

AIG Program DIVISION 66

CANADIAN

QWIK NOTES

FOR

PROPERTY

October 2016

KNOWLEDGE BASED UNDERWRITING

A quick reference to basic property standards for Program Administrators

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PROPERTY AND INLAND MARINE STRATEGY

These guidelines are MINIMUM requirements and may be superseded by the actual individual Program Underwriting Guidelines. REFER TO YOUR INDIVIDUAL PROGRAM UNDERWRITING GUIDELINES FOR ANY EXCEPTIONS TO THESE GUIDELINES.

The AIG Program Division will write property/inland marine business as an integral part of profitable accounts that encompass a broad array of AIG products. This coverage may be written as part of package policies, or on a monoline basis. The property/inland marine lines must be underwritten to a profit on the merits of each and every risk. There should be no evidence of loss frequency for these coverages. Our ultimate goal is to generate a “loss and loss adjustment expense ratio” below 35% over our divisional book of business for frequency losses (loss activity below \$100,000 per claim). A divisional loss ratio for such frequency losses and large non-catastrophe losses (over \$100,000, no assigned CAT number) shall not exceed 40%. This will allow funding for true catastrophe losses over the long run and provide long term profitability.

Any account that would adversely impact our profitability should be declined.

We must maintain underwriting discipline for catastrophe prone business. Accounts with coverages for British Columbia (Lower Mainland and Vancouver Island), Ontario (Ottawa Valley) and Quebec (Quebec City and Montreal) earthquake plus other significant earthquake exposures, coastal locations, significant flood exposures, all as further defined herein, must be referred to your Program Manager for appropriate underwriting consideration. All such referrals are subject to complete underwriting documentation and approval from an appropriate authority level.

The profitability of our property/inland marine business is essential to enhance the overall divisional profitability goals. Successfully writing these coverages will help to achieve these objectives, and diligence in our underwriting efforts will help assure success.

MISCELLANEOUS PROPERTY INFORMATION

- A. COPE: is a property term commonly utilized when referencing basic property underwriting information. We should always have this information for all locations insured.

Construction
Occupancy
Protection
Exposure

- B. Where the age of a building is 30 years or more, evidence must be obtained and kept in the file that wiring, heating and plumbing is up to date with all current codes. A signed application, statement of value or affirming updates via loss control within the past 15 years or recent inspection by a licensed tradesman, is acceptable documentation. If such affirmation is not received, then written confirmation from the insured of such compliance, or loss control reports, will be sufficient documentation.
- C. Roof surface updates are particularly important from an underwriting perspective. Older roofs, in disrepair create significant exposure to loss.

For any building with a roof age over 30 years, we should not quote the risk without affirmation, in writing, from a qualified roofing contractor that the roof is satisfactory condition.

For any building where the roof age is 20 years or greater:

1. We should confirm in all instances that the roof is in satisfactory condition. If not confirmed, we should assure that there have not been recent water damage losses, and be sure we note any water intrusion losses during our period of coverage.
- D. Coverage Extensions (Canadian form 1005 and 1006 or specifically approved program form): All extensions of coverage as provided by these forms and endorsements, or any other approved extension endorsements, must be known by each underwriter. Exposures for these coverages must be understood and underwritten. These are not “throw-in” coverages.
- E. Off Premises Service Interruption/Utility Services Interruption- Direct Damage and Time Element:
- Coverage must be sublimited up to a maximum limit of \$500,000 Direct Damage/\$100,000 Time Element;
 - Identify the potential for Direct Damage loss (such as frozen food, goods in process which are damageable, etc.);
 - Identify the Time Element potential. **Time Element Endorsement should have a 2 Consecutive Work Days waiting period.** Be certain that this period places our attachment point above any “nuisance claim” activity;

- **We will not provide** coverage for loss as a result of damage to or destruction of overhead transmission, distribution or communication lines. Any exception will be rare, and is subject to approval by an appropriate Home Office authority.

F. Amount Subject: when determining the values subject to a single potential loss from fire the following establishes the acceptable distances between buildings. The distance between buildings must be “clear space” which includes parking lots, maintained lawns or open lots, and gravel. Anything combustible such as brush, stock in the open or similar materials between buildings would negate the benefit of the separation. All values for buildings, contents, time element and any other covered property within the “enclosed four walls of a structure” are always considered subject irrespective of interior cutoffs since we do not contemplate PML or MFL considerations in our underwriting.

Amount subject is defined as follows:

- If any covered property is of Frame, Joisted Masonry or Non-combustible construction and is located within a Protection Class 1-8 town and two stories or less in height 100 feet or less is considered subject.
- If any covered property is of Frame, Joisted Masonry or Non-combustible construction and is located within a Protection Class 1-8 town and is over two stories in height 150 feet or less is considered subject.
- If any covered property is of Frame, Joisted Masonry or Non-combustible construction and is located within a Protection Class 9 to 10 town all buildings within 200 feet or less is considered subject regardless of height.
- If **all** covered buildings are Masonry Non-combustible or Fire Resistive within a Protection Class town of 1-8 and two stories or less 50 feet is considered subject.
- If **all** covered buildings are Masonry Non-combustible or Fire Resistive within a Protection Class town of 1-8 and over two stories in height 75 feet is considered subject
- If **all** covered buildings are Masonry Non-combustible or Fire Resistive within a Protection Class 9 or 10 town all buildings within 100 feet are considered subject.

Clear space between buildings can be parking lots, maintained lawns, etc. Anything combustible such as but not limited to brush, stock in the open, canopies, etc. between buildings negate the benefits of separation. All values within the enclosed walls of a structure, or any interconnected structures, are always considered subject, irrespective of interior cut offs.

Any exceptions to this calculation of amount subject must be referred to, and approved by, the appropriate Home Office authority.

- G. Property Losses: property and inland marine coverages should not exhibit any evidence of frequency. The phrase “frequency leads to severity” is remarkably true for these coverages.
- H. Unnamed Location Coverage:
- Avoid such coverage whenever possible;
 - Do not provide coverage for Flood and/or Earthquake for any such unnamed location(s);

- Obtain information regarding anticipated exposure, such as number of locations, exposed values, anticipated COPE for such locations;
- Apply a rate, per the ISO rating rules, against total estimated exposed values using conservative COPE assumptions;
- Keep limits at a minimal level (any limit in excess for \$100,000 per occurrence, or otherwise indicated in Program Underwriting Guidelines, must be referred to the appropriate Program Manager for approval).

