

PERSONAL AUTO POLICY CALIFORNIA

PLEASE READ: POLICY CHANGES DISCLOSURE

**Newly revised PERSONAL AUTO POLICY CALIFORNIA, form CC-N00CA1 (12/20) replaces:
Readable car policy, form CC-N00006 or form CC-N00011 (Apr. 01)
Readable car policy amendatory endorsement – California, form CC-N01CA2 (12-18) and
Personal Vehicle Sharing Program and Ride Sharing Exclusion, form CC-N13003 (01-15)**

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 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 renew your coverage and get the new **PERSONAL AUTO POLICY CALIFORNIA, form CC-N00CA1 (12/20)**. 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 be effective upon your policy renewal.

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 CALIFORNIA** 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 CALIFORNIA are as follows:

An IMPORTANT notice section is added to the front of the policy about: the importance of reading the policy; our rights as to limiting future coverage (as set forth in the policy terms regarding premium increase and policy termination); and a required warning about insurance required in Mexico (which is not provided under your policy).

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", "child passenger restraint system", "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 both 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 be 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: “pleasure”, “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. Liability and Medical Payments coverage no longer apply 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 the list of authorized reasons for non-renewal by us includes other and more detailed reasons as permitted by state law.

Under the “Cancellation” clause, we provide more options as to how the insured may cancel the policy, and the list of authorized reasons for midterm cancellation by us includes other reasons permitted by state law.

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. 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 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.

SECTION I - LIABILITY COVERAGES

(Bodily Injury Liability and Property Damage Liability Coverages)

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.

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 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).

SECTION II – MEDICAL PAYMENTS COVERAGE

We no longer offer, or provide coverage for, any “Loss of Income or Services”.

Medical Payments is broader to cover a one (1) year period from the date of the accident for medical services furnished and those medical expenses incurred during that time.

The definitions for Medical Payments Coverage reflect key changes:

- The “medical expenses” definition clarifies what is and is not a covered medical expense.
- 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: “funeral expenses”, “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 be used to aid in our payment decisions; and to provide illustration as to what we consider reasonable, necessary, and/or related to the accident.

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:

- The “other owned” vehicle exclusion (exclusion #1) is revised to also exclude 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 Medical Payments Coverage 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.
- We clarify that coverage does not apply to a communicable disease, sexually transmitted disease, or pregnancy.

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

The Other Insurance clause clarifies:

- anti-stacking provisions; and
- that for insureds (other than you or relatives) injured while occupying your insured auto or a newly acquired auto, coverage will be excess over any other valid collectible benefits or sources of recovery for the same medical expenses, costs or damages for those persons.

SECTION III – ACCIDENTAL DEATH, DISMEMBERMENT & LOSS OF SIGHT COVERAGE

The definition of “insured” now always covers you and “relatives” when this coverage is purchased, rather than limiting it by option to sometimes covering only the first named insured or only you.

Under the “Payment of Claim” clause, we may pay the surviving spouse or a surviving domestic partner or civil union partner (both as applicable and as defined in the policy).

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

Under the Uninsured Motor Vehicle Property Damage (UM PD) insuring agreement, for UM PD coverage to apply, the following conditions must be met:

- the owner, driver or license number of that uninsured motor vehicle must be identified; and
- the accident must be reported within ten (10) business days of the date of that accident to us or your agent.

The revised definition of “property damage” expressly requires physical contact with the vehicle causing the loss. The definition excludes: loss of use; damage to, or destruction or loss of, any other personal property; and diminution of value.

For reading ease and clarity, a separate definition for “underinsured motor vehicle” (UIM) is added for purposes of bodily injury related coverage only, though UIM is still covered within the scope of the “uninsured motor vehicle” definition and coverage (only as related to bodily injury coverage; there is no UIM property damage coverage).

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” to remove the requirement of physical contact as related only to bodily injury. Though, if there is no physical contact with the unidentified vehicle causing the accident and bodily injury, then there must be reporting to law enforcement and us, and the facts of the accident must be corroborated by competent evidence of an independent and disinterested person (other than an insured making a claim or any person occupying the motor vehicle used by the insured).

The “other owned” vehicle exclusion (former exclusion #3) is revised to also exclude 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).

The racing and nuclear event exclusions apply only to UM PD. Other UM PD exclusions are added to preclude coverage for any property damage caused by an underinsured motorist or during the commission of a crime by an insured. There is not UM PD coverage for or due to diminution in value.

The limit of liability section clarifies crediting, reductions and offsets; and also includes property damage claims handling clauses similar to those found under the physical damage coverage section.

SECTION V - PHYSICAL DAMAGE COVERAGES

We now refer to Comprehensive Coverage as “Other Than Collision Coverage” under the new policy. We improved the supplemental coverage under it in that:

- We changed the amount we will repay to you for transportation costs incurred if your insured auto is stolen. We will pay up to \$30 per day, for up to thirty (30) days. This previously had a maximum limit of \$600.

- 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, a new coverage is available: Additional or Custom Equipment Coverage. We will pay up to \$1,500 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 will 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 now 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 now 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 now 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.

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).

Also under this Legal Action Against Us clause, a clause is added to inform the insured when any legal action against us for coverage under any part of the Policy, or any legal action filed against us following an accident or loss, must be commenced.

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 CALIFORNIA, form CC-N00CA1 (12/20)** 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 all of the coverage you have purchased and the 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.