tenants of rented residential premises have the same obligations and exposures as do owners.

Who Is Not Covered

Workers' Compensation does not cover an independent contractor, a person employed by the person's parent, spouse, or child; and any specifically excluded individual. For more information see Definitions below.

Penalties

If a householder-employer fails to provide Workers' Compensation coverage, the injured employee has a right of action against the employer. The right of action varies according to the type of employment.

Full-time domestics employed more than 52 hours per week by one employer, part-time gardeners employed more than 44 hours per month by one employer, and casual workers employed for more than 10 days and earning more than \$100 are entitled to recover Workers' Compensation benefits plus penalties.

Right of Rejection

The law prohibits rejection of Workers' Compensation coverage.

Replacement Cost

Replacement Cost Statement

Dwellings must be insured at 100% of the Marshall & Swift replacement cost estimate to provide adequate protection against a total loss.

California insurance code and CSE require that agents provide insureds with a copy of the replacement cost estimate used when quoting their dwelling. The insured's copy of the estimate (entitled "Homeowner Notice") can be located/printed in the "Report Options" section of the "Reports/Calculate" tab, under the "Report Type" drop-down box.

Inflation Factors

CSE includes inflation factors in the calculation for each policy renewal period.

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Policy Discounts

Multi-Policy Discount

The multi-policy discounts are available for other in-force policies written for the same Named Insured:

Product	Discount
Auto	17%
Landlord	3%
Earthquake	2%
Umbrella	2%

Note: Discounts can only be combined by different categories. The overall discount cannot exceed 24%

Loyalty Discount

Loyalty is calculated as the difference between the term effective date and original effective date. The discount is not portable from tenure with another carrier, and the credit follows the insured, not the dwelling.

Continuous Renewals	Discount
0	0%
1	3%
2	4%
3+	5%

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Newer Home Premium Credit and Older Home Surcharge

The following credits are given for homes constructed within the past seven years.

Building Age	Fire & Lightning	All Other Perils
0	0.88	0.43
1	0.89	0.47
2	0.90	0.52
3	0.90	0.56
4	0.91	0.60
5	0.92	0.64
6	0.93	0.68
7	0.93	0.72
8	0.94	0.76
9	0.95	0.80
10	0.96	0.83
11	0.97	0.87
12	0.97	0.90
13	0.98	0.94
14	0.99	0.97
15	1.00	1.00
16	1.01	1.00
17	1.02	1.00
18	1.03	1.00
19	1.03	1.00
20	1.04	1.00
21	1.05	1.00
22	1.06	1.00
23	1.07	1.00
24	1.08	1.00
25	1.09	1.00
30	1.14	1.00
35	1.19	1.00
40	1.24	1.00
45	1.29	1.00
50	1.35	1.00
55	1.41	1.00
60	1.47	1.00
65	1.54	1.00
70	1.61	1.00
75	1.68	1.00
80+	1.76	1.00

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Note: For values in between the ranges, use linear interpolation to obtain the relativities.

Tile Roof Credit/Wood Shake Roof Surcharge

Tile roofs receive a 10% discount
Wood shake roofs receive a 5% surcharge.

Civil Servant Professional Occupation Discount

Occupation	Factor
Civil Servant	0.90
Civil Servant Firefighters	0.90
Civil Servant Law Enforcement Professionals*	0.90
Civil Servant Educators who are engaged in the teaching, training and management of students at all levels of schooling.	0.90

Insureds who have retired from the above occupations also qualify for this discount.

*Law Enforcement Officers consist of police officers, sheriffs, FBI agents, Secret Service agents, officers of the Department of Homeland Security, prison guard and Border Patrol Enforcement personnel and other comparable positions whose duties are primarily the prevention, investigation, apprehension or detention of individuals suspected or convicted of offenses against the criminal laws, including an employee engaged in this activity who is transferred to a supervisory or administrative position; or serving as a probation or pretrial services officer.

H216STO—Premises Alarm or Fire Protection System

See—Endorsements/Homeowners Endorsements (All Forms)

Neighborhood Crime Watch

For a premium credit, the residence premises must be located within the boundaries of a neighborhood crime watch area and the insured must be an active, participating member of that neighborhood crime watch area. The premium credit is 10%.

56+ Discount

For a premium credit, one of the named insureds must be at least 56 years old and the residence premises must be the insured's principal residence. The discount is 5%.

