



AIG Programs

Non-Admitted Program Underwriting Authority

RMS Nightclub Program

Edition Date: 11/16/15

Program Administrator: RMS Insurance Brokerage, LLC
100 Ring Road West, Suite 202
Garden City, NY 11530

Principal(s): Mark Derrenberger, President/CEO
Diane Krause, COO

Program Description:

The program includes Property, Inland Marine, Equipment Breakdown and Casualty lines such as GL, liquor liability, Non-owned auto, Corporate Identity Protection (CIP), and Excess Liability coverages for risks that own and operate family style/casual dining restaurants, pub/taverns, sports bars, and lounges and nightclubs.

Program Manager: Margaret Curcio

Program Inception: April, 2014

Division: 66 – AIG Programs



Related PUC Numbers:	71	Family Style Dining – Pkg
	72	Family Style Dining – XS
	73	Casual Dining – Pkg
	74	Casual Dining - XS75
	809	Pub/Tavern > 75% Liquor - Pkg
	76	Pub/Tavern – XS
	77	Sports Bar < 75% Liquor – Pkg
	810	Sports Bar > 75% Liquor - Pkg
	78	Sports Bar – XS
	79	Lounge < 75% Liquor – Pkg
	811	Lounge > 75% Liquor - Pkg
	80	Lounge – XS
	81	Nightclub < 75% Liquor – Pkg
	812	Nightclub > 75% Liquor - Pkg
	82	Nightclub – XS

Program Territory: Countrywide except the following excluded states:
Alabama, Vermont, District of Columbia, Canada and US territories

Program Commission: 22.5%



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NOTICE – PLEASE READ CAREFULLY

This Program Underwriting Authority (the “Authority”) set forth the terms and conditions pursuant to which the Program Administrator named in Section 6 hereof (referred to hereinafter as the “Program Administrator”, “You” or “Your”) may place business with the insurance companies named in Section 2.1 hereof (collectively referred to



hereinafter as the “Company”, “We”, “Us” or “Our”) in accordance with the Program Administrator Agreement between the Company and the Program Administrator.

Periodically during the year you may receive a change from us that directly correlates to this Authority document. That change will be deemed to be effective as of the date of the publication of the bulletin unless otherwise specified. Such changes, which may include rates, rules or form approval changes, will be integrated in to future Authority documents. The Program Administrator employee listed in Section 6, as the person assigned the underwriting authority granted herein, is responsible for the coordination with the Program Administrator’s staff of periodic updates to this Authority.

Please access our website at <http://www.aigprograms.net> for additional information as directed in this document.

Excluding any information provided by us via Bulletins to you, if there is a conflict between the instructions contained within this Authority and any other communication, this Authority shall supersede all other instructions.

Please sign the acknowledgement and acceptance form in Section 6 and return an executed copy of the Program Underwriting Authority to your Program Manager within 30 days. If your Program Manager does not receive the executed copy within such time, this Authority will automatically go into effect on the date set forth in Section 6.

1. PROGRAM OVERVIEW

1.1 ELIGIBLE BUSINESS – PROGRAM DESCRIPTION

You may underwrite, quote and bind business on behalf of the Company on eligible accounts for the RMS Nightclub Program (Hereinafter, the “Program”) that meet the following eligibility requirements:

ELIGIBILITY REQUIREMENTS

Risk Eligibility

(Please note: These are mandatory eligibility criteria except where a “Refer” is noted):

1. Minimum 3 years’ experience for the manager and owner.
Note: Item #1 may imply that we will write a venue that is a new operation but where the owner and manager have experience. In these cases we should still require information on the owner with respect to prior operations that were owned. **(Refer)**
2. No ABC (Alcoholic Beverage Control) or other alcohol law or ordinance violations, or other actions against the insured’s liquor or beverage license within the past 5 years. No other civil ordinance violations. **(Refer)**.
3. No criminal convictions against any of the owners or managers of the business.
4. Building occupied must be constructed and/or upgraded for the specific occupancy of the insured in compliance with local building codes.



Refer to **RMS Code Conversion sheet** for the appropriate ISO CGL Class codes, descriptions and PUCs for qualifying risks. The corresponding Profit Unit Code(s) (PUC) associated with this program are:

PUC Description	PUC CODE
Family Style Dining – Pkg	71
Family Style - XS	73
Casual Dining – Pkg	72
Casual Dining – XS	74
Pub/Tavern < 75% Liquor – Pkg	75
Pub/Tavern > 75% Liquor - Pkg	809
Pub/Tavern – XS	76
Sports Bar < 75% Liquor – Pkg	77
Sports Bar > 75% Liquor - Pkg	810
Sports Bar – XS	78
Lounge < 75% Liquor – Pkg	79
Lounge > 75% Liquor - Pkg	811
Lounge – XS	80
Nightclub < 75% Liquor – Pkg	81
Nightclub > 75% Liquor - Pkg	812
Nightclub – XS	82

In addition, we require the following account attributes*:

- Obtain 5 years with minimum of three-years currently valued (within 90 days of the proposed effective date) hard copy loss history provided by the expiring carrier,
- The loss ratio for the current year, and separately, all lines combined for the past three years, must be 30% or less and have no single loss (involving any insurance product) greater than \$50,000 (Incurred loss).
- Current policy must be active, have comparable coverage and limit, and not in the process of being cancelled or non-renewed unless IIC prior carrier policy.
- D&B credit score of 1, 2 or 3 as obtained from eStart.**

* Accounts that do not possess each of the above attributes may be deemed acceptable, but must be referred to your Program Manager for review and approval prior to quote.

**For accounts with a D&B score of 0, 4, or 5, or where eStart indicates 'not evaluated' with an annual premium of less than \$100,000, the following financial review is acceptable when documented in file:

- If You subscribe to Experian, the account has a score of twenty five (25) or higher; or
- Their payment history must be reviewed and found to be 'current'; and

You have verified that the Insured is not operating under any chapter of the United States Bankruptcy code.



If the above cannot be verified, or if the account premium is in excess of \$100,000, you must submit the account to your Program Manager along with a copy of their current financial statements for approval prior to quote.

