

PERSONAL AUTO POLICY PENNSYLVANIA

POLICY CHANGES DISCLOSURE

Newly revised **PERSONAL AUTO POLICY PENNSYLVANIA**, form CC-N00PA1 (07/20) replaces:

Readable car policy Pennsylvania, form CC-N00PA1 (8/06)

Basic vehicle policy, form CC-B00004 (5/89)

Pennsylvania amendatory endorsement, form CC-N01PA1 (03/19)

BASIC VEHICLE POLICY AMENDATORY ENDORSEMENT – PENNSYLVANIA, form CC-B01PA1 (7/89)

Uninsured/Underinsured Motor Vehicle amendatory endorsement, form CC-N04PA1 (10/06)

UNINSURED/UNDERINSURED MOTOR VEHICLE AMENDATORY ENDORSEMENT, form CC-B04PA1 (7/96)

Physical damage coverages amendatory endorsement, form CC-N01012 (Feb. 02)

Personal Vehicle Sharing Program and Ride Sharing Exclusion – Pennsylvania, form CC-N13PA3 (09-16)

Dear Valued Customer:

Thank you for choosing us as your auto insurance company! We, at the Horace Mann insurance companies, are excited to introduce a revised Personal Auto Policy in your state based on a new national model policy design we are implementing in all states where we write private passenger auto business. The new policy replaces the prior policy forms and promotes consistency with our national approach and our commitment to you, our customer. The policy is customized to comply with your state's laws.

In this letter, we outline the key changes that will apply when you continue your coverage and get the new **PERSONAL AUTO POLICY PENNSYLVANIA, form CC-N00PA1 (07/20)**. We made other changes to the policy, though not listed below. Many changes are made to clarify policy provisions, improve readability and improve policy organization. We hope that you find this policy easier to navigate and read. We tried to make it easier for you to understand policy terms, your rights and obligations, our claims practices and policy servicing processes. All changes in the policy will apply beginning on the effective date of your new policy term.

PLEASE READ YOUR NEW POLICY and your Declarations. The Declarations tells you what coverages apply and the Policy explains your coverage. Together the Policy and the Declarations explain the limits of your coverage. The policy also includes definitions, conditions, exclusions, limitations, and duties for coverage to apply. The terms of the new **Personal Auto Policy** shall govern in the event there is any discrepancy between this letter and the Policy.

If you have questions, please call us at the phone numbers shown on your declarations.

The significant changes in the new Personal Auto Policy are as follows:

An IMPORTANT notice section is added to the front of the policy to include notice:

- That **your policy is a binding contract with us.**
- About the importance of reading the policy in its entirety.
- Related to Collision Coverage and rentals.

DEFINED WORDS & PHRASES

We increase the number of general definitions to improve overall reading ease. To clarify Policy terms and improve readability, we now include the following words and phrases used throughout the policy as general defined terms: "accident", "application", "auto", "crime", "declarations", "diminution of value", "fungus or mold", "hazardous materials", "minimum limits", "motor vehicle", "motor vehicle business", "named insured", "nuclear event", "own", "owner", "pedestrian", "person", "punitive or exemplary damages", "racing", "transportation network company", "uncollectible instrument", "war", and with respect to payments, the phrase "not honored upon presentment".

Regarding the definition of “you”, the definition is broader to include a domestic partner or a civil union partner. Coverage for your resident spouse, domestic partner or civil union partner is expanded and will continue after that person no longer lives with the named insured until the earlier of: (1) the end of 30 days after that person’s change of residency; (2) the effective date of another policy listing that person as a named insured; (3) the end of the Policy period; or (4) upon any other Policy Termination event.

The defined term “auto” replaces “car”. The defined term “your insured auto” replaces “your car”.

Several definition revisions clarify and illustrate by example what types of things do and do not fall within the scope of the definition. For example:

- “Business” now expressly refers to any profession, occupation, job, employment, trade, commercial or for-profit activity, whether or not it is full-time or part-time.
- “Newly acquired auto” more specifically addresses the different time frames to provide notice to us for coverage to apply to these vehicles (30 days in some cases and 5 days in other), and explains how coverage will applied, depending on whether the auto is a new auto or replacement.
- We clarify that “trailer” does not include a vehicle while being used as a residence or premises or to carry persons.

We no longer use or define the words: “private passenger car”, “temporary substitute car” or “utility vehicle”

INSURING AGREEMENT

The Insuring Agreement section provides greater clarity as to:

- conditions of coverage, such as payment, and full, honest and accurate disclosure at the time of application; and
- the documents and forms that constitute the entire insurance contract.

GENERAL POLICY TERMS

A General Policy Terms section is new.

