

AIG Program DIVISION 66

QWIK NOTES

FOR

PROPERTY

8/30/2002

KNOWLEDGE BASED UNDERWRITING

A quick reference to basic property standards for Program Administrators

First Edition

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AIG Program Division

PROPERTY AND INLAND MARINE STRATEGY

These guidelines are MINIMUM requirements and may be superceded by the actual individual Program Guidelines. REFER TO YOUR INDIVIDUAL PROGRAM GUIDELINES FOR ANY EXCEPTIONS TO THE FOLLOWING.

The AIG Program Division will write property/inland marine business as an integral part of profitable accounts that encompass a broad array of AIG products. This coverage may be written as part of package policies, or on a monoline basis in support of other AIG Program Division policies. The property/inland marine lines must be underwritten to a profit on the merits of each and every account, each and every location. There should be no evidence of loss frequency for these coverages. Our ultimate goal is to generate a loss ratio and loss adjustment expense ratio below 35% over our divisional book of business for frequency losses (loss activity below \$100,000 per claim)*. **Any account that would adversely impact our profitability should be declined.**

We are not a market for catastrophe prone business. Accounts with coverages for California earthquake, coastal locations (within one mile of the median high tide coast), known flood and earthquake exposures must not be written but may be referred to your AIG Program Manager for appropriate underwriting consideration. Incidental catastrophe coverage may be considered only subject to complete underwriting documentation and approval from an appropriate authority level.

Risks that should be avoided include (but are not restricted to):

- Habitational
- Vacant and unoccupied buildings
- Building rehabilitation
- Restaurants
- Multi-tenanted risks
- Hanging Garments
- True HPR risks (we have neither the capacity, nor the loss control capabilities to appropriately handle these risks)
- Catastrophe prone risks (natural catastrophes)
- Catastrophe prone risks (high inherent exposure)

* Divisional loss ratio for frequency losses (under \$100,000) and large non-catastrophe losses (over \$100,000, no assigned CAT number) shall not exceed 35%. This will allow funding for true catastrophe losses over the long run and provide long term profitability.

The profitability of our property/inland marine business is essential to enhance the overall divisional profit margins required to meet our goals. We must write these coverages in order to achieve these objectives and diligence in our underwriting efforts will help assure success.

MISCELLANEOUS PROPERTY INFORMATION

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

Construction
Occupancy
Protection
Exposure

- B. Coverage Extensions (*Property Enhancement 76032/G7361/AIU 130 Endorsement*):
All extensions of coverage as provided by **1.** Property enhancement forms 76032/76035/G7361 or **2.** AIU130 Endorsement must be known by each underwriter. Exposures for these coverages must be understood, underwritten and rated accordingly. These are not “throw-in” coverages.

- C. Fire Following Earthquake:

This exposure can be severe, especially for risks located within geographical areas rated as MMI Zone 7 and higher.

- 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 earthquake - which encompasses most non-California areas);
- Confirm incoming utilities (especially gas mains) are adequately safeguarded;
- For sprinklered risks, analyze protection as outlined in the Automatic Sprinkler section.

- D. 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/\$50,000 Time Element;
 - Identify the potential for Direct Damage loss (such as frozen food, goods in process which are damageable, etc.);
 - Identify the Time Element potential. **The 1995 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.**
 - **Under no circumstances** will we provide coverage for loss as a result of damage to or destruction of overhead transmission, distribution or communication lines (**this must be excluded**).
- E. Amount Subject: when determining the values subject to a single potential loss from fire the following establishes the acceptable distances between buildings. The distance between buildings must be “clear space” which includes parking lots, maintained lawns or open lots, and gravel. Anything combustible (brush, stock in the open) between buildings would negate the benefit of the separation. All values within “enclosed four walls of the structure” are always considered subject irrespective of interior cutoffs since we do not contemplate PML or MFL considerations in our underwriting.
- If any covered property is of Frame, Joisted Masonry or Non-combustible construction and is located within a Protection Class 1-8 town and two stories or less in height 100 feet or less is considered subject.
 - If any covered property is of Frame, Joisted Masonry or Non-combustible construction and is located within a Protection Class 1-8 town and is over two stories in height 150 feet or less is considered subject.
 - If any covered property is of Frame, Joisted Masonry or Non-combustible construction and is located within a Protection Class 9 to 10 town all buildings within 200 feet or less is considered subject regardless of height.
 - If **all** covered buildings are Masonry Non-combustible or Fire Resistive within a Protection Class town of 1-8 and two stories or less 50 feet is considered subject.
 - If **all** covered buildings are Masonry Non-combustible or Fire Resistive within a Protection Class town of 1-8 and over two stories in height 75 feet is considered subject.
 - If **all** covered buildings are Masonry Non-combustible or Fire Resistive within a Protection Class 9 or 10 town all buildings within 100 feet are considered subject.
- F. 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.

