



AIG Programs

Non Admitted Program Underwriting Authority

CTC Transportation Program

Edition Date:	10/16/2014
Program Administrator:	CTC Transportation Insurance Services, Inc. 701 Palomar Airport Rd, Suite 250 Carlsbad, CA 92011
Principal(s):	Thomas Mulligan, CEO Thomas Spitalny, President
Program Description:	Motor Truck Cargo and Auto Physical Damage for permanent-lease owner-operators and company owned vehicles in the for hire motor carrier segment. Truckers GL coverage for small office exposures and minimal warehouse exposure.
Program Manager:	Heather Warren
Program Inception:	11/2013
Division:	66 – AIG Programs
Related PUC Numbers:	0132 – APD & MTC 0979 – General Liability
Program Territory:	United States of America, excluding AK, HI, MA and all US territories and possessions
Program Commission:	22.5% - all lines

**CONFIDENTIAL – FOR INTERNAL AIG PROPERTY AND CASUALTY PURPOSES
ONLY**



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NOTICE – PLEASE READ CAREFULLY

These underwriting guidelines (the “Guidelines”) set forth the terms and conditions pursuant to which the program administrator named in Section 5 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.

The Program Administrator employee listed in Section 5, as the person assigned the underwriting authority granted herein is responsible for the coordination with the Program Administrator’s staff of periodic updates to these Guidelines, including but not limited to updates to rates, rating rules, forms implementation and other underwriting bulletins as the Company may issue from time to time.

Please sign the acknowledgement and acceptance form in Section 5 and return an executed copy of these Underwriting Guidelines to your Program Manager within 30 days. If your Program Manager does not receive the executed copy within such time, these Underwriting Guidelines will automatically go into effect on the date set forth in Section 5.

1. PROGRAM OVERVIEW

1.1 ELIGIBLE BUSINESS – PROGRAM DESCRIPTION

You may underwrite, quote and bind business on behalf of the Company on eligible accounts:

CTC Transportation Program (Hereinafter, the “Program”) that meet the following eligibility requirements:

Small to mid-sized trucking accounts (1-25 units), with a minimum of 3 years driving experience, superior loss history, good MVR’s and low driver turnover. Commodities listed in Addendum A – Commodity Classification Index as Hazard Grades 1-3, along with Hazard Grade 4 items as noted in Addendum A and any limitation listed in this section.

Private Passenger vehicles are eligible only when they meet all of the following criteria:

- 1) Must be registered in the business entity name (no individual registrations are acceptable)
- 2) Must be driven by the owner or an officer of business entity only (no spouses or children permitted)
- 3) No one under 25 operates the vehicle
- 4) Business entity must have a written cell phone use policy
- 5) Anyone driving the vehicle must have an acceptable MVR per section 6.1 of these guidelines.

In addition, We require the following account attributes*:

- Owners/operators have at least three (3) of over the road experience.
- 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).



- For this program, the following is acceptable relative to loss ratio minimums when calculated over the past three years (expiring plus two prior):

Automobile:

- ⊖ Fleets with less than 10 power units: up to \$30,000 in total losses.
- ⊖ Fleets with ten (10) or more power units: up to a 50% loss ratio and no single loss greater than \$30,000 (Incurred loss).

All other lines excluding Automobile:

- ⊖ The loss ratio for all other lines combined must be 40% or less and have 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.
- D&B credit score of 1, 2 or 3 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, you must refer any account:

1. Where the total account premium exceeds \$25,000; or
2. Where the accounts last three (3) years of payment history indicate payment issues; or
3. You've determined that the account is operating under any chapter of the US Bankruptcy code.

1.2 INELIGIBLE BUSINESS

You cannot quote or bind business for accounts that are outside of the parameters established above.

