AIG PROGRAMS
DIVISION 66

QWIK NOTES FOR AUTOMOBILE
4/28/14

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INTRODUCTION

Automobile insurance is one of the most regulated lines in the insurance industry. Compulsory insurance laws necessitate an admitted insurance policy. State insurance regulations have created a complex framework of mandatory and optional coverages

Companies, with few exceptions, follow ISO for commercial automobile, making that servicing organization the benchmark for forms, rules and loss costs. Among the companies that use ISO, adoption of the latest ISO products varies widely by specific company. AIG typically follows ISO for automobile coverage.

The purpose of this document is to provide a general reference guide and an underlying strategy for commercial automobile. It is not meant to be an exhaustive resource used exclusively to underwrite and price all types of automobile risks.

The guidelines contained within this document are minimum requirements and are superseded by individual program Underwriting Guidelines. Refer to your specific program Underwriting Guidelines for program specific authority and exceptions to these guidelines. Refer to the Program Administrator Manual for process and procedure guidelines.

In order to adequately provide up to date information on state regulatory issues web addresses rather than actual reference material are presented in this document.

STRATEGY

Writing commercial automobile provides AIG Programs with the ability to round out our coverage offerings on profitable program business. Also, we are able to insure programs in which the commercial automobile is the major line of business.

Regardless of total account profitability, we will not write poor performing or uncontrolled auto risks. In addition to overall program performance, we strive for acceptable loss results in the automobile line on its own. We want well controlled accounts that have shown the ability to keep frequency below 20% of their power unit total on an annual basis. The 5 years incurred loss ratio for automobile should be below 35% including allocated loss adjustment expenses (ALAE). The account should also have a personal use policy that prohibits family use of company vehicles or at the very least a spouse only policy.

Historic loss severity must be evaluated. Smaller accounts (1-10 autos) with more than one loss over $50,000 in any one year are considered below average. Larger losses must be analyzed for negative trends arising from driver turnover, drivers' ages, fleet size, vehicle types, etc. If the program administrator thinks the account deserves consideration, proper documentation must be placed in the file supporting that decision.

Division 66 is a middle-market account writer so policies with fleets of 1-10 self-propelled vehicles are the benchmark. Any fleets larger than 20 units must be referred to the Program Manager, unless the specific program Underwriting Guidelines state otherwise.

Seasonal industries or accounts should be avoided.

We are generally not a market for these classes (with the exception of specific programs) as part of our normal automobile underwriting appetite due to the severity potential or the historically poor industry experience:

- Long haul automobile
- Trucking for hire – other than incidental
- Public auto – taxi cabs, black car, limousine services, buses
- Transporting, distributing, manufacturing or contracting of environmental sensitive material including hazardous waste and/or pollutants, energy, fuel, nuclear, chemical, oil and gas, asbestos, etc.
- Tow truck operators
- Trash haulers
- Heavy non-ownership exposure
- Rental and leasing operations
- Armored cars
- Carnival and circus operations
- Livestock
- Fire arms and ammunition
- Heavy contracting – demolition, crane, street and road, etc.

AIG Programs insures financially sound entities to reduce potential credit risk, and to also ensure that customers have sufficient funds to maintain fleets and to train and supervise employees. D&B ratings of 1, 2 or 3 are acceptable. Ratings of 0, 4 or 5 are not acceptable.

Classes that require specific DOT financial responsibility filings should be avoided except when the only reason for the filing is due to a specific vehicle weight. If filings are required for an account the program administrator is responsible for making and canceling the filings according to the applicable regulatory standards. Additional information on filings can be found under *Financial Responsibility Filings* in this document.

STATE RESTRICTIONS

We are able to write automobile coverage in all 50 states and Washington, DC. However, coverage for automobile in Hawaii and Massachusetts can only be written using the Cover-All system and within the specific program Underwriting Guidelines.

THE APPLICATION

ACORD applications can be found at www.aig.com/access.
Many producers utilize ACORD application. This is the preferred means of obtaining automobile information from an agent, because of the consistency of the fields and questions asked within the application. Supplemental applications may also be used when specialized exposures are present or when specific additional coverage is requested. AIG must approve all applications that are not ACORD applications. Since the application questions provide evidence

of positive and negative risk characteristics they must be completed and signed by the insured and broker.

Regardless of whether the application submitted is a standard ACORD application, a supplemental questionnaire or a broker specific application, automobile quotes must contain superseding wording (language that states that the quote overrides the application) as well as state mandated anti-fraud warnings.

Correct vehicle information must be provided. We require the year, make, model, VIN and primary classification for each vehicle. Commercial primary classifications will provide the type, weight, use and radius information. The completed application will provide evidence of safety programs, MVR verifications, financial responsibility filings, driver recruitment programs and vehicle maintenance programs.

The application will also alert the program administrator to additional exposures or hazards such as significant hired or non-ownership exposure, drivers with violations, contractual arrangements and personal use of company owned vehicles, to name a few. These types of exposures or potential hazards must be reviewed for acceptability and must be priced accordingly.