1.2 INELIGIBLE BUSINESS

You cannot quote or bind business for accounts that are outside of the parameters established above. In addition, the following risk classes are considered ineligible for this program

Ineligible risks and activities: Please note that any risks with these operations/activities are not eligible for the program and should be declined.

1. Exotic Clubs
2. Live Music Venues
3. Risks with after-hours operation and serves past the local ordinance or license requirements for hours of operation.
4. Risks with events or entertainment inside the venue considered to be outside of the usual exposures. (e.g., athletic events, special promotions, climbing walls, trampolines, hot tubs, children's playground equipment, exhibits or amusements)
5. Fraternal organizations (VFW Halls, etc.)
6. Bowling Alley Bars
7. Any MMA, Wrestling or fighting events
8. Events or venues involving motor sports
9. Amphitheaters
10. BYOB clubs
11. Fast Food Restaurants
12. Teen Clubs
13. Drinking Games
14. Garagekeepers coverage
15. Accounts that do not have TIPS or similar approved alcohol awareness training in place. Accounts that do not use a Tyvek system to identify minors who are below drinking age
16. Firearms maintained on the premises (Any exceptions must be preapproved by AIG Program Manager)
17. Swimming pools
18. Nightclubs offering RAP/HIP HOP/Techno/Rave (Refer if added midterm on policies)
19. Accounts using guest bartenders
20. Untrained/Armed Security (refer if confirmed security will be trained within mandated State guidelines received, as well as why the need for security to be armed.
21. Untrained armed security
22. Hookah or smoking lounges / clubs



Ineligible exposures: Please note that any requests for an exception to the following ineligible exposures must be referred to the Program Manager. Proper documentation is required as to why it should be considered.

1. Mechanical devices on premises
2. Risks with special events outside of the four walls of the premises
3. Table Side Cooking (Refer hibachi or Asian style cooking)
4. Catering or Banquet operations
5. Accounts that do not have written A&B policy at inception is a referral and there will be an automatic essential LC recommendation as a result. However, this will not be a referral for Casual or Family style dining.
6. Punch machines (provide info on maintenance of equipment & prior loss experience)
7. Protection class 9 and 10
8. Any risk with no venting or flue systems in place for commercial cooking, no automatic fire extinguishing systems over cooking areas and no automatic regulating systems for cooking equipment (i.e. not meeting UL300 standards). Deep fat dryers require thermostats with automatic fuel shut off if temperature exceeds 475.
9. Risks with fire sprinklers or fire suppression systems which are not inspected or serviced at least semi-annually and/or contracts for cleaning of hoods and vent based on current NFPA standards.
10. Risks that do not have maintenance service agreement for refrigeration/freezing equipment.
11. Unsprinklered risks that lack appropriate controls such as Central Station Alarm and Class ABC fire extinguishers.
12. Unusual conditions such as unusual interior decorations or seasonal decorations that could add to the building fire load and/or cause an obstruction to occupants exiting the premises . Wood burning stove or fire places on premises.
13. Wine valuation coverage - Stated amount coverage for rare wines is a referral to PM.

2. AUTHORITY

2.1 INSURANCE COMPANIES

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

COMPANY NAME

Lexington Insurance Company (all states except DE)

AIG Specialty Insurance Company (DE only)

2.2 LINES OF BUSINESS / PREMIUM / OPERATING SYSTEM

You may underwrite, quote and bind eligible business in the Program for accounts with premiums up to the following amounts using the operating system(s) set forth below.



The premium amounts apply only to business written in the Program and do not apply to any business written with any other company, branch, division or department of any member company of American International Group, Inc.

LINES OF BUSINESS	PREMIUM AUTHORITY	OPERATING SYSTEM*
Commercial Property/Inland Marine	\$50,000	Coverall
Commercial General Liability (includes liquor-Non-owned Auto & Hired Car – CIP coverages)	\$100,000	Coverall
Commercial Crime Coverage	\$included in Property	Coverall
Excess Liability Coverage	\$50,000	Coverall
The sum of all policies and/or coverages written for one insured	\$150,000	

2.3 NAMED INSUREDS

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

Note: Individuals (i.e., natural persons) may not to be listed as a “Named Insured” on Our policies.

Please refer all accounts that are requesting either an individual or a non-qualifying entity to be listed as a “Named Insured” to your Program Manager prior to quote.

2.4 LIMITS AUTHORITY

You may underwrite, quote and bind eligible business in the Program for accounts with limits up to the amounts set forth below subject to the following catastrophe management limitations.



PROPERTY/CRIME COVERAGES	Limits	
PROPERTY		
Commercial Property and/or Inland Marine	\$2,500,000	Maximum Amount Subject (gross) in Protection Class 1 - 8
	\$NONE	Amount subject any location in Protection Class 9 or 10
	\$10,000,000	Total Insured Values
Earthquake – 250 Year MMI Zones of 7.0 through 12 (derived from RiskMeter*), and the entire state of California, Alaska and Hawaii	No Authority	
Earthquake – 250 Year MMI Zones 1 through 6.99 (derived from RiskMeter*),	\$ 1,000,000	
Earthquake Sprinkler Leakage – 250 Year MMI Zones of 7.0 through 12 (derived from RiskMeter*), and the entire state of California, Alaska and Hawaii	No Authority	
Earthquake Sprinkler Leakage – 250 Year MMI Zones 1 – 6.99 (derived from RiskMeter*),	\$ 1,000,000	
Flood – RiskMeter flood score over 40	No Authority	
Flood – RiskMeter flood score 10 - 40	\$ 1,000,000	
* See Qwik Notes for Information on RiskMeter		
Wind/Coastal Property	No Authority	Refer to the Windstorm section of Property Qwik Notes for guidance prior to making your referral.
Equipment Breakdown	Per Equipment Breakdown Addendum	See Section 5 for Equipment Breakdown Addendum.
CRIME		
Commercial Crime (1): Employee Theft	\$250,000	Per Occurrence
(1) Includes Employee Benefit Plans – when scheduled on the Declarations Page		
Forgery or Alteration	\$100,000	
Inside the Premises: Theft of Money and Securities	\$50,000	
Inside the Premises: Robbery or Safe Burglary of Other Property	\$50,000	
Outside the Premises	\$50,000	
Computer and Funds Transfer Fraud	\$50,000	
Money Orders and Counterfeit Money	\$50,000	



