

48841

APPENDIX 1



THE ANDOVER COMPANIES

MERRIMACK MUTUAL FIRE INSURANCE CO., FOUNDED 1828 • BAY STATE INSURANCE COMPANY, FOUNDED 1955 • CAMBRIDGE MUTUAL FIRE INSURANCE CO., FOUNDED 1833

MR GEORGE B BRADNER
DIRECTOR-PROPERTY AND CASUALTY DIVISION
CONNECTICUT INSURANCE DEPARTMENT
P O BOX 816
HARTFORD CT 06142-0816

RECORDED EFFECTIVE 4-15-06 R
7-1-06 NB
STATE OF CONNECTICUT - Insurance Department

PROPERTY & CASUALTY DIVISION

By Karen A. Romero
KAREN ROMERO, EXAMINER

Date: 6-30-06

Revised Homeowners Underwriting Information and Guidelines
Merrimack Mutual Fire Insurance Company – NAIC #022-19798
Cambridge Mutual Fire Insurance Company – NAIC #022-19771

Dear Mr. Bradner:

Under our Homeowners Underwriting Information and Guidelines on file with the Connecticut Insurance Department, under Rule 5., the current rule reads "Dwellings within 1,000 feet of open ocean should have wind protection, such as storm shutters."

We are amending Rule 5. to read as follows:

"For new business and renewals, dwellings within 3/4 miles of the coast must have Hurricane/Storm shutters installed on all windows and doors including garage openings. The Hurricane/Storm shutters must be rated to withstand hurricane force winds."

Enclosed is a revised Underwriting Guide which incorporates this change.

This filing replaces our earlier filing of May 19, 2006 which we are withdrawing at this time.

If you need anything further, please contact this writer at 1-800-225-0770 or via email at dwinn@andovercos.com. or please contact our attorney who is handling this matter, Sam Caligiuri, via email at sscaligiuri@dbh.com.

As always, we appreciate your prompt attention to this matter.

Cordially,

David A. Winn, CPCU
Assistant Secretary

DAW: kh
Enc. Underwriting Guide

**CONNECTICUT (06)
HOMEOWNERS POLICY PROGRAM MANUAL
UNDERWRITING INFORMATION AND GUIDELINES
INDEX**

- 46. Account Credit
- 8. Adjacent Exposures
- 22. Annual Increases
- 24. Bankruptcy
- 13. Barns and Other Structures
- 2. Binding Authority and Minimum Coverage A Requirements
- 45. Cancellation and Non-Renewal Notices
- 21. Claims History
- 5. Coastal Properties
- 49. Condexes, Duplexes, Townhouses
- 47. Conflict with Connecticut State Law
- 40. Day Care
- 50. Exterior Insulation Finished System (EIFS)
- 25. Foreclosed Properties
- 10. Heating Systems
- 6. Homeowners Program for HO0003
 - A. Standard
 - B. Superior Home Guaranteed Repair or Replacement Cost Protection Program; H-116
 - C. Market Value or 50% of Replacement Value
- 23. Homes Under Construction and Renovation/Theft of Building Materials
- 30. Household Pets
- 34. Hurricanes and Earthquakes
- 14. Incidental Business Occupancies
- 39. Incidental Farming
- 19. Insured Death
- 4. Isolated Risks
- 36. Legal History

UWG INDEX-1

**CONNECTICUT (06)
HOMEOWNERS POLICY PROGRAM MANUAL
UNDERWRITING INFORMATION AND GUIDELINES
INDEX**

- 32. Liability For Rental Properties
- 37. Liability Hazards
- 11. Log Homes
- 41. Loss Assessment
 - 1. Manual Overview
- 46. Market Value or 50% of Replacement Value
- 15. Mobile Homes
- 12. Modular Homes
- 9. Mortgages and Mortgagee Changes
- 35. Multiple Owners
- 44. New Dwelling Credit
- 42. Non-Payment Notices
- 43. Non-Smokers Credit
- 27. Personal Computers
- 29. Personal Property in Storage
 - 3. Photo Requirements
- 20. Rented Condominiums
- 26. Scheduled Personal Property
- 17. Seasonal Homes
- 51. Segways
- 28. Students At College
- 31. Swimming Pools
- 48. Trampolines
- 18. Trusts
- 33. Umbrellas
- 16. Underground Storage Tanks
- 7. Vacant Properties
- 38. Vacant Land

UWG INDEX-2

CONNECTICUT (06)
HOMEOWNERS POLICY PROGRAM MANUAL
HOMEOWNERS UNDERWRITING INFORMATION AND GUIDELINES

1. MANUAL OVERVIEW

This Underwriting Manual has been designed to provide you with information regarding our Underwriting Program.