I. Vacant / Unoccupied Properties:

- Vacant or unoccupied properties should be considered only when incidental to a larger schedule of properties;
- We should attempt to cover solely for specified perils (named perils excluding VMM preferable);
- If the exposed property has central station alarms, watchman service, or similar protections, we may consider all risk perils upon referral and approval;
- Any such property quoted should be vacant / unoccupied for less than one year;
- If there is a pending sale, or similar valid reason to consider a property that is vacant / unoccupied for more than one year, it may be considered upon referral and approval;
- For any such properties covered we must document our file regarding methods used to secure the building against entry, and the procedures in place for the building owners to check the interior and exterior of the building periodically (minimum once per week) to assure satisfactory condition, no entry gained, no evidence of attempts to enter the building, no evidence of vandalism, etc.

J. EFIS Construction:

EFIS (Exterior Finish and Insulation Systems) is a type of building product that provides exterior walls with an insulated, finished surface utilizing an integrated system of composite materials. EFIS is designed and installed as a complete “system”. It is not a trade name, but a term identifying the type of exterior finish system utilized in the construction process of a building. You may see the term Direct Applied Finish Surface (DAFS) which should be considered in the same category as EFIS.

A basic description of EFIS construction is:

- A layer of foam plastic insulation (usually expanded polystyrene) is attached to the exterior wall of a building;
- A reinforced layer consisting of a fiberglass reinforcing mesh is applied to the insulation with an adhesive (base coat);
- A final topcoat (or finish coat) is then applied with a trowel. This is an acrylic finish.

Please assure that your internal guidelines provide for identification of EFIS exposures, with appropriate underwriting action as defined below.

ALL locations that are of EFIS construction are a Home Office referral if EFIS is covering is more than 10 years old or has sustained an impact which has damaged the building envelope.

The main reasons for this limitation rest with the historical problems related to water penetration within the “building envelope” that creates damage to the EFIS system. Most problems are the result of improper installation and / or improper maintenance. Additionally, there is an increased fire risk due to the lack of fire resistance inherent in the materials used.

Any referral should identify the age of the EFIS installation, the qualifications of the installing contractor (to the extent it is available), and the maintenance procedures in place as respects periodic checks for (and repairs where needed) of openings, cracks, resealing around windows, doors, flashing, etc. of the EFIS topcoat.

AGREED AMOUNT

- A. Coinsurance:
 - 1. Real and Property Personal - Minimum - 90%
 - 2. Business Income - Minimum - 50% .

- B. A signed statement of values and signed Business Interruption Worksheet along with a signed (by the Insured) fully completed application must be received **prior to** removing the co-insurance provision from any policy.

- C. Insurance to value calculation for Property must be completed.

- * For more detailed description see page 21, E. Control of ITV Documentation.

AUTOMATIC SPRINKLER PROTECTION

- A. Identify hazards of occupancy for each location, utilizing as necessary the following:
- Best's Underwriting Guide,
 - Loss Control,
 - Program Manager.
- B. If there is storage of goods on premise - identify storage arrangements:
- Palletized - configuration and height;
 - Rack storage - rack configuration and height;
 - Hanging storage (such as garments) - how many levels, what proportion of storage.
- C. If there is storage of goods on premise - identify the types of commodities stored:
- Combustibility of commodities - be careful of products with:
Plastics or plastic components, containing combustible/flammable liquids, wood or wood components, aerosols, yarns or threads and other fiber products, etc.
 - How are they packaged - packaging of a combustible nature such as expanded foam or "bubble type" protection, plastic encapsulation, etc.
 - Are any products explosive in nature - an explosion can quickly disable a sprinkler system. (Note that aerosols are deemed to be within this category)

Any uncertainties regarding the hazards of product should be discussed with Loss Control or your Program Manager.

- D. Identify details of all sprinkler systems:
- Age - any system installed prior to 1940 will have utilized 3/4" pipe, which cannot provide adequate water to sprinkler heads;
 - For any system over 25 years of age, sprinkler head maintenance/replacement information is needed;
 - Servicing of system - confirm a sprinkler maintenance contract is in force and the date of last service;
 - Type of system - wet or dry. With a dry system continuous and frequent maintenance is extremely important to the proper functioning of the system;
 - Is the system specifically designed for the occupancy;
 - If any sprinklered areas are exposed to freezing temperatures, be sure they are either A) a dry system or B) an antifreeze system.
- E. Obtain sprinkler alarm information:
- Local (if so, is there 24 hour occupancy or watch service - someone to hear an alarm?);
 - Central Station (if so, is it a UL approved service?);
 - Alarm to Fire Department (if so, is it manned 24 hours per day?).
- F. Water supply - public, private, both? Single source or two source supply? If private only, get a Loss Control opinion on adequacy.

G. Information required to evaluate sprinkler system:

- Obtain prior carrier loss control recommendations to determine sprinkler inadequacies; or
- Obtain other loss control data collection (method to be determined by loss control); and
- In conjunction with either of the above discuss with loss control and/or your Program Manager to determine sprinkler adequacy.
- If loss control or application indicates a sprinklered building we will agree to underwrite the location as sprinklered. - Otherwise underwrite as a non-sprinklered location.

* Paragraphs G. above shall apply to any amount subject with insured values of \$2,500,000 or higher.

BLANKET LIMITS

The Program Division prefers to not provide blanket policy limits. Limits may be written blanket per location as outlined below. Any exception to this blanket limits restriction will be provided via referral and approval by your Program Manager, or specific authority parameters in your signed Underwriting Authority.

- A. **Do not combine Property Damage and Time Element** - we must maintain separate Business Income (Time Element) limits
- B. Obtain signed statement of values and signed business income worksheets for each location.
- C. Property Damage (real and personal property) must be written at a minimum 90% coinsurance value.
- D. Business Interruption must be written at a minimum 50% coinsurance value (preferably 80% to 100% value)
- E. Total Insured Values (TIV) and Amount Subject:
 - 1. For TIV purposes, and amount subject calculations, 100% of specific location values must be used for each and every coverage (we are liable for payment of 100% value in the event of loss);
 - 2. Stock and other moveable personal property must be increased by 30% (of the 100% value) as a protective buffer to assure adequate amount subject values;
 - 4. All Inland Marine values, and any other exposed property values, shall be included within the TIV for each location;
- F. When providing Blanket Per Location coverage, use the Blanket Limit Per Premises Endorsement as documented in your Underwriting Authority.