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Endorsements

Index of Endorsements

Homeowners Endorsements

- F.30960C—CSE Safeguard Plus Endorsement
- F.31550A—Pathogenic Organisms Exclusion Endorsement
- F.32280A—Contact Information Notice
- F.32470A—Identity Recovery Coverage
- F.32830 — Equipment Breakdown Enhancement
- F.33980A—Additional Interests Residence Premises
- F.34130A—Limited Wildfire Smoke, Soot, Ash or Debris Coverage
- G.30980A—CSE Safeguard Personal Property Endorsement
- G.4490A —Thank you for insuring your home with CSE (Stuffer)

F.30960C 0715 Plus Endorsement

Increases special limits of liability for personal property. Increases certain additional coverages. Increases the replacement cost on dwellings from 130% to 175%, provides up to \$7,500 for sewer and drains backup, and increases the maximum we will pay on replacement cost contents. See endorsement for details.

Endorsement Premium 12% of policy premium.

F.32830 Equipment Breakdown Enhancement

Premium: \$27. Limit: \$100,000 Deductible: \$500

Coverage includes: Expediting Expense, Spoilage Coverage, and Pollutant Clean-up and Removal caused by a covered equipment breakdown, up to specified sub-limits. The loss must be at the residence premises. If we replace equipment due to a covered equipment breakdown, we may pay up to 25% more than we otherwise would to replace it with equipment that is better for the environment, safer, or more efficient than the equipment being replaced.

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F.34390A 0515 Service Line

Premium \$15, Limit \$10,000, Deductible \$500.

Provides for a service line (e.g. water, sewer, underground power line) failure or rupture. Equipment breakdown must also be purchased.

See endorsement for details.



F.32470A Identity Recovery Coverage

Included with CSE Safeguard Plus Endorsement

Optional for policies without Plus for an additional premium of \$15.

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The Identity Recovery Coverage endorsement (F.30960C) pays for various out-of-pocket expenses due to a covered identity theft, including lost wages, up to specified sub-limits.

F.33980A Additional Interests Residence Premises

In addition to the Mortgagee(s) shown in the Declarations, the persons or organizations named in the Declarations also have an interest in the "residence premises." If we decide to cancel or not to renew a policy, the persons or organizations named in the Schedule will be notified in writing. All other provisions of this policy apply. This endorsement is available in the CSEICO HO3, HO4 and HO6 and CSE Safeguard HO3 programs.

Property Endorsements (Coverage E and F Increased Limits)

Initial Residence Coverage E, Increased Limits

Initial Residence Coverage E, Increased Limits

Limit \$	CSE Safeguard
300,000	25
500,000	37
1,000,000	50

Initial Residence Coverage F, Increased Limits

Increased Medical Payments

Limit	Flat Charge
\$1,000	Included
\$2,000	7
\$3,000	12
\$4,000	15
\$5,000	18

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Feature Summary	Safeguard	Plus
Protective Devices Discount	Available combined device discount up to 21%.	
Multi-Policy Discount	Available for associated CSE Auto, Landlord, Earthquake and Umbrella up to 24%.	
CSE Agent Discounts	5% discount available to appointed agents that place their homeowners with CSE.	
56+ Discount	5% discount available to policyholders age 56 +	
Loss Free Credit	2% credit for policyholders with no losses in prior 3 year period.	
Tile Roof Credit	10% credit applied to Cov A premium.	
Functional Replacement Cost	Available for dwellings built before 1940.	
Deductibles – Policy Level	• \$500 to \$10,000 available.	
Deductibles - Water	• \$5,000 • \$7,500 • \$10,000 available. Must be higher than Policy Level deductible.	
Building & Ordinance	10% of Coverage A	20% of Coverage A
Clue Report	CLUE is run automatically through ChoicePoint. CSE pays the cost of the reports.	
Dogs	Risks with Doberman-Pinschers, Rottweilers, Pit-Bulls (aka American Staffordshire Terriers), Chows, Akitas, Presa Canarios, Working American Bulldogs, Mastiffs (all types), any mixed breed containing any of the above dog types or any dogs with prior bite history are ineligible. <i>Furthermore, there is no coverage under the policy for liability losses caused by these animals.</i>	
Brush	ISO FireLine Wildfire Hazard Assessments of high or extreme are ineligible, moderate cannot have a wood shake roof.	
Protection Class	1–7 and properties using the suburban rating rule are eligible. Protection Class 8–10 ineligible.	
Payment Plans	Pay in full • 4 pay plan: 25% down + 3 pay with \$6 installment fee per payment or 25% down + 3 EFT pay • 6 pay plan: 16.7% down + 5 pay of 16.66% with \$6 installment fee per payment or 16.7% down + 5 EFT pay of 16.66% • Check or Credit or EFT	
Check Payable to	CSE Insurance Group or EFT from Agents Trust Account.	
Binding Authority	10 days from effective date, must be uploaded and trailing documents faxed within 24 hours.	
Scheduled Personal Property	Only the following schedules are available: • Fine Arts • Musical Instruments • Silverware • Jewelry • Bicycles • Firearms	
Watercraft	\$2,500	
Securities, accounts, deeds, etc – see contract	\$2,500	\$5,000
Money, bank notes, bullion, gold other than goldware, silver, silverware, platinum, coins & medals	\$200	\$1,000
Trailers not used for watercraft	\$1,500	\$3,500