The Homeowners Program is designed to insure well maintained, owner-occupied homes located in neighborhoods among homes of similar value. It is important to avoid excess theft and travel exposures, farm hazards, vacant dwellings, homes without central heating systems and insureds with prior losses.

2. BINDING AUTHORITY AND MINIMUM COVERAGE A REQUIREMENTS (NEW BUSINESS)

SECTION I

- A. 1-4 Family Homes may be written up to the following limits:

<u>Age</u>	<u>Protected PPC 1-8</u>	<u>Unprotected PPC 8B, 9</u>	<u>Unprotected PPC 10</u>
Built Since 1945	\$850,000	\$600,000	No New Business
Built Prior to 1945	\$650,000	\$450,000	

- B. One and two family homes should be written at a minimum of \$150,000.
- C. Three and four-family dwellings may be written when well maintained with basic building value and coverage of \$100,000 or more for each family unit.
- D. Tenants Homeowners (HO0004) \$15,000 minimum/\$100,000 maximum. If HO0490 (Replacement Cost Contents) applies, minimum is \$25,000.
- E. Condominium Homeowners (HO0006) - \$20,000 minimum. If HO0490 (Replacement Cost Contents) applies, minimum is \$25,000.

To bind a home through Merrimack Mutual or Cambridge Mutual, submit either a completed Andover Companies Application or ACORD Homeowners Application. A ChoicePoint Credit Report and Clue Report, an MS/B RCT Worksheet and photographs are required with all new HO0003 applications.

SECTION II

Comprehensive Personal Liability Coverage is available up to \$1,000,000.

Please Note: If a Personal Umbrella (H-130) is attached to the Homeowners policy in the amount of \$2,000,000 or greater, the maximum limit for Coverage "E" is \$500,000.

3. PHOTO REQUIREMENTS

The Andover Companies has a \$10 Photo Reimbursement Program which will be paid on all new applications that include a current photograph. If the photo is not received with the application, there will be no reimbursement. The photograph must be a recent original in order to qualify for the reimbursement.

UWG-1

CONNECTICUT (06)
HOMEOWNERS POLICY PROGRAM MANUAL
HOMEOWNERS UNDERWRITING INFORMATION AND GUIDELINES

4. ISOLATED RISKS (NEW AND RENEWAL BUSINESS)

Risks should not be isolated. Be especially careful with Class 8B, 9 and 10 properties. Risks that cannot be seen from at least five other homes are considered isolated. The homes should also be accessible to the Fire Department on a year-round basis.

5. COASTAL PROPERTIES (NEW AND RENEWAL BUSINESS)

- For new business and renewals, dwellings within ¼ miles of the coast must have Hurricane/Storm shutters installed on all windows and doors including garage openings. The Hurricane/Storm shutters must be rated to withstand hurricane force winds.

6. HOMEOWNERS PROGRAMS FOR HO0003 (NEW AND RENEWAL BUSINESS)

A. STANDARD PLAN

Property written under the Standard Plan should meet the average requirements for underwriting as set forth in this manual. Rates may be found in the first column of the rating section. Homes should be insured for at least 80% of replacement cost.

B. SUPERIOR HOME GUARANTEED REPAIR OR REPLACEMENT COST PROTECTION PROGRAM - H-116

Eligibility Requirements Form HO0003 Only:

1. Dwelling must be insured to 100% of replacement cost.
2. \$150,000 Coverage A minimum.
3. The home must have been constructed since 1925.
4. MS/B RCT Worksheet is required and must accompany the application.
5. Coverage C is increased to 70% of Coverage A at no additional charge.
6. HO0490 (Replacement Cost Contents), HO0015 (Special Personal Property Endorsement), H-142 (Additional Coverage Endorsement), HO0453 (Credit Card Coverage at \$5,000), HO0477 (Ordinance and Law Coverage) and H-116 (Replacement Cost Building), are added for a separate premium of \$30.
7. Log homes are not eligible.
8. Rates are found under the column headed HO0003 with H-116 (manual pages).