By Law Coverage

Answers to a number of questions should be received regarding each location to be covered when we provide Building Ordinance Coverage,

A. Construction Date:

1. There may be different building codes now than at time of construction, such as (but not restricted to):
 - a) requirement to upgrade life safety features - ie. pressurized stairwells;
 - b) requirement to install sprinkler systems;
2. Prior to 1975, there may be asbestos within buildings, such as (but not restricted to):
 - a) in pipe insulation within a structure;
 - b) in fireproofing material;

B. Any change in occupancy could lead to requirements for building upgrades, to meet the standards for the current occupancy.

C. Canadians with Disabilities Act - may lead to upgrade requirements, such as (but not restricted to):

1. Access - ramps, wider doors, etc.;
2. Reconfiguration of bathroom areas, etc.;
3. Elevators - wider doors, accessible controls, etc.;

When we are providing this coverage, **always request comments from Loss Control** (especially in older buildings), regarding exposures and potential preventative actions to minimize our liabilities in the event of loss. Include the building ordinance limits when determining TIV or amount subject.

NOTE: When considering Endorsements that provide full Building Ordinance Coverage within the building limits **for buildings constructed prior to 1975 you should obtain confirmation, prior to quoting, that the building has been upgraded to current codes. This also applies to Increased Period of Restoration for Time Element coverages. If the building has NOT been upgraded, coverage may be provided subject to a sublimit of no more than \$500,000 any one occurrence.**

BUSINESS INCOME AND EXTRA EXPENSE

- A. We must be providing Property Damage coverage at locations where BI is provided. If there is property for which we are not providing coverage at any location, the policy should be endorsed to indicate that we are not providing business income or extra expense as respects such property. Without this clarification on the policy, we will be liable for any business income loss, as all business income forms provide coverage for BI as respects loss or damage to property at the location (not just covered property at the location).
- B. Obtain specific limits for each location, including the appropriate coinsurance percentage.
- Compare BI totals to gross sales (to assure adequacy),
 - Check to determine, how were values developed?
 - o Business Interruption Worksheet?
 - o Insured estimate?
 - o Broker estimate, etc.?
 - o Full payroll or limited?
- C. Identify any processing bottlenecks in operations and/or any interdependencies of operations.
- D. Identify any areas of high valued business interruption exposure. Is there any specialty or difficult to replace personal property or machinery?
- E. Identify the effects of seasonal business on BI exposures. This can be commonly applicable to manufacturing, distribution, etc. risks, not just hospitality exposures.
- F. Obtain the estimated time to resume operations in the event of a total loss:
- Can other locations replace production/operating capacity?
 - Can operations continue via Extra Expense payments, and to what extent?
 - What is the ability to replace needed raw materials to resume operations?
 - Is there any specialized equipment that will extend “down time” due to replacement delays?
 - Are there any “mutual aid” agreements with others in similar businesses, to assist in continuation of operations?
- G. Agreed Amount: We should receive a signed business interruption worksheet for each location where Agreed Amount coverage is provided, per the requirements outlined in the Insurance to Value section.
- We must require no less than 50% coinsurance, preferably 80% to 100% (remember we still pay the 100% amount until the limit is exhausted!).
- H. Extended period of indemnity: we should obtain an estimate of the time which would be required to restore operations to their original operating condition after complete resumption of operations. Any extension more than 180 days must be referred to your Program Manager.

- I. If we use an approved form that does not contain a 72 hour waiting period as is currently provided we must identify and analyze the exposures before providing such reduction in the waiting period.

CONTINGENT BUSINESS INTERRUPTION (DEPENDENT PROPERTY BI):

- A. Identify locations where any contingency exists
- B. Underwrite each location by obtaining complete COPE information.
- C. If a location is the “sole source” for materials/supplies, are there other suppliers available in the event of a loss, and how can they be accessed?
- D. If the locations identified provide similar or identical materials/supplies (multi-source), can all other identified suppliers fill the gap in the event of loss to any one contingent location?
- E. Are there any major customers upon whom the insured depends to generate sales. If so, we need to underwrite this exposure carefully;
- E. If any coverage is requested for unnamed contingent locations we should agree only to the limits provided within our proprietary property forms, being \$100,000.
- F. Current approved Business Income from Dependent Properties endorsement provides for a 72 hour waiting period. We should be sure to maintain this protection.
- G. Any limits requested over \$100,000 refer to your Program Manager.

EXTRA EXPENSE:

- A. Can be provided in two ways:
 - Extra Expense Form: which provides a maximum limit payable in increments.
 - Business Income (and Extra Expense) Coverage Form: is a broader Extra Expense coverage, as the insured can technically utilize up to the full Business Income / Extra Expense limit
- B. When underwriting any Extra Expense coverage, the exposure identification utilized for Business Interruption (B, C, D, E, F) must also be used to identify:
 1. Normal Extra Expense payout exposures;
 2. The potential for prolonged disruptions;
 3. The potential for high valued exposures.

CATASTROPHE EXPOSURES

Refer to your signed Underwriting Guidelines for limitations to your authority to quote the perils of Earthquake and Flood

Refer to the sections within this QwikNotes document regarding underwriting considerations for Earthquake, Flood, Tornado and Hail, and Wildfire.

Upon the occurrence of a catastrophic event:

No binder, policy or endorsement may be issued, or otherwise agreed:

- As respects the perils of windstorm, hail or flood, for any property within 100 miles of the seacoast whenever a hurricane has been reported by the Canadian National Weather Service to be within 600 statute miles and moving toward, parallel to or in the general direction of such property.
- Within 168 hours of an earthquake event for any location situated in the impacted area of such earth movement (refer to your Program Manager when in doubt)
- Within an area known to be impacted by a flood event, during such event
- Within an are known to be impacted by a wildfire event, during such event

The Company will endeavor to send notification of “suspension of authority” defining the geographical parameters of such suspension, and will subsequently send a reinstatement of authority bulletin at the appropriate time.

However, for some regionalized events, a suspension of authority may not be issued. Therefore it is requested that all Program Administrators exercise prudence as respects quotations, binders or endorsements during a catastrophe event of which they have knowledge.

CRIME

A key element to underwriting Commercial Crime coverage is the controls and procedures implemented by an insured.