G. Unnamed Location Coverage:

- Avoid such coverage whenever possible;
- Do not provide coverage for Flood and/or Earthquake;
- Obtain information regarding anticipated exposure, such as number of locations, exposed values, anticipated COPE for such locations;
- Apply a rate against total estimated exposed values using conservative COPE assumptions;
- Keep limits at a minimal level (refer to authority letter for limit restrictions).

AGREED AMOUNT

A. Coinsurance:

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

B. Signed statement of values must be received **prior to removing the co-insurance**.

Agreed value date shall be provided for 30 days from inception only, until receipt and agreement of:

1. Signed statement of values;
2. Signed business interruption worksheet.

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

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

Upon receipt of these items, we can extend the agreed value date to policy expiration for annual policies and the anniversary date for multi-year policies.

AUTOMATIC SPRINKLER PROTECTION

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

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

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

G. Water supply - public, private, both? Single source or two source supply? If private only get a Loss Control opinion on adequacy.

H. Obtain an ISO Sprinkler Grading (if less than 65, we rate and underwrite as non-sprinkled).

If the sprinkler grading is below 65, but recent improvements have been made to the sprinkler system, obtain loss control assistance in determining sprinkler adequacy. If loss control review provides written documentation of sprinkler adequacy, the risk may be underwritten as sprinklered.

I. If no ISO Sprinkler Grading is available we need to:

- Obtain prior carrier loss control recommendations to determine sprinkler inadequacies; or
- Obtain a loss control pre-survey or other loss control data collection (method to be determined by loss control); and
- In conjunction with either of the above discuss with loss control and/or your Program Manager to determine sprinkler adequacy.

EARTHQUAKE SPRINKLER LEAKAGE:

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

B. Authority - Refer to individual signed underwriting guidelines.

Endorsements are available to exclude or sublimit this exposure. Refer all sprinklered locations within MMI Zone 7 and above to the appropriate authority level.

BLANKET LIMITS

We will not provide blanket policy limits. Limits may be written blanket per location as outlined below.

- A. **Do not combine Property Damage and Time Element** - we must maintain separate Business Income (Time Element) limits
- B. Obtain signed statement of values and signed business income worksheets for each location.
- C. Property Damage (real and personal property) must be written at a minimum 90% coinsurance value.
- D. Business Interruption must be written at a minimum 50% coinsurance value (preferably 80% to 100% value)
- E. Total Insured Values (TIV):
 1. For TIV purposes, 100% of specific location values must be used for *each and every coverage* (we are liable for payment of 100% value in the event of loss);
 2. Stock and other moveable personal property must be increased by 30% (of the 100% value) as a protective buffer to assure adequate reinsurance;
 3. Business Interruption:
 - If there is underwriter confidence in values for *every* location – values for each location should be increased by a 10% to 20% buffer.
 - If there are any identified interdependencies between locations and/or incomplete confidence in the valuation accuracy of each location - then *the full Blanket Business Interruption value* shall be applied to each location.
 4. All Inland Marine values, and any other exposed property values, shall be included within the reinsured TIV for each location.
 5. If the AIU 130 endorsement or Property Enhancement form is used, a buffer equal to 10% of the building value should be added for each location to protect against building ordinance exposures creating increased liability.
 6. The Occurrence Limit of Liability Endorsement PR 9014 or Blanket Occurrence Endorsement **must** be attached to the policy.
 7. Attach the Blanket Limit of Liability schedule.

