

AMERICAN INDEPENDENT INSURANCE COMPANY

American Independent Insurance Company (AIICO) has been providing a wide array of quality insurance products and services since 1938. Since the passage of Act 6 in 1990, AIICO has set the standard in providing quality affordable Personal Automobile Insurance protection in Pennsylvania. You as an AIICO agent have the competitive advantage of being able to offer your customers affordable rates with low down payments and monthly billing. You also have the option of tailoring your customer's coverage to their specific needs through varied coverage levels, different deductibles, and variable term policies.

We at AIICO hope that you utilize this manual to further familiarize yourself with our company. Our view is that you are our partner. We show that through our commitment to the independent agency system. Together we can be successful while providing our customers with quality insurance protection at affordable rates.

INTERNET SITE

www.aiico.com

IMPORTANT PHONE NUMBERS

CUSTOMER SERVICE.....	1.800.954.2442
CUSTOMER SERVICE (Phila. area)	1.610.832.2442
FAX ENDORSEMENTS.....	1.610.832.5323
24 HOUR CLAIMS REPORTING.....	1.800.954.2442 #1
AUTOMATED BILLING INQUIRY SERVICE.....	1.800.954.2442 #2
SUPPLY REQUEST - PHONE (x8346).....	1.800.954.2442
SUPPLY REQUEST - FAX	1.610.832.1307

MAIL APPLICATIONS AND CORRESPONDENCE TO:

Please do not submit payments to this address. It will slow processing.

American Independent Insurance Co.
633 Germantown Pike, Suite 208
Plymouth Meeting, PA 19462

MAIL PAYMENTS TO:

(Please submit only payments to this address.)

AIS
P.O. Box 42526
Philadelphia, PA 19101

INTERNET SITE – www.aiico.com

Our internet site will give you a secure connection to detailed information on all of your insured's policies, twenty-four hours a day, seven days a week. You will be provided with a training manual along with your agency's unique username and password. Finding a policy is quick and easy with a variety of search options including: policy number, name, license number, telephone number, city, state, and zip code. You will have direct access the most current information including:

- On-line endorsements
- Payment upload capability
- Payment upload reporting Policy status
- Payment and billing information
- Policy transaction history
- Operator information
- Vehicle information
- Claims information

Let's plug the Quick Quote here.

BILLING INQUIRY & CLAIMS REPORTING

AUTOMATED BILLING INQUIRY

1.800.954.2442 #2

1.610.832.4940 in Phila. Area

Our automated billing inquiry gives you access to information on billing and policy information twenty-four hours a day seven days a week. At any time you can easily and quickly obtain information via your touch tone telephone. You will ***need the policy number and the zip code of the customer.*** The information available depending upon policy status is as follows:

- Policyholder's name
- Policy number
- Number of vehicles currently on the policy
- Amount due
- Current payment due date
- Date bill sent
- Outstanding balance
- Amount of and date of last payment received
- Renewal date, if applicable
- Cancellation/expiration effective date, if applicable
- Reason for cancellation, if applicable
- Agent name and phone number

CLAIMS REPORTING

1.800.954.2442 #1

It is extremely important that you advise your customer to report all claims directly to AIICO immediately after an accident. They can be guided as to how to proceed with repairs. If an insured or claimant contacts your office to report a loss, **PLEASE ADVISE THE INSURED OR CLAIMANT TO CALL AIICO DIRECTLY.** They can report the claim 24 hours a day, seven days a week.

It is to your customers' advantage to call as soon as possible.

GENERAL INFORMATION

APPLICATION

All new business must be submitted on an AIICO Pennsylvania Private Passenger Auto application or be uploaded through our software or website.

