

AIG Programs

QWIKNOTES

FOR

PROPERTY

November 1, 2020

KNOWLEDGE BASED UNDERWRITING

A quick reference to basic property insurance underwriting standards for Program Administrators

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1. PROPERTY AND INLAND MARINE STRATEGY

These guidelines are MINIMUM requirements and may be superseded by more restrictive individual Underwriting Authority Statement. REFER TO YOUR INDIVIDUAL UNDERWRITING AUTHORITY STATEMENT FOR ANY EXCEPTIONS TO THESE QwikNotes.

AIG Programs will write property and 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 a package policy or on a monoline basis. The property and inland marine lines must be underwritten to a profit on the merits of each 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 30% over our divisional book of business for frequency losses (loss activity below \$100,000 per claim). The divisional loss ratio for such frequency losses plus large non-catastrophe losses (over \$100,000, no assigned CAT number) shall not exceed 30%. 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 strict underwriting discipline for catastrophe prone business. Accounts with coverages for Alaska, California and Hawaii 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 at AIG Programs.

The profitability of our property and 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.

2. MISCELLANEOUS PROPERTY INFORMATION

A. Data Accuracy: Data accuracy means the timely and accurate data entry and completion of data attributes. Data quality impacts all elements of transactional underwriting as well as portfolio management. In the long term an underwriting organization cannot achieve and sustain profitability with poor data as decision-making will be inaccurate and treaty costs affected.

Data accuracy and quality is the responsibility of the Program Administrator, regardless of who inputs the data.

- B. 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

- C.** Where the age of a building is 30 years or more, you must obtain evidence and keep it in the underwriting file that electrical wiring, heating and plumbing is up to date with all current codes. The signed application affirming updates within the past 15 years or a 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.
- D.** 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, you should not quote the risk without affirmation, in writing, from a qualified roofing contractor that the roof is in satisfactory condition.

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

1. Confirm in all instances that the roof is in satisfactory condition. If not confirmed, you should determine that there have not been recent water damage losses, and be sure to note any water intrusion losses during our period of coverage.
2. If a location is situated within any of the following catastrophe prone areas, follow the guidelines presented below:

Locations in catastrophe prone areas:

- a. Any location in an area with a RiskMeter tornado score of 4 or greater and/or hail score 7 or greater, you must apply the “actual cash value” option to the roof surface.
- b. For any building located within a windstorm control zone (as defined in the Windstorm section), where the roof age is 20 years or greater, you must apply the “actual cash value” option to the roof surface. If you do not receive information regarding the age of a roof, you must apply the “actual cash value” option until written confirmation of an updated roof surface is received and on file. If you want to remove the actual cash value option, you must refer the account to your program manager for approval.

If an insured advises you that a roof has been “updated” within a period of the past 20 years, so that the above rules would not apply, you must confirm that

“updated” means a complete resurfacing of the roof. Patches, repairs or partial replacement do not qualify as sufficient “updates”.

For the purpose of **a.** or **b.** above, the following will also be considered satisfactory as an affirmation of adequate roof condition:

- Confirmation in writing, from a qualified roofing contractor that the roof is satisfactory condition; or
- Pictures of the entire roof surface that provides evidence of satisfactory condition (but only for roof surfaces up to age 25 years).

“Actual cash value” option refers to the filed endorsements (both ISO and for AIG’s proprietary forms) that apply a valuation of “actual cash value” to the roof surfacing via wording that states: “Replacement Cost Coverage (if otherwise applicable to such property) does not apply to roof surfacing. Instead we will determine the value of roof surfacing at actual cash value at the time of loss or damage.” This is applicable for loss or damage by a **covered cause of loss (including wind and/or hail)**, Please work with your Program Manager for the appropriate form usage.

E. Coverage Extensions (Integrated Property Insurance Solutions - *PropertyOne Form / “Enhanced” Property Forms*):

You must have complete knowledge and understanding of any coverage extension offered. Coverage for these exposures must be underwritten, as they are not “throw-in” coverages. These coverages offer insureds broad coverages enhancements that need a comprehensive review.

F. Fire Following Earthquake:

This exposure can be severe, especially for risks located within geographical areas rated as 250 Year MMI Zone 7.00 and higher. Therefore, for all such exposures, you must:

- Note that the peril of Earthquake does not need to be covered for such a loss to occur;
- Identify all such locations, on all property schedules;
- Confirm superior construction and maintenance of these buildings (this is especially important at locations where the public construction codes are not sufficiently stringent to diminish loss potential from earthquake, or other loss resulting from an earthquake event;
- Confirm incoming utilities (especially gas mains) are adequately safeguarded and to current building “codes”;
- For sprinklered risks, analyze protection as outlined in the Automatic Sprinkler section.

G. 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 that are damageable, etc.);
- Identify the Time Element potential. **The current ISO form, CP 1545 Utility Services - Time Element Endorsement provides a 72-hour 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 your Program Manager.

H. Maximum Amount Subject: When determining the values subject to a single potential loss from fire the following chart 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 Probable Maximum Loss (PML) or Maximum Foreseeable Loss (MFL) considerations of the Maximum Amount Subject.

Construction	Protection Class	Protection Class	Protection Class
	1 – 3	4 - 7	8 - 10
ISO 1 Frame	100 ft.	150 ft.	200 ft.
ISO 2 Joisted Masonry	100 ft.	125 ft.	150 ft.
ISO 3 & 4 Non-Combustible	50 ft.	75 ft.	100 ft.
ISO 5& 6	50 ft.	65 ft.	75 ft.

If the Protection Class is a split grade, use the higher numerical value of the 2 grades to determine the maximum amount subject. If there is a ‘W’ in the grade then the location will be considered in Protection Class 8 – 10.

For any risk where a cause of loss other than fire poses the potential for more significant loss or damage than the amount subject calculated above (such as wind or similar causes of loss), the amount subject must be considered the TIV of all locations exposed to a single occurrence from such cause of loss as tornado, wildfire etc.

I. 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.

J. 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 Authority, must be referred to the appropriate Program Manager for approval).

K. Vacant / Unoccupied Properties:

- Vacant or unoccupied properties should be considered only when incidental to a larger schedule of properties;
- You should attempt to cover solely for specified perils (named perils excluding Vandalism and Malicious Mischief are preferable);
- If the exposed property has central station alarms, watchman service, or similar protections, you may refer such all risk perils to your Program Manager for approval;
- Any such property quoted may not be vacant or unoccupied for more than one year;
- If there is a pending sale, or similar valid reason to consider a property that is vacant or unoccupied for more than one year, you may refer it to your Program Manager for approval;
- For any such properties covered you must document the underwriting 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.
- If a building becomes vacant during the policy term, the policy Vacancy clause will apply and modify coverage subject to the terms of the policy.