Ineligible Vehicles/Exposures:

- Vehicles:

Coal Haulers, Glass Lined Tankers, Triple Trailers, older vehicles/trailers standalone

- Exposures:

Residential or Commercial moving and storage companies, cross border business, Drive Away Contractors, Driver Training risks, Public Livery, Heavy Equipment Haulers, Rigging Operations, Risks that lease or rent their vehicles to others without drivers, Drivers without valid U.S. commercial driver's licenses, Trailer Rental Operations, Auto Haulers, "Toters" and "Hot Shots".

- Ineligible Commodities:

Alcoholic beverage (except beer and wine)

Electronic equipment exceeding 25% of load (computers, TVs, cameras, stereo or video equipment <15%)

Cigarettes, cigars, tobacco products

Clothing – haute couture designer labels

Cosmetics and perfume

Fine Arts

Refrigerated Food Products – shell fish



- Furs
- Jewelry, precious metals
- Gas powered tools exceeding 25% of load
- Machinery and heavy equipment – Specialized heavy haulers
- Dangerous articles, explosives, corrosives, flammables, acids or chemicals
- Narcotics, drugs, or pharmaceuticals
- Oriental rugs and carpets
- Petroleum products under 140 degrees flashpoint
- Firearms
- Hospital Equipment
- Textiles – silks
- Livestock and live poultry

2. AUTHORITY

2.1 INSURANCE COMPANIES

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

COMPANY NAME

- Lexington Insurance Company (all states except DE)
- AIG Specialty Insurance Company (DE only)

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 AIG Property Casualty, Inc.

LINES OF BUSINESS	PREMIUM AUTHORITY	OPERATING SYSTEM*
Commercial Property/Inland Marine	\$100,000	ASPIRE
Commercial General Liability	\$5,000	Coverall
The sum of all policies and/or coverages written for one insured	\$105,000	

2.3 NAMED INSURED

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

Note: Individuals (i.e., natural persons) are not to be listed as a "Named Insureds" 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	
PROPERTY		
Inland Marine (Per Tractor/Trailer Combo)	\$200,000 (ACV)	For Automobile Physical Damage \$1,000 deductible minimum
	\$1,000,000	Per Occurrence Catastrophe Limit
Motor Truck Cargo	\$250,000	Per Vehicle
	\$1,000,000	Per Occurrence Catastrophe Limit
Motor Truck Cargo – Per Terminal	\$250,000	Per “terminal” location
	\$1,000,000	Total All Scheduled Locations
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*),	No Authority	
Earthquake Sprinkler Leakage – 250 Year MMI Zones 1 – 6.99 (derived from RiskMeter*),	No Authority	
Flood – RiskMeter flood score over 40	No Authority	
Flood – RiskMeter flood score 10 - 40	No Authority	
* See Qwiknotes for Information on RiskMeter		
Wind/Coastal Property	No Authority	Refer to the Windstorm section of Property Qwik Notes for guidelines for your referral.

GENERAL LIABILITY	Limits	
Commercial General Liability and Products Liability	\$1,000,000	Each Occurrence
	\$2,000,000	General Aggregate
	\$2,000,000	Products-Completed Operations Aggregate
Medical Payments	\$ 10,000	
Personal/Advertising Injury	\$1,000,000	Each Occurrence
Damage to Premises Rented to You	\$ 100,000	

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 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	

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 Company and product requirements.

If you are using an approved proprietary operating and issuance system, such system must be compliant with all applicable Company and product requirements and you must maintain all rates/loss costs, rules, forms and loss cost multipliers, and paper company usage as directed by the Company so that you are in compliance with all Company requirements.



2.7 POLICY TERM

Policy periods (including any coverage and rate commitments associated therewith) are for a twelve (12) month term only.

