

Security First

MANAGERS

Specialty Programs
Surplus Lines Training

Overview

- Introduction to Surplus Lines Insurance
- Surplus Lines Insurance is Different
- Capacity
- HO5/Superior Home Coverages
- Optional Coverages
- Quote to Issuance Processes
- Premium Payments
- Claims

Surplus Lines Insurance is Different...

Statement of Diligent Effort

- Surplus Lines Law requires that you make a **“reasonable effort”** to place coverage in the admitted market.

Reasonable Effort is different depending on the:

- Area or state where the home is located
- Value of the home
- Proximity to coastal waters
- Underwriting characteristics such as prior losses or construction class and;
- The companies you represent

Surplus Lines Insurance is Different...

- There is a minimum earned premium (usually 25%-30% depending on occupancy), plus all fully earned fees and applicable taxes.
 - There are no flat cancellations.
 - Policy fee, inspection fee, and some state assessments are fully earned.
- Policies are NOT continuous – they expire.
 - SFM handles these renewals just like the admitted policies.
 - We issue renewals 45 days in advance and bill your client directly for your convenience.
- Risk can be mitigated.
 - Losses, age, construction; Coverage and deductibles can be amended to accommodate most risks.
- Producers do not have the authority to bind coverage. Only the surplus lines agent (SFM) can bind coverage.
 - SFM can bind instantly with receipt of signed documents and request from the retail agent.
- Premium, taxes and fees must be paid in full, up front.
 - SFM will bind with confirmation of payment from the agent.
- Escrow billing is not allowed – we do not bind then bill the mortgagee.
 - Agent may request binding with confirmation from mortgagee that payment is issued.

Surplus Lines Insurance is Different...



Almost everything is negotiable

The sales experience is much different than in the admitted market. Coverage is tailored to the specific client and to the specific risk. The client buys what they need- not a pre-determined percentage or limit.

This is not an off-the-shelf product.

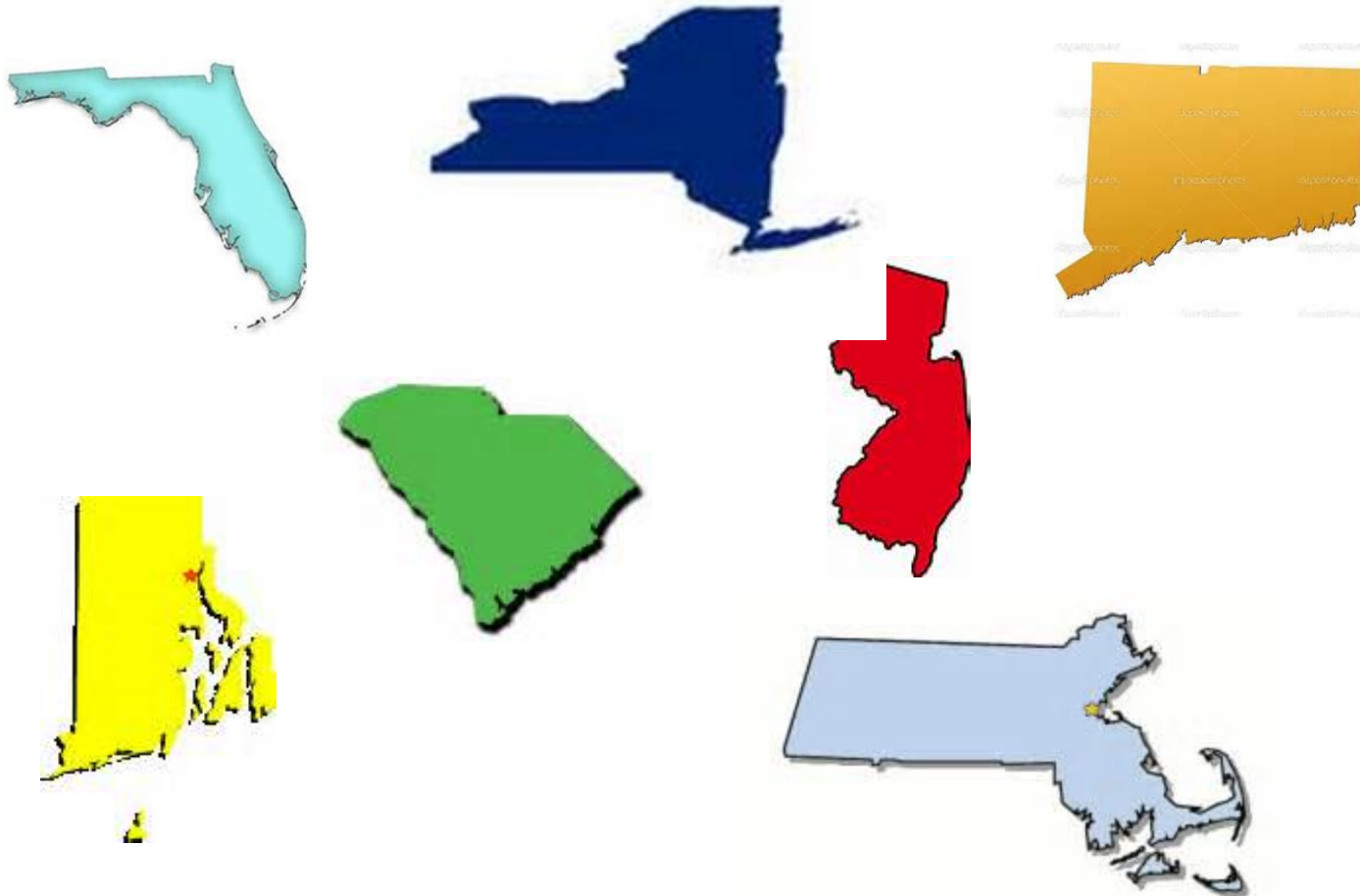
Surplus Lines Insurance is Different...