BUILDING ORDINANCE COVERAGE

Answers to a number of questions should be received regarding each location to be covered when we provide Building Ordinance Coverage, whether via Property Enhancement forms, AIU 130, or ISO Endorsement.

A. Construction Date:

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

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

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

NOTE: The Property Enhancement Form and AIU 130 Endorsement provide full Building Ordinance Coverage within the building limits. **Do not use these forms for buildings constructed prior to 1975 unless confirmation has been received, 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 as a sublimit up to a maximum limit of \$500,000 for coverage B and C combined.**

BUSINESS INCOME AND EXTRA EXPENSE

- A. We must be providing Property Damage coverage at locations where BI is provided.
- B. Obtain specific limits for each location, including the appropriate coinsurance percentage.
- Compare BI totals to gross sales (to assure adequacy),
 - Check with broker, how were values developed?
 - Business Interruption Worksheet?
 - Insured estimate?
 - Broker estimate, etc.?
 - Full payroll or limited?
- C. Identify any processing bottlenecks in operations and/or any interdependencies of operations.
- D. Identify any areas of high valued business interruption exposure. Are there any specialty or difficult to replace personal property or machinery?
- E. Identify the effects of seasonal business on BI exposures. This can be commonly applicable to manufacturing, distribution, etc. risks, not just hospitality exposures.
- F. Obtain the estimated time to resume operations in the event of a total loss:
- Can other locations replace production/operating capacity?
 - Can operations continue via Extra Expense payments, and to what extent?
 - What is the ability to replace needed raw materials to resume operations?
 - Is there any specialized equipment that will extend “down time” due to replacement delays?
 - Are there any “mutual aid” agreements with others in similar businesses, to assist in continuation of operations?
- G. Agreed Amount: **THIS IS NOT AN OPTION WE ARE WILLING TO PROVIDE TO USE ON EVERY RISK.**
- We should provide an agreed value period to expire in 30 days pending receipt of signed business interruption worksheets for each location. Upon receipt we will extend the agreed amount date for the annual term;
 - We must require no less than 50% coinsurance, preferably 80% to 100% (remember we still pay the 100% amount until the limit is exhausted!).
- H. Extended period of indemnity: we should obtain an estimate of the time which would be required to restore operations to their original operating condition after complete resumption of operations. Any extension more than 180 days must be referred to your Program Manager.

- I. Note that Property Enhancement Form does not currently contain a 72 hour waiting period as is currently provided with ISO wording. ISO endorsements are now available that reduce or eliminate this 72 hour waiting period. Before providing this enhancement identify and analyze the exposures.

CONTINGENT BUSINESS INTERRUPTION:

- A. Identify locations where any contingency exists
- B. Underwrite each location by obtaining complete COPE information.
- C. If a location is the “sole source” for materials/supplies, are there other suppliers available in the event of a loss, and how can they be accessed?
- D. If the locations identified provide similar or identical materials/supplies (multi-source), can all other identified suppliers fill the gap in the event of loss to any one contingent location?
- E. Are there any major customers upon whom the insured depends to generate sales. If so, we need to underwrite this exposure carefully;
- E. If any coverage is requested for unnamed contingent locations:
- Must provide a small limit (such as \$25,000.);
 - No catastrophe perils shall be provided;
 - Obtain confirmation of duplicate suppliers, and ease of access;
 - Obtain an estimate of total exposure from these unnamed locations.
- F. ISO Business Income from dependent properties endorsement (1995 edition) provides for a 72 hour waiting period. We should be sure to maintain this protection.
- G. Any limits requested over \$100,000 refer to your Program Manager.