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 made available to you by 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:	Approved
Use of ISO Experience and Schedule Rating and IRPM	Approved
ISO 'a' Rating	No Authority
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
Preferred Risk Property (PropertyOne Rating Plan)	No Authority
Consent to Rate Rules	No Authority

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 6, "Refer to Company" rules which are applicable (by product line) for the Program. 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 6, you may not place any business in contravention of these Guidelines 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

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. [Not applicable to this program.](#)
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-dating of coverage more than five (5) business days (and if five days or less, subject to a warranty of no known or reported losses).
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 a Lexington 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

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 coverages.
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 coverages.
9. Ocean Marine.
10. Product Recall.
11. Foreign coverages (i.e. outside the United States or Canada).



12. Hawaii Auto Coverages if not written through Coverall.
13. Massachusetts Auto Coverages.
14. Mold/Fungus Coverages.
15. Data Corruption coverage.
16. Policies that provide for Windstorm and/or Flood and/or Earthquake only.

2.9.3 LIMITATIONS: POLICY TERMS AND CONDITIONS

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 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 or otherwise approved by AIG for your use.
7. Removal of any policy exclusion.
8. Property Loss – Limit forms or coverages.
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 SURPLUS LINES TAXES, STAMPING FEES, SURCHARGES AND OTHER FEES

You are responsible for ensuring the proper display, billing, collection and remittance of all state required surplus lines taxes, stamping fees, surcharges and other applicable fees. All such amounts associated with these costs are to be remitted directly to the appropriate state/regulatory authority and are not to be remitted to the Company. Please refer to our Underwriting Bulletins or contact your Program Manager for current information regarding all applicable state surcharges and fees (noting that maintaining current information on applicable surplus lines taxes and stamping fees is the responsibility of the surplus lines broker and will not be provided by the Company)

2.11 POLICY ISSUANCE AUTHORITY AND SERVICE STANDARDS

You are authorized to issue policies and on behalf of the Company in accordance with the Guidelines 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 within thirty (30) days of the effective date of the change.

2.12 APPROVED COVERAGE FORMS AND ENDORSEMENT AUTHORITY

Section 6 sets forth the coverage forms and endorsements that are available for use with the Program by line of business by jurisdiction, with detail provided in a supplemental Excel Spreadsheet.

This Spreadsheet is current as of the date of this document. However, the actual edition dates are subject to change based upon new forms being made available and approved for your use. 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 Section 6 herein, you must refer such form to your Program Manager for review and approval prior to use. If such form is approved, we will amend Section 6 accordingly.

2.13 DELEGATION OF AUTHORITY

The person designated in Section 5 (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 SURPLUS LINES HANDLING AND RELATED CONSIDERATIONS

Surplus lines business can only be placed by a broker that holds a surplus lines license or has surplus lines authority in the "headquarters state" of the insured (see Section 3.10.4). While you may or may not serve in the capacity of surplus lines broker of record on each account, you remain responsible for ensuring that all state required surplus lines obligations/requirements are met and complied with. These requirements include, but are not limited to, proper qualification of surplus lines risks, documentation of diligent search requirements within the admitted market, surplus lines stamping and disclosure to the insured, and the application of state required surplus lines taxes, fees and other charges. If you, as our Program Administrator, are not acting as the surplus lines broker of record, you are responsible for establishing procedures and practices to verify that all state required surplus lines obligations are being met by the surplus lines broker of record. The Company may, if so required, request information from you regarding surplus lines policy handling to satisfy regulatory reporting requests it receives.



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 these Guidelines. 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 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 or a letter of no known losses where applicable – 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.
- When you are acting in the capacity as surplus lines broker of record, all state required surplus lines documentation requirements – See Section 2.14

NOTE: If you also have admitted Underwriting Authority granted by us pursuant to a separate Program Administrator Agreement, you are not permitted to co-mingle policy documentation/files for admitted business with that of surplus lines business.