L. Exterior Insulation Finishing Systems (EIFS):

EIFS is a type of building product that provides exterior walls with an insulated, finished surface utilizing an integrated system of composite materials. EIFS 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 EIFS. This finish is very common in both new and renovated commercial buildings to give them a more modern look. For examples of its appearance, refer to the linked project gallery:

<https://www.eima.com/eifs/project-gallery>

A basic description of EIFS 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.

You must refer ALL locations that include EIFS construction to your Program Manager if the EIFS covering is more than 10 years old or has sustained an impact that 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 EIFS system. Most problems are the result of improper installation 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 EIFS 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 EIFS topcoat.

When underwriting locations with more than 25% of the exterior covered in EIFS, the building construction is to be reduced by one ISO construction classification. Meaning if a building is ISO 6 and 25% or more of the exterior is covered in EIFS the building should be rated as if it is of ISO 5 construction.

M. Air Supported Structures

You must refer any air supported structure, inclusive of, but not limited to, bubbles and domes with a value greater than \$250,000 to your Program Manager for approval:

You must include the following when referring to your Program Manager:

- Age of the structure.
- How is the structure supported.
- If employees erect they must be supervised by someone with experience in erecting air supported structures.
- If a vendor erects the insured should obtain a certificate of insurance showing

the insured as an additional insured to the vendor's policy.

- Winter Season
 - How long is the air supported structure erected?
 - How is it protected during adverse weather (snow/ice)?
- Is there a written emergency plan?
- Obtain copy of manufactures specifications showing warranty information and how the structure is resistant to the elements.

Underwriting considerations:

- Replacement cost if not older than 10 years. Structures 11-years or older will be written as actual cash value.
- Loss control should be used to confirm the information provided.

3. AGREED AMOUNT

A. Coinsurance:

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

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

C. You must complete the insurance to value calculation for Real Property regardless of the limit requested.

* For a more detailed description see paragraph **E.** in **Control of ITV Documentation.**

4. AUTOMATIC SPRINKLER SYSTEMS AND PROTECTION

A. Identify hazards of occupancy for each location, utilizing as necessary the following:

- AM Best's Underwriting Guide,
- AIG's Loss Control team,
- Internet based searches,
- Your Program Manager.

B. If there is onsite storage of goods - 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 onsite storage of goods - 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 and lithium ion batteries. 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, you must obtain sprinkler head maintenance and replacement information;
- Servicing of system – you must 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 dry system.
 - An antifreeze system.

E. Obtain sprinkler alarm information:

- Local (if so, is there 24-hour occupancy or watch service or someone to hear an alarm?);
- Central Station (if so, is it a UL approved service?);
- Alarm to Fire Department (if so, is the fire station staffed 24-hours per day?).

F. Water supply – is it public, private, or both? Is it a single source or two-source supply? If private only, you must get a Loss Control opinion on adequacy.

G. Obtain an ISO Sprinkler Grading from the Building Underwriting Report (if less than 50, you must rate and underwrite the risk as non-sprinklered). If no Building Underwriting Report is available, you must rate the risk as non-sprinklered.

If the sprinkler grading is below 50, but recent improvements have been made to the sprinkler system, refer to the Program Manager, or obtain loss control assistance, to

determine sprinkler adequacy. If you receive written documentation of sprinkler adequacy, the risk may be underwritten as sprinklered.

H. If no ISO Sprinkler Grading is available, you must:

- 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 AIG's Loss Control team and your Program Manager to determine sprinkler adequacy.
- If the Rating, Construction, Protection code indicates a sprinklered building, we will agree to underwrite the location as sprinklered. If the loss cost is more than 5 years old, order a new loss cost from ISO, and then pull the Building Underwriting Report once the loss cost is published to assure sprinkler adequacy. Otherwise, you must underwrite the location as a non-sprinklered location.

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

EARTHQUAKE SPRINKLER LEAKAGE:

A. Underwriting - Refer to the Earthquake section for details.

B. Authority - Refer to your individual signed Underwriting Authority Statement.

Endorsements are available to exclude or sublimit this exposure. You must refer all sprinklered locations within a 250 year MMI Zone 7.00 and higher to your Program Manager for approval.

5. BLANKET LIMITS

AIG Programs prefers not to provide blanket policy limits. Limits may be written 'blanket per location' as outlined below. Any exception to this blanket limits restriction will be provided upon referral to and approval by your Program Manager or as granted within your Underwriting Authority Statement.

- Do not combine Property Damage and Time Element** - you must maintain separate Business Income (Time Element) limits.
- Obtain signed statement of values and signed business income worksheets for each location.
- You must write Property Damage (real and personal property) at a minimum 90% coinsurance value.

- D. You must write Business Interruption coverage at a minimum 50% coinsurance value (preferably 80% to 100% value)
- E. Total Insured Values (TIV) and Amount Subject:
 - 1. For TIV purposes, and maximum amount subject calculations, you must use 100% of specific location values for each and every coverage (AIG is liable for payment of 100% value in the event of loss);
 - 2. You must increase stock and other moveable personal property by 30% (of the 100% value) as a protective buffer to assure adequate amount subject values;
 - 3. You must include all Inland Marine values, and any other exposed property values, within the TIV for each location;
 - 4. If the PropertyOne form, "Enhanced" Property Form or any other approved enhancement endorsement is used, you should add a buffer equal to 10% of the building value for each location to protect against building ordinance exposures creating increased liability;
 - 5. When providing Blanket Per Location coverage, you must use the Blanket Limit Per Premises Endorsement as documented in your Underwriting Authority.

6. BUILDING ORDINANCE COVERAGE

You must receive answers to the following questions regarding each location to be covered when AIG is providing 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 - i.e. 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. Americans 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 AIG is providing this coverage, **you must always request comments from AIG 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 use of PropertyOne, or any other Property Enhancement Forms and Endorsements that provide full Building Ordinance Coverage within the building limits **for buildings constructed prior to 1975, you must 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.**