Almost everything is negotiable...

- **Price** – The expiring policy or another quote is lower than our initial price – give us the detail and we may be able to meet the competitor’s price.
- **Deductible** – Frame home on the coast with no hurricane protection - Is the client willing to accept a higher wind deductible?
- **Limits** – The dwelling must be at 100% replacement cost but the other coverages (B, C, D, E, and F) are negotiable- If the client has multiple residences, do they need contents or ALE at this location?
- **Options** – The client has 2 prior water losses- Would they be willing to accept a policy with no water coverage or a higher AOP deductible?

Capacity



Capacity

We will be offering coverage in seven (7) states:

- Florida
 - New York
 - New Jersey
 - Rhode Island
 - Connecticut
 - Massachusetts
 - South Carolina

Occupancy

- **Primary:** Owner occupied on a full-time basis
 - *Minimum Coverage C (5% of Coverage A) required for owner/primary occupancy.*
- **Secondary:** Owner occupies residence on an intermittent basis; may have seasonal or weekly rental.
 - *Secondary occupancy requires either a property manager or other full-time caretaker for the property to be eligible. Rental exposure is acceptable.*
- **Vacant / For Sale:**
 - *Vacant and/or for sale have a 30% MEP and require a property manager or care-taker for the property to be eligible. Minimum AOP deductible of \$10,000 applies.*
- **Rental:** Weekly, monthly, annual accepted. Weekly or monthly must be managed.
 - *Minimum deductible requirements applied based on Coverage A limit.*

HO5/Superior Home Coverage



The HO5 Difference

The HO5 removes many of the limitations of the HO3, adds new coverage, and expands existing coverages such as a higher limit for jewelry items and business personal property. Many coverages that are available by endorsement on the HO3 are automatically included on the HO5. For example, the HO5 automatically includes replacement cost coverage on contents.