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Grave markers	\$1,000	\$6,000
Jewelry, watches, furs (see contract)	\$2,500 per item • \$7,500 max	\$2,500 per item • \$10,000 max
Firearms	\$2,000	\$2,500
Silverware, silverplated ware (see contract)	\$2,500 per item • \$5,000 max	\$2,500 per item • \$10,000 max
Business Personal Property, on premises	\$5,000	
Business Personal Property, off premises	\$2,500	
Computer & computer related equipment on premises	\$5,000 • There is no coverage for any electronic data processing hardware and related peripheral equipment including CRT screens, disc drivers, printers and modems, discs and tapes, which cannot be replaced due to obsolescence.	10,000 • There is no coverage for any electronic data processing hardware and related peripheral equipment including CRT screens, disc drivers, printers and modems, discs and tapes, which cannot be replaced due to obsolescence.
Feature Summary	Safeguard	Plus
Rug, Carpet or Tapestry	\$5,000 max (except wall-to-wall carpets)	
Antiques, fine arts, paintings, (see policy)	\$5,000 max	
Bicycles	\$1,000 per item • \$2,500 max	
Baseball Cards or similar memorabilia and comic magazines	\$2,500	
Compact discs, cassettes, tapes, electronic games, etc.	\$2,500	
Identity Theft Recovery	Available	Included
Service Line	Available \$10,000 limit. Purchase of Equipment Breakdown is required.	
Equipment Breakdown	Available \$100,000 limit.	
Debris Removal	\$500	\$1,000
Loss Assessment	\$1,000 included. Option to increase limit is available.	\$5,000 included. Option to increase limit is available.
Backup of sewers and drains	N/A	Up to \$7,500 for direct loss to Coverage A-Dwelling and Coverage C- Personal Property
Fences (wood)	ACV	
Clean up or otherwise remove Pathogenic Organisms	\$5,000 limitation for clean-up/removal. Ensuing damages as a result of a covered loss is reported and occurs within 365 days of the date of a covered loss.	
Loss Surcharge	A surcharge will apply up to 2 losses. More than 2 losses are ineligible	
Loss Settlement Provision of 3.b. (1) b.	The replacement cost of that part of the building damaged with common construction techniques and materials commonly used by the building trades in standard new construction for similar use on the same premises. Will not pay for the cost to repair or replace obsolete, antique or custom construction with like and kind quality.	

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Inland Marine—Scheduled Personal Property

Introduction

Eligible Inland Marine property may be added by endorsement (H0-61STO Endorsement) to a CSE Insurance Company H003, H004, or H006. The scheduled personal property coverage requires additional premium.

CSE Safeguard policies require the G.30980A endorsement and coverage is available for Fine Arts, Musical Instruments, Silverware & Jewelry only.

Ineligible Risks

- Residents of rooming or boarding houses or college dormitories

Non-Bound (Submit for Approval)

- Items not in the care, custody, or control of the named insured
- Any schedule exceeding agent binding authority.

Policies may be issued covering only engagement rings, wedding rings, and guard rings in the name of the two individuals as their interest may appear, irrespective of domicile.

Non-Bound Submission Procedure

An agent may not bind an application where the risk does not qualify for coverage under the underwriting guidelines of this section of the manual.

Underwriting will review a non-bound endorsement submitted by an agent if the following conditions are met:

- Agent does not accept premium.
- Agent indicates “non-bound” on the endorsement.
- Applicant and agent do not sign and date the endorsement.
- Endorsement does not show effective dates but is otherwise completed in full.
- Agent includes with the endorsement a detailed description of the circumstances surrounding the non-bound submission.

If Underwriting approves the endorsement for binding, Underwriting will return the original endorsement to the agent requesting the premium and an effective date. To assure prompt handling, the agent should forward the endorsement, premium and underwriting memo of acceptance through the normal new business submittal process.

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Policy Provisions

Coverage

This endorsement provides coverage for all risks of direct physical loss or damage, subject to certain exclusions and conditions (see endorsement contract for specific exclusions and conditions).

Territorial Limit

This endorsement covers the scheduled property world-wide. However, fine arts are covered only within the United States and Canada.