C. MARKET VALUE OR 50% OF REPLACEMENT VALUE

ISO Form HO0456 (04/91) is available for use if the Homeowners coverage is written as low as the greater of the market value or 50% of the replacement cost value. Please refer to the Homeowners Manual for the rating instructions.

UWG-2

CONNECTICUT (06)
HOMEOWNERS POLICY PROGRAM MANUAL
HOMEOWNERS UNDERWRITING INFORMATION AND GUIDELINES

7. VACANT PROPERTIES (NEW AND RENEWAL BUSINESS)

Vacant property has always been outside of The Andover Companies Underwriting Program. Any such Property should not be sent in for consideration. If an existing house insured by the Company becomes vacant there are provisions in the policy which should be reviewed as coverage is restricted after certain time limits. For instance, thirty days after vacancy, the peril of vandalism is excluded as well as glass coverage. Once the property is known to be vacant, it is asked that the contract be returned for cancellation otherwise a Direct Notice of Cancellation will be issued.

8. ADJACENT EXPOSURES (NEW AND RENEWAL BUSINESS)

Risks should be avoided where adjacent exposures are either vacant or in poor condition, provided that the conditions of the adjacent properties have objectively identifiable hazards which significantly increase the risk.

9. MORTGAGES AND MORTGAGEE CHANGES (NEW AND RENEWAL BUSINESS)

Two mortgages per policy are normally acceptable. Any additional liens to the property will need Company approval. Requests for additional liens should include the balances of all outstanding mortgages and the reasons for their being obtained.

This Company receives many mortgagee changes directly from the mortgagee, we process these directly.

10. HEATING SYSTEMS (NEW AND RENEWAL BUSINESS)

Homes must have thermostatically controlled Central Heating Systems. Homes with supplemental heating systems such as wood stoves, wood furnaces, coal stoves, and coal furnaces are acceptable if the installation of those systems meet recommended clearances and procedures. We do not insure homes that utilize kerosene space heaters. Permanently installed and vented gas and kerosene monitor heaters are acceptable.

11. LOG HOMES (NEW BUSINESS)

Log homes may be written under a HO0003. Because of the construction, H-116 is not available. When determining the replacement cost of the log home, please remember to combine the cost of the kit with the cost of labor to erect the structure.

12. MODULAR HOMES (NEW AND RENEWAL BUSINESS)

Modular homes on permanent foundations are acceptable for Homeowners coverages.

CONNECTICUT (06)
HOMEOWNERS POLICY PROGRAM MANUAL
HOMEOWNERS UNDERWRITING INFORMATION AND GUIDELINES

13. BARNs AND OTHER STRUCTURES (NEW AND RENEWAL BUSINESS)

Barns, because of their high replacement cost cannot be insured on a replacement value basis. If the barn is in good shape and is currently being used, it may be insured up to a total limit of \$40,000. Any barn with hay storage or high combustibles should be referred to your Personal Lines Underwriter.

14. INCIDENTAL BUSINESS OCCUPANCIES (NEW AND RENEWAL BUSINESS)

Incidental business occupancies may be written under either the HO0442, Permitted Incidental Occupancy Endorsement or H-912, Business-In-Home Endorsement.

If the occupancy is housed in another structure on the residence premises, physical damage may also be offered. Refer to the manual for the proper rate.

15. MOBILE HOMES (NEW AND RENEWAL BUSINESS)

Mobile homes are not eligible for dwelling coverage under the Homeowners Program. Please refer to the Dwelling Manual for mobile home eligibility. Contents may be covered under the HO0004.

16. UNDERGROUND STORAGE TANKS (RENEWAL BUSINESS)

New risks with underground storage tanks are not eligible for Homeowners coverage. If an existing risk with The Andover Companies is known to have an underground storage tank, please notify your Personal Lines Underwriter.

17. SEASONAL HOMES (RENEWAL BUSINESS)

Seasonal homes may be written under all Homeowners rating plans. If the agency insures both the primary and seasonal homes, the Company should be offered both properties.

18. TRUSTS (NEW AND RENEWAL BUSINESS)

A Homeowners policy may only be written with the owner-occupants as Named Insureds. The interest of a Trust is covered by the Additional Insured Endorsement, HO0441. **Please Note:** The Trustee must be listed.