HO3 / HO5 Comparison

HO-3 (“Broad” Form)

Named Perils – provides coverage only for those Perils listed, or specifically named, in the policy.

- Fire or Lightning
- Windstorm or hail
- Explosion
- Riot or civil commotion
- Aircraft
- Smoke
- Vandalism or Malicious Mischief
- Theft
- Freezing
- Vehicles
- Falling Objects
- Volcanic Eruption
- Damage due to weight of Ice, Snow, or Sleet
- Sudden & Accidental Tearing Apart, Cracking, Burning, or Bulging
- Sudden & Accidental Damage from Artificially Generated Electric Current
- Accidental Discharge or Overflow

HO-5 (“Special” Form)

Open perils - Provides coverage against almost all forms of risks that can cause damage to a property. Certain exclusions are however mentioned even in an open perils policy, which are not covered.

Superior Home Coverage – Higher Special Limits:

- \$2,500 on money, bank notes, bullion, gold.
- \$10,000 on watercraft
- \$5,000 on trailers or semitrailers
- \$10,000, not to exceed \$5,000 per article for furs or jewelry that are stolen, misplaced, or lost.
- \$10,000, not to exceed \$5,000 per article for firearms and related equipment that are stolen, misplaced, or lost.

Optional Coverages

■ Primary Flood

- Must be underwritten to determine acceptability. Not eligible if the risk is subject to storm surge (direct ocean front, barrier islands, or bays/inland waterways).

■ Excess Flood

- Coverage may be endorsed with company approval. A completed and signed application is required. (Available for policies including the Primary Flood Insurance endorsement or an NFIP policy).

■ Scheduled Personal Property:

- Items over \$10,000 require an appraisal dated within the last 3 years. Blanket coverage available with a \$10,000 per item limitation. Schedules available up to \$40M in total value.

■ Watercraft

- Underwriting approval for vessels 27' and greater in length or more than \$25,000 in value.

The Quoting Process



The High Value Program may be accessed through our website under the High Value Policy System tab with your user ID and Password. The information is input and submitted for an Underwriter to review and rate. The quote is then emailed to the Agency Principal-unless an alternate email address is entered in the “agent remarks” section of the Underwriting tab.

SpecialtyPrograms@SecurityFirstFlorida.com

or

Fax: (954) 837-4340

If you have questions, or want to discuss terms, pricing, or eligibility call the Specialty Programs Underwriting Team:

Phone: (877)326-8080

And remember, this is not the same contact information as Security First Insurance Company.

The Quoting Process



Underwriting and Agency Services: (877) 326-8080

Security First MANAGERS

Home Find an Agent Agency Contract Contact Us High Value Policy System Agent Resources

Specialty Programs

AGENCY CONTRACT

For information on how to obtain an agency contract with Security First Managers and the documentation we require:

Next

HIGH VALUE POLICY SYSTEM

CONTACT US

Contact Us

Use the following methods below to contact us:

Agent Administration

Please submit agent contract documentation to our agent administrators. If you have questions regarding your appointment or system access, please email or call us:

Email: AgentAdmin@SecurityFirstFlorida.com
 Fax: (386) 673-5408
 Phone: (386) 673-5308, option 4

Underwriting / Customer Service

Email: SpecialtyPrograms@SecurityFirstFlorida.com
 Fax: (954) 837-4340
 Phone: (877) 326-8080

Claims

Security First MANAGERS

Logout

Homeowners Insurance Quoting

Start New Act As Agent:

Go Clear Show Items with Status of: Submitted

showing results with Submitted status

| Date | Updated | Insured | Property Address | Phone | Policy | Status | Eff Date | Updated By |
|------------|------------|--------------------------|----------------------|--------------|---------------------------|--------------------|------------|-------------------|
| 10/20/2014 | 10/20/2014 | ISCR ACQUISITIONS LLC | 2500 W GREENWAY DR | 786-281-4920 | HVP002358 | Bound-Approved | 10/22/2014 | Rhonda KeoughHVP |
| 09/24/2014 | 10/20/2014 | JAIN JUN GROUP LLC | 778 HARBOUR ISLE CT | | HVP002452 | Bound-Approved | 10/15/2014 | Rhonda KeoughHVP |
| 10/15/2014 | 10/20/2014 | PRECREST 1 GLOBAL LLC | 12801 SW 65TH AVE | 305-378-4400 | HVP002359 | Submitted-Approved | 10/15/2014 | Ibs RiveraHVP |
| 10/17/2014 | 10/20/2014 | YOUNG, MICHAEL | 238 ROBIN DR | 988-245-2070 | HVP003371 | Submitted-Approved | 11/16/2014 | Ibs RiveraHVP |
| 10/20/2014 | 10/20/2014 | LARSEN, ROBERT | 7034 NW 65TH TER | 954-278-4245 | HVP003372 | Submitted-Approved | 11/28/2014 | Rhonda KeoughHVP |
| 10/20/2014 | 10/20/2014 | EUCKER, EDWARD | 761 NORTON ST | 303-944-8300 | HVP002368 | Submitted-Approved | 10/17/2014 | Ibs RiveraHVP |
| 10/20/2014 | 10/20/2014 | REYNOLDS CHALLONER TRUST | 4664 RUE BELLE MER | 238-385-9444 | HVP003370 | Submitted-Approved | 10/17/2014 | Ibs RiveraHVP |
| 10/17/2014 | 10/20/2014 | SLOWKOSKI, JOSEPH | 1000 VENETIAN BLVD | 715-358-0474 | HVP002967 | Submitted-Approved | 10/17/2014 | Rhonda KeoughHVP |
| 09/23/2014 | 10/17/2014 | DA CUNHA REGO, RODRIGO | 176 ISLA DORADA BLVD | 305-378-3666 | HVP002443 | Bound-Approved | 10/19/2014 | Ibs RiveraHVP |
| 10/17/2014 | 10/17/2014 | PLUIKO, VITALY | 943 FERMI DR | 786-375-0632 | HVP002369 | Submitted-Approved | 10/17/2014 | Ibs RiveraHVP |
| 10/15/2014 | 10/17/2014 | GRAYSON, ALAN | 8419 OAK PARK RD | 407-297-9550 | HVP003355 | Submitted-Approved | 11/19/2014 | Ibs RiveraHVP |
| 10/17/2014 | 10/17/2014 | LPSKAR, SHALOM | 153 Bel Bay Dr | 305-868-1885 | HVP002366 | Submitted-Approved | 10/17/2014 | Ibs RiveraHVP |
| 10/18/2014 | 10/17/2014 | YOUNG, MICHAEL | 238 ROBIN DR | 988-245-2070 | HVP003369 | Submitted-Approved | 11/16/2014 | Ibs RiveraHVP |
| 10/16/2014 | 10/17/2014 | VAN BROCK, GARY | 11961 SE TIFFANY WAY | 561-346-1994 | HVP002365 | Submitted-Approved | 11/16/2014 | Kerrie RuelandHVP |
| 10/16/2014 | 10/17/2014 | VON DIERCKHEIM, KUNO | 3491 BAYOU SOUND | 407-885-0200 | HVP002684 | Submitted-Approved | 11/14/2014 | Kerrie RuelandHVP |

Go to www.SecurityFirstManagers.com and select 'High Value Policy System'; enter User Name and Password assigned.

Select the state and policy form desired to quote.