The application will also provide evidence of leasing exposures, pollution potential, unscheduled operations and public autos, as well as other potential catastrophic exposures or those better suited for a specialized policy.

Look for inconsistency in the data within the application and other information provided (such as loss runs). A few things to look for:

1. Is the power unit to driver ratio in balance? If not, why?
2. Do the loss runs indicate frequency of physical damage claims, but no third party PD?
3. Does the application state the MVRs are clear, but the MVRs in the submission have activity?
4. Do the vehicle types match the description of operations?
5. Is there consistency between the auto exposure base and the other exposure information?
6. Is the fleet size consistent with the number of losses?
7. What is the annual driver turnover ratio? A high driver turnover should prompt questions on training and controls.

Cell Phones or Similar Electronic Device and Texting

The insured should have a written policy prohibiting cell phone or similar device use without the use of a hands free device while driving, as well as prohibiting texting while driving. Many states have laws that prohibit these activities.

VEHICLE CLASSIFICATION

Selecting the appropriate classification is essential for charging adequate premium. Underwriters should not rely solely on the application to assign the correct code. Use and radius are the most common incorrect selections. Verify use and check it against the ISO definition for that code.

At the time a policy is issued, the vehicles are classified as a fleet if there are five or more self-propelled vehicles or as nonfleet if there are less than five self-propelled vehicles. Midterm changes to the auto schedule either bringing the number above or below five vehicles do not change the status from fleet to nonfleet or from nonfleet to fleet. Such changes are made at renewal.

Private passenger types (PPTs) have four digit class codes of which the first two are “73”. The last two digits of fleet PPTs are always “98”. For nonfleet PPTs the last two digits are determined by the number of years the operator has been licensed; if the vehicle is driven to work or school; and if it is driven to work or school is it driven less than 15 miles; or 15 miles or more; or “all other”.

Truck and trailer class codes are five digits. The first three numbers (primary classification) are determined by the vehicle’s weight (size class), whether or not the vehicle is part of a fleet or nonfleet, its business use and the radius traveled. The last two digits (secondary classification) are for the vehicle’s industry class.

Size Class
Light Trucks – GVW up to 10,000 lbs.
Medium Trucks – GVW 10,001 lbs to 20,000 lbs.
Heavy Trucks – GVW 20,001 lbs to 45,000 lbs.
Extra Heavy Trucks – GVW over 45,000 lbs.
Extra Heavy Truck-Tractor – GVW over 45,000 lbs.
Semitrailers – trailer with the 5th wheel coupling device to use with a truck-tractor with a load capacity over 2,000 lbs.
Trailer – other than a semitrailer with a load capacity over 2,000 lbs.
Service or Utility Trailer – semitrailer or trailer with a load capacity up to 2,000 lbs.

The service class is the most common misclassification. Some vehicles traditionally classified as service may be more accurately classed under commercial. The service class driven for personal use should be classified as commercial use.

The ISO classification rule follows: “If an auto has more than one use, use the highest rated classification unless 80% of the use is in a lower rated activity. In that case, use the lower rated classification.”

Service Use
Service use vehicles are those used for transporting the insured’s personnel, tools, equipment and incidental supplies to or from a job location. This classification is confined to autos principally parked at job locations for the majority of the working day or used to transport supervisory personnel, tools, equipment and incidental supplies to or from a job location. This classification

is confined to autos principally parked at job locations for the majority of the working day or used to transport supervisory personnel between job locations.

Retail Use
Retail use vehicles are those used to pick up property from, or deliver property to individual households.

Commercial Use
Commercial use vehicles are those used for transporting property other than those autos defined as service or retail.

Verify radius from alternative sources such as an insured's website. Look at an insured's distribution demographic compared with its radius of operation. Is the business using common carriers for shipments in excess of 50 miles, or is it using its own fleet? Also, look at the loss runs to see where the accidents took place.

ISO's radius rule: "Determine radius on a straight line from the street address of principal garaging."

Local (up to 50 miles)
The auto is not regularly operated beyond a radius of 50 miles from the street address where it is principally garaged.

Intermediate (51-200 miles)
The auto is operated beyond a radius of 50 miles, but not regularly beyond a radius of 200 miles from the street address where it is principally garaged.

Local Distance (Over 200 miles)
The auto is operated regularly beyond a 200- mile radius from the street address where it is principally garaged. Apply zone rates for other than light trucks and trailers used with light trucks.

Zone rating is a method of rating long haul distances by geographic region. Long haul and zone rating are not a focus of our strategy and these exposures must be referred to the Program Manager.

The Industry Classes (secondary classification) are listed below. Increase/Decrease indicates if the rating factor is positive or negative.