19. INSURED DEATH (NEW AND RENEWAL BUSINESS)

When an insured passes away and the premises becomes unoccupied, an exposure presents itself for which the Company must be careful. Unoccupied homes are placed outside the Underwriting Program but when at all possible, the Company will strive to stay on the risk for a period of time. Your Personal Lines Underwriter should be contacted to discuss these risks on an individual basis.

CONNECTICUT (06)
HOMEOWNERS POLICY PROGRAM MANUAL
HOMEOWNERS UNDERWRITING INFORMATION AND GUIDELINES

20. RENTED CONDOMINIUMS (NEW AND RENEWAL BUSINESS)

Tenant occupied condominiums should only be written when the Company also provides the primary coverage for the Named Insureds. For rented condominiums, the HO1733 should be attached. On tenant occupied condominiums, the HO0490, Replacement Cost Coverage on Contents, is not allowed. Coverage C must be a minimum of \$1,000.

21. CLAIMS HISTORY (NEW AND RENEWAL BUSINESS)

On new business applications, the agency must ask the insured directly if there have been any previous losses. If there is more than one prior loss, then coverage would be unacceptable, however, a review of prior losses may include consideration for losses resulting from designated catastrophes.

On renewal business, if there are two or more claims paid for minor losses (under \$5,000), then non-renewal of the policy will result unless there are mitigating circumstances.

22. ANNUAL INCREASES (RENEWAL BUSINESS)

Each year, the Company receives information regarding local building costs and makes annual adjustments on a zip code basis.

23. HOMES UNDER CONSTRUCTION AND RENOVATION (NEW BUSINESS)

Homes under construction to be occupied by the Named Insureds are eligible for coverage in the Homeowners Program and should be written at the completed value. This enables the agency to use the H-116, Superior Home Program, plus the New Dwelling Credit. These homes should be completed and occupied within six months of policy inception. If the home takes more than six months to complete, coverage should not be placed with The Andover Companies.

Also, a home undergoing extensive renovations in which the structure will not be occupied within thirty days from the inception date of the policy, should not be placed with the Company. Once the renovations have been completed and the home is suitably occupied, the Company will then entertain processing a new business application.

Theft Of Building Materials

The Theft of Building Materials Endorsement, H-228, has been designed to cover the building materials while the home is under construction. The premium for this endorsement is \$50. The premium is fully earned. The Coverage A limit dictates the amount of the theft coverage. The endorsement is automatically deleted on renewal.

24. BANKRUPTCY (NEW BUSINESS)

Any dwelling owned by any person involved in bankruptcy proceedings, had a foreclosure, lien, repossession or court judgment in the last five years should not be submitted for insurance.

**CONNECTICUT (06)
HOMEOWNERS POLICY PROGRAM MANUAL
HOMEOWNERS UNDERWRITING INFORMATION AND GUIDELINES**

25. FORECLOSED PROPERTIES (NEW AND RENEWAL BUSINESS)

Properties that have been foreclosed upon should not be submitted to The Andover Companies as new business since the insureds no longer maintain an insurable interest in the home. If the agency learns of foreclosure proceedings, it is asked that our policy be returned for cancellation.

26. SCHEDULED PERSONAL PROPERTY

The Company provides coverage for several Inland Marine exposures. Refer to the Inland Marine section of this manual for exposures and rates. Refer to the following for underwriting guidelines.

On HO0003's, the amount of scheduled property and unscheduled personal property should not exceed the dwelling limit. In cases of an HO0004 and an HO0006, the rule of thumb is that 50% of the unscheduled limit is available for scheduled personal property. There are certainly times when departure from this rule is in order and your Underwriter should be contacted to discuss these individual risks.

JEWELRY

The Company will write a total jewelry schedule up to \$150,000 (not to exceed \$35,000 on men's jewelry). Items \$5,000 to \$49,999 require a current appraisal. Items \$50,000 and higher require two current appraisals (within 5 years) or one appraisal and a GIA Certificate. A central station burglary and fire alarm is required for schedules \$100,000 and greater.

PER ITEM LIMIT

Women's	\$75,000
Gentlemen's	\$25,000

FURS

Furs are insured at the appraised value. Since furs are generally known to depreciate over time, periodic reviews are recommended to determine the current values. The maximum limit on any one item is \$15,000.