The Quoting Process

Property Contact Basic Coverages Optional Coverages Underwriting Misc

Security First MANAGERS Actions Manage Documents

Status: Application Ironshore Policy # [] Agent ID [] Agent Name: []

Rating And Validation

Indication:
Risk ID:

Messages

| Type | Information |
|-------|---|
| [!] | Rate cannot be calculated for data currently entered. Please check validations. |
| [400] | Missing Property Address. |
| [400] | Missing Property City. |
| [400] | Missing or incomplete Property Zip Code. |
| [400] | Please enter a Distance To Coast. |
| [400] | Please select a County. |
| [400] | Please select the Protection Class code. |
| [400] | Missing applicant first name. |
| [400] | Missing applicant last name. |
| [400] | Please enter the Dwelling coverage limit |
| [200] | Missing Agent ID. |

Property Information

Effective Date: 10/23/2014

Address Line 1: [] Policy Form: HO3

Address Line 2: []

City: [] State FL Zip: [] + []

County: [Select One] Distance to Coast: [Direct Ocean] (ft)

Territory: [N/A] Protection Class: [Select One]

Year Built: [2014] Square Footage: []

Purchase Price: [] Year Roof Replaced: []

Roof Type: [Shingles: Asphalt or Composition]

Structure Type: [Dwelling] Construction Type: [Masonry]

of Units in Building: [1] Number of Stories: [1]

Occupancy: [Primary] Swimming Pool: [None]

Occupied By: [Owner]

Distance To Fire Hydrant: [] (ft) Distance To Fire Station: [] (mi)

Does Primary Flood Coverage Exist?: [No]

Flood Insurance Carrier: [] Expiration Date: []

For Sale: [No]

Contact

Agent enters distance to coast, protection class, and distance to hydrant. These items do not fill from geo-coding.

The Quoting Process

Property Contact Basic Coverages Optional Coverages Underwriting Misc

Security First MANAGERS Actions Manage Documents

Rating And Validation

Indication:
Risk ID:

Messages

| Type | Information |
|------|---|
| ! | Rate cannot be calculated for data currently entered. Please check validations. |
| 400 | Missing Property Address. |
| 400 | Missing Property City. |
| 400 | Missing or incomplete Property Zip Code. |
| 400 | Please select a County. |
| 400 | Please select the Protection Class code. |
| 400 | Missing applicant first name. |
| 400 | Missing applicant last name. |
| 400 | Please enter the Dwelling coverage limit |
| 200 | Missing Agent ID. |
| 200 | Missing Mailing Address. |

Property Information

Is the property in the name of a Corporation, LLC, LLP, or Trust

Applicant Information

First Name Applicant Phone
Middle Alternate Phone
Last Applicant Email
Date Of Birth Marital Status
Occupation
Is applicant considered a high profile individual?

Co-Applicant Information

Co-Applicant Name Date Of Birth
Co-Applicant Phone Occupation
Co-Applicant Email

Mailing Address

Address Line 1
Address Line 2
City State Zip +

Property Basic Coverages

Choose if risk is Corporate or LLC owned.

High Profile (i.e. Pro-Athlete, Politician) is acceptable. Identity Theft coverage is excluded on these risks.

The Quoting Process

Property Contact **Basic Coverages** Optional Coverages Underwriting Misc

Security First MANAGERS Actions Manage Documents

Rating And Validation

Indication:
Risk ID:

Messages

| Type | Information |
|------|---|
| ! | Rate cannot be calculated for data currently entered. Please check validations. |
| 400 | Missing Property Address. |
| 400 | Missing Property City. |
| 400 | Missing or incomplete Property Zip Code. |
| 400 | Please select a County. |
| 400 | Please select the Protection Class code. |
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| 400 | Missing applicant last name. |
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| 200 | Missing Mailing Address. |

Basic Coverages

Dwelling

Specified Additional Coverage A

Other Structures

Personal Property

Additional Living Expense

Personal Liability

Medical Payments

All Other Perils Deductible

Wind Deductible

Wind Deductible Type

Contact Optional Coverages

Coverage A must be 100% RCV. Coverage B, C, and D are selectable limits. They will not pre-fill.

Note: SFM has a \$5M TIV (Coverage A + B + C + D = TIV) binding authority. Coverage over \$5M requires carrier placement of reinsurance which may take up to 48 hrs depending on the individual risk profile.