7. BUSINESS INCOME AND EXTRA EXPENSE

- A.** Property Damage must be provided for any locations where Business Income (BI) is being provided. If there is a policy where we are not providing coverage at a location, you must endorse the policy to indicate that we are not providing business income or extra expense as respects to such property.
- 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?
 - Was a Business Interruption Worksheet completed and provided?
 - Did the Insured estimate their Business Income values?
 - Did the Broker estimate the Business Income values?
 - Is payroll included within the Business Income values? Does the insured want to cover ordinary payroll?
- C.** Identify and underwrite any bottlenecks or any interdependencies the insured may have that could that could impact the insured's ability to conduct their business.
- D.** Identify and underwrite any areas of high valued business interruption exposure. Is there any specialty or difficult to replace personal property or machinery?
- E.** Identify and underwrite 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:** When offering Agreed Amount, you must obtain a signed business interruption worksheet for each location where Agreed Amount coverage is provided, per the requirements outlined in the Insurance to Value section.
- You must require no less than 50% coinsurance, preferably 80% to 100% (remember AIG still pays the 100% amount until the limit is exhausted!).
- H. Extended period of indemnity:** you must obtain an estimate of the time, which would be required to restore operations to their original operating condition after complete resumption of operations. You must refer any extension more than 180 days to your Program Manager for approval.
- I.** Any time the waiting period is less than 72 hours you must understand the change in exposures before providing such waiting period reduction.
- J. Contingent Business Interruption (Dependent Property Business Income):**
- Identify locations where any contingency exists.
 - Underwrite each location by obtaining complete COPE information.
 - 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?
 - 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?
 - Identify any major customers upon whom the insured depends to generate sales whose lost business would adversely affect our insured? If so, you must underwrite this exposure carefully.
 - If any coverage is requested for unnamed contingent locations, you may agree only to the limits provided within AIG’s proprietary property forms, which is currently \$100,000.
 - Current ISO Business Income from Dependent Properties endorsement provides for a 72-hour waiting period. We should be sure to maintain this protection.
 - You must refer any limits requested for a named location to your Program Manager.
- K. Extra Expense:**
- 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
- When underwriting any Extra Expense coverage, the exposure identification utilized for Business Interruption (B, C, D, E, F within the Business Income Section above) must also be used to identify:
 - Normal Extra Expense payout exposures;
 - The potential for prolonged disruptions;
 - The potential for high valued exposures.

8. CATASTROPHE EXPOSURES

Refer to your signed Underwriting Authority Statement for limitations to your underwriting authority to quote the perils of Earthquake, Flood and Windstorm.

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

Upon the manifestation of a catastrophic event:

You may not issue any binder, policy or endorsement:

- 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 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 area known to be impacted by a wildfire event, during such event.

AIG Programs 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 moratorium to write new business of increase limits on current policies may not be issued. Therefore, you must exercise prudence as respects quotations, binders or endorsements during a catastrophic event of which you have knowledge.

9. CRIME

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

The insured must complete the CONTROLS section of the Crime Application in its entirety, and will therefore provide a good base of information for your underwriting consideration:

- A.** Confirm Audits: Cash accounts and inventories must, at a minimum, have an annual audit by Certified Internal Auditors or Certified Public Accountants;
- B.** Confirm that the audit report is provided to either the owner, partners or board of directors for an organization;
- C.** 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).
 - The following procedures must be confirmed as a minimum with regard to check signing:
 - (i) Any checks issued over \$1,000 must be countersigned by at least two persons. If countersignature cannot be instituted an owner or corporate officer must be the authorized signer.
 - (ii) The duties of handling incoming checks and issuance of outgoing checks must be handled by separate individuals.
 - (iii) Mechanically Affixed Signatures involve computer or non-computer equipment.
 - If computer operated, control over the input and outflow must be restricted to specifically authorized personnel.
 - 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.
 - Reconciliation-Any employee authorized to reconcile bank account statements should not be permitted to handle deposits or sign checks without countersignature.
 - Stamping Incoming Checks-All incoming check must be stamped "For Deposit Only" as soon as received.
 - The following minimum controls are to be confirmed as respects to the insureds online banking:
 - Computers and other system components are protected by the most up-to-date firewalls and antivirus software.
 - The insureds follow Two-step Logins to access online bank accounts.
 - Does the insured use Device identification and geofencing?
 - Are the insureds' employees trained to recognize phishing or social engineering whereby someone tries to gain access to the insureds computer system?
 - Does the insured work with its banking institution to ensure the appropriate computer banking security measures are in place?
- D.** 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);

- E.** 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);
- F.** 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?
- G.** 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 the transaction. As 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:

- A.** For premises coverages: what type of premises / safe protection is present (with details);
- B.** How much cash is held on premise during working hours, and overnight; other valuables such as securities, payroll checks exposures?
- C.** Messengers: how many are used? Do guards accompany the messengers? Is a private conveyance used? Is a safety satchel used?

When there is significant value of stock / merchandise exposed, identify the control overflow 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.

If you are authorized, within your signed program Underwriting Authority, to use the Crime Discovery Form, we must attach the Retroactive Date endorsement. The date utilized on the endorsement should not be more than one year prior to the effective date for which we issue our original policy to an insured. For subsequent renewals, we can use the same date. If there is a break in coverage, at any point, we must then change the retro date to be not more than one year prior to the effective date.

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.

10. EARTHQUAKE

You may not offer Earthquake coverage in Alaska, California, Hawaii or any other areas of significant Earthquake exposure.

- A. The earthquake 250 year Modified Mercalli Index (MMI) rating for each location must be determined, and documented within the underwriting file, prior to quoting. RiskMeter will provide such rating as part of the US Earthquake Hazard Report, for locations in states as referenced below. This requirement applies for those states only.
- B. The amount subject is 100% of the TIV of all locations exposed to the same fault or zone.
- C. Authority: Refer to your signed Underwriting Authority Statement, as it may be more restrictive than the parameters outlined herein.

For any account requiring referral for the peril of Earthquake as outlined in your Underwriting Authority Statement:

- You must refer new business accounts 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.
 - Renewal accounts will be discussed using current model results provided by your Program Manager. If the renewal values have changed by more than 10% request your Program Manager to have the risk remodeled with the updated values.
- D. Limits: Earthquake coverage must be sublimated, and provide an annual aggregate limitation equal to the per occurrence sublimit.
 - E. Whenever possible, you must avoid offering Earthquake coverage for locations within Earthquake Zones of 250 year MMI rating 7.00 and higher.
 - You must refer any such risk to your Program Manager for approval. The referral must include the RiskMeter data and rating;
 - F. For locations within 250 year, MMI Zones of 6.99 or less, you must determine that there is satisfactory construction and maintenance prior to quoting.
 - G. Minimum Earthquake Deductibles:
 - 250 year MMI Zones of 6.99 or less: \$25,000 per occurrence or per ISO percentage deductibles,

- Charleston, South Carolina: minimum 2% of value (minimum \$50,000 per occurrence), otherwise refer to the appropriate property authority level;
- 250 year MMI Zones of 7.0 and above- refer to the proper property authority level.

You must refer any deviations from the minimum deductibles to your Program Manager for approval.

- H.** Rating: All locations for which Earthquake coverage is to be provided must be rated within CoverAll utilizing ISO Earthquake rates and territories.

A listing of ISO construction codes is available in SAGE Silver Plume/Reference Connect as a reference to appropriately classify each location for rating in Cover-All or other ISO compliant rating system.

- I.** Fire following earthquake must also be given strong underwriting consideration, even when we are not providing the earthquake peril. See the Miscellaneous Property Information page for detail.
- J.** Use RiskMeter to obtain the RiskMeter Earthquake Ground Shaking result – 250 year MMI rating for the specific location being underwritten. RiskMeter will provide the 250-year MMI intensity/zone to which the building(s) are exposed.