FINE ARTS

The Company will write a per item limit of \$100,000 for fine arts. Schedules of \$100,000 or more will require a central station burglary and fire alarm system. Current appraisals are required on all fine arts items \$5,000 and greater. Appraisers for antiques, rug merchants for oriental rugs and catalogs for Hummel collections are good sources to help with determining these values.

BOATS

Pleasure boats up to 32 feet and \$125,000 in value and sailboats up to 40 feet and of similar value may be written for Hull Coverage and P & I. Refer to the Watercraft section of this manual for eligibility rules and rates. A watercraft declined by another carrier for age or value should be avoided. Also, avoid high-powered speedboats (speed in excess of 40 mph).

Jet skis and similar type watercraft are not eligible for coverage under either the physical damage section or the liability section of the Homeowners Program.

UWG-6

CONNECTICUT (06)
HOMEOWNERS POLICY PROGRAM MANUAL
HOMEOWNERS UNDERWRITING INFORMATION AND GUIDELINES

27. PERSONAL COMPUTERS (NEW AND RENEWAL BUSINESS)

The Company has its own form (H-127A) for providing All Risk Coverage on computers. Coverage is provided for personal and business use on the residence premises. Coverage is limited to personal use only when the computers are away from the residence premises. \$4000 of coverage for lap top computers used for business purposes away from the residence premises is afforded under the H-127A Form.

28. STUDENTS AT COLLEGE (NEW AND RENEWAL BUSINESS)

Students who, during the year, live away from home are still considered insureds under the policy. They are entitled to 10% of Coverage C limits for their belongings. One stipulation is that the student must have been at the school within 45 days of a covered loss. An example would be a student leaving some belongings at the dormitory room or apartment for the summer.

29. PERSONAL PROPERTY IN STORAGE (NEW AND RENEWAL BUSINESS)

Property in storage is covered up to the Coverage C limit at any place other than the insured residence. This coverage would apply to personal property being stored in a commercial building.

30. HOUSEHOLD PETS (NEW AND RENEWAL BUSINESS)

Any animal with vicious tendencies or a history of biting should be avoided. Also, any home that has an Akita, Staffordshire Terrier, Pit Bull, Chow, Rottweiler, Wolf-Hybrid, Bull Mastiff, American Bull, or similar type dog should not be written with this Company. Refer any exotic type pets with possible vicious tendencies to an Underwriter.

31. SWIMMING POOLS (NEW AND RENEWAL BUSINESS)

Swimming pools should be fenced as stipulated by the local by-laws governing such structures. If laws do not exist in a particular community, the pool should be surrounded by a fence at a height of no less than four feet.

32. LIABILITY FOR RENTAL PROPERTIES (NEW AND RENEWAL BUSINESS)

Only rented condominiums may be written under the HO2470. A limit of three rented condominiums will be allowed under this form.

CONNECTICUT (06)
HOMEOWNERS POLICY PROGRAM MANUAL
HOMEOWNERS UNDERWRITING INFORMATION AND GUIDELINES

33. UMBRELLAS (NEW AND RENEWAL BUSINESS)

The Personal Umbrella Liability Endorsement, H130, is written only in conjunction with an Andover Companies Homeowners policy. We do not write separate Personal Umbrella policies. ALL BINDING AUTHORITY RESTS SOLELY WITH THE COMPANY. Coverage shall become effective only on and after the date the signed application is received and approved. The maximum limit of liability is \$5,000,000. Please refer to the Umbrella rate pages in this manual for rates and exposures to avoid.

Every year the Company sends an Umbrella renewal questionnaire to the insured with a copy to the agency. If the questionnaire is not completed and returned, a Non-renewal Notice will be issued.

34. HURRICANES AND EARTHQUAKES (NEW BUSINESS)

Your binding authority is intended for normal circumstances only. It does not give authority to commit the Company when protection is requested in anticipation of an impending loss. In the case of an approaching hurricane, a new policy including windstorm liability will not be accepted following newspaper, radio or television reports of a "hurricane watch" in the area where the risk or risks are located. Also, coverage will not be accepted within seventy-two hours of the first tremors of an earthquake.

35. MULTIPLE OWNERS (NEW AND RENEWAL BUSINESS)

Such an exposure is very common when a Named Insured dies and leaves the house to his or her children with only one of the individuals living in the household. Only the individual living in the house would be eligible to be listed as a Named Insured. The other heirs are listed under the HO0441 as additional insureds.