BINDING AUTHORITY

Coverage on the original application will be bound as of the date and time the applicant signs the application if:

1. The risk is not designated as unacceptable in the current Underwriting Rules.
2. The application is fully complete in all respects.
3. The down payment is submitted with the application.
4. The envelope containing the application is postmarked, uploaded, or submitted within seventy-two hours of the effective date.
5. Drivers' License numbers are on the application for all operators included operators that are excluded.
6. The application must clearly indicate the exact coverage requested and each coverage must be within the limits and restrictions of the current Underwriting Rules.

AGENT DUTIES

The agent's duty to the insured includes explaining the following:

1. All members of the household or other regular operators **over the age 14 must be listed on the application and rated or excluded.** A resident operator can be excluded only if they possess valid auto insurance at time of binding. A signed exclusion form must be sent along with the application. Suspended operators must be excluded. It is the insured's responsibility to inform you and AIICO if a previously suspended operator now has a valid driver's license.
2. There is no coverage under this policy for an excluded operator driving a listed vehicle.
3. The requirements for obtaining coverage on replacement and additional vehicles.
4. Discounts and surcharges may apply to this program.
5. All claims are to be reported immediately to AIICO.

CANCELLATIONS

1. Flat cancellations are not permitted.
2. Policies canceled at the Company's request are computed on a pro-rata basis.
3. There is a \$50 Cancellation Fee if the cancellation is by insured request. Non-payment is considered insured's request.
4. Cancellation refunds are mailed directly to the insured.
5. NSF down payment to the company renders the policy null and void.

Note: Depending upon the Tort option selected by the insured, there are Coverage Expense Fees that are fully earned at inception.

GENERAL INFORMATION - (cont'd)

REINSTATEMENTS WITH NO LAPSE IN COVERAGE

Policies canceled for non-payment of premium will be reinstated with no lapse in coverage ONLY if the amount past due is postmarked on or prior to the date shown on the cancellation.

Policies canceled for any reason other than nonpayment will be reinstated ONLY if all requested information is postmarked on or prior to the effective date of cancellation and all payments are current.

REINSTATING POLICIES WITH A LAPSE IN COVERAGE

Policies that have been canceled for **incomplete application** or **nonpayment for less than thirty days** can be reinstated **with a lapse in coverage** the day after the payment is postmarked. The postmark must be within twenty-nine days of cancellation and the policy can not be in the last thirty days of the current term without a renewal offer. Policies lapsed thirty days or longer must be rewritten. All of the following must be forwarded to AIICO:

- Down payment, if applicable
- Reinstatement checklist
- Insured signed copy of the declarations page
- New UM/UIM Waiver Forms signed by the insured
- New Tort Forms signed by the insured
- All other information that was previously missing

ENDORSEMENTS

Coverage will be bound as of the effective date and time requested on the endorsement as long as it is within the agent's binding authority. If a time is not indicated, coverage will be made effective at 11:59 p.m. on the day of the requested effective date. Signatures are required to delete an operator, to reduce limits, or delete physical damage coverage. Premium adjustments are made on the next installment bill. Depending upon the remaining balance, an interim bill or return premium may generate. You can fax endorsements to us on (610) 832-5323.

RENEWALS

Thirty days prior to the expiration a renewal offer will be sent to your customer. If no response is received from the customer, it is presumed that the insured has declined our coverage offer for the next term.

NAMED DRIVER EXCLUSIONS

A named insured **MAY NOT BE EXCLUDED**, except for suspended or revoked license.

Operators should be excluded for the following reasons:

1. If they have a suspended or revoked license.
2. If they provide proof of other insurance.
3. If they have never been licensed. All household members must be listed as operators.

UNDERWRITING GUIDELINES

UNACCEPTABLE RISKS

NOTE: All risks are subject to final underwriting approval by the Company. No agent may bind the Company on an unacceptable risk. No agent may bind a risk where one of the vehicles is worth over \$35,000 in value.