Deductible

No deductible is applied to a loss for property covered by this endorsement.

Pair, Set, or Parts

Loss to a Pair or Set

In case of a loss to a pair or set, we may elect to:

- repair or replace any part to restore the pair or set to its value before the loss, or
- pay the difference between actual cash value of the property before and after the loss.

Parts

In case of a loss to any part of covered property, consisting of several parts when complete, we will pay for the value of the part lost or damaged.

No Assignment Clause

Scheduled personal property does not contain an assignment clause; therefore, CSE will not transfer the insurance with the property. When the property is no longer owned by the insured, the item or schedule must be deleted from the policy.

Newly Acquired Property

Jewelry, Furs, Cameras, and Musical Instruments

We cover newly acquired property of a class already insured. The lesser of the following limits applies:

- 25% of the amount of insurance for that class of property, or
- \$10,000.

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When new property is acquired the insured must:

- report these objects to us within 30 days, and
- pay the additional premium from the date acquired.

Fine Arts

When fine arts are scheduled, we cover objects of art acquired during the policy period for their actual cash value. However, we will pay no more than 25% of the amount of insurance for fine arts scheduled. For coverage to apply for newly acquired fine arts the insured must:

- report the acquisition of these objects to us within 90 days, and
- pay the additional premium from the date acquired.

Golf and Sports Equipment, Silverware, Stamps and Coins

Golf equipment, silverware, sports equipment, and stamp and coin coverages are not automatically covered and must be scheduled for coverage to begin.

Preparing Endorsements

The scheduled personal property is an endorsement and, as such, must be added within 30 days of acquisition of the property by the named insured using a current ACORD Policy Change Request form (PCR).

The PCR must indicate which items, sets, or collections are to be added, along with the appropriate values of each item, set, or collection. In addition, all documentation (appraisals, bills of sale, gemologist diagrams, etc.) should be attached to the PCR.

Backdating—Backdating of scheduled personal property is strictly prohibited. “Backdating” is defined as follows: posting an effective date of the coverage prior to the time coverage is bound, without prior underwriting approval.

Rounding of the premium—all premiums for coverage must be rounded to the nearest dollar. For purposes of this rule, an amount of \$0.50 or more shall be rounded up to a \$1.00.

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Categories & Rates

Scheduled Personal Property

Name	Rate per \$100
Fine Arts	0.25
Musical Equipment	0.70
Silverware	0.50
Jewelry	2.00
Firearms	3.00
Bikes	8.90
Cameras	1.70
Furs	0.60
Golfer's Equipment	1.60
Stamps	1.60
Rare Coins	1.60
Sporting Equipment	1.60
Trading Cards and Comic Books	1.60

Scheduled Item Max/Min & Appraisal Requirements

Scheduled Item	Max Per Item	Max % Coverage C	Min \$ Per Item	Appraisal Threshold \$ Amount	Appraisal or Bill of Sale Required
Vaulted Item (Fur or Jewelry)			\$10,000	\$10,000	Yes
Fine Art	\$15k	20%	\$200	\$2,500	Yes
Coin Collection	\$15k	20%	\$100	500*	Yes
Individual Coins			\$10		
Stamp Collections	\$10k	20%	\$100	500*	Yes
Individual Stamps			\$10		
Trading Cards	\$10k	20%	\$10	500*	Yes
Silver Set	\$10k	20%	\$200	\$1,000	Yes
Individual Serving Pieces			\$10		
Camera Body	\$10k	20%	\$200	\$500	Yes
Camera Parts/Equipment			\$50		
Fur	\$10k	20%	\$500	\$1,000	Yes
Golf Equipment	\$10k	20%	\$250	\$1,000	Yes
Musical Instruments	\$10k	20%	\$200	\$2,000	Yes
Sports Equipment	\$10k	20%	\$200	\$1,000	Yes
Firearms	\$10k	20%	\$500	\$500**	Yes
Jewelry	\$10k	25%	\$250	\$2,000	Yes
Bicycles	\$5k	5%	\$500	\$500	Yes
Total (All Items)	\$110k	50%			

* Or a listing in an official catalog. ** List the serial # of the gun.

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Camera

Property Covered

- Scheduled cameras, projection machines, and related equipment
- Movable sound equipment pertaining to the recording, projection, reproduction, and operation of motion pictures
- Home video cameras, playback recorders and articles of equipment pertaining thereto
- Miscellaneous property such as films, binoculars, telescopes, microscopes and the like, which are used in conjunction with cameras or photographic equipment

Not Covered

Television cameras and equipment; coin and token-operated devices; cameras or other camera property for account of dealers, manufacturers and individuals principally engaged in photography or videography for remuneration.

