



## AIG Programs

### Program Underwriting Authority

#### Oil & Gas Program

Edition Date:	11-2-2015
Program Administrator:	AmWINS Program Underwriters, Inc. 5910 North Central Expressway, Suite 500 Dallas, TX 75206
Principal(s):	Shawn Fabors, Managing Director
Program Description:	Oil & Gas well operators, non-ownership working interest in oil & gas wells, and oil and gas lease contractors
Program Manager:	MaryAlice Stenbridge
Program Inception:	September, 2013
Division:	66 – AIG Programs
Related PUC Numbers:	60, 61
Program Territory:	United States of America excluding New York State, Louisiana, Illinois, and all territories and possessions
Program Commission:	20%



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## NOTICE – PLEASE READ CAREFULLY

This Program Underwriting Authority (the “Authority”) set forth the terms and conditions pursuant to which the Program Administrator named in Section 6 hereof (referred to hereinafter as the “Program Administrator”, “You” or “Your”) may place business with the insurance companies named in Section 2.1 hereof (collectively referred to hereinafter as the “Company”, “We”, “Us” or “Our”) in accordance with the Program Administrator Agreement between the Company and the Program Administrator.

Periodically during the year you may receive a change from us that directly correlates to this Authority document. That change will be deemed to be effective as of the date of the publication of the bulletin unless otherwise specified. Such changes, which may include rates, rules or form approval changes, will be integrated in to future Authority documents. The Program Administrator employee listed in Section 6, as the person assigned the underwriting authority granted herein, is responsible for the coordination with the Program Administrator’s staff of periodic updates to this Authority.

Please access our website at <http://www.aigprograms.net> for additional information as directed in this document.

Excluding any information provided by us via Bulletins to you, if there is a conflict between the instructions contained within this Authority and any other communication, this Authority shall supersede all other instructions.

Please sign the acknowledgement and acceptance form in Section 6 and return an executed copy of the Program Underwriting Authority to your Program Manager within 30 days. If your Program Manager does not receive the executed copy within such time, this Authority will automatically go into effect on the date set forth in Section 6.

## 1. PROGRAM OVERVIEW

### 1.1 ELIGIBLE BUSINESS – PROGRAM DESCRIPTION

You may underwrite, quote and bind business on behalf of the Company on eligible accounts for the Oil & Gas Program (Hereinafter, the “Program”) that meet the following eligibility requirements:

- Oil & Gas Well Operators
- Non-Ownership working interest in oil & gas wells
- Contractors of the following types:
  - Roustabout services including site preparation and lease beautification Oil & Gas support classes such as domestic machinery & equipment distributors, domestic pipe distributors, oil or gas geologists, instrument logging/survey
- Oil & Gas equipment rental with operator
- Oil & Gas equipment rental without operator
- Oil & Gas retail supply stores
- Trucking for others – GL only (excluding oil and gas hauling i.e. jobbers, pipe hauling, long haul trucking)



In addition, We require the following account attributes\*:

- At least five (5) years in operation (new business only; once approved, further account referrals are not needed).
- Three-year currently valued (within 180 days of the proposed effective date) hard copy loss history provided by the insurance carrier on new business (see Section 3.5 for additional information).
- The loss ratio for the current year, and separately, all lines combined for the past three years, must be 30% or less, with no single loss greater than \$50,000 (Incurred loss).
- Current policy must be active and not in the process of being cancelled or non-renewed (with the exception of a non-renewal by a carrier exiting a similar program).
- D&B credit score of 1, 2, 3, or 'no alerts' as obtained from eStart.\*\*

\* Accounts that do not possess each of the above attributes may be deemed acceptable, but must be referred to your Program Manager for review and approval prior to quote.

\*\*For accounts with a D&B score of 0, 4, or 5, or where eStart indicates 'not evaluated' with an annual premium of less than \$100,000, the following financial review is acceptable when documented in file:

- If You subscribe to Experian, the account has a score of twenty five (25) or higher; or
- Their payment history must be reviewed and found to be 'current'; and

You have verified that the Insured is not operating under any chapter of the United States Bankruptcy code.

If the above cannot be verified, or if the account premium is in excess of \$100,000, you must submit the account to your Program Manager along with a copy of their current financial statements for approval prior to quote.

## 1.2 INELIGIBLE BUSINESS

You cannot quote or bind business for accounts that are outside of the parameters established above. In addition, the following risk classes are considered ineligible for this program.

- Auto and Umbrella for Truckers
- Manufacturing
- Rig erection, dismantling or transportation for others
- Any operations with wet exposures in any ocean, gulf, bay, river, marsh or lake.
- Any operations in or associated with refineries or petrochemical facilities
- Waste disposal, not including salt water
- Consultants who advise, instruct, or provide opinions of any kind.
- Any information gathering agent managing and/or directing oil and/or gas exploration or production projects for well owners.
- Any information gathering agent hiring subcontractor personnel and supervising and/or directing their activities to perform a job.