Other unacceptable risks are as follows:

1. Applications submitted that do not list all operators and household members.
2. Applications where all named insureds are not licensed or excluded due to suspended or revoked licenses. A Driver Exclusion Form must accompany the application.
3. Applications where the Named Insured has never been licensed and other listed operators are not household members. A Driver Exclusion Form must accompany the application.
4. Ineligible vehicles. (See list)
5. Any risk with more than 4 points. Half points are to be used in calculating total points.
6. Foreign exchange students, foreign business trainees, or persons driving with a foreign country driver's license who do not obtain a valid Pennsylvania license.
7. Risks submitted without a permanent telephone number where the insured can be reached.
8. Vans, pickups or panel trucks with a load capacity in excess of 2000 pounds.
9. Vehicles used for retail or wholesale delivery including magazines, food (pizza, etc.), newspapers, and mail delivery.
10. Vehicles used for livery or taxi service including vehicles used to haul nursery or school children, migrant workers, or hotel/motel guests.
11. Any vehicle equipped in any way for snow plowing.
12. Vehicles regularly used (3-5 times per week on average) for commuting to Maryland, New York, or Ohio.
13. Vehicles without a valid garaging address.
14. Vehicles used for racing.
15. Emergency vehicles.
16. Any of the following types of vehicles: antiques, classics, collector's, custom built autos, limited edition autos, restored, modified and/or customized autos, street rods, dune buggies, electric, kit, stainless steel or all aluminum body autos.
17. Gray market vehicles.
18. Vehicles available to multiple operators for sales, farming, or artisan use.
19. Vehicles leased or rented to others by the applicant.
20. Applicants who have been convicted of insurance fraud.
21. A risk where one of the vehicles is over 25 years old.
22. Comprehensive and collision coverages on a vehicle more than 15 years old.
23. Any vehicle that is used for a business purpose more than 25% of the time.

UNDERWRITING GUIDELINES – (cont'd)

INELIGIBLE VEHICLES

This listing indicates vehicles that cannot be written with AIICO. They follow make and model. Model year will not be considered. We cannot list all of the vehicles. **AIICO reserves the right to cancel a risk for a vehicle that clearly does not fit the general guidelines we have set.** Please call your Territory Manager or Customer Service Representative if you have any questions concerning a vehicle.

GENERAL RULES AND EXCLUSIONS:

1. vehicles with a value of over \$35,000
2. vehicles over 25 years old
3. physical damage coverage for vehicles over 15 years old
4. vehicles with supercharged engines
5. customized off-road vehicles
6. conversion vans
7. motorcycles
8. motor homes
9. vehicles generally considered to be used for commercial use (ie: step vans)
10. convertible models

SPECIFIC MODELS:

ACURA NX
ALFA ROMERO
AUDI A8
CHEVROLET CORVETTE
DELOREAN
DODGE STEALTH
DODGE VIPER
FERRARI
FIAT
HUMMER
JEEP CJ5 & CJ7
MASSERATI
MG
MITSUBISHI 3000 GT
PORSCHE
YUGO

DISCOUNTS and SURCHARGES

ANNUAL MILEAGE SURCHARGE – (BI, PD, MED, CP, CL)

An Annual Mileage Surcharge is applied to vehicles driven in excess of 10,000 miles annually. This surcharge is applied as an increase to driver class factor for liability coverages and as a flat surcharge for physical damage coverages.

ANTI-THEFT DISCOUNT (10%) – (CP)

An Anti-Theft Discount shall apply to all private passenger motor vehicles equipped with a passive anti-theft device. A passive device is defined as any item or system designed to prevent unauthorized use which is installed in the vehicle by the original manufacturer and activates automatically when the operator turns the ignition key to the off position. This discount does not apply to anti-theft device ignition interlocks.

BUSINESS USE – (BI, PD, MED, CP, CL)

A Business Use Surcharge applies to vehicles that are required by or customarily involved in the business duties of the insured. This surcharge is applied as an increase to driver class factor for liability coverages and as a flat surcharge for physical damage coverages.

