

## YOUR HOMEOWNERS INSURANCE

Farm Bureau General Insurance Company of Michigan insures homes throughout the state of Michigan.

We have prepared this brochure to help you understand more about homeowners insurance and how it is priced. You have a right to know what you are paying for, and we want to provide the information you need. If you have any questions about what you read, we're as near as your telephone.

### ABOUT YOUR HOMEOWNERS INSURANCE PRICES

Insurance prices are based primarily on the amount of money an insurance company must pay in claims. When setting prices, a company uses several factors to estimate future claims expenses.

Some dwellings or apartments, because of their construction, condition, location, and the availability and quality of fire protection, are more likely to have loss from fire or other perils. In the same manner, when a loss occurs, certain dwellings are likely to suffer more extensive damage than other dwellings. Insurance companies have identified several factors which can be used to estimate future losses, and these factors affect the prices which companies charge. Even though insurance companies may use the same or similar pricing factors, each company may view the relative importance of those factors differently. This, together with each company's claims experience over time, its administrative costs, and the degree of services provided, results in the price differences among companies.

At Farm Bureau General, we attempt to keep the cost of insurance down by regularly reviewing the factors we use to determine the price of our homeowners and personal property insurance. These are the rating factors we currently use, along with a brief description of their use:

### Types of Insurance Protection

When insuring Dwellings, Other Structures, and Personal Property, choices are available for covering these items. Special Coverage provides coverage for perils (fire, wind damage, and so forth), unless specifically excluded. Broad Coverage specifically describes the perils that are covered. Only those perils listed in the Broad Coverage form would provide coverage at the time of loss.

### Replacement Cost Loss Settlement - Dwelling and Other Structures

Replacement cost, in terms of loss settlement, is based upon the cost of repairing or replacing property with new material of like kind and quality and for like use. There may be no deduction from this actual cost for age or condition of the property at the time of loss. Since there may be no deduction for depreciation, the insurance amount you purchase must reflect replacement cost values.

### Protection Class

This factor is based on standards for overall fire protection quality for the location of the property being insured. A Michigan Public Protection Classification Listing is published and updated by a state-regulated service bureau. The Protection Class for your property is based on the service bureau listing used by most Michigan property insurance companies.

### Construction

A dwelling of frame construction is more likely to suffer a severe fire or wind loss than a dwelling with masonry construction. As a result, this factor is taken into consideration in the price of your insurance.

### Location

Insurance companies find that losses occur more frequently or are more severe in certain areas of the state; and that the cost of settling claims is higher in some areas. Therefore, where you live has an effect on the amount you pay for insurance.

### Credits

If you have a qualifying Family Auto Policy with us, the amount you pay for your Homeowners Policy may be reduced by our Multi-Policy Credit. See your Farm Bureau Insurance agent for details. The policies must be on the same billing account to receive this credit.

The amount you pay for homeowners insurance may be reduced if you qualify for one or more of the following: New Home Credit, New Roof Credit, Protective Devices Credit, Non-Smoker Credit, Mature Insured's Credit (starting at age 30), or SmartPay.

Research shows that individuals with certain financial characteristics on their credit report are less likely to experience losses. If you have an insurance score that indicates a reduced loss potential, the amount you pay for your homeowners insurance policy may be reduced. If you do not have an insurance score that reflects these characteristics, the amount you pay will not be increased. This insurance score is received from a consumer reporting agency.

### Claim Experience

Each Homeowners policy is subject to the Claim Experience Rating Plan in determining its premium. The influence this rating element has on a policy's premium depends on the number of previous insurance claims as well as the length of time the policy has been with us. The amount you pay for insurance may be higher as claim counts increase. On the contrary, the amount you pay may be lower with additional years of policy longevity.

Research shows that individuals with prior claims are more likely to file future claims. This is true for Farm Bureau General and throughout the insurance industry. For business written with fewer than three years of policy longevity with Farm Bureau General, we rely on claim information from a consumer reporting agency.

Please note that we do not count all previous claims. Only paid claims are considered and only for the three-year period of time prior to the term effective date of the policy. We then forgive up to the first two claims if the total paid amount is less than \$1,000. Subrogated amounts are subtracted before determining which claims will be counted. Claims resulting from weather events are excluded altogether, as well as those claims associated with any Travel Trailers attached to the Homeowners policy. Paid claims for all other types of Scheduled Personal Articles attached to the Homeowners policy will be considered, but only for loss dates on or after October 1, 2014.

### AMOUNT OF COVERAGE

All dwellings are insured under our insurance to value program, which provides for automatic adjustments in the amount of insurance as construction costs change. Our company measures current values by using a Construction Cost Adjustment Factor developed from current residential construction labor and material costs. When your policy renews, we use this information, together with the home value information you initially provided, to adjust the insurance amount to your home's current estimated construction cost.

Beyond the familiar factors of dwelling and personal property values and deductible amounts that you choose, there are many coverage options to serve your needs which may affect the price you pay. These options include, but are not necessarily limited to...

...Increased limits on such coverages as:

- Credit Card, Electronic Fund Transfer Card or Other Access Device, Forgery, and Counterfeit Money
- Fire Department Service Charges
- Identity Theft Recovery Expenses
- Loss of Use
- Medical Payment to Others
- Other Structures
- Personal Liability
- Personal Property
- Building Additions and Alterations (Renters only)

...Optional endorsements, such as:

- Additional Insured Endorsement
- Business Pursuits
- Permitted Incidental Occupancies
- Personal Injury
- Personal Property Replacement Cost
- Residence Glass Endorsement
- Scheduled Personal Articles
- Watercraft Liability

To help you better understand how the price of your policy is determined, your Declarations show the information we use. Please review your Declarations carefully to make sure they are current and correct. **We want to make sure that we are fulfilling your insurance needs. If you have any questions about your Declarations or the coverages described in your policy, or about this brochure and the options briefly outlined, consult your Farm Bureau Insurance agent.**

This brochure provides only a general description of coverages and options. All coverages are subject to the exclusions and conditions provided in the policy.

### ABOUT OUR APPEAL SYSTEM

Our professionally trained agents are provided with the necessary communication tools, knowledge, and resources to answer your questions. If you need further assistance, our system of management hearings begins at the local agency. Please feel free to contact the Managing Partner with your concerns.

It is our responsibility under Michigan's Essential Insurance Act to inform you that you have the right to:

- Obtain information from us regarding how we priced your policy.
- Request a management conference with us regarding the application of our pricing rules.
- Request a management conference with us regarding the use of our underwriting rules in your situation.
- Request an informal review of your concern with the Insurance Commissioner as an aggrieved person if we fail to provide a management conference and a proposed resolution within 30 days after your request, or if you disagree with the proposed resolution.

Note: Michigan law provides you with an informal review system to resolve your concerns. You still have the right to make a written request to the Insurance Commissioner for a formal appeal hearing under the following conditions:

- You are an aggrieved person as a result of our filing of rating and underwriting rules; and
- You disagree with all proposed resolutions offered through the review process.

**If you wish to have further information about how we determine the price of your policy or more details about requesting a management conference, simply contact your Farm Bureau Insurance agent.**

### PLEASE KEEP IN TOUCH

Please read your policy carefully and keep us informed of changes impacting your current coverage or future coverage needs.

If such changes occur, or if you wish to discuss the impact of such changes, please contact your Farm Bureau Insurance agent promptly. We also invite you to discuss changes in deductibles or policy limits with your agent on a regular basis so that your policy is kept as up-to-date as possible. Your agent will be happy to work with you to tailor your coverage to meet your needs.

Your agent's name and telephone number can be found on your policy Declarations.