Additionally, the minimum additional document requirements by product line are:



3.1.1 PROPERTY FILE DOCUMENT REQUIREMENT

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

3.1.2 GENERAL LIABILITY FILE DOCUMENT REQUIREMENT

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

3.1.3 AUTOMOBILE FILE DOCUMENT REQUIREMENT

- 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 these guidelines.
- c. UM/UIM offers and rejections (where required)

3.1.4 UMBRELLA / EXCESS CASUALTY FILE DOCUMENT REQUIREMENT

- a. Umbrella pricing worksheet including reason for pricing deviations.
- b. UM/UIM offer, acceptance & rejection forms where required
- c. For all scheduled underlying policies that we do not write:
 - 1. Loss runs or a letter of 'no known losses' where applicable – see Section 3.5
 - 2. Complete copies of policies.
- 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 must be kept in the policy file. Any supplemental applications, questionnaires, or statements of value which are critical to the underwriting of the account must be signed. Umbrella applications are not required to be signed if all of the underlying applications have been signed.

All applications, including supplemental applications used by the Program Administrator, must be approved by the Company. In some cases, supplemental information can be obtained separately from the application. 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.

Standard ACORD forms and supplemental questionnaire or application approved by the 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 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.
- Exposure and hazard analysis.
- Current/expiring premium.
- Loss history summary by line of business, including open claims summary and large loss summary, if applicable.
- Financial analysis or confirmation of D&B Score (1, 2 or 3, or referral to Program Manager)
- 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. Loss runs must be from an insurer or Approved Third Party Administrator and must have been produced and currently valued within 180 days of the policy effective date for both new and renewal business.

In addition, for each line of business written, a loss summary must be maintained in file that includes for each year:

- a. Annual premium
- b. Total Number of losses
- c. Total Incurred
- d. Analysis of any claim in excess of \$50,000

3.6 REFERRAL PROCESS / REQUIRED DOCUMENTATION

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



- Reason for the referral (including direct reference to these guidelines that triggers same).
- Supporting documentation, including a completed, current 'Account Summary Worksheet' (see Section 3.4).
- Your reasons supporting why an exception to the Guidelines 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 the referral is approved, the approval shall remain in effect and, with the exception of the limitations stated below (1), resubmission is not required at each renewal, but only if:

- You have established that there has been no material change to the risk and
- You have properly documented the file (2).

(1) The following exception(s) shall limit referral approval(s) to the current policy term only:

1. When limited by the Program Manager and stated in their approval email; or
2. The premium exceeds your authority as stated in Section 2.2, Premium Authority; or
3. Any approval for property and/or inland marine coverages:
 - For flood and/or earth movement if there are any changes to limit(s) or 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 \$40,000,000.

(2) 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 are no mandatory deductibles or SIR's for this Program. Accordingly, the use of any deductibles on a General Liability must be referred to your Program Manager prior to use.



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.

3.8.1 SURPLUS LINES REQUIREMENTS FOR QUOTATIONS

All Quotations issued on a surplus lines basis must contain the following wording on the 1st page of the Quotation:

“THIS INSURER IS NOT LICENSED IN THE STATE AND IS NOT SUBJECT TO ITS SUPERVISION”

If you are not acting in the capacity as surplus lines broker of record or are not reflecting the state required surplus lines taxes and other fees, as may be applicable, on the Quotation, you must include the following on your Quotation in the area where the final premium is shown:

“Premium figures do not include surplus lines taxes and fees”

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 and 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. You cannot extend for more than thirty (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 include at least the following information:

- Date of issue
- Quote version number (if replacing an earlier version)



- Type of coverage
- Terms and condition including policy period:
 - Limits and participations
 - Retentions/Deductibles/SIR's
 - List of coverage forms and endorsements:
 - clearly showing form number and edition dates for filed forms
 - including a copy of any approved manuscript wording (note: you may not use "to be determined" language when binding coverage terms.)
- Premium including adjustment basis and any payment/security terms
- Fees and assessments
- Commissions
- Writing company(s) and policy numbers
- 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 binders or 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."