Truckers – autos used to haul or transport goods, materials or commodities for another, other than autos used in moving operations. (increase)

Food Delivery – autos used by food manufacturers to transport raw and finished products or used in wholesale distribution of food. (increase)

Specialized Delivery – autos used in deliveries subject to time and similar constraints. (increase)

Waste Disposal – autos transporting salvage and waste material for disposal or resale. (increase)

Farmers – autos owned by a farmer, used in connection with the operation of his own farm and occasionally used to haul commodities for other farmers. (decrease)

Dump And Transit Mix – use these factors and codes only when no other secondary classification applies. (decrease)

Contractors – other than dump trucks (decrease)

LONG HAUL

AIG Programs is not a market for long haul automobile. Any long haul exposure should be referred to the Program Manager. Long haul is defined by radius of operations more than 200 miles.

PRIVATE PASSENGER FLEETS

Private passenger fleet experience trends to be poor for several reasons. Included in this category are salesman's fleets where there is extensive driving exposure, personal use issues and off-hour exposures. There must be a written personal use and cell phone/texting policy in place particularly for this class of vehicle.

PERSONAL AUTOS

Individuals should not be named insureds on a policy. Individually owned and registered vehicles belong on a Personal Auto Policy (PAP).

HIGH PRICED/PERFORMANCE AUTOMOBILES

It is not our intent to cover auto schedules which are solely comprised of sports cars or high priced PPTs. Refer to the program Underwriting Guidelines for required referrals.

SYMBOLS AND COVERAGES

The request for coverage and limits is an important part of the application. Auto symbols are a component of the automobile coverage part trigger. The Business Auto Policy (BAP), the Trucker's Policy and the Garage Policy have a set of symbols specific to their respective coverage forms. For the purposes of this reference, only BAP symbols are identified.

There are nine main symbols for the Business Auto Policy:
Symbol 1 any "auto"
Symbol 2 owned "autos" only
Symbol 3 owned private passenger "autos" only
Symbol 4 owned "autos" other than private passenger "autos" only
Symbol 5 owned "autos" subject to no-fault

Symbol 6 owned “auto” subject to a compulsory uninsured motorist law
Symbol 7 specifically described “autos”
Symbol 8 hired “autos” only
Symbol 9 non-owned “autos” only

Additional Symbols:
Symbol 10 manuscript
A manuscript symbol (Symbol 10) not mentioned in the Business Auto Coverage Form is available by adding endorsement CA 9954 Covered Auto Designation Symbol. The autos to be covered must be listed and described in the endorsement.   Refer to a Program Manager for Symbol 10 use.

Symbol 19 mobile equipment subject to compulsory or financial responsibility or other motor vehicle insurance law only.

Each symbol describes a specific type of vehicle and is used for certain types of coverage. The declarations page will contain a symbol or a number of symbols per coverage.

Liability
Symbol 1 is common for liability, but other combinations include 2, 8 and 9; or 7, 8 and 9.

Use of Symbol 7 will restrict the addition of other vehicles unless specifically requested by endorsement. However, even with Symbol 7, there is coverage for a vehicle while waiting for the endorsement to be processed. There is coverage for 30 days for newly acquired vehicles; however 1. the auto being added must be of the same type as those already on the policy and 2. the auto must replace one of the previously owned covered autos.

Symbols 2, 4 and 7 include coverage for non-owned trailers while attached to a covered power unit.

Personal Injury Protection (PIP) Or No-Fault Coverage
PIP was developed as a solution to the high cost associated with our traditional tort system. It partially abrogates the negligence system and utilizes a no-fault payment approach for certain accidents and injuries (for instance an accident which has resulting injuries that fall below a severity threshold). It essentially works as medical payments for a driver and passenger to pay for losses on a first party basis rather than through the tort system.

The problem with no-fault is that there is little consistency among states and the legislation itself has created additional litigation. Some states (ex. Colorado) have gone back to a tort system in lieu of no-fault. Additional PIP (APIP) is an option is some states.

Symbol 5 provides coverage for owned autos that are eligible for no-fault coverage and Symbol 7 is used to provide for specific autos only where regulation allows such an option. These are the only two symbols that should be used for no-fault, unless specific state requirements dictate otherwise.

The no-fault states are Florida, Hawaii, Kansas, Kentucky, Massachusetts, Michigan, Minnesota, New Jersey, New York, North Dakota, Pennsylvania and Utah, but it is not mandatory in New Jersey, Pennsylvania and Kentucky. The District of Columbia allows drivers to choose no fault, but within 60 days of an accident they can decide whether to use no-fault or to seek damages under the tort system. The remaining states have a tort system that may include optional no-fault offerings. The ISO PIP endorsement form numbers start with “22”.

Medical Payments

Medical payments coverage is added by endorsement to the BAP to cover medical expenses up to certain limits for individuals who are covered under the “Who Is An Insured” section of the auto form, while occupying a covered vehicle.

The available symbols for medical payments are 2, 3 or 7, of which Symbols 3 or 7 are the most appropriate.