Earthquake determinations via RiskMeter are to be performed in the following geographical areas*:

Arkansas	Indiana	Missouri	Tennessee
California	Kentucky	Nevada	Washington
Illinois	Mississippi – Counties Desoto, Tunica, Marshall, Tate, Coahoma, Bolivar	Oregon	

Remember, you may not offer Earthquake coverage in Alaska, California and Hawaii. On rare occasion, an exception can be made, upon referral to your Program Manager. If you wish to refer a risk, you must include RiskMeter information and Earthquake Modeling Average Annual Loss with your full property referral.

All other states are deemed to have exposure of 6.99 or less for underwriting purposes, (you will not receive RiskMeter results for such states).

- K. EARTHQUAKE SPRINKLER LEAKAGE:** In areas of RiskMeter Earthquake Ground Shaking result – 250 year MMI 6.99 or less, confirm appropriate maintenance of system, and that all piping/hangars are in good condition and repair.

- In RiskMeter US Earthquake Hazard Report with a 250 year MMI 7.00 and higher:

- All Earthquake Sprinkler Leakage coverage in these zones must be sublimited, and contain an annual aggregate limitation no greater than \$1,000,000, and must receive approval from your Program Manager.
- Confirm appropriate maintenance of system, and that all piping/hangers are in good condition and repair.
- Confirm that all sprinkler piping is adequately braced / supported, as per current local and state building codes, and
- Confirm that the openings for all sprinkler piping where it penetrates through walls, ceilings, and suspended ceilings, is installed per current local and state building codes, and
- Confirm that all sprinklers are installed utilizing flex connectors at all critical junction points within the sprinkler system, and

You must refer all sprinklered locations within areas of RiskMeter Earthquake Ground Shaking result – 250 year MMI 7.00 and higher to your Program Manager.

11. FLOOD

- A.** The Flood Risk Score (from RiskMeter) must be determined for each location and documented within the underwriting file, prior to quoting. A score will be returned that ranks the exposure for a location with a score of 10 to 100.
- The report will also return location elevation information, base flood elevation, and distance to various flood zones, HOWEVER we will be using the Flood Risk Score as the output for determining acceptability (or not) of the flood exposure.
 - The flood risk score shall be used as follows during the underwriting process to determine acceptability of the risk:
 - Score 10 to 40 is acceptable to quote.
 - Score 41 to 50 requires a referral (the referral should include a copy of the RiskMeter report for review of the detail).
 - Score greater than 50 will likely not be written, as the exposures do not meet our underwriting guidelines.
 - However, the account may be referred for consideration with full detail submitted for review. Items to consider including are base flood certificates, and FEMA flood map clearly showing the location.
 - *Be certain of accurate placement of the exposed property for each location.* You will be able to use the Birdseye function of RiskMeter to assure proper placement of your property at a location address. (see Appendix I for an explanation of the Birdseye Coding feature.)
 - For **new business**, pull reports as currently required.
 - For **renewal business**, if your current RiskMeter report on file is was not run within the past 3 years pull a new report.
 - As per current procedures, if you have a multi-building location, pull a report on the key building at that location. Only pull a report on additional building(s) if:
 - the key building report shows acceptable flood exposure at the key building, but
 - The report indicates the potential for unacceptable flood exposure at other building(s) at the location.

- Viewing locations on Google Earth to identify the locations of buildings is a very useful tool and utilized during this process.

- B. Authority:** Refer to signed program underwriting authority, as they may be more restrictive than the parameters outlined herein.
- C. Below grade exposures** must be identified for all locations at which AIG is requested to provide Flood coverage. If below grade exposure exists, avoid providing flood coverage at these locations.
- D. Limits:** Flood coverage must be sublimited and provide an annual aggregate limitation equal to the sublimit.
- E. Deductibles:**
 1. A separate deductible must be provided for Flood, as set forth below.
 2. **Risk Score 10 to 40:** the Flood deductible shall not be less than \$25,000 per occurrence.
 3. **Risk Score 41 to 50:** (this requires a referral to your Program Manager) the Flood deductible shall apply per building each and every occurrence for all property damage coverages, and shall be equal to or greater than the maximum available Federal Flood limits for each location, each building, to be covered. For time element coverages a minimum 168-hour deductible shall apply separately.
 4. **Risk Score over 51:** refer to your Program Manager.

NOTE: The underlying Federal Flood limits must be shown as deductibles. You may not show our coverage as excess coverage.

You must refer any deviations from the minimum deductibles to your Program Manager.

- F. Flood Rating Guidelines and Flood Zone Definitions:**

DEFINITIONS (for informational purposes only):

Zone A: areas of 100 year flood. (All iterations including but not limited to A, A [numbered], AE, etc.).

Zone B: areas of 500 year flood, areas of 100-year flood with depth of less the 1 foot or with drainage areas less than 1 square mile, and areas protected by levees from 100-year flood.

Zone X (shaded) and X (500): same as Zone B above.

Zone X: areas determined to be outside 500-year flood plain.

Zone C: Areas of minimal flooding.

Zone D: Areas of undetermined, but possible, flood hazards.

Zone V: Coastal flood with velocity hazard (wave action or wind driven rain).

When referencing Flood Zones within quotations for any reason DO NOT use the "lettered" references rather USE THE ENTIRE ZONE DEFINITION.

MAXIMUM FEDERAL FLOOD INSURANCE LIMITS AVAILABLE

Building Coverage

Regular Program

Single-family dwelling

\$250,000 per building

Other residential*

\$250,000 per building

(Except for condominium associations, see below)

Non-residential

\$500,000 per building

Contents Coverage

Residential

\$100,000 per unit

Non-residential

\$500,000 per building

Condominium Associations:

A Residential Condominium Building Association Policy (RCBAP) is available for Condominium Associations as follows:

- Building, fixtures and machinery, improvements as covered by by-laws:

Replacement Cost to a maximum \$250,000 per unit.

- Contents owned by the Association:

ACV up to \$100,000

G. Flood Rating Guidelines

Flood Risk Scores 41 and above: You must refer to your Program Manager.

When rating flood, on an admitted basis, use ISO flood rating within the Cover-All rating system. If you are writing flood on a non-admitted basis or within a state where AIG has not yet adopted the ISO filling the following rating methodology should be followed.

Flood Score 10 to 40:

LIMIT (occurrence / aggregate)

RATE on TIV

\$500,000 / \$500,000	.008
\$1,000,000 / \$1,000,000	.010
\$2,500,000 / \$2,500,000	.0115
\$5,000,000 / \$5,000,000	.0125

- You must rate the policy on the TIV for that location, using 100% values;
- Since our flood limit will apply as an annual aggregate limit per policy, calculate the average exposure per location by dividing the TIV by the number of locations (NOT buildings but locations).

A Lloyd's scale factor will be determined, based upon the ratio of:

$$\frac{\text{Flood sublimit}}{\text{Average location value}}$$

The 100% TIV Flood premium will then be "adjusted" using the Lloyds Scale factor to determine our policy premium for the sublimited Flood coverage.