Another example would be two couples jointly purchasing a two-family home. As stipulated in the General Rules section of this manual, the proper way to issue such a contract is to write the policy covering the two-family structure in the name of one of the owners with the other owners listed as additional insureds under Form HO0441. To cover the Off-Premises Liability and Contents Coverage for those listed on the HO0441, a standard HO0004 would then be written. Further questions concerning this type of occupancy should be directed to your Underwriter.

36. LEGAL HISTORY (NEW AND RENEWAL BUSINESS)

If at any time an individual has been sued, indicted, or convicted of any crime or civil proceedings, it is asked that the Personal Lines Underwriter be contacted to discuss the risk's eligibility in our Underwriting Program. If it is determined that the crime or incident objectively increases the risk insured against, the risk will be declined.

CONNECTICUT (06)
HOMEOWNERS POLICY PROGRAM MANUAL
HOMEOWNERS UNDERWRITING INFORMATION AND GUIDELINES

37. LIABILITY HAZARDS (NEW AND RENEWAL BUSINESS)

Liability hazards have become a financial problem for all insurance companies. These range from stair conditions, lack of handrails, types of animals kept on the premises, individual personal histories of the clients, and may even extend to the sidewalk in front of the risk to be insured. While the sidewalk is not on the residence premises, it is the responsibility of a homeowner to notify the local authorities that a substandard condition exists. Normally, a certified letter is required to put the municipality on notice of the substandard condition. It is asked that agents continually be aware of all types of liability hazards and properly question new clients about any potential problems. Also, risks that maintain a trampoline on an insured location should be avoided.

38. VACANT LAND (NEW AND RENEWAL BUSINESS)

Under the definitions of the policy, an insured location includes vacant land and also land on which a home is being built in which the Named Insureds will reside. If any other type of structure such as an old foundation, a shed, or a garage is on the vacant land, the automatic extension of coverage to the land is negated.

39. INCIDENTAL FARMING (NEW AND RENEWAL BUSINESS)

Incidental farming may be written for an insured that owns no more than four head of livestock or uses no more than two acres to grow fruit or vegetables provided that total annual revenues do not exceed \$2,500. Refer to the General Rules section of this manual.

40. DAY CARE (NEW AND RENEWAL BUSINESS)

The Home Day Care Endorsement, HO0497, is available to insureds who care for three children or less. This does not include the children of the Named Insured. Umbrella Coverage is not available for insureds with home day care exposures.

41. LOSS ASSESSMENT (NEW AND RENEWAL BUSINESS)

Loss Assessment Coverage under the HO0435 may be written to a maximum of \$50,000. **IMPORTANT:** Coverage should not be added or increased after an occurrence where the covered loss might result in an assessment being levied against all unit owners.

42. NON-PAYMENT NOTICES (NEW AND RENEWAL BUSINESS)

If payment is not received by the cancellation effective date, the policy is terminated.

**CONNECTICUT (06)
HOMEOWNERS POLICY PROGRAM MANUAL
HOMEOWNERS UNDERWRITING INFORMATION AND GUIDELINES**

43. NON-SMOKERS CREDIT (H-122) (NEW AND RENEWAL BUSINESS)

A 5% credit may be applied to the basic premium for one and two family dwellings subject to Form HO-3 when there are no cigarette, pipe or cigar smokers residing on the premises.

44. NEW DWELLING CREDIT (HO-NDC) (NEW AND RENEWAL BUSINESS)

For dwellings under the Homeowners Program that are no more than 16 years old at inception, we will allow the following credit from the base premium

YEAR	CREDIT
0-2	16%
3-4	14%
5-6	12%
7-8	10%
9-10	8%
11-12	7%
13-14	6%
15-16	3%

45. CANCELLATION AND NON-RENEWAL NOTICES (NEW AND RENEWAL BUSINESS)

Any declination of a risk within the first (60) days of a policy must be for a reason indicated in this Underwriting Guide or for a reason specifically permitted by Connecticut Regulations. Any such cancellation notice must conform with the current Connecticut Regulations or Laws pertaining to Cancellation Notices.

Any Non-Renewal of a risk must be for a reason indicated in this Underwriting Guide or for a reason specifically permitted by Connecticut Regulations. Any such Non-Renewal Notices must conform with Connecticut Regulations or Laws pertaining to Non-Renewal Notices.