All other Commercial Crime \$25,000 Per Occurrence

GENERAL LIABILITY, AUTOMOBILE, GARAGE, UMBRELLA	Limits	
Commercial General Liability and Products Liability	\$1,000,000 \$2,000,000 \$2,000,000	Each Occurrence General Aggregate Products-Completed Operations Aggregate
Medical Payments	\$ No Coverage	
Personal/Advertising Injury	\$1,000,000	Each Occurrence
Damage to Premises Rented to You	\$ 100,000	
Non-Owned & Hired Car Auto	\$1,000,000	Per Occurrence
*Liquor Liability	\$1,000,000 \$2,000,000	Each Occurrence Annual Aggregate
Employee Benefits Liability	\$1,000,000 \$2,000,000	Claims Made Annual Aggregate
Commercial Excess Follow Form **** (Defense outside limit)	\$1,000,000 \$1,000,000	Each Occurrence General Aggregate Limit
(No coverage for liquor, assault & battery, Non-owned & Hired Car, CIP or mechanical devices)	\$1,000,000	Products-Completed Operations Aggregate
*Optional limits of \$500,000/\$1,000,000 or \$1,000,000/\$1,000,000 may be offered – refer to rating manual.		
****Limits up to \$5,000,000 may be available upon referral approval by Program Manager****		

2.5 WINDSTORM AND EARTHQUAKE CAT MANAGEMENT REFERRALS

Catastrophe modeling is also required when writing property coverage including windstorm and/or earth movement on both new and renewal business for any locations:

1. within Windstorm Control Zones (as defined in the Windstorm section of the Qwik Notes), and
2. for any location(s) with a RiskMeter 250 year MMI rating of 7.0 and above for earth movement.

All new business falling into either of the above parameters must be submitted to the Program Manager for CAT modeling prior to quoting

As respects renewal business you should use the Average Annual Loss determinations provided to you by your Program Manager as part of the underwriting / referral process.



No new or renewal property coverage subject to modeling may be quoted until required approval is received from the Program Manager.

2.6 ADHERENCE TO FILED RULES/LOSS COSTS/FORMS

Intentionally left blank.

2.7 POLICY TERM

Policy periods (including any coverage and rate commitments associated therewith) may not exceed twelve (12) months unless account is a "Seasonal" risk which the Cessation of Operations Exclusion would apply
Note: The foregoing notwithstanding, You may extend the 12 month policy period to accommodate concurrency requests for a period of up to 60 days. When issuing a policy greater than one year, please notify your Program Manager of the premium in excess of the annual term.

2.8 PRICING AUTHORITY

You have authority to use the pricing plans designated below. You have no authority to use any rates, loss costs, or rating plans other than those filed by or on behalf of the Company. When pricing all lines, you must properly document the underwriting file relative to qualification and/or the known risk attributes as required by state regulatory requirements.

PRICING / RATING PLAN	
AAIS Rating Plans for the following lines of business: (Transit)	Approved
Use of ISO Experience and Schedule Rating and IRPM	Approved
ISO 'a' Rating	No Authority
Deviation from ISO 'Increase Limits Factors'	No Authority
ISO Rule 15 – Commercial Automobile	No Authority
ISO Rule 34 – Commercial General Liability	No Authority
ISO Composite Rating	No Authority
Loss sensitive rating or retrospective rating	No Authority
Large or Special Risk Rating	No Authority
Use of any other State Approved "Deregulation" relative to rate or form use	No Authority
Dividend plans: individual risk or entire program	No Authority
Premium deferral or cash-flow programs, or compensating balance programs	No Authority
Rate guarantees beyond the annual policy term	No Authority
Self insured retentions	No Authority



Consent to Rate Rules
AIG Umbrella Rating Plan

No Authority
Approved

2.9 LIMITATIONS TO AUTHORITY

Unless a specific exception is listed in Section 5, you may not place any business in contravention of this Authority with respect to any aspect of the insurance placed pursuant to the Program, including without limitation, types of risk, coverages provided, policy terms and conditions, and pricing techniques.

2.9.1 LIMITATIONS: GENERAL LIMITATIONS

Unless authority is granted elsewhere in this document, no authority exists to:

1. Quote or bind an account operating pursuant to any chapter of the United States Bankruptcy Code.
2. Quote or bind any account with Commercial Auto exposures of a long-haul nature, defined as a radius of operations greater than 250 miles.
3. Quote or bind any account with overhead transmission/distribution lines either for direct damage or consequential loss, i.e. business interruption or extra expense.
4. Bind any account where Risk Transfer is not self-evident, or where the premium for such accounts must be recorded as a deposit.
5. Use any endorsement related to any rating agency downgrade of AIG (Credit Downgrade Endorsement).
6. Captive, pooling, or other risk financing arrangements.
7. Assumed reinsurance.
8. Amendments to any Program Administrator Agreement or other contractual agreement between any company of AIG, Inc., and any duly authorized broker doing business with the AIG Programs Division.
9. Back-date coverage more than ten (10) business days (and if ten days or less, subject to a warranty of no known or reported losses from the insured).

For clarity:

- a. The backdating of the deletion of a building, personal property, or an automobile(s) does not require a 'no known or reported loss' letter and your authority to approve the deletion is extended to thirty (30) days from the date of the sale of the property.
- b. An endorsement request to add coverage for a newly acquired property, automobile, or entity where coverage is already afforded on the insured's policy is not considered backdating, subject to the following:
 - i. The limits, terms and conditions of the "newly acquired" clause; and
 - ii. The request to add coverage must be received in accordance with the timeframe set forth in the policy.
- c. Any reduction from the original representation of the General Liability exposures found on the application is considered a back date request. While a letter of 'no known or reported losses' is



not required, such post-bind requests should be supported by a revised application or letter signed by the insured supporting the change.

10. Requests for facultative reinsurance of any line.
11. Agreement to pay or actual payment of any loss not covered by the policy as it was written at the time of loss.
12. Quote or bind individual risks, or programs, if AIG Claims Services, or an AIG approved TPA is not handling all losses and loss adjustment.
13. Revise any premium audit without the express written consent of the Company Premium Audit Division.