EXTRA EXPENSE:

- A. Can be provided in two ways:
- Extra Expense Form: which provides a maximum limit payable in increments.
 - Business Income Coverage Form and Extra Expense: is a broader Extra Expense coverage, as it permits the insured to utilize the full BI limit to cover Extra Expense after a loss.
- B. When underwriting any Extra Expense coverage, the exposure identification utilized for Business Interruption (B, C, D, E, F) must also be used to identify:

1. Normal Extra Expense payout exposures;
2. The potential for prolonged disruptions;
3. The potential for high valued exposures.

EARTHQUAKE

- A. We are not a market for Earthquake in California.
- B. The earthquake zone for each location must be determined, and documented within the underwriting file, prior to quoting.
- C. The amount subject is 100% of the TIV of all locations exposed to the same fault or zone.
- D. Authority: refer to signed individual program guidelines.
- E. Limits: EQ coverage must be sublimited, and provide an annual aggregate limitation equal to the per occurrence sublimit.
- F. Whenever possible, we should avoid offering Earthquake coverage for locations within EQ Zones - MMI 7 and higher.
 - Refer all such situations to your Program Manager;
 - Any exceptions must be authorized by Divisional Home Office;
 - For any accounts that contain such exposures, the locations must also be submitted to your Program Manager for an account PML from IRAS.
- G. For locations located within MMI Zones 1 through 6, the underwriter should confirm superior newer construction and maintenance prior to quoting.
- H. Minimum Earthquake Deductibles:
 - MMI Zones 1 through 6: \$25,000 per occurrence or per ISO percentage deductibles,
 - All other Zones - refer to proper authority level.
- I. Rating:

All locations for which EQ coverage is to be provided will be rated within CoverAll utilizing ISO Earthquake rates and territories.

 - Each location will be rated on the TIV for that location, using 100% values.
 - A Lloyds scale factor will be determined, based upon the ratio of:

$$\frac{\text{Earthquake sublimit}}{\text{TIV for the location}}$$

- The 100% TIV Earthquake premium will then be “adjusted” using the Lloyds Scale factor to determine our location premium for the sublimited EQ coverage.

A listing of ISO construction codes is available in Silver Plume as a reference in appropriately classifying each location for rating in CoverAll.

- 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 QuickQuake – Access rating for the specific location being underwritten. RiskMeter will provide the MMI intensity/zone to which the buildings are exposed.

EARTHQUAKE SPRINKLER LEAKAGE:

1. In MMI Zones 1 through 6, confirm appropriate maintenance of system, and that all piping/hangars are in good condition and repair.
2. In MMI Zones 7 and above - refer to authority letter, then:
 - Confirm all information per 1. above, and
 - Confirm that all sprinkler piping is adequately braced / supported, and
 - Confirm that all sprinklers are installed utilizing flex connectors.

All EQSL 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.

Endorsements are available to exclude or sublimit this exposure. Refer all sprinklered locations within MMI Zone VII and above to appropriate authority level.

FLOOD

- A. The flood zone for each location must be determined, and documented within the underwriting file, prior to quoting. RiskMeter will indicate if a location is within 250 feet of a Flood Zone and will provide the zones if exposed to multiple Flood Zones. Flood coverage can be bound only for locations where Flood exposure has been confirmed and appropriately underwritten.
- Details on obtaining flood information are available on the internet through www.fema.org;
 - Any location on which the insured has a lienholder will know the Flood exposure, and the financial institution will determine this exposure, and require coverage if the location is exposed to a known flood area. Therefore, in many instances this information is readily available.
- B. Authority: refer to signed individual program guidelines.
- C. Wherever possible avoid providing Flood coverage for locations in or near a known Flood Zones.
- D. Below grade exposures must be identified for all locations at which we are requested to provide Flood coverage. If below grade exposure exists, avoid providing flood coverage at these locations.
- E. Limits: Flood coverage must be sublimited, and provide an annual aggregate limitation equal to the sublimit.
- F. Deductibles:
- a) A separate deductible must be provided for Flood.
 - b) **Flood Zone C or better:** the Flood deductible shall not be less than \$25,000 per occurrence .
 - c) **Flood Zone B and X(shaded)** : the Flood deductible shall apply per occurrence per building for all coverages (property damage and time element), and be equal to or greater than the maximum available Federal Flood limits for each location to be covered.
 - d) **Flood Zone A, D and V**, refer to your Program Manager.
- G. Flood coverage within known Flood Zones (A, B, X(shaded) and V) must have Building Elevation information, and Base Flood Elevation (available from Flood Map), for each location considered for coverage.
- H. Flood Rating Guidelines: see attached.