The CONTROLS section of the Crime Application should be completed in its entirety, and will therefore provide a good base of information for our underwriting consideration:

1. Audits: Cash accounts and inventories must, at a minimum, have an annual audit by Certified Internal Auditors or Certified Public Accountants;
2. Audit report is rendered to: we expect the report will be provided to either the owner, partners or board of directors for an organization;
3. Are bank accounts reconciled by someone not authorized to deposit or withdraw, and is a countersignature required (if not, who signs...i.e. control in place)
 - a. We anticipate a minimum of the following to be in place as respects check signing:
 - (i) Any checks issued over \$1,000 must be countersigned by at least 2 persons. If countersignature cannot be instituted an owner or corporate officer must be the authorized signer.
 - (ii) The duties of handling in-coming checks and issuance of out-going checks must be handled by separate individuals.
 - (iii) Mechanically Affixed Signatures involve computer or non-computer equipment.
 - o If computer operated, control over the input and outflow must be restricted to specifically authorized personnel
 - o Non-computer equipment (e.g. facsimile signature plate or check writing machine) must be properly secured when not in use. Operational access must be limited to as few designated persons as possible and supervised by an owner/officer
 - o Reconciliation-Any employee authorized to reconcile bank account statements should not be permitted to handle deposits or sign checks without countersignature.
 - o Stamping Incoming Checks-All incoming check must be stamped "For Deposit Only" as soon as they are received.
4. Will securities be subject to joint control of two or more responsible employees (a yes answer is anticipated, or that an owner or corporate officer must be the authorized party);
5. Are all officers and employees required to take annual vacations of at least 5 days. This is an important control, as most employee dishonesty activities are discovered when the perpetrator is not present at the workplace (if not otherwise discovered at audit);
6. Additional questions that should be considered when limits over \$250,000 are being offered:
 - a. Do you audit your wire transfer procedures and transactions? How frequently?
 - b. What is your internet security protection such as firewalls or intrusion detection system?
7. Wire transfers/Fraudulent Impersonation: Is there a written policy regarding wire transfers, does your financial institution require authentication of the caller before acting upon any instructions, are the verifications sent to someone not authorized to initiate a the transaction. A respects fraudulent impersonation, confirm procedures for verification of transfer instructions internal (purportedly issued by you, an employee or other management or staff) and external (purportedly issued by your customer or vendor). If no verification procedures are in place we will not provide Fraudulent Impersonation coverage.

Other information can be obtained from a completed crime application and should be considered during the underwriting process:

1. For premises coverages: what type of premises / safe protection is present (with details);
2. How much cash is held on premise during working hours, and overnight; other valuables such as securities, payroll checks exposures?
3. Messengers: how many are used? Are they accompanied by guards? Is a private conveyance used? Is a safety satchel used?

When there is significant value of stock / merchandise exposed, identify the control over flow and possession of merchandise. There should always be close managerial supervision over the movement of property from one location to another.

Employee Benefit Plans may be included as Insureds. Coverage is provided within the Commercial Crime Coverage Form when the “employee benefit plan” is shown in the Declarations.

A completed signed Commercial Crime Application that provides full information on all exposures and controls must be received during the underwriting process.

The attached document titled Crime Questions / Guide (Appendix IV) provides additional guidance as respects information that is valuable during the underwriting of various crime coverages. Please make full use of this information.

EARTHQUAKE

- A. We are not a market for Earthquake in areas of significant Earthquake exposure.
- B. Earthquake in British Columbia (Lower Mainland and Vancouver Island), Ontario (Ottawa Valley) and Quebec (Quebec City and Montreal) rating for each location must be determined, and documented within the underwriting file, prior to quoting.
- C. The amount subject is 100% of the TIV of all locations exposed to the same fault or zone.
- D. Authority: Refer to signed program underwriting guidelines, as they may be more restrictive than the parameters outlined herein.

For any account requiring referral for the peril of Earthquake:

- 1. Renewal accounts will be discussed utilizing current modeled results.
 - 2. New business accounts must be referred to your Program Manager with sufficient lead time (please provide 5 working days) to have the exposed locations modeled. The referral can then be discussed utilizing the modeled results along with all other underwriting information.
- E. Whenever possible, we should avoid offering Earthquake coverage for locations within EQ Cresta Zones 1 - 8.
 - Refer all such situations to your Program Manager;
 - Any exceptions must be authorized by the appropriate authority within Divisional Home Office;
 - F. For locations within Cresta Zone 1 - 8 the underwriter should satisfactory construction and maintenance prior to quoting.

G. Minimum Earthquake Deductibles:

Province	Earthquake Cresta Zone	Deductible
BC	1 to 4	10%, Minimum \$250,000
Quebec & Ontario	5 to 8	5%, Minimum \$250,000
Quebec	9 to 10	3%, Minimum \$250,000
Rest of Canada	11 to 20	3%, Minimum \$100,000

- I. Rating:
All locations for which EQ coverage is to be provided will be rated within an approved raters

J. Modeling:

All new business withing a Cresta Zone 1 to 8 must be referred to your Program Manager with sufficient lead time (please provide 5 working days) to have the exposed locations modeled. The referral can than be discussed utilizing the modeled results.

FLOOD

- A. Authority: refer to signed program underwriting guidelines, as they may be more restrictive than the parameters outlined herein.
- B. Wherever possible avoid providing Flood coverage for locations that have suffered a flood loss or are in or near a known Flood Area.
- C. Below grade exposures must be identified for all locations at which we are requested to provide Flood coverage. If below grade exposure exists, avoid providing flood coverage at these locations.
- D. Limits: Flood coverage must be reviewed.
- E. Deductibles:
 - a) A separate deductible must be provided for Flood.
 - b) **A minimum Flood Deductible will be \$25,000.**

FLOOD RATING GUIDELINES

An approved rating tool must be used for pricing of flood exposures.

INLAND MARINE

- A. Underwriting information must be gathered for *each coverage*.
- B. All coverages shall be underwritten and priced for **all** exposures assumed (inland marine coverages are not throw-ins).
- C. Most Inland Marine forms do not exclude flood and earthquake perils. We must check the form wordings foreachcoverage. The exposures for flood and earthquake must be identified, underwritten, and documented in all instances where not excluded.
- D. Check the valuation. There may be differences between the valuation clause in our Inland Marine form and the valuation requested/expected by the broker. This must be clarified during the quotation process.
- E. Any coverages and/or exposures encountered with which an underwriter does not have complete familiarity should be referred and discussed with your Program Manager.