GOOD CUSTOMER DISCOUNT (10%) – (BI, PD, MED, CP, CL)

Customers of AllCO will receive a Good Customer Discount at renewal if their current policy has been in force with AllCO for at least 12 continuous months, no prior balances are owed to the company, there is no more than one surcharge point on the policy, and the risk still meets the company's Underwriting Guidelines.

HOMEOWNERS' DISCOUNT (7%) – (BI, PD, MED, UM, UIM, CP, CL)

A Homeowners' Discount is awarded to insureds who own their own primary residence. Proof of ownership must be submitted to AllCO. Proof of ownership can be a copy of a current Homeowner Insurance policy with the named insured listed on the declarations page, a copy of the mortgage coupon, or tax records.

MOTOR VEHICLE DRIVER IMPROVEMENT COURSE DISCOUNT (5%) – (BI, PD, MED, CP, CL)

A Motor Vehicle Driver Improvement Course Discount shall be afforded to each motor vehicle on a policy when the assigned operator is:

1. age 55 or older, and
2. has a completion certificate, dated within the most recent 36 months, certifying successful completion of a motor vehicle driver improvement course which meets criteria established by the Pennsylvania Department of Transportation, and
3. has not taken the course as a result of an order or sentence imposed by a court or other government entity resulting from a conviction.

As a condition of maintaining this discount the insured must not:

1. be involved in a chargeable accident,
2. be convicted of an offense, or
3. be convicted of or accepted Accelerated Rehabilitative Disposition (ARD) for driving under the influence of alcohol or a controlled substance.

The discount shall apply:

1. to new and renewal policies with inception dates within the 36 month period following the course completion date;
2. only once to each vehicle on the policy regardless of the number of driver improvement courses completed by each named insure.

DISCOUNTS and SURCHARGES - (cont'd)

MULTI-CAR DISCOUNT (20%) – (BI, PD, MED, UM, UIM, CP, CL)

Multi-Car Discount will apply to all vehicles on a policy if there is more than one vehicle to be insured under the same policy.

PAID IN FULL DISCOUNT (5%) – (BI, PD, MED, UM, UIM, CP, CL)

A Paid In Full Discount applies when 100% of the policy premium for the indicated term is paid at the time of binding.

PASSIVE RESTRAINT DISCOUNT (15%, 20%, 30%) – (MED)

A Passive Restraint Discount shall apply to all vehicles equipped with factory installed passive seat belts (15%), driver's side airbags (20%), or driver's side and passenger's side airbags (30%). If a vehicle has multiple devices, only the highest discount shall apply.

PRIOR COVERAGE DISCOUNT (10%, 15%, 20%) – (BI, PD, MED, UM, UIM, CP, CL)

A Prior Coverage Discount is credited to new business policies if the insured's prior coverage had been in effect for 6 successive months with no lapse in coverage. Discount amounts vary based on the number of days lapsed between prior carrier coverage and the policy effective date with AllCO (10% for 11-30 days, 15% for 1-10 days, and 20% for no lapse). Proof of prior coverage must be supplied.

Prior coverage will be granted if:

- The insured's prior personal auto policy must have provided coverage for six continuous months with the same Company without lapse.
- The expiration or cancel date must be no more than 30 days prior to the AllCO policy inception date.
- The named insured on the AllCO policy must be listed on the previous policy.

Examples of proof of prior coverage are:

- Company issued offer to renew the prior policy.
- Company issued letter of intent to non-renew.
- Cancellation notice from prior carrier

A Declaration page for the prior term is not acceptable.

NOTE: THE MAXIMUM ALLOWABLE DISCOUNT BY COVERAGE IS 32%

WHERE APPLICABLE, STATE MANDATED DISCOUNTS ARE GIVEN FIRST TO ENSURE PROPER APPLICATION.