The Lloyds Scale is within Appendix III of this document

DEDUCTIBLE FACTORS

<u>Deductible</u>	<u>Deductible Factors at Average Location Values.</u>		
	<u>to \$2,500,000</u>	<u>to \$10,000,000</u>	<u>over \$10,000,000</u>
\$ 25,000	1.00	1.05	1.10
\$ 50,000	.94	1.00	1.05
\$100,000	.90	.94	1.00
\$250,000	.80	.90	.94

12. INLAND MARINE

IMPORTANT NOTICES:

Risks in Michigan (non-filed Inland Marine): You must ADD the following Michigan Disclaimer wording when non-filed Inland Marine is part of the policy.

"This policy is exempt from the filing requirements of section 2236 of the insurance code of 1956, 1956 PA 218, MCL 500.2236."

Risk in Texas (non-filed Inland Marine):

Non-filed Inland Marine forms cannot be included as part of a package policy for non-filed Inland Marine classes. The non-filed Inland Marine classes must be issued on a monoline Inland Marine policy.

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. You must check the form wordings for each coverage. 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 AIG's Inland Marine form and the valuation requested or expected by the broker. This must be clarified during the quotation process.

E. Any Inland and Marine coverages, exposures or forms encountered with which an underwriter does not have complete familiarity should be referred and discussed with your Program Manager.

13. INSURANCE TO VALUE

A. Insurance to Value (ITV) consideration is imperative in all property insurance situations.

- In all instances, ITV assures AIG obtain adequate premium to exposure.
- For Blanket 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, you must:

- Obtain a signed statement of values or an application with the full schedule of locations and values *;
- Obtain a Commercial Express valuation report formally known as 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,
 - regardless of building limits or square footage when writing agreed amount coverage, and
 - attach the valuation output to the underwriting file;
- Compare the submitted building value to your Commercial Express estimate. *If the submitted building value is less than the Commercial Express 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 the underwriting file;
- Whenever in doubt regarding appropriate valuation, contact your Loss Control Manager or Program Manager;

- All Commercial Express calculations should be saved in the Commercial Express system. The location information is then available within Commercial Express for annual updates at the time of policy renewal.
- The minimum setting for Construction Quality is 2.5.
- Care should be taken with locations that are of historical significance or architectural interest as the Commercial Express system may not provide an appropriate valuation. In these instances, please work with your Program Manager for the best method of valuation. This may include an independent appraisal of the buildings by a qualified appraisal company as well as appropriate policy wordings.
- When values are based on an Appraisal the values should be increased each year by a 3 percent inflationary increase.

C. Time Element Coverage:

- Obtain signed business interruption worksheets for each location with Business Income value \$500,000 or greater. Worksheets should be received within 30 days of the policy effective date. If the Business Income Worksheets are not received within 30 days of the effective date refer this to your Program Manager for Guidance.
- 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, the 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, you must issue a notice of cancellation and can be withdrawn only upon receipt of the necessary documentation, or written agreement from your 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 business interruption 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%).

14. 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, enhance the insured's risk management program and to identify "exceptions" or critical information requiring the Program Administrator's review.

New Business:

- After initial consultation with and agreement from your Program Manager with regard to the preliminary acceptability of the risk, all new business submissions that have one or more locations of \$50,000,000 TIV or greater will require a Pre-Quote Property Loss Control Survey. You should complete service requests in iauditexpert (iAE), provide all pertinent supporting information (e.g. statement of values, identifying the location(s) that meet the survey threshold, special instructions that this a pre-quote inspection and the need-by date, which should not exceed more than 5 days prior to your quote date).
- Surveys should be ordered at least 45 days prior to quote date to allow for sufficient turn-around time.

New Business not subject to the above and renewal business:

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 your Underwriting Authority Statement, the following loss control guidelines should be followed:

At inception of any program, the AIG Programs loss control staff will assist 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.

The following survey request parameters are applicable to all lines of business. Therefore, when determining the need for loss control, the total account information should be considered along with the property exposures. If you are utilizing a Building Underwriting Report(s) as outlined in the ProMetrix section, discuss with your Program Manager any ProMetrix Building Underwriting Report prior to ordering an AIG Loss Control Survey.

The level of loss control services are determined based on a location's TIV:

- You must order a Basic Property Survey using the multiline survey for any insured location with a Total Insurable Value (TIV) between \$5,000,000 - \$10,000,000.
- You must order a Property Consultative Survey using the Risk Management Consultative Service request for any insured location with a TIV of \$10,000,000 or greater.
- You must add Commercial Express Valuations to any of the requests that meet the above criteria. You must request the addition of the Commercial Express Valuation by doing the following:
 - Identifying in the special instructions which buildings need Commercial Express valuations.
- Any building with a TIV of \$1,000,000 or greater largest building is not over \$1,000,000
 - When requesting review of the property exposures attach, the Statement of Value (SOV) and valuation supplement (#160) to the Multiline requests.

You may request loss control for accounts falling below the above threshold after discussion with Risk Control Manager programslc@aig.com.

Any risk has access to AIG Programs Safety Concierge Services by sending an email to programslc@aig.com or calling the Customer Service Line at 800-611-3994.

If you have any special instructions or questions unique to the account, you should outline them in the survey request.

See the ProMetrix section as respects use of Building Underwriting Reports (BUR) for:

- **Buildings with values under \$5,000,000; and**
- **As a “pre-survey” for larger locations.**

Upon completion AIG will distribute the loss control report and recommendations, if any, to the insured, the broker and You, and will request response(s) from the insured to essential recommendations within fourteen (14) calendar days.

- 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, the date it was done, and any underwriting actions, if any, that may be necessary as a result of such review.
- 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.
- 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.
- When BUR's are used for loss control, locations less than \$5,000,000, as outlined in the ProMetrix section, if there are deficiencies noted in the report, they should be presented

by the program administrator as recommendations for remediation with a requested 30-day follow up for response.

15. PROPERTY TERRORISM COVERAGE

The intent of the AIG Program Division is to provide terrorism coverage for our middle market programs. A premium charge of 1% of the policy premium will be shown on the declarations page under the TRIA premium section.

Coverage will be automatically included for all accounts, **however** identification of key locations within geographic areas require a review of aggregate exposures. All such locations must be submitted to, and approved by, your Program Manager before quoting.

Referral is required for locations in the following areas:

- Tier 1 Cities and Zip Codes – all locations with TIV's of \$10,000,000 and greater:
- Tier 2 Cities and Zip Codes - all locations with TIV's of \$25,000,000 and greater:
- Cities and Zip Codes where this limitation applies are identified on the following page. Any updates to these areas of limitation will be provided via Underwriting Bulletins.

The only exceptions will be made in your Underwriting Authority Statement.