DEFINITIONS:

Zone A: areas of 100 year flood.

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): 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).

MAXIMUM FEDERAL FLOOD INSURANCE LIMITS AVAILABLE

As of March 1, 1995:

Building Coverage	Regular Program
Single-family dwelling	\$250,000
Other residential*	250,000
Non-residential	500,000
Contents Coverage (per unit)	
Residential	\$100,000
Non-residential	500,000

Limits are available on a “per building” basis

FLOOD RATING GUIDELINES

Flood Zones A, B, X(shaded),V and D: refer to your Program Manager.

Flood Zone C or better: Rates to be modified based on construction, occupancy, relationship of limit to values at risk, deductible credits, all applicable as outlined below.

<u>LIMIT (occurrence / aggregate)</u>	<u>RATE on TIV</u>
\$500,000 / \$500,000	.015
\$1,000,000 / \$1,000,000	.018

For higher limits, refer to your AIG Program Manager

Rates are per \$100. total insured value for each location.

DEDUCTIBLE CREDITS

<u>Deductible</u>	<u>Credit Range **</u>
\$ 25,000	0%
\$ 50,000	6%
\$100,000	7%
\$250,000	8%

INLAND MARINE

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

INSURANCE TO VALUE

- A. Insurance to Value consideration is imperative in all property insurance situations.
- In all instances ITV assures we will obtain adequate premium to exposure.
 - For Blanket and / or Agreed Amount coverages ITV assures adequate premium plus adequate reinsurance protection.
 - ITV calculations must be performed prior to quoting.
- B. For Property Damage Coverages:
- Obtain a signed statement or application of values **;
 - Obtain a Marshall and Swift valuation replacement cost valuation for all buildings valued over \$1 million and attach to the underwriting file;
 - Determine the cost per square foot and compare to your Marshall and Swift estimate;
 - For multi-location accounts where all locations are less than 10,000 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;
 - Whenever in doubt regarding appropriate valuation, contact your Loss Control Manager or Program Manager.
- C. Time Element Coverage:
- Obtain signed business interruption worksheets for each location,
 - 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:

To assure receipt of signed statements of values and business interruption worksheets, if coinsurance is not being maintained as a condition of insurance, all quote letters should specify that agreed amount coverage will be applicable only for the first 30 days of coverage. Upon receipt of the signed worksheets, the agreed amount expiration date will be extended for the one year period. Otherwise, the date will expire and a coinsurance clause becomes effective.

** Signed statements of values must contain: values for each location and for each category of coverage (ie: 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).

LOSS CONTROL PROCEDURES

The following guidelines have been developed to ensure consistency in the utilization of loss control throughout the underwriting of program commercial accounts. These are guidelines, and as such can be adjusted for individual accounts for just cause. **However, failure to survey required locations must be approved by your Program Manager, and documented in the underwriting file.** Refer to the loss control section of the underwriting guidelines for specific requirements of the program.

Within seven days of new business effective date, request an initial survey from an AIG approved subcontractor for any account with an amount subject value exceeding \$1 million on a single building or a group of buildings within 100' of each other.

At least 120 days prior to the first renewal, compare the original ITV completed from the submission information with the LEXITV form completed during the loss control survey to ensure the ITV reflects the actual building.

At least 120 days prior to the third renewal, request a re-survey from an AIG approved subcontractor.

Maintain a follow up diary system to monitor the status of requests for service to ensure loss control surveys are completed within 30 days of request. Due date extensions should be documented by the requester.

Document the review of all loss control reports within seven days of receipt and take appropriate action.

Forward the loss control survey confirmation letter with recommendations to the insured and agent within seven days of receipt.

Maintain a follow up diary system to monitor the status of recommendations at 30, 60, and 90 day intervals. Notify AIG on any recommendations that remain open after 90 days.