Fine Arts

Property Covered

Scheduled paintings, etchings, pictures, tapestries, art glass windows, bonafide works of art (such as valuable rugs, statuary, marbles, bronzes, antique furniture, rare blocks, antique silver, manuscripts, porcelains, rare glass, and bric-a-brac) of rarity and historical value, and antique guns built prior to December 31, 1898.

Fur

Property Covered

Scheduled fur coats, neckpieces, evening wraps and garments trimmed with fur or consisting principally of fur, being property of insured and resident family members.

Golf Equipment

Property Covered

Golf clubs, clothing, and equipment

Property Not Covered

Watches and jewelry, golf balls (except against loss by fire or burglary), property held for sale.

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Jewelry

Property Covered

Scheduled jewelry, watches, rings, pens, pencils, flasks, smoking equipment, cigarette cases, and similar articles.

Property of the insured and resident family members is covered by the policy. Servants are not considered family members.

Property Not Covered

- Damaged gemstones including chipped or cracked diamonds, or other items of value which need repair
- Loose gemstones

Appraisals

Items valued at more than \$5,000 require a local appraisal no older than 24 months, and should include the following information:

- Each ring should be described as silver, platinum, white or yellow gold with "K" (carat) weight as 10, 14, 18, 20 or 24 and specified as either a signet, engagement, Wedding, or dinner ring.
- Each ring or earring with precious stone settings should be described as having one, two, three or more stones and the color, cut, clarity and weight of stones or gems indicated.
- Each bracelet, brooch or pin should be similarly described giving its size, and indicating color, kind and weight of stones or gems.
- Necklaces should be described indicating the number and length of strands and the kind, number and color of stones or gems.
- Watches and bands must be properly described to indicate man or woman's jewels, the maker, works, and the jeweled settings in case or wrist band.
- Other articles of jewelry must be clearly identified according to maker, shape, setting, etc.

Schedule Requirements

The application should itemize all articles to be insured, with applicable amounts of insurance, and should be accompanied by a current appraisal or bill of sale.

Note: To facilitate claim settlement, an application for an article of jewelry worth more than \$25,000 must be accompanied by a photo and jewelry or gemologist

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diagram in addition to the appraisal. These articles may not be bound. (See non-bound submission procedure.)

Specific Items in Bank Vaults

- Items in a bank vault require a minimum value of \$10,000.
- Items may not be out of the bank vault for more than 10 days a year.

Due to a substantially reduced rate, coverage on items in bank vaults shall cease unless the insured notifies the company in advance of any removal from the vault and pays the appropriate additional premium pro-rata for the length of time the property is off bank premises.

Musical Instruments

Property Covered

Musical instruments, articles, and support equipment

Property Not Covered

- Musical instruments played for remuneration are not covered. A professional under this form is designated as a person who receives remuneration for playing a musical instrument during the term of the policy.
- Radios, hi-fi stereo equipment, TVs and tape recorders
- Sheet music

Silverware

Property Covered

Silverware, silver-platedware, goldware, gold-platedware, pewterware.

Property Not Covered

Pens, pencils, flasks, smoking implements, accessories or articles of personal adornment; property pertaining to the business, profession, or occupation of the insured.

Schedule Requirements

All property must be scheduled to show name of manufacturer, pattern, and values. CSE does not require a meticulous listing of each item being scheduled; however, the property must be adequately described. For example:

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One set gold, International flatware (or other manufacturer's name) consisting of 4, 6, 8, etc., place settings of the following (list type of spoons as dessert, coffee, soup; forks as dinner, salad, etc.; and any other miscellaneous pieces).

Next, state the pattern of the gold flatware and the value, etc.

Sports Equipment

Property Covered

Scheduled sports equipment and accessories

Property Not Covered

- Golf Equipment
- Clothing
- Boats
- Bicycles
- Underwater (SCUBA) equipment

Theft from an unattended automobile is excluded unless there is visible evidence of forcible entry to a securely locked, fully enclosed body or compartment.

Schedule Requirements

All property must be scheduled to show name of manufacturer; identifying marks or numbers (including serial numbers, if applicable); and the amount of insurance for each scheduled item.

Stamp and Coin Collection

Property

Stamps

Postage stamps including due, envelope, official, revenue, match and medicine stamps, covers, locals, reprints, essays, proofs, and other philatelic property owned by or in the custody or control of the insured, including the books, pages, and mountings

Coins

Rare and current coins, medals, paper money, bank notes, tokens of money, and other numismatic property owned by or in custody or control of the insured

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including coin albums, containers, frames, cards, and display cabinets in use with such collection.