Deductible options may be affected by occupancy and location of risk per UW guidelines.

The Quoting Process

Property Contact Basic Coverages **Optional Coverages** Underwriting Misc

Security First MANAGERS Actions Manage Documents

Rating And Validation

Indication:
Risk ID:

Messages

| Type | Information |
|------|---|
| ! | Rate cannot be calculated for data currently entered. Please check validations. |
| 400 | Missing Property Address. |
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| 400 | Missing or incomplete Property Zip Code. |
| 400 | Please select a County. |
| 400 | Please select the Protection Class code. |
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| 400 | Missing applicant last name. |
| 400 | Please enter the Dwelling coverage limit |
| 200 | Missing Agent ID. |
| 200 | Missing Mailing Address. |

Optional Coverages

| | | | |
|------------------------------|----------|-----------------|-------------------|
| Replacement Cost on Contents | Yes | Water Backup | \$0 |
| Ordinance or Law | 10% | Limited Fungi | \$10,000/\$10,000 |
| Loss Assessment | \$1,000 | Sinkhole | Excluded |
| Earthquake | Excluded | Personal Injury | Excluded |
| Equipment Breakdown | Included | | |

List individual personal articles valued at \$10,000 or more

Scheduled Personal Property

| Description | Class | Amount | Actions |
|-------------|-------|--------|---------|
| | | | + Add |

Extended Liability for Other Locations

Other Locations

| Address | Actions |
|---------|---------|
| | |
| + Add | |

Basic Coverages Underwriting

Optional Coverage limits vary from HO3 and HO5.

Scheduled Personal Property and Additional Locations for Extended Liability are entered here. Choose "add" to add each item.

The Quoting Process

Property Contact Basic Coverages Optional Coverages Underwriting Misc

Security First MANAGERS Actions Manage Documents

Rating And Validation

Indication:
Risk ID:

Messages

| Type | Information |
|------|---|
| ! | Rate cannot be calculated for data currently entered. Please check validations. |
| 400 | Missing Property Address. |
| 400 | Missing Property City. |
| 400 | Missing or incomplete Property Zip Code. |
| 400 | Please select a County. |
| 400 | Please select the Protection Class code. |
| 400 | Missing applicant first name. |
| 400 | Missing applicant last name. |
| 400 | Please enter the Dwelling coverage limit |
| 200 | Missing Agent ID. |
| 200 | Missing Mailing Address. |

Loss History

Please divulge any loss whether or not reported to and/or paid by an insurance company in last three years at this or any other location.

| Type | Actions |
|------|---------|
| | + Add |

Underwriting Questions

During the last five years, has any applicant been indicted for or convicted of any degree of the crime of fraud, bribery, arson or any arson-related crime in connection with this or any other property? (If yes, please explain)

Existing damage or disrepair - have you been advised of or are you aware of any repairs or maintenance needed for any part of the structure, your roof, electrical, plumbing, and/or ac/heat systems? (If yes, please explain)

Is there a Family Home Day Care conducted on premises, which is defined as care for at least 2 children from unrelated families, for a payment or fee?

Are there any domestic animals on premises which have aggressive tendencies or bite history, or any undomesticated animals?

Agent Remarks

Optional Coverages Misc

Carrier will accept 2 losses or one large loss over \$50,000. Additional losses or Liability Loss requires carrier approval.

The Quoting Process

Property Contact Basic Coverages Optional Coverages Underwriting Misc

Security First MANAGERS Actions Manage Documents

Rating And Validation

Indication:
Risk ID:

Messages

| Type | Information |
|------|---|
| ! | Rate cannot be calculated for data currently entered. Please check validations. |
| 400 | Missing Property Address. |
| 400 | Missing Property City. |
| 400 | Missing or incomplete Property Zip Code. |
| 400 | Please select a County. |
| 400 | Please select the Protection Class code. |
| 400 | Missing applicant first name. |
| 400 | Missing applicant last name. |
| 400 | Please enter the Dwelling coverage limit |
| 200 | Missing Agent ID. |
| 200 | Missing Mailing Address. |

Discount Information

Monitored Burglar Alarm Monitored Fire Alarm

Secured Community Rented to Others

Are there working smoke detectors on each floor?