3.9.1 SURPLUS LINES REQUIREMENTS FOR BINDERS

All Binders issued on a surplus lines basis must contain the following wording on the 1st page of the Binder:

"THIS INSURER IS NOT LICENSED IN THE STATE AND IS NOT SUBJECT TO ITS SUPERVISION"

If you are not acting in the capacity as surplus lines broker of record or are not reflecting the state required surplus lines taxes and other fees, as may be applicable, on the Binder you must include the following on your Binder in the area where the final premium is shown:

"Premium figures do not include surplus lines taxes and fees"

3.10 OTHER UNDERWRITING CONSIDERATIONS

3.10.1 DECLINATIONS/NON RENEWALS/CANCELLATIONS

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



3.10.2 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. These requirements are applicable to surplus lines business in many states. You must issue such notices as required by applicable law, and forward any questions to your Program Manager.

3.10.3 STATE SPECIFIC AMENDATORY ENDORSEMENTS AND POLICY NOTICES

You must include any/all state amendatory endorsements and policy notices as required by the “Headquarters State” of the insured.

3.10.4 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.

3.10.5 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 (02/08) and must clearly show the premium charge. The rate will be a flat charge of 1% where approved. (Refer to Qwiknotes for zip codes where coverage for Terrorism requires a referral.)

Note: the current Federal Terrorism Risk Insurance Act, as amended, is schedule to ‘sunset’ on 12/31/2014. If it is not renewed, you will be advised to discontinue offering coverage, and instead attach a proprietary terrorism exclusion.

3.10.6 OFFICE OF FOREIGN ASSETS CONTROL (OFAC)

You must attach the approved AIG Coverage Territory Endorsement on all policies (as directed in Section 6).

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.

3.10.7 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.

Loss control will not be applicable to this program unless property coverage is written for an office location.

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. ACKNOWLEDGEMENT AND ACCEPTANCE

ACKNOWLEDGEMENT AND ACCEPTANCE

These Underwriting Guidelines and the underwriting authority granted herein, supersede any previous document outlining any and all underwriting requirements and authority. Only the terms of these



Underwriting Guidelines apply to the conduct of your underwriting responsibility pursuant to the Program. Verbal expressions of underwriting authority do not alter the terms of these Underwriting Guidelines.

Please sign below and return an executed copy of these Underwriting Guidelines to your Program Manager within 30 days. If AIG Programs does not receive the executed copy within such time, these Underwriting Guidelines will automatically go into effect on 7/31/2014.

I acknowledge and accept the terms and conditions set forth in these Underwriting Guidelines.

Acknowledged By:

*See email acceptance dated 10/21/2014
(copy next page)*

Delegated By:

Name of Program Administrator

Thomas Spitalny

Name of Insurers

Heather Warren

Name of Recipient/Designee

approved by [Signature]

Name of Grantor

[Signature]

Title of Recipient/Designee

Title of Grantor

21 October 2014

Signature of Recipient/Designee

Signature of Grantor

Date

Date

6. ADDENDA – LINE OF BUSINESS GUIDANCE: LOSS COSTS/RULES/FORMS

Included in this Section is a complete set of forms (and current edition date by jurisdiction) approved for use with this program. This information is current as of the date of these guidelines and subject to change. You must use the current, approved form edition, which may be a new version than appears in this spreadsheet, based upon the Insured's headquarter state. We will use the Cover-All operating system and/or Program Administrator bulletins to keep this information current.

Harris, Bill

Subject: FW: CTC - On Line Acceptance of Revised Program Authority
Attachments: CTC NON ADMITTED UW GUIDELINE FINAL 10-16-2014.pdf

From: Warren, Heather D
Sent: Tuesday, October 21, 2014 1:00 PM
To: Harris, Bill; Levy, Lon
Subject: FW: CTC - Revised Program Authority

Hi Bill,

Please see below PA approval for the revised underwriting authority dated 10/16/2014.
Also attached is the PDF version that was approved.
Let me know if you need anything further.