- Any information gathering agent with the authority to use any amount of judgment in managing well operations.
- Delivery pipelines for gas or oil, not gathering systems.
- “Over the hole” exposures for property and/or inland marine
- Rental or sales of blow-out-preventers.
- Any operations in the Marcellus Shale
- Fracking operations
- Seismic vibration operations
- Horizontal Drilling defined as more than 80 degrees from vertical
- Coverage for Rig Physical Damage

**Other Ineligible activities:**

- Stand alone Property or Umbrella Liability
- Stand alone Owners and Contractors Protective Policies (OCP’s)
- General Contractors or Contractors that sub out more than 35% of their work
- Any account generating an experience debit of 25% or more
- Any deductible over \$10,000
- Any use of a Self Insured Retention

## 2. AUTHORITY

### 2.1 INSURANCE COMPANIES

You are authorized to place business in the Program with the Companies set forth below

#### COMPANY NAME

**New Hampshire Insurance Company**  
**Granite State Insurance Company**  
**Illinois National Insurance Company**  
**National Union Insurance Company of Pittsburgh**

### 2.2 LINES OF BUSINESS / PREMIUM / OPERATING SYSTEM

You may underwrite, quote and bind eligible business in the Program for accounts with premiums up to the following amounts using the operating system(s) set forth below.

The premium amounts apply only to business written in the Program and do not apply to any business written with any other company, branch, division or department of any member company of American International Group, Inc.



LINES OF BUSINESS	PREMIUM AUTHORITY	OPERATING SYSTEM`
Commercial Property/Inland Marine	\$5,000	Coverall
Commercial Package Policy	\$55,000	Coverall
Commercial General Liability	\$50,000	Coverall
Commercial Automobile	\$20,000	Coverall
Umbrella Liability Coverage	\$30,000	Coverall
The sum of all policies and/or coverages written for one insured	\$105,000	

### 2.3 NAMED INSUREDS

You must understand the operations of all current and inactive named insured entities included on any policy and verify that each such entity meets the eligibility as defined for the Program.

Note: Individuals (i.e., natural persons) may not to be listed as a “Named Insured” on Our policies.

Please refer all accounts that are requesting either an individual or a non-qualifying entity to be listed as a “Named Insured” to your Program Manager prior to quote.

### 2.4 LIMITS AUTHORITY

You may underwrite, quote and bind eligible business in the Program for accounts with limits up to the amounts set forth below subject to the following catastrophe management limitations.

PROPERTY/CRIME COVERAGES	Limits	
<b>PROPERTY</b>		
Commercial Property and/or Inland Marine	\$1,000,000	Maximum Amount Subject (gross) in Protection Class 1 - 8
	\$500,000	Amount subject any location in Protection Class 9 or 10
	\$1,500,000	Total Insured Values
Earthquake – 250 Year MMI Zones of 7.0 through 12 (derived from RiskMeter*), and the entire state of California, Alaska and Hawaii	No Authority	
Earthquake – 250 Year MMI Zones 1 through 6.99 (derived from RiskMeter*),	\$ 500,000	
Earthquake Sprinkler Leakage – 250 Year MMI Zones 1 – 6.99 (derived from RiskMeter*)	\$ 500,000	
Flood – RiskMeter flood score over 40	No Authority	
Flood – RiskMeter flood score 10 - 40	\$ 500,000	
* See Qwik Notes for Information on RiskMeter		



Wind/Coastal Property	No Authority	Refer to the Windstorm section of Property Qwik Notes for guidance prior to making your referral.
Equipment Breakdown	No Authority	See Section 5 for Equipment Breakdown Addendum.

GENERAL LIABILITY, AUTOMOBILE, GARAGE, UMBRELLA		Limits
Commercial General Liability and Products Liability	\$1,000,000 \$2,000,000 \$2,000,000	Each Occurrence General Aggregate Products-Completed Operations Aggregate
Medical Payments	\$ 10,000	
Personal/Advertising Injury	\$1,000,000	Each Occurrence
Damage to Premises Rented to You	\$ 100,000	
Employee Benefits Liability	\$1,000,000 \$1,000,000	Claims Made Annual Aggregate
Commercial Automobile Liability	\$	Any One Accident
Commercial Automobile Physical Damage	ACV to	Per Vehicle Replacement Cost
Minimum Deductible:	\$75,000	
➤ \$500 with Cost New Less than \$35,000		
➤ \$1,000 with Cost New At or Above \$35,000		
Amount Subject Any One Location	\$1,000,000	
Commercial Umbrella	\$5,000,000 \$5,000,000	Each Occurrence General Aggregate Limit
Commercial Umbrella Excess Follow Form	\$5,000,000 \$5,000,000 \$5,000,000	Each Occurrence General Aggregate Limit Products-Completed Operations Aggregate

## 2.5 WINDSTORM AND EARTHQUAKE CAT MANAGEMENT REFERRALS

Catastrophe modeling is also required when writing property coverage including windstorm and/or earth movement on both new and renewal business for any locations:

1. within Windstorm Control Zones (as defined in the Windstorm section of the Qwik Notes), and
2. for any location(s) with a RiskMeter 250 year MMI rating of 7.0 and above for earth movement.

All new business falling into either of the above parameters must be submitted to the Program Manager for CAT modeling prior to quoting





As respects renewal business you should use the Average Annual Loss determinations provided to you by your Program Manager as part of the underwriting / referral process.

No new or renewal property coverage subject to modeling may be quoted until required approval is received from the Program Manager.