WINDSTORM

- A. Coastal business is not a focus of our Company. Such exposures should be minimized or avoided throughout our countrywide book of business. We define “coastal business” as being within one mile of the median high tide of the ocean.
- B. Authority for Windstorm Control Zones
- a) Limited as per signed Underwriting Guidelines;
 - b) Locations from Delaware southward, through and including Texas:
Referral to property authority level for all locations within 15 miles of the mainland coastline;
 - c) Locations north of Delaware through and including Maine:
Referral to proper authority level for all locations within 1 mile of the mainland coastline.
- C. Windstorm Control Zones: locations within these zones must be submitted to your Program Manager before quoting. Risk Meter will provide distance from the **actual** coast line 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 B or C above, the underwriter must confirm superior construction and maintenance of all such properties.
- E. Minimum deductibles:
- I. Locations Delaware southward through Texas:

<u>Distance from mainland coast</u>	<u>Deductibles</u>
0 to 15 miles	2% of value, minimum \$25,000 per occurrence
 - II. Locations north of Delaware through and including Maine:
0 to 1 miles from the mainland coast - 2% of value, minimum \$10,000 per occurrence.
- AIG Program Managers possess authority to modify these deductibles.
- F. Florida
For locations south of and including Sarasota-Ft. Pierce to Key West we cannot provide property coverage. This includes all of the following counties:

Broward, Charlotte, Collier, Dade, Desoto, Glades, Hardee, Highlands, Lee, Manatee, Martin, Monroe, Okeechobee, Palm Beach, Sarasota, St. Lucie

The remainder of the state any risk located within 15 miles of the coast is not eligible for property coverage.

Risks located more than 15 miles of the coast and north of the excluded counties must have a 5% or \$50,000 minimum windstorm deductible per location.

G. Imminent Hurricane Threat – No binder, policy or endorsement providing the perils of windstorm/hail/flood or increasing the limit of liability, may be issued to cover 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.

H. You have the option to exclude the perils of wind and hail in Florida or wind pool areas.

I. In states that have wind pools we are to be excess of the full amount of coverage available to the risk. On BII/EE there is a minimum waiting period of 168 hours. If the risk does or does not purchase coverage from the wind pool the full amount available is the amount of the deductible we will apply. Those states with wind pools are: Florida, North Carolina, South Carolina, Texas, Louisiana, Alabama, Mississippi, Georgia. Use RiskMeter.com to determine if individual locations are eligible for coverage by a wind pool.

J. Amount subject is 100% of the TIV for all locations exposed to the same Windstorm Control Zone.

K. State wind pool web sites. Here is a listing of the state wind pool sites.

Alabama: www.alabamabeachpool.org

Florida: www.fwua.com/

Georgia: www.georgiaunderwriting.com/planop.pdf

Louisiana: www.laplans.com

Mississippi: www.msplans.com/mwua/

North Carolina: www.ncjua-nciua.org/Underwriting.htm

South Carolina: www.scwhua.com/manual.html

Texas: www.twia.org/AG/aghomes.html

Appendix 1

Riskmeter Geocoded Data

Riskmeter is a vendor service contracted to provide geocoded data to our Program Managers through a internet site. The site is www.Riskmeter.com and requires a login ID, password and member ID. Check with your Program Manager for assignment of your member ID.

The following information is available from Riskmeter.

- Flood Zone – will indicate if a location is within 250 feet of a flood zone.
- Distance to shore – actual distance to coastline. No adjustments have been made for harbors, bays or tide marshes.
- State Wind Pool Eligibility – AL, FL, GA, NC, NJ, SC, TX. Will indicate if a location is within the specific state wind pool.
- California Brush Zones – will indicate if a location is within 250 feet of a brush zone. In California locations within designated brush zones are eligible for fire coverage through the State FAIR Plan.
- Distance to fault – will indicate the distance to the nearest earthquake fault.
- Quick Quake – provides MMI potential to an active earthquake fault.

A copy of the Riskmeter data is required to be maintained within the property underwriting file.