Thank you!

Heather Warren
Program Manager
AIG Programs

100 North Tampa Street
Tampa, FL 33602

Tel 813-222-4809

heather.warren@aig.com
www.lexingtoninsurance.com

From: Tom Spitalny [<mailto:tspitalny@coast-ins.com>]
Sent: Monday, October 20, 2014 11:12 AM
To: Warren, Heather D
Subject: FW: CTC - Revised Program Authority

We have attached the revised final guidelines dated 10-16. We agree to changes.

Tom Spitalny - CEO
CTC Transp Ins Services LLC
Phone: (760) 488-6058
Fax: (760) 561-4744
Cell: (561) 706-9922
tspitalny@coast-ins.com

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From: Warren, Heather D [<mailto:heather.warren@aig.com>]
Sent: Thursday, October 16, 2014 3:11 PM

To: EXT-coast-ins-Spitalny, -Tom
Subject: CTC - Revised Program Authority

Hi Tom,

Attached you will find a PDF and Word version of the revised Underwriting Authority per your concerns about the Loss Ratio and D&B Scores.

If you find these to be acceptable, please just reply back to the email and include the PDF version in your response.

If you have any questions or would like to discuss further, please let me know.

Thank you!

Heather Warren
Program Manager
AIG Programs

100 North Tampa Street
Tampa, FL 33602

Tel 813-222-4809

heather.warren@aig.com
www.lexingtoninsurance.com



6.1 PROPERTY / INLAND MARINE / CRIME

Unless specific guidelines apply, refer to the Division 66 Property Qwiknotes.

The company accepts ACORD Applications.

Commercial Inland Marine – Motor Truck Cargo & APD

Separate policies will be issued for MTC and APD.

Motor Truck Cargo Coverage:

Account must meet Driver and MVR requirements below:

Minimum Deductible: \$1,000

Refrigeration Trailer Deductibles:

Trailer Age

- Up to 10 years old - \$2,500 deductible
- Over 10 years old - \$5,000 deductible

Maximum limit available is \$250,000 per vehicle, \$1,000,000 per occurrence (catastrophe limit)

Earned Freight:

5% of base to increase earned freight from \$2500 to \$5000

Debris Removal:

\$90/per unit – 10K (7500 increase)

\$50/per unit – 5K total (2500 increase)

Automobile Physical Damage Coverage:

Account must meet Driver and MVR requirements below

Coverage may be written as Specified Causes of Loss, Comprehensive or Collision

Coverage will be written on a stated amount basis

Motor Vehicle Reports

Current MVR's must accompany every new submission and must be updated annually

The following drivers are unacceptable:

1. One of more major violations within the past 36 months
2. More than 1 at fault accident within past 36 months.

Driver Eligibility Requirements

1. Must be at least 25 years of age and no more than 70 years of age with a valid Commercial Drivers License
2. Must have a minimum of three years over the road verifiable driving experience in the type of equipment being insured
3. MVR must be acceptable per criteria above



6.1.1 APPROVED RATES/LOSS COSTS/LOSS COST MULTIPLIERS – PROPERTY / INLAND MARINE / CRIME

Rates: The rates contained in the following rating worksheets: Rating Worksheet APD v3 and Rating Worksheet MTC v4. These rates comply with those contained in the original proposal and include the increases analyzed by the consulting actuaries and our actuaries are the minimum rates permitted for use in the program. If CTC wishes to use rates that are below these benchmarks, we would like the opportunity to discuss it prior to releasing a quote (referral item).

MTC – minimum premium of \$750/unit

APD – minimum premium of \$750/unit

For non-fleet MTC we will use highest rated commodity, unless we need to make an exception
We will charge 2% of trailer value for trailer interchange.