## 2.6 ADHERENCE TO FILED RULES/LOSS COSTS/FORMS

### 2.6.1 ISO PRODUCTS / AAIS PRODUCTS / PROPRIETARY PRODUCTS

For this program, for the following lines of business, the Company utilizes the following products as set forth below:

INSURANCE SERVICES ORGANIZATION	AAIS	PROPRIETARY PRODUCTS
Commercial General Liability	Inland Marine	Commercial Umbrella
Commercial Auto		Enhanced Property Forms
Commercial Property		

Unless you are advised otherwise by a Program Administrator Bulletin, the Company will automatically adopt all ISO/AAIS products *using their effective dates* as filed for:

- Coverage Forms and Endorsements
- Loss Costs, Expected Loss Potentials and/or Rates
- Increased Limits Factors
- Rating Plans
- Classification Plans
- Manual Rules
- Package Modification Factors

The Cover-All Operating system will maintain all changes in compliance with our filings.

### 2.6.2 NEW YORK FREE TRADE ZONE (NYFTZ)

You are authorized to write business in the NYFTZ that qualifies under ‘Class 2’ but only as directed in Section 5. Where the Insured’s Headquarter State is New York, *all* Umbrella policies must be issued in the NYFTZ (see Umbrella Qwik Notes for details). You must refer any ‘Class 1’ risk to your Program Manager prior to quote. The Company does not write business that qualifies as ‘Class 3’ at this time.

Regulation 86 is available here: <http://government.westlaw.com/linkedslice/default.asp?SP=nycrr-1000>



## 2.7 POLICY TERM

Policy periods (including any coverage and rate commitments associated therewith) may not exceed twelve (12) months.

Note: The foregoing notwithstanding, You may extend the 12 month policy period to accommodate concurrency requests for a period of up to 60 days. When issuing a policy greater than one year, please notify your Program Manager of the premium in excess of the annual term.

## 2.8 PRICING AUTHORITY

You have authority to use the pricing plans designated below. You have no authority to use any rates, loss costs, or rating plans other than those filed by or on behalf of the Company. When pricing all lines, you must properly document the underwriting file relative to qualification and/or the known risk attributes as required by state regulatory requirements.

PRICING / RATING PLAN	
AAIS Rating Plans for the following lines of business Contractors Equipment	Approved
Preferred Risk Property (PropertyOne Rating Plan)	No Authority
Use of ISO Experience and Schedule Rating and IRPM	Approved
ISO 'a' Rating	Approved
Deviation from ISO 'Increase Limits Factors'	No Authority
ISO Rule 15 – Commercial Automobile	No Authority
ISO Rule 34 – Commercial General Liability	No Authority
ISO Composite Rating	No Authority
Loss sensitive rating or retrospective rating	No Authority
Large or Special Risk Rating	No Authority
Use of any other State Approved "Deregulation" relative to rate or form use	No Authority
Dividend plans: individual risk or entire program	No Authority
Premium deferral or cash-flow programs, or compensating balance programs	No Authority
Rate guarantees beyond the annual policy term	No Authority
Self insured retentions	No Authority
Consent to Rate Rules	No Authority
AIG Umbrella Rating Plan	Approved

### 2.8.1 ISO "REFER TO COMPANY" RULES

Anytime ISO has insufficient data to promulgate a rate or loss cost, they defer to the company to create its own rate. Please refer to Section 5, "Refer to Company" rules which are applicable (by product line) for the Program, or Qwik Notes for guidance. If we do not address a specific "Refer to Company" issue pertaining to rating an account, please refer the matter to your Program Manager for guidance prior to quote.



## 2.9 LIMITATIONS TO AUTHORITY

Unless a specific exception is listed in Section 5, you may not place any business in contravention of this Authority with respect to any aspect of the insurance placed pursuant to the Program, including without limitation, types of risk, coverages provided, policy terms and conditions, and pricing techniques.

### 2.9.1 LIMITATIONS: GENERAL LIMITATIONS

Unless authority is granted elsewhere in this document, no authority exists to:

1. Quote or bind an account operating pursuant to any chapter of the United States Bankruptcy Code.
2. Quote or bind any account with Commercial Auto exposures of a long-haul nature, defined as a radius of operations greater than 250 miles.
3. Quote or bind any account with overhead transmission/distribution lines either for direct damage or consequential loss, i.e. business interruption or extra expense.
4. Bind any account where Risk Transfer is not self evident, or where the premium for such accounts must be recorded as a deposit.
5. Use any endorsement related to any rating agency downgrade of AIG (Credit Downgrade Endorsement).
6. Captive, pooling, or other risk financing arrangements.
7. Assumed reinsurance.
8. Amendments to any Program Administrator Agreement or other contractual agreement between any company of AIG, Inc., and any duly authorized broker doing business with the AIG Programs Division.
9. Back-date coverage more than ten (10) business days (and if ten days or less, subject to a warranty of no known or reported losses from the insured).
10. Requests for facultative reinsurance of any line.
11. Agreement to pay or actual payment of any loss not covered by the policy as it was written at the time of loss.
12. Individual risks, or programs, if AIG Claims Services, or an AIG approved TPA is not handling all losses and loss adjustment.
13. Revise any premium audit without the express written consent of the Company Premium Audit Division.