Coverage Restricted To Specifically Described Autos

Symbol 7 may be used to activate liability, physical damage, medical payments, personal injury protection and uninsured/underinsured motorist coverage. This allows the underwriter to control the addition of certain types of vehicles.

Drive Other Car (DOC) Form CA 9910

This endorsement includes coverage for individuals (and their spouses) who have the use of a company vehicle, but do not have their own Personal Automobile Policy (PAP). It can cover them for liability, medical payments, UM/UIM and physical damage for personal use of a non-owned auto (an auto other than the company vehicle ex. a friend’s or neighbor’s car).

Underwriting the exposure is similar to that for any other driver. The exposure created with this endorsement is for an individual or spouse having a hired or borrowed vehicle on personal business. Do not add a driver for DOC if the driver is not acceptable.

Limited Mexico Coverage Form CA0121

Mexico requires drivers to purchase local auto insurance. This insurance can be purchased in advance from an AIG WorldSource or it can be purchased at the U.S./Mexico border.

A Limited Mexico Coverage endorsement can be added to the U.S. auto policy. This is not an acceptable substitute for a local auto policy. It only offers coverage for accidents within 25 miles of the U.S. border for trips of 10 days or less in duration.

Keep in mind that Mexico is a high crime area and there are frequent hijackings including within the 25 miles into Mexico covered by this endorsement. The charge to add this endorsement is a referral to the Program Manager.

Canada

If an insured will drive into Canada the program administrator must issue a Non-resident Inter-Provincial Motor Vehicle Liability Insurance Card.

Business Auto Broad Form Endorsements Forms 102092 and 102093
AIG Programs has developed two Business Auto Broad Form Endorsements that are available in all states except for MA and VA. Most automobile classes are eligible for these endorsements with the exception of Public Auto, Trucking and Automobile Dealers. The forms include a package of some commonly requested coverages under the auto policy as well as some broadening auto policy language. Form B (102093) is broader than Form A (102092). Two of the major differences between the forms are that Form B includes Drive Other Car coverages for Executive Officers and it offers a higher Hired Car Physical Damage limit. There are state specific versions of these endorsements for Louisiana, New Hampshire and New York. Read the forms for coverage details.

The charge for these endorsements is 1% for Form A and 1.5% for Form B. Apply these percentages against the final liability and physical damage premiums for the policy. The minimum premiums are $100 for Form A and $150 for Form B. Maximum premiums of $2,000 and $2,500 apply for Forms A and B respectively. Additional charges apply if there is excessive exposure for Drive Other Car, Lease Gap or Hired Car Physical Damage Coverages. Cover-All does not support the rating so it must be done manually.

These enhancements to our Automobile Policy provide us with an important competitive tool and add real value to the product that AIG is offering. Please contact your Program Manager with any questions regarding eligibility.

Exclusion Or Excess Coverage Hazards Otherwise Insured Form CA9940
This endorsement can be used to exclude one or more designated vehicles listed in the endorsement for liability coverage when that auto is covered under a different policy. This may be useful for auto policies in which the symbol is not 7, 8 or 9.

UNINSURED/UNDERINSURED MOTORIST COVERAGE

This coverage provides compensation for parties injured by motorists who are liable for that injury, but either have no insurance (Uninsured Motorist or UM), or have insufficient insurance to cover the damages to the insured (Underinsured Motorist or UIM). Some states separate UM and UIM while others combine the two coverages. Certain states require an option for UM/UIM property damage as well as bodily injury. Most drivers should be employees of the insured who are eligible for coverage under workers compensation and not through a cross suit to the insured's automobile policy.

By law, we are required to offer UM/UIM in all states except for Michigan and Ohio. All auto quotes except for those covering autos in Michigan and Ohio must address UM/UIM. We do not want to write UM/UIM in states that do not require us to offer the coverage or for limits higher than the minimum requirements in the states that require us to offer UM/UIM. Do not offer UM/UIM in Michigan or Ohio without first making a referral to the Program Manager.

Symbol 6 owned "autos" subject to a compulsory UM law is reserved for this particular coverage. This symbol affords automatic coverage only in those states that do not allow the insured to reject the coverage. To obtain automatic coverage, either Symbol 2 (owned "autos") or Symbol 3 (owned private passenger "autos") must be used. Symbol 6 will afford fleets automatic coverage, but it may be used only in those states with mandatory uninsured motorists laws which do not permit the right of rejection of such coverage. The underwriting guidelines for UM/UIM mandate that all vehicles should have UM/UIM if the coverage is provided. Prior approval from the company is required for exceptions. If an underwriter uses a restricted symbol for UM/UIM the appropriate selection or rejection must be obtained from the insured. This UM/UIM offer is in the written notification form the insured completes to select or reject UM/UIM. The insured's selection and signature are mandatory. Selection form language must meet certain regulatory and statutory requirements and in many cases must be filed with an individual state. ODEN has information regarding what states require. The AIG Programs Underwriting website (www.aigprograms.net) has information regarding what forms are to be used. Keep the original signed forms in the underwriting files.