There is no authority to quote or bind property terrorism coverage in the referenced Tier I and Tier II areas until:

The location detail is forwarded to your Program Manager to have the locations mapped, and to identify the impact of the account locations on our aggregate exposures. Upon return of these details to the Program Manager, a determination of our terms and conditions for the property terrorism coverage will be made, and the Program Administrator advised accordingly.

As with all requests that require review by our modeling unit, you must provide at least 4 to 5 days lead time for this review. Exceptions to this lead-time requirement will be limited.

PROPERTY TERRORISM COVERAGE, CITIES AND ZIP CODES REQUIRING REFERRAL AND APPROVAL:

- A.** Tier 1 Cities and Zip Codes – You must refer to your Program Manager all locations with TIV's of \$10,000,000 and greater:

Chicago, Illinois:

60601	60606	60654
60602	60607	60661
60603	60610	60670

60604 60611
60605 60612

New York City, NY - 90th Street and below – All Zip Codes
San Francisco, California – All Zip Codes
Washington, D.C. – All Zip Codes

- B.** Tier 2 Cities and zip codes - You must refer to your Program Manager all locations with TIV's of \$25,000,000 and greater:

Boston, MA:

02108 02114 02210
02109 02115 02215
02110 02116 02222
02111 02118
02113 02127

Houston, TX – All Zip Codes
Las Vegas, CA – All Zip Codes
Los Angeles, CA – All Zip Codes
Miami, FL – All Zip Codes
Philadelphia, PA – All Zip Codes

16. PROMETRIX (UNDERWRITING INFORMATION AVAILABLE THROUGH ISO/VERISK)

ProMetrix is a Commercial Property Database that contains underwriting and rating information for over 3.5 million commercial properties and 5 million occupancies. The data is accessed via the ISO SPI Plus online interface.

The following products are available:

Loss Costs Quotes and Estimated Loss Costs
Building Underwriting Reports (BUR) – including abbreviated versions
Building Overview Reports
Property Detail Reports

A. Loss Cost Quotes and Estimated Loss Cost Quotes:

- Specific Loss Costs are available for larger buildings with higher values, unique construction types, special hazard or those equipped with automatic sprinklers. The ISO Loss Cost Quote will provide the Rating/Construction/Protection Code (RCP) for the specific building/occupancy as well as the Basic Group I and Basic Group II Loss Costs for rating purposes.

- For renewal business, once a Loss Cost Quote is obtained, you must obtain a new report at a minimum of once every 5 years or when a change of occupancy has occurred.
 - Estimated Loss Costs may be used when a Specific Loss Cost is not found for a building that is otherwise eligible for specific rating, or if the occupancy has changed. Based on the information that you provide, the system uses the rating rules in the ISO Commercial Lines Manual to develop an estimated loss cost quote that may be used for rating until a new specific Loss Cost is developed.
 - You should then order a new **Specific Loss Cost** using ISO's online Application for Services. ISO will then physically inspect the property and provide the requested Loss Cost Quote. A Building Underwriting Report for the property will then become available on-line, usually within 30 days.
 - Do not order an Underwriting Survey as the survey is included when the Loss Cost is ordered.
- B. The Building Underwriting Report (BUR)** is the principal report that we will incorporate into our underwriting and loss control procedures. It provides extensive information on the construction, occupancy, hazards and fire protection of any risk in the Commercial Property Database. It includes a Relative Hazard Grading using a 1-10 scale to rate a building's features, and a bar graph to compare that building to other similar structures in ISO's state and countrywide database. Additionally, the BUR provides sprinkler information, including the sprinkler grading, the Public Protection Classification, photos and diagrams, as well as other fire safeguards present at the property.

You should use BUR reports as follows:

- As an underwriting tool, during the underwriting process, BURs may be utilized to:
 - o Confirm COPE information;
 - o Determine adequacy of sprinkler systems (sprinkler grading and sprinkler comments such as alarm, maintenance, etc. are included)
 - o Determine risk quality via the Risk Hazard Grading for the location.

The underwriter should consider during the underwriting process in situations where there is limited underwriting detail provided in the applications for a location(s), or the occupancy dictates a need for additional information to appropriately underwrite a risk. Underwriter discretion is requested.

- BUR's may be used in lieu of Loss Control Surveys for locations with amount subject less than \$5 million, if your Underwriting Authority requires loss control for risks under \$5,000,000. When using a BUR in lieu of a loss control report, identify any issues or discrepancies and secure additional information or take action as necessary.
- If the location is eligible for specific rating, but for which there is no loss cost or BUR available:
 - o You should apply for a **Specific Loss Cost**, then when the loss cost is available, request and review the BUR.

Property Details Report and Building Overview Report: These reports may be available on-line for locations that are not eligible for specific rating. The reports contain basic underwriting information and photos obtained from an exterior survey of the building, as well as available public information regarding the location and surrounding area. These reports may be helpful in verifying underwriting information but they cannot be used to satisfy property Loss Control requirements.

All other ProMetrix products are not included in the new unlimited agreement and should not be ordered without a compelling underwriting reason to do so.

17. TORNADO AND HAIL

Exposure to the perils of tornado and hail can be severe throughout a number of geographical areas of the United States. Such exposures should be identified and underwritten to minimize the impact of these exposures on a per-risk and countrywide book of business.

Exposures are identified via the RiskMeter Tornado Exposure Index and Hail Risk Level tools.

<u>Tornado Exposure Index</u>		<u>Hail Probability Report</u>	
RiskMeter will provide scores for each as follows:		RiskMeter will provide scores for each as follows:	
1	Low Risk	1 - 2	Very Low Risk
2	Average Risk	3 - 4	Low Risk
3	Elevated Risk	5 - 6	Moderate Risk
4	High Risk	7 - 8	High Risk
5	Extreme Risk	9 - 11	Very High Risk
		12	Extreme Risk

You must refer locations where you are writing real property with limits exceeding \$1,000,000 with Tornado Exposure Index scores of **4** or **5**, and / or Hail Risk Level score of **7** to **12**, to your Program Manager for approval.

It is imperative that you underwrite these exposures carefully. You should consider information including, but not limited to, the following:

- 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 a RiskMeter Hail Risk Level score of 7 to 12, 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 deductibles are required for locations with a tornado risk score of 5, or hail risk level score of 9 to 12.

RiskMeter evaluations are to be obtained for locations meeting the following parameters:

- **Locations with total location values of \$1,000,000 or greater; AND**
- **Within the following states:**

Arkansas	Iowa	Nebraska	Texas
Colorado	Kansas	Ohio	Wyoming
Florida	Kentucky	Oklahoma	
Illinois	Louisiana	South Dakota	
Indiana	Missouri	Tennessee	

18. VALUED POLICY STATES

Various states have enacted valued policy laws, which can affect our commercial property business. The states are shown below.

When insuring properties in these states, it is imperative that you exercise care to assure that buildings are adequately valued but are not over insured. Since the valued policy statutes require payment of the policy limit in the event of total loss to a covered building, you must be certain that the limit equals the cost to replace the structure. See the **Insurance to Value** section as respect building valuations.