### 2.9.2 LIMITATIONS: COVERAGES

Unless authority is granted elsewhere in this document, no authority exists to quote or bind any of the following:



1. Claims Made coverage in a program where the CGL is written on an Occurrence form (excluding Employee Benefits Liability).
2. Occurrence Coverage in a program where the CGL is written on a Claims Made form.
3. Employment Related Practices.
4. Pollution or other Environmental coverage.
5. Liquor Law Liability in states designated as a high hazard (8 or higher) by ISO
6. Railroad Protective Liability.
7. Professional Liability or Errors and Omissions Liability.
8. Manufacturers Output policies or coverage.
9. Ocean Marine.
10. Product Recall.
11. Foreign coverage (i.e. outside the United States or Canada).
12. Hawaii Auto Coverage if not written through Coverall.
13. Massachusetts Auto Coverage.
14. Mold/Fungus Coverage.
15. Data Corruption coverage.
16. Policies that provide for Windstorm and/or Flood and/or Earthquake only.

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### 2.9.3 LIMITATIONS: POLICY TERMS AND CONDITIONS

Unless authority is granted elsewhere in this document, no authority exists to quote or bind any of the following terms or conditions:

1. Individual risk, or programs requesting financial guarantees, e.g. any situation where we would be asked to include language in our policy, or assume obligations in the repayment of indebtedness.
2. Aggregate Limit reinstatement.
3. Requests for mid-term increase in limits of liability (GL only). A “no known loss” warranty statement from the insured may also be required.
4. Extension of cancellation or non-renewal provisions beyond the statutory minimum or 90 days, whichever is greater.
5. Master policies with certificates.
6. Manuscript policies, forms or endorsements, defined as insurance coverage documents, whether written by member companies of AIG or not, that amend policy coverage terms but are not filed.
7. Removal of any policy exclusion.
8. Property Loss – Limit forms or coverage.
9. Property (real, personal or inland marine) on a reporting form basis.
10. Property blanket policy limits.
11. Aggregate stop loss on deductibles or approved SIR’s



## 2.10 STATE SURCHARGES AND FEES

You are responsible for the proper billing and collection of all state surcharges and fees. Please refer to our Underwriting Bulletins or contact your Program Manager for current information regarding all applicable state surcharges and fees.

## 2.11 POLICY ISSUANCE AUTHORITY AND SERVICE STANDARDS

You are authorized to issue policies and on behalf of the Company in accordance with the Authority set forth herein. You must issue and mail all policies (either by USPS or electronically) within thirty (30) days from the effective date of the policy.

Endorsements must be issued and mailed (either by USPS or electronically) within thirty (30) days of receipt of the request.

Note: In any instance where the endorsement must be back-dated (see Section 2.9.1.9) and such endorsement expands or broadens the terms, conditions or limits of the policy, the insured must provide written confirmation that there are no known losses during the period between the date of receipt and the endorsement effective date. For changes to an Automobile policy, a no known loss letter will not be required if: (a) there is an exchange in vehicles, or (b) the number of units is reduced for any reason.

## 2.12 APPROVED COVERAGE FORMS AND ENDORSEMENT AUTHORITY

The attached document sets forth the coverage forms and endorsements that are available for use with the Program by line of business by jurisdiction.



APU\_OIL\_Admitted  
Forms Template to In

This information is current as of the date of this document. However, the actual edition dates are subject to change based upon new forms being filed and approved. You may not use any form or endorsement other than the most current version approved for use by the Company, by line of business, and by jurisdiction.

Anytime you need to use a coverage form or endorsement not set forth in the attached document, you must refer such form to your Program Manager for review and approval prior to use.

## 2.13 DELEGATION OF AUTHORITY

The person designated in Section 6 (the “Designee”) may delegate the underwriting authority set forth herein to employees of the Program Administrator, provided such employees are under the employ and direct supervision of such designee. Any such delegation of authority must be done in writing, maintained on file at the Program Administrators office and made available to the Company upon request. No person other than the Designee may delegate any underwriting authority nor may the Designee delegate any



authority to anyone outside of the employ of the Program Administrator. Any exceptions to any of the foregoing must be expressly approved in writing by your Program Manager prior to initiating the quote process.

Delegation of authority to employees must be done in writing and shall be maintained on file at the Program Administrators office.

## 2.14 UNDERWRITING GUIDELINES - QWIK NOTES

Throughout this document you will see references to Qwik Notes. These are Our Underwriting guidelines that summarize specific line of business rules that you are expected to follow unless otherwise directed in this document. You and your staff should carefully read them and refer any questions to your Program Manager. We will notify you of any changes during the course of the year via Underwriting bulletin. You can access the most current edition of Qwik Notes via the AIG Program website.

## 3. PROGRAM UNDERWRITING RULES

### 3.1 UNDERWRITING FILE/DOCUMENTATION REQUIREMENT

You must document the underwriting file to reflect that all issues warranting special consideration have been recognized, evaluated, and found to be in accordance with the Authority delegated to You. Likewise, if any exposures are excluded from coverage, you must document the file accordingly. The underwriting file must contain sufficient information and organized in a manner that will allow anyone to understand the Program Administrator's underwriting intent by reading the file.