Many states allow stacking of UM/UIM limits in some form or other on an inter-policy or intra-policy basis. It is imperative that every effort be made to avoid stacking of UM/UIM limits, particularly intra-company policies. Also, refer to the Umbrella QwikNotes regarding offering UM/UIM on umbrella or excess policies.

The AIG Programs Underwriting website www.aigprograms.net has a guide for UM/UIM offerings by state. We only want to offer the minimum limits where permitted. Midterm changes to UM/UIM are not permitted even if the insured submits a signed election/rejection form after the policy effective date. The UM/UIM limits provided on the policy will remain unchanged for the duration of the policy term.

HIRED AUTOS AND NON-OWNERSHIP LIABILITY

Hired automobile liability is exposure from liability arising out of the short term rental (less than six months) of a vehicle without a driver. Non-ownership liability (nonowned auto) is from the business use of a vehicle that is not owned by the business. Typically, an insured's employee may use his or her personal vehicle for company business.

The nonowned auto exposure is probably one of the more difficult automobile exposures to control. The premium for the coverage is consistently inadequate and the exposure base is often inaccurate (commonly indicated as incidental). Most insureds do not get written verification of their employees' personal auto insurance policy limits and coverage. Even if they get a certificate of insurance, there may be a subsequent change after the certificate is issued.

Employees using their own vehicles on company business should have a minimum personal auto insurance limit of $300,000 CSL. A written policy stipulating this should be confirmed. Regular use of a nonowned vehicle on company business requires a satisfactory review of the driver's MVR.

If an insured does not have any owned autos, but requires hired and nonowned auto coverage an auto policy should be issued for these coverages. Do not add hired and nonowned auto to a GL policy. Also, do not issue a hired nonowned auto policy unless if we are also writing a separate general liability, property or package policy.

UM/UIM should be avoided on policies covering hired and nonowned auto in those jurisdictions with liberal court decisions. Offer UM/UIM in Arizona and Louisiana. Use Auto Symbols 8 and 9 for hired and nonowned policies except if the policy also includes UM/UIM. When UM/UIM is provided use Symbol 10 instead and clearly define that the UM/UIM applies in Arizona and Louisiana ex: "Any and all vehicles hired from (enter leasing company's name) during the period of, and concurrent with the existing effective date of this policy, specifically (enter dates here) in the states of Arizona and Louisiana". Use ISO endorsement CA9954 to define Symbol 10.

HIRED AUTO PHYSICAL DAMAGE

Hired car physical damage should be charged based on the total number of dollars spent on hired autos for a particular insured during the policy term. If the amount spent is not available then estimate it by multiplying the number of leased dates by $50 to get the total dollars spent.

The authority for hired car physical damage limits are the same as the authority for owned automobiles. The deductible must be the same as that of the highest physical damage deductible for the owned autos.

PHYSICAL DAMAGE AGGREGATION

Storage of a fleet of vehicles at one location or lot could give rise to an aggregation of values and potentially a substantial loss from one occurrence. Any aggregation over $3,000,000 must be referred to the company prior to quoting.

Division 66 is not a market for Dealer's Open Lot coverage.

DEDUCTIBLES

The minimum physical damage deductible is $500 unless otherwise stated in individual program guidelines. This minimum may be used on vehicles with cost new up to $25,000. For $25,000 to $35,000, the deductible must be at least $1,000. Vehicles with costs new over $35,0000 must have a minimum physical damage deductible of $2,5000 or $3,000 depending on the filing in that state.

Third party deductibles cannot be used without prior approval from AIG. When approved, the deductibles should not exceed $25,000. We require collateral on deductibles in excess of $250,000 and Division 66 is not currently set up to structure large deductible collateralized programs or accounts.
Approval from AIG is required to use escrow accounts to reimburse small deductible losses.

If the insured leases vehicles, the lease agreement may require a lower deductible ($100-$500) than that provided in our policy. An endorsement with such a deductible exception can be provided.

Due to the financial responsibility requirements Division 66 will not offer then use of SIRs (Self Insured Retentions) on automobile liability.

DMV REPORTING

The program administrator must provide specific vehicle information to the departments of motor vehicles in most states. There is a quick reference guide for DMV requirements posted on the DMV Reporting section with the "Services" menu of www.aig.com/access. Each state has its own template for reporting data. Almost half of the states require the data to be filed electronically while some states require physical forms to be submitted. Program administrators use the DMV Reporting System called ALIR which stands for Automobile Liability Insurance Reporting to complete and upload the appropriate template. The system will prompt the user to file the information electronically in the states that have electronic filing and it will enable the user to print the completed forms for the states where paper copies must be mailed.

Access to the ALIR system should be coordinated with the Program Manager. Information regarding ID requests and general logon information is also available in the DMV Services section at www.aig.com/access. It is imperative that reporting be made in a correct and timely manner to avoid possible suspensions, vehicle ticketing or towing.

