

**TEXAS
FARM
BUREAU
INSURANCE®**
AUTO / HOME / LIFE

Customer Information Disclosure

Endorsement HO-802: Mandatory Mediation – Arbitration

SUMMARY

This endorsement provides an alternative procedure to traditional litigation for the resolution of any dispute that might arise between you and us related to your homeowners insurance policy. This is an optional endorsement offered in exchange for a reduction in premium. If you choose this endorsement, you are agreeing to exclusively use appraisal, mediation, and arbitration to resolve a dispute with us as opposed to filing a lawsuit. If you decide not to add this endorsement to your policy, the appraisal process might still be used to resolve an issue as it already exists in your policy, but you would retain your right to sue. Under either choice, you always have the right to hire an attorney to represent you.

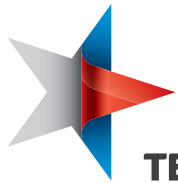
The Appraisal Process

Endorsement HO-802 states that if any part of the dispute between you and us is based on a disagreement about the value of your claim, you must first request and participate in the appraisal process unless we agree to waive it. In this step, you will choose and pay for your own appraiser to provide an opinion about the value of your claim. We will do likewise. The two appraisers will attempt to come to an agreement as to the amount of the claim, but if they cannot, they will try to agree on a third person called an umpire to help resolve the dispute.

If the appraisers cannot agree on who the umpire should be, you will get to choose one of two dispute resolution firms to appoint an umpire. One firm is Umpire Selection Services, LLP and the other is the American Arbitration Association (“AAA”). Their contact information is contained within the appraisal endorsement to your policy (HO-803). The firm will make the appointment and the appraisers will be notified. They will submit their work product to the umpire, setting forth what they could agree on and what is left in dispute, within ten days of notice. Whenever any two of the three persons can agree on an amount, an appraisal award will be declared by the umpire with notice to both parties.

We will share in the cost of the umpire but your share will never exceed \$500.

The appraisal award is binding on both of us with regard to the amount of the loss. If there are no other issues between us, we will pay the award within five business days of receiving notice from the umpire. Many disputes will be resolved through this method alone.



**TEXAS
FARM
BUREAU
INSURANCE®**
AUTO / HOME / LIFE

The Mediation Process

If any part of the dispute is not based on a disagreement about the value of your claim, such as a coverage issue, or if any dispute still remains following completion of the appraisal process, you agree to use mediation. Mediation is an informal meeting of the parties and their representatives to see if a settlement agreement can be reached. The meeting is facilitated by a neutral party called a mediator. The parties will attempt to agree on a mediator but if they are unsuccessful, you will get to choose one of two dispute resolution firms to provide the mediator. The two firms are Conflict Solutions of Texas or the American Arbitration Association ("AAA"). Once a mediator is selected, the time and place for the mediation will be set.

We will pay the cost of the mediator and any expenses related to the mediation session such as meeting room fees.

Neither party is compelled to settle the dispute at mediation. No final decision or award is rendered by the mediator. However, mediation has proven to be an effective dispute resolution procedure.

The Arbitration Process

If any dispute still exists between the parties following appraisal and mediation, then you agree to use arbitration as the final step to end the dispute. In arbitration, an arbitrator receives evidence and arguments from both sides and then renders a final decision about the case that is binding and final as to both parties. The arbitration award is confidential unless both parties agree to its disclosure.

Under the terms of this endorsement, you will be able to choose either Conflict Solutions of Texas or AAA to provide the arbitrator and manage the arbitration process. Once you have notified us of your selection, we will contact the firm and pay any administrative fee to have the case opened and an arbitrator assigned. The arbitrator will contact both parties and begin the process. The endorsement states what information the parties will be required to exchange but either side may ask the arbitrator to allow additional discovery. Ultimately, the arbitrator will decide what recovery you are entitled to if any.

The arbitration hearing will take place in the county where the property made the basis of the dispute is located unless the parties and the arbitrator agree to a different location. The arbitrator has final authority on the location of the hearing. The arbitrator may choose to conduct meetings or hearings in person, by phone, or upon written submission. We will pay the costs of the arbitration and the arbitrator's fee.

Small Claims Court

If the amount of any dispute still existing after appraisal and mediation is small enough to qualify for resolution in a small claims court (Justice Court), either party may request the matter be resolved there instead of arbitration. If both parties agree to use small claims court, arbitration is not required.