2.9.2 LIMITATIONS: COVERAGES

Unless authority is granted elsewhere in this document, no authority exists to quote or bind any of the following:

1. Claims Made coverage in a program where the CGL is written on an Occurrence form (excluding Employee Benefits Liability).
2. Occurrence Coverage in a program where the CGL is written on a Claims Made form.
3. Employment Related Practices.
4. Pollution or other Environmental coverage.
5. Liquor Law Liability in states designated as a high hazard (8 or higher) by ISO
6. Railroad Protective Liability.
7. Professional Liability or Errors and Omissions Liability.
8. Manufacturers Output policies or coverage.
9. Ocean Marine.
10. Product Recall.
11. Foreign coverage (i.e. outside the United States or Canada).
12. Hawaii Auto Coverage if not written through Coverall.
13. Massachusetts Auto Coverage.
14. Mold/Fungus Coverage.
15. Data Corruption coverage.
16. Policies that provide for Windstorm and/or Flood and/or Earthquake only.

2.9.3 LIMITATIONS: POLICY TERMS AND CONDITIONS

Unless authority is granted elsewhere in this document, no authority exists to quote or bind any of the following terms or conditions:

1. Individual risk, or programs requesting financial guarantees, e.g. any situation where we would be asked to include language in our policy, or assume obligations in the repayment of indebtedness.
2. Aggregate Limit reinstatement.



3. Requests for mid-term increase in limits of liability (GL only). A “no known loss” warranty statement from the insured may also be required.
4. Extension of cancellation or non-renewal provisions beyond the statutory minimum or 90 days, whichever is greater.
5. Master policies with certificates.
6. Manuscript policies, forms or endorsements, defined as insurance coverage documents, whether written by member companies of AIG or not, that amend policy coverage terms but are not filed.
7. Removal of any policy exclusion.
8. Property Loss – Limit forms or coverage.
9. Property (real, personal or inland marine) on a reporting form basis.
10. Property blanket policy limits.
11. Aggregate stop loss on deductibles or approved SIR's

2.10 STATE SURPLUS LINES TAXES, STAMPING FEES, SURCHARGES AND OTHER FEES

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

2.11 POLICY ISSUANCE AUTHORITY AND SERVICE STANDARDS

You are authorized to issue policies and on behalf of the Company in accordance with the Authority set forth herein. You must issue and mail all policies (either by USPS or electronically) within thirty (30) days from the effective date of the policy.

Endorsements must be issued and mailed (either by USPS or electronically) within thirty (30) days of receipt of the request.

2.12 APPROVED COVERAGE FORMS AND ENDORSEMENT AUTHORITY

The attached document sets forth the coverage forms and endorsements that are available for use with the Program by line of business by jurisdiction.

ATTACH WORKSHEET HERE WITH VERSION DATE INCLUDED IN TITLE; POST ON PA DISCRETE PORTAL ON WEBSITE



This information is current as of the date of this document. However, the actual edition dates are subject to change based upon new forms being filed and approved. You may not use any form or endorsement other than the most current version approved for use by the Company, by line of business, and by jurisdiction.

Anytime you need to use a coverage form or endorsement not set forth in the attached document, you must refer such form to your Program Manager for review and approval prior to use.

2.13 DELEGATION OF AUTHORITY

The person designated in Section 6 (the "Designee") may delegate the underwriting authority set forth herein to employees of the Program Administrator, provided such employees are under the employ and direct supervision of such designee. Any such delegation of authority must be done in writing, maintained on file at the Program Administrators office and made available to the Company upon request. No person other than the Designee may delegate any underwriting authority nor may the Designee delegate any authority to anyone outside of the employ of the Program Administrator. Any exceptions to any of the foregoing must be expressly approved in writing by your Program Manager prior to initiating the quote process.

Delegation of authority to employees must be done in writing and shall be maintained on file at the Program Administrators office.

2.14 UNDERWRITING GUIDELINES - QWIK NOTES

Throughout this document you will see references to Qwik Notes. These are Our Underwriting guidelines that summarize specific line of business rules that you are expected to follow unless otherwise directed in this document. You and your staff should carefully read them and refer any questions to your Program Manager. We will notify you of any changes during the course of the year via Underwriting bulletin. You can access the most current edition of Qwik Notes via the AIG Program website.

2.15 SURPLUS LINES HANDLING AND RELATED CONSIDERATIONS

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



surplus lines broker of record. The Company may, if so required, request information from you regarding surplus lines policy handling to satisfy regulatory reporting requests it receives.

3. PROGRAM UNDERWRITING RULES

3.1 UNDERWRITING FILE/DOCUMENTATION REQUIREMENT

You must document the underwriting file to reflect that all issues warranting special consideration have been recognized, evaluated, and found to be in accordance with the Authority delegated to You. Likewise, if any exposures are excluded from coverage, you must document the file accordingly. The underwriting file must contain sufficient information and organized in a manner that will allow anyone to understand the Program Administrator's underwriting intent by reading the file.

The minimum general requirements for contents of an underwriting file (paper or electronic) are:

- Signed and dated application(s) – see Section 3.2.
- Account reservation (eStart) confirmation page, including the D&B credit score and any credit or underwriting alerts contained therein – see Section 3.3.
- Account summary worksheet - See Section 3.4.
- Loss runs – see Section 3.5.
- Final rating worksheets.
- Where a policy is ISO 'a' or 'range' rated, documentation supporting the rate selected and where needed, approved by the Program Manager.
- Declarations Page (including full legal address of the insured).
- All correspondence pertaining to coverage or premium, including referrals.
- Referral approvals, declinations, if any.
- All quotes retained in a .pdf format along with the email cover letter.
- All binders, retained in a .pdf format along with the email cover letter.
- Complete copy of the policy (either paper or electronic copy) , which must include a schedule of forms.
- Copies of any:
 - a. Mid-term endorsements;
 - b. Notices of cancellation;
 - c. Additional Insured endorsements;
 - d. Non-Renewal notices;
 - e. Renewal notices;
 - f. Premium audits;
 - g. Loss Control Reports.