MTC Increased Limits Factor:

\$150,000 – 1.25% factor applied to \$100,000 rate

\$200,000 – 1.45% factor applied to \$100,000 rate

\$250,000 – 1.65% factor applied to \$100,000 rate

MTC & APD

These factors are used for garaging address of equipment. Modified zones as follows will be used until zip code matches are implemented in ASPIRE:

- Urban 1 million + people = +10%
- Suburban 50K to 1 million people = no factor
- Rural less than 50K people = -5%

6.1.2 APPROVED RULES – PROPERTY / INLAND MARINE / CRIME

6.1.2.1 APPROVED FORMS - PROPERTY / INLAND MARINE / CRIME



FORM #	FORM TITLE	LIMITATIONS
Both Policies must include the following mandatory forms:		
PRP DEC – LX 1119 (01/91)	Lexington Page	
91222 (04/13)	Policyholder Notice	
89644 (06/13)	OFAC – All states except VA	
89644 (07/05)	OFAC – VA	
96668 (03/13)	Texas Surplus Lines Notice to Policyholders	
78713 (05/13)	Lexington Signature Page	
PRG 2078 (05/13)	Chartis Specialty Signature Page	
PRG 2023 (07/05)	Service of Suit – Lexington	
PRG 2084	Service of Suit – Chartis Specialty	
APD Policies		
PR 8173 (06/07)	Vehicle Physical Damage Policy (M)	
PR 8172 (05/07)	Vehicle Physical Damage Supplemental Dec (M)	
MTC Policies		
IM 7451 (01/07)	MTC Coverage Form (M)	
IM 7456 (01/12)	MTC Schedule of Coverages (M)	
IM 7460 (11/10)	Concealed Damages Exclusion	
IM 7461 (04/04)	Refrigeration Breakdown – Vehicles	
IM 7465 (01/12)	Operating Territory	
IM 7466 (01/12)	Property Excluded	
IM 7474 (01/12)	Theft Exclusion	
IM 7475 (01/12)	Theft Limitation	
IM 7477 (04/04)	Electronic Equipment Coverage	
IM 7478 (01/12)	Electronic Equipment Schedule	
IM 7479 (01/12)	Parked Trailer Exclusion	
IM 7480 (04/04)	Cotton Exclusion	
IM 7481 (04/04)	Vehicle Alarm Endorsement	
IM 7487 (11/12)	Flood and Earth Movement Exclusion	
IM 7488 (06/04)	Names Perils Endorsement	
IM 7489 (01/12)	Scheduled Vehicle Limitation	
PRG 3686 (10/13)	Theft from Unattended Vehicle Exclusion	

6.2 GENERAL LIABILITY

Unless specific guidelines apply, refer to the Division 66 General Liability Qwiknotes

Any warehouse exposure greater than 5,000 square feet is subject to Program Manager approval (referral).

The company accepts ACORD Applications.

6.2.1 RATES/LOSS COSTS/LOSS COST MULTIPLIERS – GENERAL LIABILITY



We will use ISO loss costs, rules and forms when writing Commercial General Liability.

Minimum premiums apply as follows:

\$1M \$750
 \$500K \$650
 <\$500K \$500

Medical Expense Limit

\$7,500 – Overall/ISO rating
 \$10,000 – Overall/ISO rating

Additional Insured/Waiver of Subrogation/Primary & Non Contributory

No additional premium for mortgagee/lienholder and company the insured is hauling for/to