As to “Policy Territory – Where Coverage Applies”, the Policy specifies that only physical damage coverage (if purchased) extends into Mexico, and then only for loss that occurs within 50 miles of the nearest border of the United States of America. No other coverage applies anywhere in Mexico. As a US based insurer, we are unable to sell Mexico Liability Coverage.

The “Change of Policy Terms” clause provides more detail about what must be reported to us, and when, for coverage to apply.

Under the “Change of Policy Interests – Transfer or Assignment of Your Interest” clause, the rights and protections under the Policy are transferrable upon death to a surviving spouse, or a surviving resident domestic partner or resident civil union partner (as defined in the policy).

A “Non-Renewal” clause replaces the “Renewal” clause; and, depending on the reason for our nonrenewal of the policy, notice will either be sent at least 15 days prior or 60 days prior to the effective date of non-renewal.

Under the “Cancellation” clause, we provide more options as to how the insured may cancel the policy. Depending on the reason for cancellation, we will provide either at least 15 days prior or 60 days prior notice.

The “Compliance with State Law” clause addresses how and when minimum limit or minimum required coverage applies as required by law, if not already provided.

The following additional general policy terms are new:

- A “Premium Payment” clause setting forth and addressing our right to retrospectively terminate the policy due to the refusal of your bank or financial institution to honor the payment you made for the initial premium.
- An “Automatic Termination” clause addresses when the policy automatically ends, or automatically ends coverage for a covered auto.
- An “Other Policy Termination Terms” clause clarifies that the policy is neither severable nor divisible, and any cancellation or nonrenewal, whatever the reason, is effective for the entire policy and all items and interests under it.

- A “Proof of Notice” clause informs you that any proof of mailing, whether by post or electronically, of any notice is sufficient proof of notice (unless state law requires otherwise). If and when allowed by law (and agreed to by you), we may deliver, by way of electronic devices or other methods, any notice instead of mailing it.
- An “Electronic Signatures” clause authorizes the use of electronic signatures, electronic notices and forms, and any electronic method in transacting insurance.

EXCLUSIONS

Throughout the policy we add, clarify and modify exclusions affecting most coverages. Some of the changes are:

- The “rented to others” exclusion excludes coverage when the insured auto is leased or subleased to others.
- The racing exclusion precludes coverage when using a vehicle on an indoor or outdoor track, on a course or trail designed or used for speed contests, during demonstration driving, driver training, high performance driving, driving competition, or racing.
- We clarify and modify the exclusion of coverage for loss caused intentionally by or at the direction of you or a “relative”, or the owner of the property, or loss that should be reasonably expected to result from that intentional act. Though with respect to Physical Damage Coverages, we protect an innocent co-insured’s legal interest if the loss arises out of domestic violence and that person cooperates with law enforcement and us.
- We now exclude coverage for accidents and loss caused by criminal acts by you.
- We expand and clarify the exclusion of coverage for any bodily injury, property damage, loss or other damage that result from hazardous materials, nuclear events and radiation.
- We clarify that coverage does not apply to a communicable disease, sexually transmitted disease, or pregnancy.

SECTION I - LIABILITY COVERAGES **(Bodily Injury and Property Damage Liability Coverage)**

Under the Insuring Agreement, we notify the insured that the legal liability of an insured to any injured person or party, and that injured person’s or party’s rights to recover damages to which the liability coverage applies, are subject to both the:

- Lawsuit tort option elected by the injured person or party (or the tort option that otherwise applies under 75 Pa.C.S.A. § 1705, as amended); and
- Limitations on recovery, if any, due to that applicable tort option.

Under the “Additional Payments” clause:

- We will pay to or on behalf of an insured the interest on all compensatory damages owed by an insured as the result of a judgment until we pay, offer or deposit in court the amount due under this coverage. We clarify we do not cover punitive damages, and we have no duty to make any interest payment if we do not receive notice of suit and the opportunity to defend an insured.
- We increased the loss of wages/salary coverage due to an insured’s attendance at trials, hearings or other legal matters from a limit of \$35 per day to \$200 per day.

We changed the definition of an “insured”. You and your “relatives” remain covered. Additionally, we insure other persons using your insured auto with permission from you or a “relative” (provided the use of the auto is within the scope of that permission granted) under the Policy.

A definition for “property damage” is added to Liability Coverage for “physical harm to, or destruction of, tangible real or personal property; and loss of use that results from that physical harm or destruction.”

Under the exclusions, there is no coverage for any punitive or exemplary damages (the insuring agreement similarly extends coverage only for compensatory damages).

Under the Limits of Liability clause, we reduce any payment to a person under the Liability Coverage by any payments to that person under medical payments coverage and uninsured/underinsured motorist coverage of this same policy (though we do not reduce the liability coverage to an amount less than the required minimum limits by law).

The “Other Insurance or Coverage” clause goes into more detail about applicable priority of coverage and anti-stacking.