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



The minimum additional document requirements by product line are:

3.1.1 PROPERTY FILE DOCUMENTATION REQUIREMENTS

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

3.1.2 GENERAL LIABILITY FILE DOCUMENTATION REQUIREMENTS

- a. Experience and Schedule rating worksheets (including those written with a unity (1.00 mod) and justification for all schedule credits/debits applied).
- a. Maximum occupancy as certified by the local building code administrator or other authority within the municipality.
- b. Detailed listing of all promotional activities during last year and plans for promotions in the upcoming policy term.
- c. Copy of Contract agreement with all third party security firms including certificate of insurance from an “A” rated carrier specifically naming the applicant and the applicant’s landlord as an additional insured. Limits required equal to insured’s limit or higher.
- d. Social media search results on establishment and management.
- e. Evidence of underwriting for all exposures including life safety issues and products exposures (food storage and contamination).

3.1.3 UMBRELLA / EXCESS CASUALTY FILE DOCUMENTATION REQUIREMENTS

- a. Umbrella pricing worksheet including reason for pricing deviations.
- b. UM/UIM offer, acceptance & rejection forms where required (FL, LA, NH, VT, and WV)
- c. For scheduled underlying coverage(s) not written by AIG Programs, we require the following:
 - a. Loss runs or a letter of “no known losses” where applicable – see Section 3.5
 - b. Declarations page showing the writing company, policy period and limits.
Note: for Employers Liability, an email from the retail producer indicating the writing company is acceptable.
 - c. Premiums (except auto and Employers Liability)
 - d. Vehicle schedule (automobile)
 - e. Forms schedule (except for Employers Liability).
- d. Umbrella policy when issued.



3.2 APPLICATIONS

A copy of the completed, signed and dated application is required on all new business and kept in the policy file, along with any supplemental applications, questionnaires, or statements of value which are critical to the underwriting of the account. Umbrella applications are not required to be signed if all of the underlying applications have been signed. Where the application becomes part of the insurance policy (as is the case with Professional Liability, for example) subsequent applications must be signed. Where the application does not become part of the insurance policy, subsequent renewal applications do not need to be signed, although it is considered preferable to obtain such signatures where possible. However, a completed, signed application is required every three years.

Additional information that is obtained through telephone conversations, email exchanges, or other means may be used to analyze an account, but must be documented in the account file.

All applications, including supplemental applications used by the Program Administrator, must be approved by the Company.

Standard ACORD forms and/or supplemental questionnaires or applications approved by your Program Manager are the only applications approved for this Program.

3.3 ACCOUNT CLEARANCE/RESERVATION IN 'E START'

You must enter all accounts and Named Insured's into the AIG reservation system (eSTART) prior to the release of a quote. You must include evidence of the reservation clearance in the underwriting file. You must resolve all Underwriting Alerts, Credit Alerts and Hard Blocks in accordance with the AIG's Programs requirements (see website for details) or as directed by your Program Manager prior to quote and retained in the file.

In addition, when an account is bound, it must be updated in eSTART to reflect a bound status.

3.4 ACCOUNT SUMMARY WORKSHEET

Each Underwriting file must contain a completed "Account Summary Worksheet" (one document) that at includes the following:

- Name and address of the First Named Insured
- Complete list of Named Insured's, a brief summary of each named insured's operations (including any discontinued operations).
- Description of all operations (confirming eligibility).
- Exposure and hazard analysis.
- Current/expiring premium (for new business, where available).
- Loss history summary by line of business supporting eligibility, including the following:
 - Total number of losses and total loss dollars incurred by policy year
 - Analysis of any claim in excess of \$50,000



- D&B Score of 1, 2, or 3 (from eSTART), or if the score is 0, 4, or 5, financial analysis as directed in Section 1.1, Eligibility, or referred to the Program Manager with supporting financials and approved prior to quote.
- Underwriting rationale supporting writing the account.

3.5 LOSS RUNS/LOSS ANALYSIS

You must analyze loss information prior to quoting any account in accordance with the eligibility requirements set forth in Section 1.1 and documented in the Underwriting file. Three year currently valued (hard or electronic copy) loss runs provided by the insurer are required on new business. See Section 3.4 for documentation expectations.

3.6 REFERRAL PROCESS / REQUIRED DOCUMENTATION

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

- Reason(s) for the referral (including direct reference to Your Authority triggering same).
- Supporting documentation, including a completed, current 'Account Summary Worksheet' (see Section 3.4).
- Your reasons supporting why an exception should be made.
- Due date for a response.

It is incumbent upon You to allow sufficient time for the Program Manager to review all referrals.

Your Program Manager will respond to you with a decision via email, which you must retain in the underwriting file. You may not quote or bind coverage prior to receiving written approval from your Program Manager.

Once approved, where You have established that there has been no material change to the risk and properly documented the file, the approval remains in effect and resubmission is not required at each renewal*. However, the following exceptions limit referral approval to the current policy year only:

1. When limited by your Program Manager and stated in their approval email; or
2. Deterioration of previously approved three year account loss ratio of more than 10%; or
3. Any referral for rate exceptions; or
4. The premium exceeds your authority as stated in Section 2.2, Premium Authority; or
5. Any approval for property and/or inland marine coverages:
 - For flood and/or earth movement if there is an increase in limit(s) or decrease in deductible(s); or
 - Windstorm in a "wind control zone" (unless otherwise provided in the written approval); or
 - If the key amount subject increases by more than **10%** above the approved amount subject limit; or



- Any amount subject value over \$40,000,000.

*NOTE: All referral approvals pending to the in force policy must be kept in the current policy file.

In addition to the above, please note that any previously approved manuscript endorsements that do not have a specific form number and edition date must be resubmitted at expiration. Once approved, the above will apply if so designated by your Program Manager.

3.7 DEDUCTIBLES / SIR PROCEDURES

- General Liability: There are no mandatory deductibles or SIR for this program, **except for Assault & Battery and CIP Coverage. The mandatory A&B deductible is \$5,000 including defense expenses. A \$2,500 buy-down deductible including defense expenses**) is available. However the goal is to only retain a \$5,000 deductible on all accounts, but particularly for the \$500k/\$500K and \$1M/\$1M limits. You have the authority to offer the \$2500 buy-down deductible option for limits between \$25K/\$25K to \$250K/\$250k. Premium charge for buy-down deductible is 10% of the A&B premium.
- The Corporate Identity Protection (CIP) mandatory deductible is \$2500. Refer to CIP rating manual.
- Accordingly, the use of any deductibles or SIR on a General Liability other than those noted above must be referred to your Program Manager prior to use.