Please work with the Division's Compliance Department to clear errors related to transfers or contact the DMV Help Desk at 1-866-799-7195.

FINANCIAL RESPONSIBILITY FILINGS

Financial Responsibility Filings create minimum requirements for public liability including bodily injury, property damage and environmental restoration. These filings place the burden on an insurer to financially back a motor carrier regardless of policy wording if that motor carrier is unable to pay its obligations under public liability.

A specific company authority grant is required to issue Federal Financial Responsibility Filings such as the MCS-90.

Motor carriers are required to have minimum limits either with an insurance policy or through a surety bond. These minimums depend on what commodity is being carrier and where it is being transported. The limits fall under DOT Regulation 387.9.

SCHEDULE OF LIMITS
(Public Liability)

Type of Carriage	Commodity Transported	January 1, 1985
(1) For hire (in interstate of foreign commerce, with a gross vehicle weight rating of 10,001 or more pounds).	Property (nonhazardous)	$750,000
(2) For-hire and private (in interstate, foreign or intrastate commerce, with a gross vehicle weight rating of 10,001 or more pounds).	Hazardous substances, as defined in 49 CFR 171.8 transported in cargo tanks, portable tanks or hopper-type vehicles with capacities in excess of 3,500 water gallons; or in bulk Division 1.1, 1.2 and 1.3 materials, Division 2.3, Hazard Zone A or Division 6.1, Packing Group I, Hazard Zone A material; in bulk Division 2.1 or 2.2; or highway route controlled quantities of a Class 7 material, as defined in 49 CFR 173.403	$5,000,000
(3) For hire and private (in interstate or foreign commerce; in any quantity; or in intrastate commerce, in bulk only; with a gross vehicle weight rating of 10,000 or more pounds).	Oil listed in 49 CR 172.101; hazardous waste, hazardous materials and hazardous substances defined in 49 CFR 171.8 and listed in 49 CFR 172.101, but not mentioned in (2) above or (4) below	$1,000,000
(4) Fore hire and private (in interstate or foreign commerce, with a gross vehicle weight rating of less than 10,000 pounds).	Any quantity of Division 1.1, 1.2 or 1.3 material; any quantity of Division 2.3, Hazard Zone A, or Division 6.1, Packing group I, Hazard Zone A material; or highway route controlled quantities of a Class 7 material as defined in 49 CFR 173.403	$5,000,000

It is the program administrator’s responsibility to make and cancel filings where appropriate.

Filings are in force until they are canceled. If a filing is not canceled, it may still be in force despite the fact that the policy was non-renewed or canceled, and this may make AIG liable for a loss.

You may not provide limits greater than what is granted in the underwriting guidelines for your program. Note that if the filing requires limits of $5,000,000 and our policy provides limits of $1,000,000, a filing reflecting the $5,000,000 cannot be made unless there is an AIG umbrella or excess policy in force providing the additional limits. If a filing is made with the higher limits and there is no other insurance, we may be liable for the full $5,000,000 in the event of a catastrophic loss. If the AIG umbrella or excess policy provides limits greater than those required in the filing do not show the full policy limits. Never show limits greater than those required for the filing. Make sure to retain documentation verifying the higher limits in the underwriting file.

Contact your Program Manager or Compliance Manager with questions regarding electronic access to state filings.

PRICING

Experience Rating

The multi-state eligibility requirement for experience rating is a .07 credibility factor. Cover-All will alert the user to a factor below .07, and no experience factor should be applied on risks that develop a factor below .07. The exceptions for this eligibility requirement are automobiles garaged in New York and Massachusetts. New York requires five or more vehicles or $2,500 annual basic limits company manual premium. The Massachusetts eligibility requirement is similar.

Experience rating is based on the losses for three years prior to the most current year. If no currently valued loss runs are available refer to the ISO Automobile Liability or the ISO Automobile Physical Damage Experience and Schedule Rating Plan for each state to determine if the account can be experience rated.

Schedule Rating

In order for risks to be eligible for schedule rating they must generate a credibility factor of at least .03. Cover-All does not calculate schedule rating eligibility. As a rule of thumb, a policy is eligible for schedule rating if the auto liability premium is at least $5,000. The exceptions for this eligibility requirement are automobiles garaged in New York and Massachusetts. New York requires five or more vehicles or $2,500 annual basic limits company manual premium. The Massachusetts eligibility requirement is five or more owned or hired automobiles (including trailers and semi-trailers) which develop an annual premium of at least $1,500.

Most states allow +/- 25% schedule rating. New York and Georgia allow a maximum of +/- 15%. Hawaii and Nebraska do not allow schedule rating. Refer to the ISO auto manual to verify the allowable schedule rating for the state in which the risk has garaged vehicles.