SECTION II – FIRST PARTY BENEFITS

Under the definitions section:

- The “medical expenses” definition clarifies what is and is not a covered medical expense, as well as that all expenses are subject to all statutory and regulatory limits as to reasonable and necessary treatment and charges, and state-approved Peer Review Organization (PRO).
- The definition of “insured” expressly refers to permissive use of the auto as a condition of coverage for a guest occupant.
- The following definitions are new: “accidental death”, “funeral expenses”, “income loss”, “necessary”, “Peer Review Organization (“PRO”)”, “reasonable” and “usual and customary charge”.

A clause titled “Our Right to Review Medical Expenses” is added to clarify claims practices related to medical expenses, in particular our right to review services; the types of independent sources (databases, reference material, experts, etc.) that may use to aid in our payment decisions; and to provide illustration as to what we consider reasonable, necessary, and/or related to the accident. This will be done in accord with Pennsylvania laws and regulations, and with the use of state-approved Peer Review Organizations (PROs) when required.

We changed the exclusions section by revising, deleting, or adding certain exclusions. Please read your policy carefully. Many of the changes to the exclusions are mentioned above. Other key additions and changes for this coverage include:

- A broad “other owned” vehicle exclusion is included and also excludes coverage for any insured occupying or struck by a motor vehicle that is furnished or available for the regular use of you or a relative (and is not your insured auto or a newly acquired auto).
- We clarify no coverage applies to an insured person who is occupying or using a vehicle without permission from the owner of the vehicle. This exclusion does not apply to you or “relatives” when occupying your insured auto or a newly acquired auto.
- We now exclude coverage for any Bodily Injury caused by fungus or mold.
- We now exclude coverage for any expense that is paid or payable under TRICARE, CHAMPUS, or any similar health care program of the United States Department of Defense Military Health System.

The limit of liability section clarifies the most that will be paid for First Party Benefits, as well as how the following coverage options (if purchased) will apply: “Combination First Party Benefits (CFPB)” or “Extraordinary Medical Benefits (EMB)”.

A new clause clarifies the restrictions and rights associated with the “Assignments of Benefits”.

SECTION III – UNINSURED MOTOR VEHICLE COVERAGE / UNDERINSURED MOTOR VEHICLE COVERAGE (“UM/UIM”)

After the Insuring Agreements, in an “Additional Terms” clause, we notify the insured that an insured’s rights of recovery under this Section UM/UIM for damages arising out of bodily injury are subject to both the:

- Lawsuit tort option elected by that person (or the tort option that otherwise applies under 75 Pa. C.S. § 1705, as amended); and
- Limitations on recovery, if any, due to that tort option that applies.

If the limited tort option applies to an insured, there is no UM/UIM coverage for any noneconomic loss due to the bodily injury sustained by that insured unless that insured sustains a serious injury or is otherwise legally entitled to recover for noneconomic loss as set forth in Pennsylvania law, as amended.

Under the Definitions:

- We revised the definition of “insured” so that we no longer provide coverage for other persons, as related to those persons when occupying an auto not owned by, but operated, by you.
- We add terms and definitions for: “noneconomic loss” and “serious injury”.
- The definition of “uninsured motor vehicle” refers to an “unidentified motor vehicle” (and for which a definition is added under UM/UIM) instead of the prior “hit-and-run motor vehicle”.

In addition to the other exclusions discussed above in this disclosure, we revised, clarified, deleted and added other Exclusions under UM/UIM, with the key changes described here:

- An “other owned” vehicle exclusion is added, and also excludes coverage for any insured using or occupying a motorized vehicle or device that is furnished or available for the regular use of you or a relative (and is not your insured auto or a newly acquired auto).

- There is no UM/UIM while using a non-owned auto without the consent of its owner, or operating outside of the scope of the owner's consent.
- There is no coverage for any punitive or exemplary damages (the insuring agreement similarly extends coverage only for compensatory damages).

The limit of liability section clarifies:

- In detail how Non-Stacked or Stacked coverage applies and/or limits/expands coverage (if and as elected and purchased by the insured).
- Crediting, reductions and offsets.

An "Arbitration" clause is included.

SECTION IV - PHYSICAL DAMAGE COVERAGES

We now refer to Comprehensive Coverage as "Other Than Collision Coverage" under your new policy. We improved the supplemental coverage under it in that there is coverage for reasonable charges for necessary towing for which you become legally liable due to transportation of your insured auto after a loss. We clarify that there is no coverage for a trailer unless you purchase such coverage.

Under this section, two new coverages are available:

- Child Safety Seat Coverage.
- Additional or Custom Equipment Coverage. We will pay up to \$1,000 for "additional or custom equipment" (as defined in the policy) in or on your insured auto when Other Than Collision Coverage or Collision Coverage applies to a loss, plus any related labor and installation costs. Additionally, you may purchase a higher limit selected by you to cover the "additional or custom equipment". This does not cover loss or damage to any parts used for racing.