The minimum general requirements for contents of an underwriting file (paper or electronic) are:

- Signed and dated application(s) – see Section 3.2.
- Account reservation (eStart) confirmation page, including the D&B credit score and any credit or underwriting alerts contained therein – see Section 3.3.
- Account summary worksheet - See Section 3.4.
- Loss runs – see Section 3.5.
- Final rating worksheets.
- Where a policy is ISO 'a' or 'range' rated, documentation supporting the rate selected and where needed, approved by the Program Manager.
- Declarations Page (including full legal address of the insured).
- All correspondence pertaining to coverage or premium, including referrals.
- Referral approvals, declinations, if any.
- All quotes retained in a .pdf format along with the email cover letter.
- All binders, retained in a .pdf format along with the email cover letter.
- Complete copy of the policy, which must include a schedule of forms (either paper or electronic copy)
- Copies of any:



- a. Mid-term endorsements;
- b. Notices of cancellation;
- c. Additional Insured endorsements;
- d. Non-Renewal notices;
- e. Renewal notices;
- f. Premium audits;
- g. Loss Control Reports.

The minimum additional document requirements by product line are:

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### 3.1.1 PROPERTY FILE DOCUMENTATION REQUIREMENTS

- a. IRPM worksheet, including those written with a unity (1.00 mod) and justification for all schedule credits/debits applied.

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### 3.1.2 GENERAL LIABILITY FILE DOCUMENTATION REQUIREMENTS

- a. Experience and Schedule rating worksheets (including those written with a unity (1.00 mod) and justification for all schedule credits/debits applied.

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### 3.1.3 AUTOMOBILE FILE DOCUMENTATION REQUIREMENTS

- a. Experience and Schedule rating worksheets (including those written with a unity (1.00 mod) and justification for all schedule credits/debits applied.
- b. Driver List and copies of MVR's as required by our Underwriting Guidelines.
- c. UM/UIM offers and rejections (where required)

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### 3.1.4 UMBRELLA / EXCESS CASUALTY FILE DOCUMENTATION REQUIREMENTS

- a. Umbrella pricing worksheet including reason for pricing deviations.
- b. UM/UIM offer, acceptance & rejection forms where required (FL, LA, NH, VT, and WV)
- c. For scheduled underlying coverage(s) not written by AIG Programs, we require the following:
  - a. Loss runs or a letter of "no known losses" where applicable – see Section 3.5
  - b. Declarations page showing the writing company, policy period and limits.  
Note: for Employers Liability, an email from the retail producer indicating the writing company is acceptable.
  - c. Premiums (except auto and Employers Liability)
  - d. Vehicle schedule (automobile)
  - e. Forms schedule (except for Employers Liability).
- d. Umbrella policy when issued.
- e. Schedule rating worksheets (including those written with a unity (1.00) mod) and justification for all schedule credits/debits applied.



## 3.2 APPLICATIONS

A copy of the completed, signed and dated application is required on all new business and kept in the policy file, along with any supplemental applications, questionnaires, or statements of value which are critical to the underwriting of the account. Umbrella applications are not required to be signed if all of the underlying applications have been signed. Where the application becomes part of the insurance policy (as is the case with Professional Liability, for example) subsequent applications must be signed. Where the application does not become part of the insurance policy, subsequent renewal applications do not need to be signed, although it is considered preferable to obtain such signatures where possible. However, a completed, signed application is required every three years.

Additional information that is obtained through telephone conversations, email exchanges, or other means may be used to analyze an account, but must be documented in the account file.

All applications, including supplemental applications used by the Program Administrator, must be approved by the Company.

Standard ACORD forms and/or supplemental questionnaires or applications approved by your Program Manager are the only applications approved for this Program.

## 3.3 ACCOUNT CLEARANCE/RESERVATION IN 'E START'

You must enter all accounts and Named Insureds into the AIG reservation system (eSTART) prior to the release of a quote. You must include evidence of the reservation clearance in the underwriting file. You must resolve all Underwriting Alerts, Credit Alerts and Hard Blocks in accordance with the AIG's Programs requirements (see website for details) or as directed by your Program Manager prior to quote and retained in the file.

In addition, when an account is bound, it must be updated in eStart to reflect a bound status.

## 3.4 ACCOUNT SUMMARY WORKSHEET

Each Underwriting file must contain a completed "Account Summary Worksheet" (one document) that includes the following:

- Name and address of the First Named Insured
- Complete list of Named Insureds, a brief summary of each named insured's operations (including any discontinued operations).
- Description of all operations (confirming eligibility).
- Exposure and hazard analysis.
- Current/expiring premium (for new business, where available).
- Loss history summary by line of business supporting eligibility, including the following:
  - Total number of losses and total loss dollars incurred by policy year





- Analysis of any claim in excess of \$50,000
- D&B Score of 1, 2, or 3 (from eStart), or if the score is 0, 4, or 5, financial analysis as directed in Section 1.1, Eligibility, or referred to the Program Manager with supporting financials and approved prior to quote.
- Underwriting rationale supporting writing the account.