Schedule rating documentation is an important part of the regulatory process. These deviations form manual based rates on individual risk characteristics centered on the theory that there are above average, average and below average risks. Each account will need to be documented as required by state insurance regulation. If the schedule modification is 1.0 a schedule rating sheet must still be completed and retained in the underwriting file. The reason for debiting or crediting must be documented and indicate what items are above average, average (1.0) or below average. Changes to crediting or debiting must have the corresponding change to the risk documented. Underwriter-specific authority exists within the ISO plan for schedule rating. Please see your individual program Underwriting Guidelines for specific schedule rating authority.

COMPOSITE RATING

Composite rating is a way to make it easier to audit large policies at renewal. It is not to be used as a way to modify the automobile premium. The composite rate is established at the beginning of the policy term and will be applied to the final exposures received at expiration from the insured.

Rating worksheets (using the complete vehicle list at inception, experience and schedule modifications applied) supporting the deposit premium must be in file for all composite rated automobile policies. At the conclusion of the policy term, we will recalculate the premium based on the final vehicle schedule provided by the insured and adjust the policy in accordance with the composite rate endorsement.

Refer to each state's ISO Composite Rating Plan manual to determine if a policy is eligible for composite rating. Cover-All can process composite rated policies. The program administrator is responsible for properly completing the composite rates at inception and likewise calculating the AP/RP at expiration following the composite rate endorsement terms or getting the vehicle counts by class an adjusting the premium at the end of the policy term.

Note: DMV reporting in many states has eliminated the efficiency of composite rating.

In most instances, composite rating is a referral to the company Check your program Underwriting Guidelines for authority.

DRIVER SELECTION AND TRAINING

Drivers

Selection of good drivers should be a priority for any insured with a fleet of vehicles. A company's reputation and assets are on the line every day and the people most responsible for those are the front line drivers. Acceptable driver selection and training is an indication of good management practices. Drivers aged 65 or older should have annual physicals documenting that they are capable of meeting DOT standards. Note CDL licensed drivers require physicals on a regular basis.

MVR records are the best indication the insurance industry has for good drivers. This historical record reveals both personal and work violations of state motor vehicle laws. The system is not perfect. DMVs may not collect out-of-state infractions. Community service and other plea bargaining can expunge pertinent information from the record. Some states even preclude the use of personal driving violations to underwrite commercial exposures.

Division 66 requires the underwriting of drivers on an annual basis. The producer should provide an updated MVR for each driver with every new business and renewal submission. Each driving record should be reviewed and documented for acceptability.

Infractions are divided into three categories and then placed in a grid to determine the acceptability of a fleet. Below are the types of violation categories and the grid for determining acceptability.

MVR Guidelines
TYPE A are major violations. These are DWI, DUI, OUI, OWI, refusing a substance test, driving with an open container of alcohol, reckless driving, hit and run, fleeing a police officer, racing, driving while license is revoked or suspended, manslaughter or any felony. Fleets with any driver with a TYPE A violation within the prior three years is not acceptable.

TYPE B include most driving violations such as speeding, improper lane change, failure to yield or obey a traffic signal or sign, license suspension and at fault accidents. Speeding violations over 20 mph are considered TYPE A violations.

TYPE C include parking tickets, financial responsibility violations, seat belt violations, improper equipment or excessive loads.

Use the MVR GRID worksheet to evaluate acceptability. Decline any new business which has an overall rating of poor. Refer any renewal with an overall rating of poor to your Program Manager.

MVR GRID

Insured's Name:		
Step		**Data Entry**
1	Total number of power units	
2	Total number of drivers	
3	Number of MVRs ordered (if less than 50% document rationale)	
4	Number of drivers with TYPE A violations (If this number is positive decline account or provide documentation for non-compliance with underwriting requirements).	
5	Number of drivers with 3 or more TYPE B violations (if **line 5** < 5% + preferred; >or = 5% < 10% = good; > or +10% -15% average and >15% poor)	
6	Number of drivers aged 24 or younger	
7	Number of drivers aged 65 or older	
	If **Line 6** + **Line 7** is >0 and <20% rate as good; if >20% and <30% average; if >30% poor)	

Driver Experience
Drivers on commercial policies need to be at least 21 years old and have a minimum of four years driving experience. They must have a valid driver's license with a class that is consistent with vehicle regulation. They should be familiar with the vehicle they are assigned or driving. Data supports the theory that older drivers may have accidents more frequently than younger drivers with similar credentials. Recognizing that laws protect certain classes, our insureds should have controls in place that make sure that drivers are physically capable or performing their duties including driving a vehicle on business. Obtaining a favorable medical statement from a licensed physician is an option.

Selection and Training
When underwriting fleet exposures, it is not enough to look at the MVR reports for listed drivers. Driver selection and training are as important as making sure the driver's list is acceptable. Make sure that MVRs are ordered on new drivers and that these drivers are properly trained. Driver training including defensive driving courses are highly recommended. Thorough screening of drivers is important and may include applications, interviews, references, background checks and physicals where required.