3.8 QUOTATION

You must issue quote letters for all accounts using a protected .pdf format. The saved .pdf file name must include the insured's name and the date the quote was created. The quote letter must be retained in the underwriting file along with the dated cover letter (email) that accompanied the quote. If a request is made to revise the quote prior to binding, you must issue a new quote letter.

At a minimum the quote letter must include the following: date of proposal, name of producer, name of insured, proposed effective date and expiration date, conditions, limits of liability, deductible/self-Insured retention if applicable, premium, applicable coverage, description of forms and endorsements, services if applicable, payment options.

3.8.1 SURPLUS LINES REQUIREMENTS FOR QUOTATIONS

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

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



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

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

3.9 BINDERS

All requests from a retail broker or applicant to bind coverage must be in writing and received prior to the coverage inception date. If multiple quotes were provided, the bind order must clearly state the quote option selected.

You must issue a binder whenever a policy is not issued and mailed (USPS or electronically) within five (5) business days of the policy's effective date. Such binder must outline the final agreed-upon terms and conditions (which may differ from the quote letter assuming the changes are non-monetary). All binders must be converted to a .pdf format, sent via email, and retained in the underwriting file, along with the dated cover letter that accompanied the binder. A binder cannot be issued for a period of more than 30 days without written approval by the Company.

Binders may consist of an ACORD Form 75 or a binder letter, provided however, that all binder letters must reference the quote being bound and must include at least the following information:

- Date of issue
- Quote being bound (where multiple quotes exist, you must identify the one being accepted by the insured)
- Effective date
- Type of insurance
- Coverage/Forms
- Limits
- Deductibles/SIR's/Coinsurance
- Fees and assessments
- Premium
- Writing company(s)
- Special conditions (warranties, subject to conditions, disclaimer wording in the event of a material change in exposure or conditions)
- All non-monetary changes agreed to at time of binding

All binder letters must contain the following language:

“This binder contains a summary of the coverage provided under the policies listed herein and does not include all the terms, conditions, and exclusions of the policy(ies). The policy(ies) contain the full and complete agreement with regard to the coverage provided therein. Please review the policy(ies)



thoroughly with your broker upon receipt and notify us promptly in writing if you have any questions. In the event of any inconsistency between the binder and the policy, the policy language shall control.”

3.9.1 SURPLUS LINES REQUIREMENTS FOR BINDERS

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

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

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

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

3.10 OTHER UNDERWRITING CONSIDERATIONS

3.10.1 CANCELLATIONS/NON RENEWALS

You must provide proper and timely cancellation and/or non-renewal notices to policyholders, and such other entities as required by the policy, any application law, rule, regulation or order, or the Company. For all cancellations, conditional renewals and non-renewals, use of ODEN Policy Terminator is required to ensure that notices provided comply with each state’s requirements.

3.10.2 DECLINATIONS

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

3.10.3 MATERIAL CHANGE IN COVERAGE/RATE INCREASES

Many states require notification of any change in premium (including not only base rate changes, but the premiums charged to the individual account) or restrictions in coverage. Some states will require notification to the policyholder prior to renewal, while other states may require a conditional non-renewal. You must issue such notices as required by applicable law, and forward any questions to your Program Manager.

3.10.4 STATE SPECIFIC AMENDATORY ENDORSEMENTS

You must issue all state regulatory notices and amendatory endorsements as required by applicable law. If you are issuing policies through CoverAll, such notices and state amendatory endorsements are automatically attached. Non-CoverAll Programs should consult the PA Website for these notices and



amendatory endorsements. As updated versions of these notices and amendatory endorsements become available, we will provide these to you via PA Bulletin and update CoverAll and the PA Website accordingly.

Your Program Manager is available should you have any related questions.

3.10.5 HEADQUARTERS STATE RULE

You must verify that the Program is in compliance and using approved loss costs/rates, rules and forms based upon the 'headquarters state' of the first named insured. As used in this document, "headquarters state" is defined as the state shown in the mailing address of the first Named Insured on the declarations page – the state in which the first Named Insured maintains its headquarters or principle place of business.

3.10.6 TERRORISM RISK INSURANCE ACT (TRIA)

You must comply with provisions of the Federal Terrorism Risk Insurance Act of 2002, as amended. You must provide a quote for terrorism when providing coverage for Property, General Liability, and/or Excess Casualty lines of business. The Company has taken the position that coverage for terrorism for these lines must be offered with no option to reject coverage, using Form 96556 (01/15) and must clearly show the premium charge. The rate will be a flat charge of 1% where approved. (Refer to Qwik Notes for zip codes where coverage for Terrorism requires a referral.)

3.10.7 OFFICE OF FOREIGN ASSETS CONTROL (OFAC)

You must attach the approved AIG Economic Sanctions Endorsement on all policies.

89644 (06/13)	Economic Sanctions Endorsement (OFAC)	All states except AK
118019 (07/14)	Economic Sanctions Endorsement (OFAC) - AK	AK

You must comply with all laws, rules and regulations promulgated by the Office of Foreign Assets Control (OFAC). By clearing the account and any alerts and/or blocks that arise in eStart (see Section 3.3), you are satisfying this requirement.

However, You must refer all matters involving conflicts of this type to your Program Manager immediately to address any potential legal risks under all applicable laws prior to quoting. You are not authorized to bind coverage for any insured included on any list of Specifically Designated Nationals and Blocked Persons promulgated by OFAC.

3.10.8 COMMISSION – POLICYHOLDER NOTICE

You must attach the approved AIG policyholder notice (form 91222 04/13) regarding producer commission to all policies issued pursuant to the Program.



4. ADMINISTRATION AND SERVICE

4.1 LOSS CONTROL

The following program specific guidelines have been developed to ensure consistency in the utilization of loss control throughout the underwriting of AIG Programs accounts:

Loss control surveys are provided by AIG Programs approved subcontractors. The purpose of the surveys is to verify information obtained on the application, improve/enhance the insured's risk management program and to identify "exceptions" or critical information requiring the underwriter's review.