INSURANCE TO VALUE

- A. Insurance to Value consideration is imperative in all property insurance situations.
- In all instances ITV assures we will obtain adequate premium to exposure.
 - For Blanket and / or Agreed Amount coverages ITV assures adequate premium plus adequate reinsurance protection.
 - ITV calculations must be performed prior to quoting.
- B. For Property Damage Coverages:
- Obtain a signed statement of values or an application with the full schedule of locations and values **;
 - Obtain a Marshall and Swift valuation replacement cost valuation for all buildings either:
 - valued \$750,000 or greater, and / or
 - a building area of 7,500 sq. ft. or greater, and attach the valuation output to the underwriting file;
 - Compare the submitted building value to your Marshall and Swift estimate. *If the submitted building value is less than the Marshall and Swift estimate by 15% or more, action should be taken to address the deficiency.* Coinsurance, amended limit, documentation of adequacy for the submitted building value via appraisal or similar document, must be finalized prior to binding;
 - ALSO, for multi-location accounts where all, or many, of the locations are less than 7,500 sq. ft., determine for each construction class, the total area and total building values. Divide the total values by the total building areas to determine cost per sq. ft. for each construction type. This should provide the underwriter a level of confidence in appropriate valuation per square foot over the schedule. Include this documentation in your underwriting file;
 - Whenever in doubt regarding appropriate valuation, contact your Loss Control Manager or Program Manager;
 - All Marshall & Swift calculations should be saved in the MSB system. The location information is then available within MSB for annual updates at the time of policy renewal.
- C. Time Element Coverage:
- Obtain signed business interruption worksheets for each location with BI value \$500,000 or greater. Worksheets should be received within 30 days of the policy effective date.
 - Compare total business interruption values to gross sales (from financial statement), to estimate the adequacy of limits.
- D. Inland Marine Coverages:
- Obtain signed statement of values, or specific equipment schedule attached to a completed, signed application.
 - Be sure submission information provides type of valuation (replacement cost/ACV) and coinsurance percentage. Most inland marine coverages should be written on an actual cash value basis.
- E. Control of ITV Documentation:

If a signed statement of values and/or business interruption worksheet is not received prior to binding, our binding confirmation should specify that agreed amount coverage is contingent upon receipt of such information within 30 days of the policy effective date. If not received within 30 days of binding notice of cancellation should be issued, and can be withdrawn only upon receipt of the necessary documentation, or written agreement from the appropriate Program Manager.

An alternative is to issue the policy with coinsurance applicable to the property and/or business interruption exposures for which documentation is outstanding until such time as the statement of values or BI worksheet is received. Once received, the policy may be endorsed to provide agreed amount coverage.

** Signed statements of values (or signed application with the full schedule of locations and values) must contain: values for each location and for each category of coverage (i.e.: building, contents, stock, etc.); indicate the percent valuation (80, 90 or 100%); and state whether coverage is Replacement Cost (RC) or Actual Cash Value (ACV). Business Interruption Worksheets must be complete and indicate the percent valuation (not less than 50%, preferably 80% to 100%).

LOSS CONTROL PROCEDURES

Loss control surveys are provided by AIG Programs and its 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.

The following guidelines have been developed to ensure consistency in the utilization of loss control throughout the underwriting of AIG Programs accounts. Unless stated differently in program specific underwriting guidelines, the following loss control guidelines should be followed:

1. At inception of any program, the AIG Programs loss control staff will have assisted in the selection of an approved subcontractor and appropriate survey report based on program complexity and size, along with any Consultative services that may be deemed appropriate
2. The Program Administrator should request a telephone survey within seven days of the effective date on all new business and every three (3) years thereafter if any of the following applies:
 - a. Total combined premium is between \$25,000 and \$75,000
 - b. There is no loss control report in the file or there is but it is more than two years old, and the policy meets the premium threshold indicated in a. above
 - c. At the discretion of the underwriter; a telephone survey can be ordered more frequently and regardless of premium size if necessary.
3. The Program Administrator should request a physical survey on all new business and every three (3) years thereafter, or per the renewal interval as stipulated in your underwriting guidelines if longer than three (3) years, if any of the following applies:
 - a. Total combined premium is \$75,000 or greater
 - b. Property amount subject value 5,000,000 and greater or, the value threshold shown in your underwriting guidelines if that is a lesser amount subject value. For accounts with multiple locations, develop a plan to complete location surveys within five years. The plan should be developed in conjunction with the Program Manager.
 - c. At the discretion of the underwriter; a physical survey can be ordered more frequently and regardless of premium size, or amount subject total value, if necessary.

If the underwriter has special instructions or questions they need answered via a survey that are unique to the program or account, such instructions should be outlined in the survey request.

4. The Program Administrator should review the survey report and recommendations (if any) within seven (7) calendar days of receipt. The underwriting file should reflect the review and the date it was done and any underwriting actions, if any, that may be necessary as a result of such review.
5. AIG Programs is responsible for mailing the insured and agent the survey letter and recommendations requesting a response to *essential* recommendations (if any) within 14 days.
6. The underwriter is responsible for follow-up on *Essential* recommendations on or about day 45 that no response or a non-compliance response to *essential* recommendations was received.

PROPERTY TERRORISM COVERAGE

Any risk where providing terrorism coverage is a Home Office referral.

TORNADO AND HAIL

Exposure to the perils of tornado and hail can be severe throughout a number of geographical areas of Canada. Extra care should be given to any risk that has previously sustained either a Tornado or Hail Loss.

For locations with Tornado Exposure it is imperative that we underwrite these exposures carefully. Information including, but not limited to, the following should be considered:

- Prior loss(es) by either or both of these Causes of Loss;
- Condition of the roof and roof covering;
- Recent updates of the roof for older buildings. Actual cash value should be contemplated for roofs over 20 years of age. Refer to Miscellaneous Property Information, page 3, paragraph C. for full details.
- As respects locations in any area with known hail activity, for any structure that has a metal roof, we should endeavor to apply the “exclusion of cosmetic damage to roof surfacing” endorsement that has been filed and is available for use.

In addition to the above considerations, higher deductible amounts should be contemplated.

WINDSTORM

A. Coastal business is not a focus of the Program Division. Such exposures should be minimized or avoided throughout our countrywide book of business. “Coastal business” is defined as being within the Canadian Maritimes and within 20 miles of the coast.