Blanket AI/WOS/PNC

Mortgagee/Lienholder - \$100
 Companies insured is hauling for/to - \$250

6.2.2 APPROVED RULES – GENERAL LIABILITY

6.2.3 APPROVED FORMS – GENERAL LIABILITY

FORM #	GENERAL LIABILITY FORM TITLE	LIMITATIONS
MANDATORY ATTACHMENTS – ALL POLICIES		
91222 (04/13)	Policyholder Notice - Commission	
CG 0001 (04/13)	Commercial General Liability Coverage Form	
89644 (06/13)	Economic Sanctions Endorsement (OFAC)	
96556 (02/08)	Policyholder Disclosure Notice of Terrorism Insurance Coverage	
IL 0021 (09/08)	Nuclear Exclusion	
62898 (07/12)	Radioactive Matter Exclusion	
CG 2147 (12/07)	Employment Related Practices Exclusion	
CG 2146 (07/98)	Abuse or Molestation Exclusion	
IL 0017 (11/98)	Common Policy Conditions	
58332 (08/07)	Lead Exclusion	
64004 (07/12)	ERISA Exclusion	
78689 (07/03)	Fungus Exclusion	
82540 (07/12)	Asbestos and Silicosis Exclusion	



- CG 2149 (09/99) Total Pollution Exclusion
- IL 0003 (09/08) Calculation of Premium
- CG 2106 (05/14) Exclusion - Access or Disclosure of Confidential or Personal Information (Coverage B only)

ANYTIME THERE IS A KNOWN INDIANA EXPOSURE

(Payroll/Location):

- 115924 (10/13) Indiana Amendatory - Definition of Pollutants (see '1' below)
(1) When the insured is Headquartered in a state other than Indiana but has known exposure (payroll, property exposures), include the following policyholder notice:
- 84337 (04/04) Policyholder Notice - Amendatory Endorsement. Include the following wording: *"We are amending your policy by adding Endorsement 115924 (10/13), Indiana Amendatory Endorsement. This endorsement restricts the insurance you are provided by excluding coverage for all pollution exposures in the state of Indiana and/or for which Indiana law applies"* Except IN

PLUS ALL REQUIRED STATE AMENDATORY ENDORSEMENTS

6.3 ADDENDUM A

**Commodity Classification Index
September 1, 2013**

<u>Commodity</u>	<u>Classification</u>
Agricultural equipment	2
Appliances (except TV and stereos)	3
Beer and wine	2
Beverages (nonalcoholic)	2
Building materials	2
Canned goods	1
Cement, sand, or gravel	1
China and ceramics	3
Clothing	3
Contractors' heavy equipment	2
Dairy Products	2
Dry Goods	2
Eggs (shell)	3
Electrical supplies and fixtures	3
Farm products	3
Fertilizer	1



Food products – no meat, fish, frozen or refrigerated	3
Furniture	3
General Merchandise	2
Glassware	3
Grain, hay, feed	1
Hardware and paint	2
Household effects	2
Liquid haulers (bulk nonflammable)	3
Lumber	1
Metal and steel	2
Office equipment	3
Paper and paper products	1
Petroleum products over 140 degree flashpoint	1
Pipe, cable and wire	3
Plumbing Supplies	2
Poultry (dressed)	2
Rugs and carpets	2
Shoes	3

We would consider the following upon prior referral to and approval by the Program Manager.

Automobile parts and accessories	4
Computers	4
Drugs (except narcotics)	4
Food products – frozen or refrigerated	4
Leather Goods (except shoes)	4
Machinery and heavy equipment	4
Tires and tubes	4

6.4 SURPLUS LINES FORMS – MANDATORY USE

Surplus lines policies must contain a “Service of Suit” clause, either built into the policy form or added by endorsement. Many proprietary products that have been developed by the Company for surplus lines use will have this clause built in. When ISO-type forms or products/forms that had been previously developed for admitted use are being used on a surplus lines basis, the clause may not be incorporated and will require to have it added by endorsement, as follows:

Lexington Insurance Company – Service of Suit Endorsement – 61902 (7/09)

AIG Specialty Insurance Company – Service of Suit Endorsement - 58426 (11/09)



The following states require the following Policy Notices be issued as part of the surplus lines policy:

Alaska – Alaska Policyholder Notice – {no assigned form number/edition date}

Florida – Florida Policyholder Notice – Addendum to the Declarations – 101762 (6/09)

Texas – Texas Notice (Surplus Lines) – 56668 (3/13)