Loss control surveys are provided by AIG Programs approved subcontractors. The purpose of the surveys is to verify information obtained on the application, improve/enhance the insured's risk management program and to identify "exceptions" or critical information requiring the underwriter's review.

At inception of any program, the AIG Programs loss control staff will have assisted in the selection of an approved subcontractor and appropriate survey report based on program complexity and size, along with any Consultative services that may be deemed appropriate.

The following guidelines have been developed to ensure consistency in the utilization of loss control throughout the underwriting of AIG Programs accounts:

1. The Program Administrator should request a telephone survey within seven days of the effective date on all new business and every three (3) years thereafter if any of the following applies:
 - a. Total combined premium is below \$75,000
 - b. At the discretion of the underwriter; a telephone survey can be ordered more frequently and regardless of premium size if necessary.
2. The Program Administrator should request a physical survey on all new business and every three (3) years thereafter, if any of the following applies:
 - a. Total combined premium is \$75,000 or greater
 - b. All nightclubs and lounges (conducted at night during operations and day on telephone)
 - c. An exception is generated from a telephone survey for account with entertainment
 - d. At the discretion of the underwriter; a physical survey can be ordered more frequently and regardless of premium size, or amount subject total value, if necessary.

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

3. The Program Administrator should review the survey report and recommendations (if any) within seven (7) calendar days of receipt. The underwriting file should reflect the review and the date it was done and any underwriting actions, if any, that may be necessary as a result of such review.
4. AIG Programs is responsible for distributing to the insured and agent the survey letter and recommendations requesting a response to *essential* recommendations (if any) within 14 days.



5. AIG Programs is responsible for following up on *Essential* recommendations and notifying underwriting compliance status and/or when assistance is needed.

4.2 PREMIUM INSTALLMENTS AND FINANCING

The Company does not offer premium installments. Premium financing is allowed but is not offered by the Company.

5. LINE OF BUSINESS GUIDANCE: RATES AND RULES

Included in this Section are the rates and rules by product line approved for use with this program and is subject to periodic change. We will use the Cover-All operating system and/or Program Administrator bulletins to keep this information current.

5.1 PROPERTY / INLAND MARINE / CRIME: APPROVED RATES AND RULES

Unless otherwise directed in this section:

1. Please refer to the Division 66 Property Qwik Notes.
2. You are to use ISO loss costs or class rates applicable at each location.

“Enhanced” property forms will be used for most accounts. ISO forms may be used on any account.

Enhanced Property form pricing:

- **3% of the policy premium, subject to:**
 - **A minimum premium charge of \$225; and**
 - **A maximum premium charge of \$1,000 per policy**

Wine Valuation Endorsement – Form # PRG 9259 (04/15)

- In event of a loss or damage to an insured’s wine stock the form will determine the value
- Irreplaceable inventories will be valued at stated amount based on each scheduled bottle of wine (Attach Schedule of Rare wines to policy). If any wine not on the Schedule of Rare wines, cannot be replaced it, will be valued at the original acquisition cost.
- Replaceable wine will be valued at the price the insured could have sold it, at the time and place of the loss or damage or market price of replaceable wine of like, kind and quality at the time of loss or damage.
- **Pricing:** No special rating. The value of the wine will be include in the contents limit and rate as contents.

Food Contamination and Communicable Disease Endorsement – Form #115262 (4/14):

- Limits are \$100,000 or \$250,000
- Premium are Factor applied to the Business Income Premium
 - 1% for \$100,000 limit
 - 2.5% for \$250,000 limit



Inland Marine: the “enhanced” property form provides a \$50,000 limit for transit coverage on an Insured’s vehicle.

To extend coverage for goods in the care, custody and control of a common carrier or contract carrier under a shipping document:

- Attach the transit endorsement shown on the forms list;
- Determine the value of goods shipped under shipping documents and rate the exposure using the AAIS transit rate guideline provided with this authority document

You may provide higher transit limits, up to \$100,000 per vehicle.

To provide the additional limit:

- Attach the Supplemental Declarations – Limit and Deductible Changes Endorsement shown on the forms list;
- Determine the value of goods shipped under the shipping document and:
 - Calculate the difference between the \$50,000 limit provided on the property form and the limit to be provided (the excess limit)
 - Using the AAIS transit rate guideline provided with this authority document, rate for the “excess limit” per the guideline rating rules, this will be your additional premium for the increased limits
- AAIS Transit Rating.pdf
- OHIO Transit Rating_03 2013.pdf

Business Income Actual Loss Sustained (118301 (12-14):

- For BI rating. Below is the rating and documentation required for using ALS – BI:
 - Obtain the 100% coinsurance BI “limit” for each location
 - For any location with BI exposure over \$500,000 a BI worksheet showing the 100% BI Amount must be obtained
 - Rate the risk at 100% coinsurance, agreed amount
 - That will provide the BI premium
 - The ALS endorsement will then provide BI absent the limit

You are expected to review property values at each renewal, and adjust where necessary, to assure proper insurance to value. Refer to Qwik Notes for specific guidance on approved Marshall & Swift valuations.

CRIME:

It is our intent to migrate our Crime policies to the Actual Loss Sustained form as follows:

- Effective immediately, all new Crime business should be written using ISO’s Actual Loss Sustained coverage form (CR 0021)



- In the event you would like to write a new Crime policy on the 'Discovery' form, it requires a referral and prior approval by the program manager utilizing a retroactive date that is concurrent with the inception date of policy. However, the use of this form is strongly discouraged.

5.2 GENERAL LIABILITY – APPROVED RATES AND RULES

We will use ISO and RMS Nightclub program specific approved forms and rates when writing Commercial General Liability. This includes coverage for Assault & Battery, Liquor Liability, Non-Owned & Hired Car, and Corporate Identity.