Under this Physical Damage Coverage, we no longer cover, "Clothes and Luggage", "Sound System Coverage", or repayment of a rental car deductible. However, we may cover your sound system under the Additional or Custom Equipment Coverage referenced above and described in your policy, if permanently installed in the insured auto.

The following definitions are new and used throughout this section: "additional or custom equipment", "cost of repair or replacement", "depreciation", "original equipment manufactured", "OEM", "original equipment", "other than collision", "permanently installed", "windshield". We no longer define or address "Stated Amount" under this section in the policy.

Emergency Road Service coverage is limited to no more than three (3) occurrences per insured auto in any six (6) month period, and does not apply when your insured auto is disabled more than 100 feet from a driveway or public road.

In addition to the other exclusions discussed above in this letter, we revised, clarified, deleted and added other Exclusions to Physical Damage Coverage only, with the key changes described here:

- We exclude coverage for loss or damage that is prior loss or damage, and loss or damage related to the lack of routine and/or proper maintenance, and loss or damage related to any manufacturer's defects or faulty materials or parts.
- We exclude coverage for any loss caused by or related to fungus or mold (unless a result of an otherwise covered loss).
- We exclude coverage for loss or damage to your insured auto while it is no longer in your possession because it is entrusted to another person or party to be leased, subleased or sold.
- We exclude coverage for any loss while any vehicle is repaired, serviced or used by any person while that person is working in any motor vehicle business.
- We exclude coverage for any loss while any vehicle is used in any other business (except as to an auto driven or occupied by you or a "relative").
- We exclude coverage for all items of "personal property" (replacing the prior exclusions that had itemized lists).
- We exclude coverage when your auto is repossessed.

Under the "Limits of Liability" and "Settlement of Loss" clauses, improved clarity and detail is provided as to claims practices related to: adjusting loss, determining actual cash value, application of the deductible, salvage, betterment, depreciation, parts that may be used by us to determine the amounts we will pay (original and non-original manufacturer parts and new or used parts), payment (and to who it may be made, including a repair shop with your consent) and storage costs. Also, a clause for the optional Better Car Replacement coverage is added.

We improved the clarity of our disclosure of the exclusion of coverage for any diminution of value when an insured auto is repaired.

A "Loss Payee" (lienholder) clause eliminates our use of an endorsement when this applies. That loss payee or lienholder must abide by all terms and conditions of the policy and has no greater rights than you to receive any payment.

GENERAL POLICY DUTIES - INSUREDS' DUTIES AFTER ANY ACCIDENT OR LOSS

The Duties section provides greater specificity and clarity as to the notice and reporting requirements imposed upon any person claiming coverage under the policy, as well as other duties and cooperation required as conditions of coverage.

CLAIMS SETTLEMENT

A "Claims Settlement" clause helps you understand the estimating, appraisal, or injury evaluation systems we may use to adjust claims and to determine the amount of damages, expenses, or loss payable.

GENERAL POLICY LIMITATIONS

We grouped some limitations that apply to all the coverages into one area and addressed here:

- Non-duplication of benefits and anti-stacking.
- We do not pay for emergency response service charges, fees or assessments from fire department, emergency services or law enforcement agency responding to an accident (this does not apply to emergency ambulance services).
- There is no coverage for use of an auto for personal vehicle sharing programs.

MISREPRESENTATION, CONCEALMENT OR FRAUD

This clause expressly sets forth our right to rescind the policy in the event of misrepresentation, concealment, omission or fraud described in this section. It also explains some of the key consequences and other action we may take (such as deny coverage and/or terminate policy) upon learning of fraud or misrepresentation.

OUR RIGHTS TO RECOVER OUR PAYMENTS (SUBROGATION & REIMBURSEMENT)

Under a consolidated clause titled "Our Rights to Recover Our Payments", a provision explains if and how we will recover and/or be reimbursed, as well as how we may recover any deductible amounts incurred by you.

LEGAL ACTION AGAINST US

Under the consolidated clause titled "Legal Action Against Us", we have no duty to:

- Retain or preserve salvage and/or property for any purpose.
- File any appeal (though, we reserve the right to file an appeal if any part of a judgment impacts our risk or the policy).

This letter describing many of the policy changes and new provisions is not your actual policy contract. The terms of the new **Personal Auto Policy - Pennsylvania Form CC-N00PA1 (07/20)** shall govern in the event any discrepancy exists between this letter and the Policy.

PLEASE READ YOUR NEW POLICY and your Declarations. You are responsible to read the Policy and Declarations to confirm it lists the coverages, limits and deductibles that apply. The policy also includes definitions, conditions, exclusions, limitations, and duties for coverage to apply. If you have questions, please call us at the phone number shown on your declarations.