There are instances when a building will have a higher than expected cost to replace. This may be due to superior construction quality, high quality improvements and betterments or build-outs, or other similar enhancements to the property. These characteristics should be considered, and identified, where the requested limits are above that anticipated for the occupancy.

When providing building coverage in a valued policy state:

In the event the requested limit for a building exceeds the calculated ITV by more than 25%, you must obtain feedback from the submitting broker that provides details of the building construction and build-outs that may affect value. The goal isn't necessarily to decrease the requested limit, but rather to ensure that the limit requested is appropriate and document your underwriting file with the characteristics that generate such increased value.

As always, if there are questions or concerns regarding any risk, please contact your Program Manager for input.

Valued Policy States:		In the following states , there is a provision for "Insurer's option to replace damaged property" (in lieu of paying the policyholder, the insurer may elect to replace the damaged
Arkansas		
Kansas		
Louisiana		
Massachusetts		

Mississippi		property w/o contribution from the policyholder):
Missouri		California
Montana		Florida
Nebraska		Iowa
New Jersey		Minnesota
North Carolina		New Hampshire
North Dakota		Texas
Ohio		
South Carolina		
South Dakota		
Tennessee		
West Virginia		

19. WINDSTORM

- A. Coastal business is not a focus of AIG Programs. You should minimize or avoid such exposures. “Coastal business” is defined as being within the restricted windstorm coastal zones defined below.
- B. **Authority:** You may not quote windstorm or hail on locations within any of the windstorm control zones outlined below. You must submit all such locations to your Program Manager for approval before quoting.

Renewal accounts will be discussed utilizing current modeled results.

You must refer new business accounts 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.

C. The following are Windstorm Control Zones

1. Any location eligible for Windstorm Pool coverage (see H. below);
2. Locations north of Delaware through and including Maine within 1 mile of the mainland coastline, EXCEPT:
 - a. All islands off of the coastline must be considered as within the wind control zone, irrespective of any measured “distance to coast”;
 - b. The entire land area of Staten Island, and Long Island inclusive of Brooklyn and Queens are deemed to be within the wind control zone;
 - c. All of Cape Cod is deemed to be within the wind control zone;
3. Locations from Delaware southward, through and including Virginia, within 25 miles of the mainland coastline;
4. Locations from North Carolina southward, through and including Texas (but excluding Florida) within 50 miles of the mainland coastline;

5. Florida (entire state);
6. Hawaii (entire state);
7. Limited as per signed Underwriting Authority, if different from the above zones.

Risk Meter will provide distance from the **actual** coastline and will indicate if a location is eligible for coverage within a state wind pool.

D. For any locations with potential windstorm exposure identified through the above parameters, you must confirm superior construction and maintenance of all such properties.

E. Minimum deductibles:

I. Any location eligible for coverage in a State wind pool: the full amount of such coverage available to each risk, whether the wind pool coverage is, or is not, purchased. For Business Income/Extra Expense, or any other time element coverage, there is a minimum waiting period of 168 hours. Those states where we require underlying cover by wind pools are: Florida, North Carolina, South Carolina, Texas, Louisiana, Alabama, Mississippi, Georgia.

All other locations within Windstorm Control Zones are subject to the following minimum deductibles.

Business Income: for all Windstorm Control Zones outlined below (II through VII), we must maintain, *at minimum*, the 72-hour period before the period of indemnity starts (72-hour waiting period).

Minimum Property Deductibles:

II. Locations north of Delaware through and including Maine:

- a. 0 to 1 mile from the mainland coast, 1% to 2% of value, minimum \$10,000 per occurrence, EXCEPT;
- b. Any island exposures, 2% to 3% of value, minimum \$25,000 per occurrence;
- c. 0 to 1 mile from the coast on Cape Cod (Barnstable County), 1% to 2% of value, minimum \$25,000 per occurrence; and
- d. Over 1 mile from the coast on Cape Cod (Barnstable County), 1% of value, minimum \$10,000 per occurrence;
- e. Long Island (Suffolk County), 1% to 2% of value, minimum \$25,000 per occurrence; and
- f. Long Island (Nassau County), 1% of value, minimum \$10,000 per occurrence;

III. Locations Delaware southward through Virginia:

Distance from mainland coast

Deductibles

0 to 15 miles	2% of value, minimum \$25,000 per occurrence
Over 15 miles to 25 miles	1% of values, minimum \$10,000 per Occurrence

IV. Locations North Carolina, South Carolina and Georgia:

<u>Distance from mainland coast</u> 0 to 10 miles (All subject to referral)	<u>Deductibles</u> 5% of value, minimum \$50,000 per occurrence
---	--

<u>Distance from mainland coast</u> Over 10 miles to 25 miles (All subject to referral)	<u>Deductibles</u> 2% of value, minimum \$25,000 per occurrence
---	--

<u>Distance from mainland coast</u> Over 25 miles to 50 miles (All subject to referral)	<u>Deductibles</u> Minimum \$10,000 per occurrence
---	---

V. Alabama through Texas:

<u>Distance from mainland coast</u> 0 to 10 miles (All subject to referral)	<u>Deductibles</u> 5% of value, minimum \$50,000 per occurrence
---	--

<u>Distance from mainland coast</u> Over 10 miles to 25 miles (All subject to referral)	<u>Deductibles</u> 2% of value, minimum \$25,000 per occurrence
---	--

<u>Distance from mainland coast</u> Over 25 miles to 50 miles (All subject to referral)	<u>Deductibles</u> 1% to 2% of value, minimum \$10,000 per occurrence
---	--

VI. Florida:
5% of value, minimum \$50,000 per occurrence
(All subject to referral)

VII. Hawaii:
Risks located within the State of Hawaii must have:

- 5% of value, minimum \$50,000 per occurrence for locations on the island of Kauai, and
- 2% of value, minimum \$50,000 per occurrence as respects locations on all other islands.

(All subject to referral)

You must refer any deviations from the minimum deductibles to your Program Manager for approval.

- F. Imminent Hurricane or Tropical Storm Threat** – No binder, policy or endorsement where the perils of windstorm, hail or 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 National Weather Service to be within 600 statute miles and moving toward, parallel to or in the general direction of such property.
- G.** You have the option to exclude the perils of wind and hail for any policy or individual locations without referral to your Program Manager.
- H.** Use RiskMeter to determine if individual locations are eligible for coverage by a wind pool.
- I.** Amount subject is 100% of the TIV for any single location, or locations within the same community when exposed within a Windstorm Control Zone.
- J.** The state wind pools have web sites available where you can obtain details per coverage available. You can identify the sites with any web based search engine.
- K.** For clarity, the following definitions of terms used above are provided:
 - Windstorm Control Zone: these are geographic areas, defined by distance to coast as determined by RiskMeter, where underwriting authority is restricted and specific windstorm underwriting requirements are required;
 - Wind Pool: is a state backed underwriting facility in which insureds may purchase windstorm coverage. The geographic areas in which wind pool coverage is available differs from our company windstorm control zones, with the wind pool regions are more limited in scope than the windstorm control zones. The key use of wind pool access is the availability of higher deductibles on our policies for the windstorm and hail causes of loss.