B. **Minimum deductibles:**

Standard property policy deductible

C. **Imminent Hurricane Threat** – No binder, policy or endorsement where the perils of windstorm/hail/flood are covered (or to be covered), may be issued, or otherwise agreed, for any property within 100 miles of the seacoast whenever a hurricane has been reported by the Canadian National Weather Service to be within 600 statute miles and moving toward, parallel to or in the general direction of such property.

D. You have the option to exclude the perils of wind and hail for any policy or individual locations.

WILDFIRE

Wildfire exposures should be closely reviewed for any risk that has suffered a wildfire loss or are within an area of know wildfire activity:

If within a brush fire hazard area, we will require:

- Management of the Defensible Area-

Zone 1: within 50 feet of the outermost extensions of buildings:

- Remove all easily combustible vegetation such as woody plants, dead or dry vegetation and oily vegetation.
- Eliminate overhanging vegetation such as tree canopies
- Remove all vegetation within 10 feet of a chimney outlet

Zone 2: 125 feet beyond Zone 1:

- Dead, dry and oily vegetation are still removed
- Other trees and shrubs should be pruned and thinned
- Grass maintained to 4 inches or less

Zone 3: Beyond Zone 2 to the property lines (minimum of 200 ft. from buildings):

- Remove dead or dying trees and bushes
- Thin trees to maintain good tree health

- Fire Resistant Roof Coverings -Class "C" or higher
- Spark Arrestors on wood-stove flues and fireplace chimney openings
- Fuel tank(s):
 - positioned at leased 25 feet from any structure, easily visible and cleared of any significant vegetation;
 - to be readily identified by firefighters, should not be disguised or hidden in any way;
 - should be aligned so that a fireball emitting from the end will not be directed at any structure if an explosion occurs.
- Utility transmission and distribution lines, and fuel lines, should be underground whenever possible.
- For all risks with snowmaking capabilities the insured must have a written plan in place, that in the event of an impending wildfire event they will set up snow guns protect the main buildings at the area PLUS to protect the pump house from fire. Should it become apparent that the wildfire is likely to impact the location, the snow making equipment should be activated prior to evacuation of personnel.

APPENDIX 1

There are various online systems that can be used to help determine various external exposures to our insured:

Google Earth – Provides overhead and street view imagery of our insureds.

Swiss Re Cat Net provides various tools in the determination of Cresta Zones, Wildfire Area, Flood and numerous other natural catastrophes.

APPENDIX II

Signed Statement of Values Worksheet

Business Income and Extra Expense Worksheet

**AIG PROGRAM DIVISION
SIGNED STATEMENT OF VALUES**

NAMED INSURED _____

LOCATION OF PROPERTY _____

CITY, COUNTY, STATE, ZIP _____

A separate statement must be prepared for each location of an account. If a spreadsheet is available which documents the requested details by location, it may be attached to this Signed Statement of Property Values and referenced in Item I. below.

To the best of our knowledge our 100% values are:

DESCRIPTION OF PROPERTY COVERED	VALUE TO THE NEAREST THOUSAND DOLLARS	INDICATE EITHER REPLACEMENT COST OR ACTUAL CASH VALUE
A. Buildings	\$ _____	_____
B. Machinery, Equipment And Fixtures	\$ _____	_____
C. Stock	\$ _____	_____
D. Tools, Records, Patterns, Etc.	\$ _____	_____
E. Property in Yard	\$ _____	_____
F. Property of Others	\$ _____	_____
G. Other _____	\$ _____	_____

H. The value of the following property on the premises is not included and such Property is not to be included in the insurance coverage:

I. The attached spreadsheet dated _____, provides the Description of Property Covered, Value to the nearest thousand dollars, indicates valuation of Replacement Cost or Actual Cash Value for each location to be insured, and is made a part of this STATEMENT OF PROPERTY VALUES.

DATE: _____

SIGNED: _____

OFFICIAL TITLE: _____

NOTE: Please refer to explanatory note on reverse side for assistance in preparation of values for insurance purposes.

This statement of values shall be made a part of the policy by endorsement thereto.

EXPLANATORY NOTES ON VALUE REQUIREMENTS FOR INSURANCE

Replacement Value is to be stated as the same site with new material of similar kind and quality AT TODAY'S PRICES.

Actual Cash Value is to be stated as the Replacement Value less actual physical depreciation. (Book value IS NOT appropriate).

Expensed and fully depreciated items whether they be Buildings, Equipment or Tools must be included at their current Replacement and Actual Cash Values unless shown under "H".

- A. "Buildings" includes all permanent structures on premises as well as Fixtures, Fittings and Equipment pertaining to buildings and structures and improvements and betterments in which the insured has an interest. The value of foundations, piping and wiring below the level of the lowest floor is to be included.
- B. "Machinery, Equipment and Fixtures" includes Furniture, Utensils, Furnishings and all Contents except values included under "C", "D", "E", "F", "G" or "H".
- C. "Stock" includes Merchandise, Raw Materials, Supplies, Stock in Process and Finished Goods, values for which are to be determined as follows:
 - 1. Raw materials, supplies and other merchandise not manufactured by the insured, the replacement cost;
 - 2. Stock in process, the value of raw materials and labor expended, plus the proper proportion of overhead charges;
 - 3. Finished goods manufactured by the Insured, the regular cash-selling price.
- D. "Tools, Records, Patterns, etc." includes Tools, Dies, Jigs, Patterns, Flasks, Templates, Records, Manuscripts, Drawings, Tracings, Prints, Data Processing Media, etc. except such items as may be shown under item "F" or "H".
 - 1. Value of Records, Manuscripts, Drawings, etc. should be based on their value blank plus cost to actually transcribe or copy them.
 - 2. Value of Data Processing Media including programs to be based on the cost of replacing the storage device (cards, tape, disk, etc.) blank plus the cost of reproduction from duplicates or from originals of the previous generation of the media and is not to include cost of gathering or assembling information or data for such reproduction.
 - 3. Dies, Jigs, Patterns, etc. that are active or useful or which would be replaced are to be shown at their full replacement cost.
- F. "Property of Others" includes Customers Goods, Property owned by others including Officers and Employees, Leased Equipment, Government Property, etc.
 - 1. If such property is on premises normally, and more or less constantly, and the Insured has assumed liability for it, either formally or informally by custom or choice, value should be shown under "F".
- H. If the Insured acknowledges no liability, and/or the Insured chooses not to include the property under the coverage, then such property should be identified under this item.