Purchase Date Year Fully Refurbished

Previous Insurance Carrier Policy Expiration Date

Dog Breed Bite History?

List any other animals on the property

Premium Adjustment VAR Number

Loss Mitigation

Roof to Wall Connection Opening Protection

Roof Geometry Roof Deck Attachment

Additional Interest

Wind Mitigation credits **do not** default by year or location. All credits must be entered. A Mitigation Inspection is not required as we will conduct a mitigation verification as part of our comprehensive inspection.

The Quoting Process



Once all information is input, the Agent will click on the **Action Tab** and choose “**Submit Application**”. This will not bind the application. It will transfer ownership from the Agent to the Underwriter. The Underwriter will model the risk and confirm the terms and rate. A hard-copy quote is then emailed to the Agent for presentation to the client.

The Binding Process



After requesting and completing the Binding Package and collecting the premium, you may scan and email, or fax to us at:

SpecialtyPrograms@SecurityFirstFlorida.com

or

Fax: (954) 837-4340

The Binding Package consists of a fully completed, signed application and a Diligent Effort Form. In addition, you may be required to provide a disclosures form, signed exclusions, coverage forms, or acknowledgements. These will be provided to you during the quoting process if required for binding.

NOTE: Binding cannot be requested without a COMPLETE binding package.

Once the completed package is received, a binder will be emailed to you. The policy will be issued within 10 days and sent to you via **“Share File”**. This is a program designed to send “oversized” email attachments. You will receive an email with a link to download the full policy in PDF format.

The original is mailed to the insured via US Postal Service and any required documents to the mortgagee or additional interests.

If you have questions, or want to discuss terms or pricing, call the Specialty Programs Underwriting Team:

Phone: (877)326-8080

And remember, this is not the same contact information as Security First Insurance Company.

MEP Example- FL



| | |
|---------------------|-------------------------------|
| Base(Pure) premium: | \$10,000.00 (Pro-rata return) |
| Policy Fee: | 35.00 (Fully earned) |
| Inspection Fee: | 300.00 (Fully earned) |
| EMPA (assessment) | 2.00 (Fully earned) |
| FHCF (assessment) | 134.36 (Pro-rata return) |
| CPIC (assessment) | 103.35 (Pro-rata return) |
| Stamping Fee: | 18.09 (Pro-rata return) |

The client would receive a pro-rata return of premium for the items in highlighted in *red*. The balance are fully earned.

Payment Information



We reserve the right not to bind the policy until the check is received and cleared.*

Payments **must** be made payable to Security First Managers and mailed to 140 S Atlantic Ave, Ste 200-SP, Ormond Beach, FL 32176.

- Accepted forms of payment:
 - Check from the insured
 - Check from the mortgage company (but we do not bill the mortgagee)
 - Agency check
 - Premium Finance draft

***For producers that have built a good reputation with SFM we may agree to bind coverage upon receipt of the check copy.**

Endorsements and Cancellations



- Fax or email endorsement and cancellation requests to us at:

(954) 837-4340

or

SpecialtyPrograms@SecurityFirstFlorida.com

NOTE: Producers do not have binding authority – this includes coverage changes.

Claims

- A document titled *“What to do in the event of a claim,”* is located on our website under the “Agent Resources” tab.
- If you are unsure of the carrier, call us directly. We can direct you or your client to the appropriate Claims Department.
- The adjuster will respond within 24 hours—usually within hours of receiving the first notice.

Questions?

Specialty Programs Team

Phone: (877) 326-8080

Fax: (954) 837-4340

Email: SpecialtyPrograms@SecurityFirstFlorida.com