Low driver turnover is an element to review when looking for a well controlled account, because it says a great deal about the management's attention to risk management. Obviously certain industries will have different turnover rates, but where does the insured fit in relation to its industry? The automobile application requests turnover information. Also, loss control surveys should comment on unusually high turnover.

The quality of a driver is often determined by the wage paid. Wages should be above the minimum wage and competitive within the insured's respective industry. Wages can be calculated by mileage, by load or by hour. Each has a different effect on the driver's exposure to speed, time and distance.

Driver Exclusion
The AIG Program Division does not condone the use of driver exclusions. If contemplated in a program these are a Home Office referral. There are a limited number of states that allow the use of driver exclusion. Once an accident occurs it is difficult to avoid paying damages to a third party and we are placed in a position of paying a claim and attempting to collect against the insured.

If a prospect has unacceptable drivers on the schedule we should not be writing the automobile. The other option to the insured is no move the employee(s) with unacceptable record(s) to non-driving position(s). That fact must be confirmed in writing and must be feasible based on the insured's operations and staffing.

12/15 PASSENGER VANS

Data shows a significant rollover hazard for the 12/15 passenger van class. The major reason for the rollover potential is the design of the vehicle, but several factors increase the possibility that the van will roll. A van at moderate or full capacity is five times more likely to roll than a van with no passengers. Lack of maintenance (particularly on the tires), inexperienced drivers and speed all may increase the likelihood of losing control.

The existence of 12/15 passenger vans on a vehicle schedule has become unacceptable. Insureds with these vans must provide a written disposal plan, signed by the insured, for all such vehicles committing that they will: 1. modify the vehicles currently insured and 2. replace them (the modified vehicles) with acceptable alternative vehicles once they come off the lease, meet their normal replacement age or mileage, but in no event longer than two years from the date first written with AIG unless if otherwise stated in the program guidelines.

Acceptable modifications include:

- Removal of the rear seat to limit seating to 10 passengers or less
- Having dual rear wheels added to the vehicles by a licensed facility
- Converting (by a licensed facility) to wheelchair transportation only
- Removal of any roof racks
- Removal of any trailer hitches

There are additional steps that an insured may take to limit the rollover potential. Place the vehicle on regular maintenance plan which includes tire rotation and regular replacement. Allow only experienced drivers to drive the van. Drivers should be educated to the danger posed by excessive speed in these vehicles. Maintain a maximum speed guideline of 45 miles per hour. Never store luggage, cargo or anything on the roof of the van. Loading practices that keep rear cargo low and distributed evenly across the rear axle will reduce the chance of a rollover.

Starting with vehicle model year 2007 any 12/15 passenger vans with all of the following options will now be considered acceptable and no longer require modifications.

- Four-wheel anti-locking braking system (ABS brakes)
- Three-point center seat belts
- Tire pressure monitoring system
- Electronic stability controls a/k/a traction controls

While these newer models are an improvement over older models we still need to be diligent with risk management. Many of our insureds have vehicles of different model years; however there are now acceptable alternatives. Vehicles used for cargo operations or that are used for wheelchair transport are not subject to a disposal plan, modifications or require the options listed above.

Refer to the program Underwriting Guidelines for what we require to quote automobile and what goes in the file.

LOSS CONTROL PROCEDURES

AIG Programs and its approved subcontractors conduct loss control surveys. The purpose of these 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 program administrator's review.

Unless stated differently in program specific Underwriting Guidelines, the program administrator will request:

a. A telephone survey within seven days of the effective date on all new business and every three years thereafter if the auto premium is between $25,000 and $75,000.
b. A physical survey if the auto premium is greater than $75,000 on all new business and every three years thereafter
c. A loss control survey if there is not one in the file; or if the one in the file is more than two years old AND the policy meets the premium threshold indicated in a. or b above.
d. At his/her discretion either a telephone or a physical survey more frequently and regardless of premium size.

If the program administrator has special instructions or questions unique to the account they should be outlined in the survey request.

AIG Programs will mail the survey letter and recommendations to the insured and agent. Within seven days of receipt the program administrator should review the survey report and any recommendations. The underwriting file should be documented to indicate the date the review was made as well as any necessary underwriting actions. The insured must submit a response to the recommendations identified as essential within 14 days. After 45 days the program administrator must follow up on all essential recommendations for which no response was received.

CONCLUSION

It is imperative that we maintain responsible pricing discipline. We must continue to focus on the fundamentals of risk selection by concentrating on better state environments, managing severity classes, refining our pricing to give the best prices to our best accounts and partnering with producers who share our commitment to profitability.

REFERENCE LIST

ODEN Rules & Regulations: www.odenonline.com
ODEN Policy Terminator:
DMV Reporting: www.aig.com/access
Automobile schedule rating: www.lexingtonprograms.net
AIG Programs Division website: www.lexintonprograms.net
State electronic Motor Carrier Filings: contact Paul Boris at paul.boris@aig.com