When completing this statement both Replacement Value and Actual Cash Value columns are to be filled in, regardless of type of coverage written.

**AIG PROGRAM DIVISION
BUSINESS INCOME AND EXTRA EXPENSE WORKSHEET**

BUSINESS INCOME WORKSHEET

Net Profit (Loss) \$ _____

Plus Fixed Operating Expenses (that continue to be incurred):

Depreciation \$ _____

Insurance \$ _____

Utilities (if any) \$ _____

Taxes (property, unemployment, etc) \$ _____

Rent \$ _____

Lease Payments \$ _____

Interest Expense \$ _____

Advertising \$ _____

Services Purchased from Others \$ _____

Salaries – officers, other salaries and other payroll expenses that *necessarily continue* \$ _____

Other expenses that necessarily continue:
Describe:
_____ \$ _____
_____ \$ _____
_____ \$ _____

Ordinary Payroll for _____ consecutive calendar days: \$ _____

* Minimum 90 consecutive calendar days

* Attach information stating positions and payroll that will continue

Total 100% Business Income - Profit (Loss) Plus Continuing Expenses / Ordinary Payroll \$ _____

Take 100%, 90%, 80% or ___% (coinsurance) X _____%

Total _____% Business Income Limit \$ _____

EXTRA EXPENSE WORKSHEET

Extra Expense is the extra monthly cost(s) incurred to continue operations as your business recovers after a physical loss. This worksheet is designed to help determine the extra monthly costs necessary to continue operations after such physical loss. There are typically higher expenses realized during the first month of recovery, and additional “close down” expenses incurred during the last month.

	<u>First Month</u>	<u>Each Subsequent Month</u>	<u>Last Month</u>
Temporary Location(s):			
<input type="checkbox"/> Rent	\$ _____	\$ _____	\$ _____
<input type="checkbox"/> Fixtures, machinery & equipment	\$ _____	\$ _____	\$ _____
<input type="checkbox"/> Telephone / communications	\$ _____	\$ _____	\$ _____
<input type="checkbox"/> Transportation expenses	\$ _____	\$ _____	\$ _____
Moving, hauling, installation:	\$ _____	\$ _____	\$ _____
Advertising, notifications;	\$ _____	\$ _____	\$ _____
Purchase of additional services:	\$ _____	\$ _____	\$ _____
Employee expenses:			
<input type="checkbox"/> Overtime	\$ _____	\$ _____	\$ _____
<input type="checkbox"/> Travel allowances / transportation	\$ _____	\$ _____	\$ _____
<input type="checkbox"/> Additional staff	\$ _____	\$ _____	\$ _____
Additional transportation, shipping costs	\$ _____	\$ _____	\$ _____
Other additional expenses incurred:			
<input type="checkbox"/> Describe:			
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

Total number of months required to recover from total destruction of property: _____.

First month total _____ (a)

Last month total _____ (b)

Intervening months (monthly value) _____ x (total months -2) = _____(c)

TOTAL EXTRA EXPENSE (a+b+c) _____.

COMBINED BUSINESS INCOME AND EXTRA EXPENSE LIMIT CALCULATIONS

- 1. Your TOTAL 100% BUSINESS INCOME LIMIT (from page 1): \$_____.
- 2. Your estimated total number of months from date of physical loss until operations are back to normal, if extra expense dollars are not provided (in the event of a total loss of property): _____
- 3. Your estimate of Business Income amount for the duration of loss:

$$\frac{\text{Total number of months (2. above)}}{12 \text{ months}} \times \text{TOTAL 100\% BUSINESS INCOME} = \$_____$$
- 4. Your estimated percentage by which your Business Income amount in item 3 would be reduced utilizing Extra Expense expenditures to mitigate your Business Income loss, by assisting you to remain operational (partially or in total): _____%
- 5. Estimated Business Income reduction by use of Extra Expense (line 3 x line 4): \$_____
- 6. Your estimate of actual Business Income loss with Extra Expense (line 3 – line 5): \$_____
- 7. TOTAL EXTRA EXPENSE (from page 2): \$_____
- 8. Your estimate of **Total Business Income and Extra Expense** (line 6 + line 7) \$_____.

DATE: _____

SIGNED: _____

OFFICIAL TITLE: _____

APPENDIX III

Lloyds First Loss Scale

Revised Lloyd's 1st Loss and Excess of Loss Scale

A	B	C	A	B	C	A	B	C	A	B	C
1	22.4	77.6	4.5	39.6	0.4	34	77.3	22.7	69	87.1	12.9
1.1	22.9	77.1	4.6	40.2	59.8	35	77.6	22.4	70	87.3	12.7
1.2	23.5	76.5	4.7	40.8	59.2	36	78	22	71	87.6	12.4
1.3	24.1	75.9	4.8	41.3	58.7	37	78.4	21.6	72	87.8	12.2
1.4	24.7	75.3	4.9	42.9	58.1	38	78.8	21.2	73	88	12
1.5	25.2	74.8	5	42.5	57.5	39	79.2	20.8	74	88.3	11.7
1.6	25.8	74.2	6	44.8	55.2	40	79.5	20.5	75	88.5	11.5
1.7	26.4	73.6	7	47.1	52.9	41	79.9	20.1	76	89	11
1.8	27	73	7.5	48.2	52.9	42	80.2	19.8	77	89.4	10.6
1.9	27.5	72.5	8	49.4	50.6	43	80.4	19.6	78	89.9	10.1
2	28.1	71.9	9	51.3	48.3	44	80.8	19.2	79	90.3	9.7
2.1	28.4	71.6	10	54	46	45	81.1	18.9	80	90.8	9.2
2.2	28.7	71.3	11	55.1	44.9	46	81.5	18.5	81	91.3	8.7
2.3	29	71	12	56.3	43.7	47	81.8	18.2	82	91.7	8.3
2.4	29.3	70.7	13	57.4	42.6	48	82.1	17.9	83	92.2	7.8
2.5	29.6	70.4	14	58.6	41.4	49	82.4	17.6	84	92.6	7.4
2.6	29.8	70.2	15	59.7	40.3	50	82.7	17.3	85	93.1	6.9
2.7	30.1	69.9	16	60.9	39.1	51	83	17	86	93.6	6.4
2.8	30.4	69.6	17	62	38	52	83.2	16.8	87	94	6
2.9	30.7	69.3	18	63.2	36.8	53	83.4	16.6	88	94.5	5.5
3	31	69	19	64.3	35.7	54	83.7	16.3	89	94.9	5.1
3.1	31.6	68.4	20	65.5	34.5	55	83.9	16.1	90	95.4	4.6
3.2	32.1	67.9	21	66.6	33.4	56	84.1	15.9	91	95.9	4.1
3.3	32.7	67.3	22	67.8	32.2	57	84.4	15.6	92	96.3	3.7
3.4	33.3	66.7	23	68.9	31.1	58	84.6	15.4	93	96.8	3.2
3.5	33.9	66.1	24	70.1	29.9	59	84.8	15.2	94	97.2	2.8
3.6	34.4	65.6	25	71.2	28.8	60	85.0	15.0	95	97.7	2.3
3.7	35	65	26	72	28	61	85.3	14.7	96	98.2	1.8
3.8	35.6	64.4	27	72.7	27.3	62	85.5	14.5	97	98.6	1.4
3.9	36.2	63.8	28	73.4	26.6	63	85.7	14.3	98	99.1	0.9
4	36.7	63.3	29	74.1	25.9	64	86.0	14.0			
4.1	37.3	62.7	30	74.8	25.2	65	86.2	13.8			
4.2	37.9	62.1	31	75.6	24.4	66	86.4	13.6			
4.3	38.5	61.5	32	76.3	23.7	67	86.7	13.3			
4.4	39	61	33.33	77	23	68	86.9	13.1			