### 3.5 LOSS RUNS/LOSS ANALYSIS

You must analyze loss information prior to quoting any account in accordance with the eligibility requirements set forth in Section 1.1 and documented in the Underwriting file. Three year currently valued (hard or electronic copy) loss runs provided by the insurer are required on new business. See Section 3.4 for documentation expectations.

### 3.6 REFERRAL PROCESS / REQUIRED DOCUMENTATION

You must refer any underwriting issue that falls outside of the underwriting authority herein to your Program Manager prior to quoting the account. Such referral must clearly include the following:

- Reason(s) for the referral (including direct reference to Your Authority triggering same).
- Supporting documentation, including a completed, current 'Account Summary Worksheet' (see Section 3.4).
- Your reasons supporting why an exception should be made.
- Due date for a response.

It is incumbent upon You to allow sufficient time for the Program Manager to review all referrals.

Your Program Manager will respond to you with a decision via email, which you must retain in the underwriting file. You may not quote or bind coverage prior to receiving written approval from your Program Manager.

Once approved, where You have established that there has been no material change to the risk and properly documented the file, the approval remains in effect and resubmission is not required at each renewal\*. However, the following exceptions limit referral approval to the current policy year only:

1. When limited by your Program Manager and stated in their approval email; or
2. Deterioration of previously approved three year account loss ratio of more than 10%; or
3. Any referral for rate exceptions; or
4. The premium exceeds your authority as stated in Section 2.2, Premium Authority; or
5. Any approval for property and/or inland marine coverages:
  - For flood and/or earth movement if there is an increase in limit(s) or decrease in deductible(s); or
  - Windstorm in a "wind control zone" (unless otherwise provided in the written approval); or



- If the key amount subject increases by more than 10% above the approved amount subject limit; or
- Any amount subject value over \$40,000,000.

\*NOTE: All referral approvals pertaining to the in force policy must be kept in the current year policy file.

In addition to the above, please note that any previously approved manuscript endorsements that do not have a specific form number and edition date must be resubmitted at expiration. Once approved, the above will apply if so designated by your Program Manager.

### 3.7 DEDUCTIBLES / SIR PROCEDURES

General Liability: there is a mandatory deductible of \$5,000 combined Bodily Injury and Property Damage for this Program. Accordingly, the use of any other deductibles on General Liability must be referred to your Program Manager prior to use.

SIR of \$10,000 will be used for Umbrella.

### 3.8 QUOTATION

You must issue quote letters for all accounts using a protected pdf format. The saved pdf file name must include the insured's name and the date the quote was created. The quote letter must be retained in the underwriting file along with the dated cover letter (email) that accompanied the quote. If a request is made to revise the quote prior to binding, you must issue a new quote letter.

At a minimum the quote letter must include the following: date of proposal, name of producer, name of insured, proposed effective date and expiration date, conditions, limits of liability, deductible/self Insured retention if applicable, premium, applicable coverage, description of forms and endorsements, services if applicable, payment options.

### 3.9 BINDERS

All requests from a retail broker or applicant to bind coverage must be in writing and received prior to the coverage inception date. If multiple quotes were provided, the bind order must clearly state the quote option selected.

You must issue a binder whenever a policy is not issued and mailed (USPS or electronically) within five (5) business days of the policy's effective date. Such binder must outline the final agreed-upon terms and conditions (which may differ from the quote letter assuming the changes are non-monetary). All binders must be converted to a .pdf format, sent via email, and retained in the underwriting file, along with the dated cover letter that accompanied the binder. A binder cannot be issued for a period of more than 30 days without written approval by the Company.



Binders may consist of an ACORD Form 75 or a binder letter, provided however, that all binder letters must reference the quote being bound and include the following information:

- Date of issue
- Quote being bound (where multiple quotes exist, you must identify the one being accepted by the insured)
- Effective date
- Type of insurance
- Coverage/Forms
- Limits
- Deductibles/SIR's/Coinsurance
- Fees and assessments
- Premium
- Writing company(s)
- Special conditions (warranties, subject to conditions, disclaimer wording in the event of a material change in exposure or conditions)
- All non-monetary changes agreed to at time of binding

All binder letters must contain the following language:

“This binder contains a summary of the coverage provided under the policies listed herein and does not include all the terms, conditions, and exclusions of the policy(ies). The policy(ies) contain the full and complete agreement with regard to the coverage provided therein. Please review the policy(ies) thoroughly with your broker upon receipt and notify us promptly in writing if you have any questions. In the event of any inconsistency between the binder and the policy, the policy language shall control.”

### 3.10 OTHER UNDERWRITING CONSIDERATIONS

#### 3.10.1 CANCELLATIONS/NON RENEWALS

You must provide proper and timely cancellation and/or non-renewal notices to policyholders, and such other entities as required by the policy, any application law, rule, regulation or order, or the Company. For all cancellations, conditional renewals and non-renewals, use of ODEN Policy Terminator is required to ensure that notices provided comply with each state’s requirements.

#### 3.10.2 DECLINATIONS

Declination of any submitted new business account must be done in writing and in a timely manner.

#### 3.10.3 MATERIAL CHANGE IN COVERAGE/RATE INCREASES



Many states require notification of any change in premium (including not only base rate changes, but the premiums charged to the individual account) or restrictions in coverage. Some states will require notification to the policyholder prior to renewal, while other states may require a conditional non-renewal. You must issue such notices as required by applicable law, and forward any questions to your Program Manager.