COVERAGES

Liability coverages can be purchased at the following limits:

Bodily Injury
15,000/30,000
25,000 / 50,000
50,000 / 100,000
100,000 / 300,000

Property Damage
5,000
10,000
25,000
50,000

Medical Payments
5,000
10,000

UM/UIM Bodily Injury
15,000/30,000
25,000 / 50,000
50,000 / 100,000
100,000 / 300,000

Physical Damage coverages can be purchased in any combination of the following deductibles:

Comprehensive
100
200
250
500
1,000

Collision
100
200
250
500
1,000

*** Notes for Physical Damage Coverages**

1. Comprehensive and Collision must be written together.
2. Physical Damage only policies are not allowed.
3. AllCO does not cover custom furnishings or equipment not permanently installed by the original automobile manufacturer, including sound receiving or transmitting equipment designed for use as citizens band radios, two-way radios, telephones, scanning monitor receivers, television sets, or their accessories or antennas.

COVERAGES - (cont'd)

TOWING AND LABOR COVERAGE

Towing and Labor Coverage reimburses the insured on a covered vehicle for the lesser of actual towing charges or for one of the following two options as selected by the insured:

1. \$50.00 for each disablement subject to a \$300.00 maximum limit for a 6 month policy term.
2. \$75.00 for each disablement subject to a \$450.00 maximum limit for a 6 month policy term.

This coverage may be purchased on any vehicle covered by Comprehensive and Collision coverages.

RENTAL REIMBURSEMENT COVERAGE

Rental Reimbursement Coverage reimburses the insured on a covered vehicle for the lesser of actual daily rental charges or \$15.00 per day for a maximum of 30 days for each qualified disablement. Qualified disablement means a loss covered by the Liability, Comprehensive, or Collision sections of the policy.

AllCO will pay expenses, beginning when the vehicle is withdrawn from use for more than 24 hours. If the loss is caused by a total theft of the covered vehicle, AllCO will pay expenses incurred during the period beginning 48 hours after the theft and ending the vehicle is returned to the Company or the Company pays for the loss.

This coverage may be purchased on any vehicle covered by Comprehensive and Collision coverages.

ADDITIONAL CUSTOM PARTS AND EQUIPMENT COVERAGE

Comprehensive and Collision coverages provide protection, subject applicable deductibles, for equipment permanently installed by the original manufacturer. There is no coverage in the standard contract for other types of equipment. Additional Custom Parts and Equipment Coverage provides physical damage protection for any permanently installed add-on equipment except radar detectors or equipment for cooking or bathrooms. To purchase this coverage, the insured must provide an itemized list of additional equipment and pay the appropriate premium. Additional Customized Equipment Coverage is subject to a \$50 deductible and provides coverage up to the lesser of actual cash value or the stated amount specified by the insured. The maximum allowable coverage amount is \$1,000.

This coverage may be purchased on any vehicle covered by Comprehensive and Collision coverages.

Please see The Pennsylvania Rate Manual for specific coverage pricing.

POLICY TERM & PAYMENT OPTIONS

POLICY TERM

You have the option of writing a 3, 6 or 12 month policy for your customers.

SERVICE CHARGES

- \$10.00 Bill Payment Fee
- \$10.00 Interim Bill Fee
- \$10.00 Delinquent Fee for payments made after the due date
- \$25.00 NSF Fee for bounced checks
- \$10.00 nonrefundable Policy Fee per term
- \$20.00 nonrefundable Policy Fee on the 5% Down Annual Pay Plan
- \$10.00 Reinstatement with Lapse Fee

BILLING ADDRESS

AIS
P.O. Box 42526
Philadelphia, PA 19101

MARKET TIER DETERMINATION AND FACTORS

American Independent new business customers are rated in one of five separate tiers based on objective, mutually exclusive underwriting criteria. Each insured will be reviewed at renewal and possibly retiered if they meet the underwriting criteria.

Tier Factors apply to Bodily Injury, Property Damage, Medical Payments, Comprehensive, and Collision coverages.