Please remember that the windstorm control zones as referenced above dictate the authority restrictions as outlined in your Underwriting Authority.

20. WESTERN STATES LANDSLIDE AND WILDFIRE

A. Landslide:

A RiskMeter – You must obtain California Landslide/Liquefaction analysis for any California location within a geographical area of known landslide exposure, whenever available through RiskMeter.

The landslide result will be either:

- Risk of landslides exists; or

- No known landslide/liquefaction risk.

If the location is identified, as “risk of landslide exists” you must refer the account to your Program Manager to determine if a quote may be provided for the account.

B. Wildfire:

Available Wildfire Risk Score states are Alaska, Arizona, California, Colorado, Florida, Idaho, Montana, New Mexico, Nevada, Oklahoma, Oregon, Texas, Utah, Washington and Wyoming.

- Check each location within RiskMeter for a Wildfire Risk Score. The result will provide a score that ranks the exposure for a location with a score of 0 to 100. The wildfire risk score shall be used in the underwriting process to determine acceptability of the risk.
- Score 0 to 60 is acceptable to quote.
- Score 61 to 75 requires a referral (the referral should include a copy of the RiskMeter report for review of the detail).
- Score greater than 75 will likely not be written as the exposures do not meet our underwriting guidelines. However, the account may be referred for consideration with full detail submitted for review.
- You will be able to use the Birdseye function of RiskMeter to assure proper placement of your property at a location address. (see Appendix I for an explanation of the Birdseye Coding feature).
- For **new business**, reports must be pulled for any risk located within the following states: AK, AZ, CA, CO, FL, ID, MT, NM, NV, OK, OR, TX, UT, WA and WY.
- For **renewal business**, if your current RiskMeter report on file is not a Risk Score report and indicates the location is within 1,000 feet of a medium or high brush fire hazard area, please pull a Wildfire Risk Score report. For all other renewal, business pull a report once every 3 years.

When referring a location with a Wildfire Risk Score of 61 or greater the following minimum underwriting guidelines are required to be addressed, confirmed and part of any referral:

Management of the Defensible Area	
Zone 1: within 50 feet of 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: <u>125 feet beyond Zone 1:</u>	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 feet from buildings):	Remove dead or dying trees and bushes
	Thin trees to maintain good tree health

- Is the insured located within a FIREWISE Community?
<https://www.nfpa.org/Public-Education/By-topic/Wildfire/Firewise-USA/Firewise-USA-Resources/Firewise-USA-sites/State-listing-of-participants>
- Fire Resistant Roof Coverings -Class “C” or higher.
- Spark Arrestors on wood-stove flues and fireplace chimney openings
- Fuel tank(s):
 - positioned at least 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.

21. MARIJUANA/CANNABIS

AIG Programs is not an insurance market for marijuana/cannabis related businesses. You must decline risks with these exposures. This also applies if the insured is a landlord with a tenant engaging in a marijuana/cannabis related business.

APPENDIX 1

RiskMeter Geocoded Data

RiskMeter is a vendor service contracted to provide geocoded data to our Program Managers through an internet site. The site requires an individual User ID and password. If you do not have RiskMeter access, check with your Program Manager for your individual user credentials.

RiskMeter reports are to be pulled, for all new business and then every three years after.

The following information is available from RiskMeter.

Flood Risk Score report:

- A score will be returned that ranks the exposure for a location with a score of 10 to 100.
- The report will also return location elevation information, base flood elevation, and distance to various flood zones, HOWEVER we will be using the Flood Risk Score as the output for determining acceptability (or not) of the flood exposure.
- The flood risk score shall be used as follows during the underwriting process to determine acceptability of the risk:
 - Score 10 to 40 is acceptable to quote.
 - Score 41 to 50 requires a referral (the referral should include a copy of the RiskMeter report for review of the detail).
 - Score greater than 50 will likely not be written, as the exposures do not meet our underwriting guidelines. However, the account may be referred for consideration with a full detail submitted for review.

You will be able to use the Birdseye function of RiskMeter to assure proper placement of your property at a location address. (See *Birdseye Geocoding / One click ruler* below):

- You will be able to use the Birdseye function of RiskMeter to assure proper placement of your property at a location address. See *Birdseye Geocoding / One-click ruler paragraph below addressing appropriate placement of structures for correct exposure identification*.
- Distance to Shore – actual distance to coastline. No adjustments have been made for harbors, bays or tide marshes (if such adjustment is desired for any specific risk, please refer to Program Manager).
- State Wind Pool Eligibility –. The lookup will indicate if a location is within the designated state wind pool area of eligibility – Alabama, Florida, Georgia, Mississippi, North Carolina, New Jersey, South Carolina, Texas.
- Wildfire Risk Score: see previous page for description.
- US Quick Quake – provides a Modified Mercalli Intensity (MMI) [use the 250 year result] at the location (other information included on the report will be local soil conditions, the name and distance to the closest fault, identification of the controlling fault).
- California Landslide/Liquefaction – will indicate whether a location is within, or outside of, a landslide or liquefaction area. Currently key areas around Los Angeles and San Francisco have been mapped (with additional areas to be added in the future). The results can be:

- Risk of landslide exists;
- Risk of liquefaction exists;
- Risk of both landslide and liquefaction exists;
- No known landslide/liquefaction risk.
- Hail Risk Level score – will indicate a “hail score” that is a hazard rating based upon historical hail activity and severity. The report will return a “score” from 1 (very low risk) to 12 (extreme risk). Refer to the Tornado and Hail Section for details on use of the hail risk level scores.
- Tornado Exposure Report – will indicate a “tornado score” that is a hazard rating based upon historical tornado activity. The report will return a “score” from 0 (no risk) to 5 (extreme risk). Refer to the Tornado and Hail Section for details on use of the tornado scores.
- ***Birdseye Geocoding / One click ruler:*** If any location is situated on a large plot of land, and there is an identified Flood or Wildfire Zone proximate to the risk (per RiskMeter), it is important to check the placement of the risk on your RiskMeter output. The system normally positions the risk at the “mailbox” location near the street. Inaccurate placement of the building by the system may incorrectly identify the Flood or Wildfire exposure. Use of the Birdseye Geocoding (risk placement feature) of RiskMeter will allow appropriate positioning of the risk and therefore more correct exposure identification. ALSO, the “One-click ruler” function within the RiskMeter software will allow exact measurement of distances. IF NEEDED RISKMETER OFFERS WEB BASED TRAINING FOR THIS, AND ANY OTHER FUNCTIONS OF THEIR SYSTEM.
- A copy of the RiskMeter data output is required to be maintained within the property underwriting file.

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_____