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#### 3.10.4 STATE SPECIFIC AMENDATORY ENDORSEMENTS

You must issue all state regulatory notices and amendatory endorsements as required by applicable law. If you are issuing policies through CoverAll, such notices and state amendatory endorsements are automatically attached. Non-CoverAll Programs should consult the PA Website for these notices and amendatory endorsements. As updated versions of these notices and amendatory endorsements become available, we will provide these to you via PA Bulletin and update CoverAll and the PA Website accordingly.

Your Program Manager is available should you have any related questions.

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#### 3.10.5 HEADQUARTERS STATE RULE

You must verify that the Program is in compliance and using approved loss costs/rates, rules and forms based upon the 'headquarters state' of the first named insured. As used in this document, "headquarters state" is defined as the state shown in the mailing address of the first Named Insured on the declarations page – the state in which the first Named Insured maintains its headquarters or principle place of business.

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#### 3.10.6 TERRORISM RISK INSURANCE ACT (TRIA)

You must comply with provisions of the Federal Terrorism Risk Insurance Act of 2002, as amended. You must provide a quote for terrorism when providing coverage for Property, General Liability, and/or Excess Casualty lines of business. The Company has taken the position that coverage for terrorism for these lines must be offered with no option to reject coverage, using Form 96556 (01/15) and must clearly show the premium charge. The rate will be a flat charge of 1% where approved. (Refer to Qwik Notes for zip codes where coverage for Terrorism requires a referral.)

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#### 3.10.7 OFFICE OF FOREIGN ASSETS CONTROL (OFAC)

You must attach the approved AIG Economic Sanctions Endorsement on all policies.

You must comply with all laws, rules and regulations promulgated by the Office of Foreign Assets Control (OFAC). By clearing the account and any alerts and/or blocks that arise in eStart (see Section 3.3), you are satisfying this requirement.



However, You must refer all matters involving conflicts of this type to your Program Manager immediately to address any potential legal risks under all applicable laws prior to quoting. You are not authorized to bind coverage for any insured included on any list of Specifically Designated Nationals and Blocked Persons promulgated by OFAC.

### 3.10.8 COMMISSION – POLICYHOLDER NOTICE

You must attach the approved AIG policyholder notice (form 91222 04/13) regarding producer commission to all policies issued pursuant to the Program.

## 4. ADMINISTRATION AND SERVICE

### 4.1 LOSS CONTROL

Loss control surveys are provided by AIG Programs approved subcontractors. The purpose of the surveys is to verify information obtained on the application, improve/enhance the insured’s risk management program and to identify “exceptions” or critical information requiring the underwriter’s review.

Refer to Qwik Notes loss control section for specific requirements.

- Telephonic assignments will be ordered for accounts with premium between \$7,500 and \$74, 999
- Resurveys should be ordered sooner than outlined in the QwikNotes if any of the following applies;
  - Significant changes in operations/coverage.
  - There are open essential recommendations with no written response from the insured regarding compliance.
  - The recommendations were closed out by loss control as “not complied” or “disregard” without underwriting intervention.
  - There are open underwriting exceptions that were closed out by loss control without underwriting intervention..

### 4.2 PREMIUM INSTALLMENTS AND FINANCING

The Company does not offer premium installments. Premium financing is allowed but is not offered by the Company.

## 5. LINE OF BUSINESS GUIDANCE: RATES AND RULES

Included in this Section are the rates and rules by product line approved for use with this program and is subject to periodic change. We will use the Cover-All operating system and/or Program Administrator bulletins to keep this information current.



5.1 PROPERTY / INLAND MARINE / CRIME: APPROVED RATES AND RULES

Unless otherwise directed in this section:

1. Please refer to the Division 66 Property Qwik Notes.
2. You are to use ISO loss costs or class rates applicable at each location.

**Program division “enhanced” property forms may be used on any account (except AK, FL, LA)ISO forms may be used on any account**

You are expected to review property values at each renewal, and adjust where necessary, to assure proper insurance to value.

Refer to Qwik Notes for specific guidance on approved Marshall & Swift valuations.

CONTRACTORS EQUIPMENT

AAIS Contractors Equipment forms and endorsements will be used (see forms list attached to this authority document).

Pricing will be via AAIS rate guidelines, a copy of which are provided with this authority document,

A minimum \$1,000 deductible will apply to Inland Marine coverages.

\* In the State of TX, all inland marine coverage must be provided via a monoline policy (the IM coverages cannot be included on a package policy)

5.2 GENERAL LIABILITY – APPROVED RATES AND RULES

Unless otherwise directed in this section:

1. Please refer to the Division 66 General Liability Qwik Notes
2. We will use ISO loss costs, rules and forms when writing Commercial General Liability.

Refer to Company rules exist for our programs and are summarized in Qwik Notes. Program specific ‘refer to company rules’, if any, can be found below:

Should you encounter a ‘refer to company’ issue not addressed above, please refer to your program manager for guidance.