A = Primary Limit as % of total limit
 B = % of premium allocated to primary
 C = % of premium allocated to Excess

APPENDIX IV

Commercial Crime Questions / Guide

Commercial Crime Questions / Guide

Audit

1. Is there an audit? CPA ___ Public Accountant ___ Staff ___ Other _____
2. Audit Frequency? Annual ___ Semi-Annual ___ Quarterly ___ Other _____
3. Does the Audit Include Inventory? Yes ___ No _____
4. Audit Report is rendered to: Board of Directors ___ Other _____

Banking

1. Are bank accounts reconciled by someone not authorized to deposit or withdraw?
Yes ___ No _____
2. Is countersignature of checks required? Yes ___ No _____
If no, who signs controls? _____
3. Will securities subject to joint control of two or more responsible employees? Yes ___ No _____
4. Are all incoming checks stamped "For Deposit Only" immediately upon receipt? Yes ___ No _____
5. Are all officer and employees required to take a vacation of at least five consecutive business days?
Yes ___ No _____

Wire Transfer Controls/Fraudulent Impersonation

1. Is there a written policy regarding wire transfers? Yes ___ No _____
2. Is approval by more than one person required to initiate a wire transfer? Yes ___ No _____
If so, at what dollar amount? _____
3. What is the average monthly number of fund transfers? _____
4. What is the largest single amount that can be transferred? _____
5. Does your bank require authentication of the identity of the caller before acting upon any instruction?
Yes ___ No _____
6. Does your bank require confirmation of funds transfer transaction in writing within 24 hours?
Yes ___ No _____
7. Are verifications sent directly to a department/person not authorized to initiate transfer?
Yes ___ No _____
8. Is reconciliation performed on the same day the confirmation is received? Yes ___ No _____

9. Are there independent checks of funds transfer records by employees not authorized to handle such transfers? Yes____ No_____
10. Are there specific arrangements with banks as to those employees of yours authorized to:
- a) Transfer funds? Yes____ No_____
 - b) Request changes in procedures? Yes____ No_____
 - c) Obtain Records? Yes____ No_____
11. Fraudulent Impersonation:
- a) The above Wire Transfer criteria will apply to such payments.
 - b) Internal Instructions: Do you verify transfer instructions purportedly issued by you, an employee, or other management and staff? Yes ____ No ____; if so:
 - i. All instructions are verified: Yes ____ No ____; or
 - ii. Instructions are verified for all transfer instructions in excess of: \$ ____; or
 - iii. No requirement of transfer instructions is required (with this response, we should not provide Fraudulent Impersonation Coverage)
 - c) Customer and Vendor Instructions: Do you verify transfer instructions purportedly issued by your customers or vendors? Yes ____ No ____; if so:
 - i. All instructions are verified: Yes ____ No ____; or
 - ii. Instructions are verified for all transfer instructions in excess of: \$ ____; or
 - iii. No requirement of transfer instructions is required (with this response, we should not provide Fraudulent Impersonation Coverage)

Computer Controls

- 1. Do you have an IT Department or Computer Department? Yes____ No_____
- 2. Are the duties of programmers & operators segregated? Yes____ No_____
- 3. Is there an employee or department whose sole duty is security? Yes____ No_____
- 4. Are tests performed to detect unauthorized programming changes? Yes____ No_____
- 5. Do employees have access only to information or programs that allow them to do their job?
Yes____ No_____
- 6. Are passwords required to access sensitive information? Yes____ No_____
- 7. When Employees change positions and no longer required access to certain information, is access status changed? Yes____ No_____
- 8. Are computer system access codes and passwords changed at least every 60 days?
Yes____ No_____ If not, how often? _____

9. Do any non-employees have access to the computer systems? Yes ___ No ___ If yes, identify who and for what purpose:

10. Do internal audit procedures include computer operations? Yes ___ No ___

Purchasing, Inventory and Vendor Controls

1. Is your purchasing department separated from receiving responsibilities and supervised by a person not authorized to pay bills? Yes ___ No ___
2. Are the duties of purchasing, receiving, storekeeping, and shipping separate so that now one individual can control these functions from beginning to end? Yes ___ No ___
3. Are perpetual inventories maintained in addition to physical check of stock and equipment? If yes, by whom? ___ How often? ___
4. Do you have a security alarm system and video camera to protect your inventory in each of your plants or warehouses? Yes ___ No ___
5. Is the responsibility for checking in merchandise received subject to ultimate control of more than one individual? Yes ___ No ___
6. Is an authorized vendor list utilized to assist in detecting payments to fictitious supplies? Yes ___ No ___
7. Is the responsibility for authorizing vendors, approving invoices and processing payments segregated amongst different individuals? Yes ___ No ___
If no and one person has complete responsibilities, does this person also have authority to sign checks and reconcile bank accounts? Yes ___ No ___
8. Do you have automated systems that will prevent unauthorized vendors and duplicate invoices from being entered? Yes ___ No ___
9. Do you operate your own warehouse or warehouse for others? Yes ___ No ___