If a policy has been in force for more than (60) days, we may cancel the policy only if there has been a material misrepresentation of fact or if the risk has changed substantially since the policy was issued or if there is evidence of fraud. Any such notice must conform with Connecticut Regulations or Laws.

**CONNECTICUT (06)
HOMEOWNERS POLICY PROGRAM MANUAL
HOMEOWNERS UNDERWRITING INFORMATION AND GUIDELINES**

46. ACCOUNT CREDIT ENDORSEMENT (H-925) (NEW AND RENEWAL BUSINESS)

This Endorsement provides a 5% credit of the base premium on a primary Homeowners policy when it is written in conjunction with one or more of the following coverages:

- Personal Umbrella Endorsement (H-130)
- Dwelling Fire Policy
- Home Business Endorsement (H-912)
- Preferred Pleasure Boat Endorsement (H-921)
- Pleasure Boat Supplemental Endorsement (H-131)
- Businessowners Policy (BOP)
- Secondary (Seasonal) Location Policy

47. CONFLICT WITH CONNECTICUT STATE LAW

The Rules contained in this Underwriting Guide do not apply if they are in conflict with Connecticut State Law.

48. TRAMPOLINES

Properties with trampolines are not acceptable.

49. CONDEXES, DUPLEXES, TOWNHOUSES

When asked to write one unit of a multiple unit dwelling, your agency is asked to adhere to the following rule:

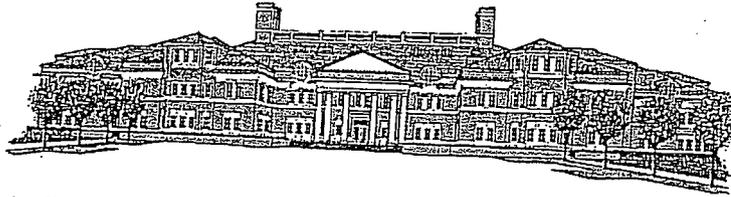
One unit of the exposure may be written (exposures with "over/under" occupancies are not eligible) under the Standard HO-3 Program. The Superior Program (H-116) is not available. For those risks with more than two families per fire division, please refer to the "Townhouse" section of the manual for the proper "loading" provision.

50. EXTERIOR INSULATION FINISHED SYSTEM (EIFS)

Any new business constructed with this synthetic stucco-cladding process should not be submitted.

51. SEGWAYS

Segways or similar motorized land conveyances are not eligible for Homeowners coverage.



THE ANDOVER COMPANIES

MERRIMACK MUTUAL FIRE INSURANCE CO., FOUNDED 1828 • BAY STATE INSURANCE COMPANY, FOUNDED 1955 • CAMBRIDGE MUTUAL FIRE INSURANCE CO., FOUNDED 1833

July 1, 2006

MR JOHN SMITH
95 OLD RIVER ROAD
ANDOVER, CT 03870

JONES AGENCY
1 MAIN STREET
ANDOVER, CT
860-999-999

Notice of Nonrenewal
Policy Number: HP 195-95-95
Expiration Date: 12/1/06
Property Location: 95 Old River Road
Andover, CT 03870

Dear Mr. Smith:

We are writing to notify you that the Merrimack Mutual/Cambridge Mutual (the "Company") will be unable to renew your homeowner's policy unless you take the steps described in this letter. Our decision to not renew your policy is based on the fact that your property is located within $\frac{3}{4}$ miles of the coast *and* does not currently have Hurricane/Storm shutters on all windows and door openings including garage openings.

The Company is working hard to manage the skyrocketing cost of its coastal homeowners' business. Doing so is critical to maintaining the Company's financial strength, which is essential in order for us to honor our commitment to policyholders.

This is not a decision we make lightly, as we value your business. To that end, we will renew your policy if you install Hurricane/Storm shutters on your property. The Hurricane/Storm shutters must be rated to withstand hurricane force winds and must be installed on all window and door openings including garage openings. Please notify us within 45 days of the date of this letter whether you have begun the process of installing such Hurricane/Storm shutters. If you contact us within that time and provide us with proof that Hurricane/Storm shutters will be installed, then we will renew your policy. If we do not hear from you within this 45 day period, we will assume that you do not intend to install shutters, and we will issue a Notice of Non Renewal.

If you have any questions please contact your agent.

Sincerely,

David A. Winn, CPCU
Assistant Secretary

DAW: kh