**ISO Classifications**

**CLASS CODE**

**RATE PER \$1,000 OF PAYROLL**

98150 - Oil or Natural Gas Lease Operations (operated and non-operated wells)

98152 - Oil or Gas Work by Contractor – NOC - Site Beautification and maintenance work only (roustabout)

91590 - Contractors Permanent Yards/Shops



- 98306 - Painting - Oil or Gas Tanks (per claim deductible only) at well sites only
- 99793 – Trucking (must have proof of auto. liability)
- 92451 – Electrician (lease work only)
- 98161 - Oil & Gas Pumper/Gauge (at lease sites only)
- 11207 – Oil & Gas Equipment rental – with operators (no equipment used on a well)
- 11208 – Oil & Gas Equipment rental – without operators (no equipment used on a well)
- 15188 – Retail Supply Stores (no equipment used in a well)
- 12362 – Manufactureres representative (no equipment used in a well)

**Oilfield Rates**  
**98150 Oil or Natural Gas Lease Operations**  
***Lease Operators - Base Rates***

<u>CODE CLASSIFICATION</u>	<u>RATE PER/WELL</u>
<b>As Operator-Producing/Shut In-Land</b>	
0-25 Wells	74.00
26-50 Wells	50.00
51-100 Wells	44.00
101-150 Wells	38.00
151-250 Wells	35.00
251-500 Wells	30.00
501-750 Wells	28.00
Over 750 Wells	24.00
<b>As Operator-To Be Drilled-Land</b>	
1-5 Wells	395.00
6-10 Wells	271.00
11-25 Wells	164.00
Over 26 Wells	103.00
<b>Gathering Systems - Land *</b>	40.00
<b>Compressor Stations/Separation Units</b>	1,200.00 – 2,000.00

\* With pipe greater than 6 inches in diameter. Pipe less than 6 inches in diameter is included within the rate per well.







**46510 Oil or Gas Wells - non-operating working interest**  
**Non-Operators Base Rates**

As Non-Operator-Producing/Shut In

<u># of Wells</u>	<u>RATE PER WELL</u>		
	<u>&lt;25% Interest</u>	<u>25 – 50% Interest</u>	<u>&gt;50% Interest</u>
1 – 25	\$20	\$37	\$59
26 – 50	\$13	\$19	\$40
51 – 100	\$12	\$18	\$35
101 - 150	\$10	\$16	\$34
151 – 250	\$10	\$14	\$28
251 – 500	\$ 7	\$12	\$24
501 – 750	\$ 7	\$11	\$22
750+	\$ 7	\$10	\$19

**As Non-Operator-To Be Drilled**

<u># of Wells</u>	<u>RATE PER WELL</u>		
	<u>&lt;25% Interest</u>	<u>25 – 50% Interest</u>	<u>&gt;50% Interest</u>
1 – 5	\$100	\$158	\$317
6 – 10	\$68	\$108	\$217
11 – 25	\$42	\$67	\$136
26+	\$24	\$48	\$ 95

**ADDITIONAL COVERAGES**

**Underground Resources & Equipment @ \$1,000,000 Limit\***

<u>Class</u>	<u>% of Liability Premium</u>
Lease Operator	5% to 10% of premium

\* Subject to \$500 minimum premium

**Time Element Pollution \***

<u>Time Element</u>	<u>% of Liability Premium</u>
30 day discovery/90 day reporting	10.0%

\* Subject to \$500 minimum premium

Blanket Additional Insured                      \$100



### 5.3 AUTOMOBILE – APPROVED RATES AND RULES

Unless otherwise directed in this section:

1. Please refer to the Division 66 Automobile Qwik Notes
2. We will use ISO loss costs, rules and forms when writing Commercial Automobile.
3. Any fleets of more than 10 power units must be referred to the Program Manager.

Automobile coverage cannot be issued on a stand-alone basis.

### 5.4 EXCESS / UMBRELLA: APPROVED RATES AND RULES

Unless otherwise directed in this section:

1. Please refer to the Division 66 Umbrella Qwik Notes.
2. See the Qwik Notes for our Umbrella underwriting guidelines.

Use AIG Rating Plan for Standard Umbrella found in Umbrella Qwik Notes



**6. ACKNOWLEDGEMENT AND ACCEPTANCE**

**ACKNOWLEDGEMENT AND ACCEPTANCE**

The Program Underwriting Authority and the underwriting authority granted herein, supersede any previous document outlining any and all underwriting requirements and authority. Only the terms of this Authority apply to the conduct of your underwriting responsibility pursuant to the Program. Verbal expressions of underwriting authority do not alter the terms of Your Authority.

Please sign below and return an executed copy of this Underwriting Authority Statement to your Program Manager within 30 days of the date set forth below. If AIG Programs does not receive the executed copy within such time, this Underwriting Authority Statement will automatically go into effect 30 days from the date set forth below.

I acknowledge and accept the terms and conditions set forth in this Program Underwriting Authority.

**Acknowledged By:**

**Delegated By :**

\_\_\_\_\_  
Name of Program Administrator

Ruby Simmons \_\_\_\_\_  
Name and Title of Grantor

\_\_\_\_\_  
Name of Recipient/Designee

INSERT ELECTRONIC SIGNATURE  
Signature of Grantor

\_\_\_\_\_  
Title of Recipient/Designee

11-2-2015 \_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Recipient/Designee

\_\_\_\_\_  
Date