5.1.2 APPROVED RULES – GENERAL LIABILITY

REFER TO THE RMS CASUALTY RATING PLAN

Refer to RMS Class codes-NAIC –ISO CGL Sheet for assignment of GL Class Codes

<u>NAICS</u>	<u>SIC</u>	<u>ISO GL Class Code</u>	<u>ISO Description</u>
722511	5812	16910	Restaurants – with sale of alcoholic beverages that are less than 30% of the annual receipts of the restaurants – with table service
722511	5812	16916	Restaurants – with sale of alcoholic beverages that are 30% or more of but less than 75% of the total annual receipts of the restaurants – without dance floor
722410	5813	16930	Restaurants – with sale of alcoholic beverages that are 75% or more of total annual receipts of the restaurants – with tables – without dance floor – table service
722410	5813	15656	Nightclubs, Cabarets and Comedy Clubs

Should you encounter a 'refer to company' issue not addressed above, please refer to your program manager for guidance.

5.3 EXCESS / UMBRELLA: APPROVED RATES AND RULES

Unless otherwise directed in this section:

1. Please refer to the Division 66 Umbrella Qwik Notes.
2. See the Qwik Notes for our Umbrella underwriting guidelines.
3. Use AIG Rating Plan for Excess and Umbrella, found in Umbrella Qwik Notes as well as the Excess Rater on the AIG Programs Website under the Excess Umbrella Product page.



5.4 MISCELLANEOUS COVERAGES: ASSAULT & BATTERY – NON-OWNED AUTO & HIRED CAR – CORPORATE ID AND EQUIPMENT BREAKDOWN

ASSAULT & BATTERY COVERAGE (DEFENSE INSIDE LIMITS):

Premium Charge - Refer to RMS Casualty Rating Plan

LIMITS - OPTIONAL SUB -LIMITS AVAILABLE (No Coverage is afforded within the Excess Liability Policy):

- \$25,000 EACH OCC/\$25,000 AGG
- \$100,000 EACH OCC/\$100,000 AGG
- \$250,000 EACH OCC/\$250,000 AGG
- \$500,000 Each OCC/\$500,000 AGG
- \$1,000,000 Each OCC/\$1,000,000 AGG

Mandatory deductible - \$5,000 including defense expenses. **A \$2,500 buy-down deductible including defense expenses** is available. However the goal is to only retain a \$5,000 deductible on all accounts, but particularly for the \$500k/\$500K and \$1M/\$1M limits.

NON-OWNED & HIRED CAR (ONLY) COVERAGE:

Premium Charge - Refer to RMs Casualty Rating Plan

LIMITS – \$1,000,000 per occurrence

TERMS & CONDITIONS:

- Attach to CGL Coverage form - ISO Form MS RS 03 03 07 – Restaurants Hired and Non-Owned Auto Liability Coverage form. It includes ISO wording which has an “Other Insurance” that will make the policy excess over employees own insurance.
- Non-Owned Auto & Hired Car coverage is provided.
- The **Mandatory Driver recommendation** is required to be sent with the quote letter and returned signed with the binder confirmation (note: there is already an endorsement that excludes coverage if the loss is related to a formally issued recommendation).

CORPORATE IDENTITY PROTECTION (CIP) – Optional coverage

- Coverage form (s) Policy form: 107967 (2/11)
- Limits (See options below)
- Underwriting Criteria (see below and Refer to CIP Underwriting Manual)
- Premium Charge – Refer to CIP Underwriting Manual



- The Lexington Programs Division’s CIP coverage is a claims made defense within limits format that provides three CIP coverage grants:
 1. Personal Identity Liability - This coverage is designed to pay for liability claims resulting from security breaches that result, or could result, in third parties’ personal information being fraudulently used by an unauthorized person.
 2. Administrative Action – This coverage will pay defense costs incurred by the insured in the defense of an Administrative Action such as an investigation, settlement, or formal adversarial administrative proceeding against the insured by a governmental agency.
 3. Identity Event Reimbursement Coverage - This coverage is designed to pay reasonable expenses to mitigate the potential for a Personal Identity Liability loss post event. These expenses include forensic investigator to determine the extent of the security breach, notification costs to educate the general public post event, identity theft education and credit file monitoring. This coverage also provides public relation expenses to protect the reputation of the insured post event.

Corporate Identity Protection Limits

(\$2500 mandatory deductible)

CIP Aggregate Limit	Personal ID	Option A –B-C	\$50k - \$100K-\$250K
Liability		Option A –B-C	\$50k - \$100K-\$250K
Administrative Action		Option A –B-C	\$25K - \$50K - \$75K
Identity Event Reimbursement		Option A –B-C	\$25K - \$50K - \$75K

- **Premium per policy*** \$500 Option A \$1,000 Option B \$2,500 Option C
- *applies to policyholders with 3 or fewer locations. Refer to company for policyholders with greater than 3 locations. All premiums are minimum and fully earned upon inception.
- Completed CIP Application and eligibility criteria noted in CIP Eligibility Doc and CIP Guide for Business.

EQUIPMENT BREAKDOWN UNDERWRITING AUTHORITY

General Statements Regarding Eligibility

- Eligible Occupancy: Nightclubs facilities with dancing, sports bars, live music venues, clubs with and without cooking, family style/casual restaurants.

If a risk meets any one of the following criteria, it must be referred to HSB for a reinsurance quotation. If one "Location" is a referral then the entire policy becomes a referral policy.



- Any policy that has a "Location" with a "TIV" greater than \$10,000,000
- Any policy with an Equipment Breakdown limit or sublimit that exceeds \$100,000 as respects the following coverages:
 - Perishable Goods/Spoilage
 - Data Restoration
 - Expediting Expense
 - Hazardous Substances
 - Off Premises Property Damage
 - Dependent Properties
 - Computer Equipment
 - Service Interruption:
- Any policy with an Equipment Breakdown limit or sublimit that exceeds the following as respects Newly Acquired Premises coverages:
 - \$1,000,000 Building
 - \$1,000,000 Business Personal Property
 - 180 days
- Any policy that includes any one of the following coverage forms, but only if equipment breakdown coverage under said form is to be reinsured:
 - Any Inland Marine Form
 - Any Equipment Floater or Contractors Installation Floater
- Any policy with two or more covered equipment breakdown losses within the last 24 months and has been mutually determined in writing by HSB and Lexington to be a Referral policy.
- Any policy with a covered equipment breakdown loss greater than \$25,000 and has been mutually determined in writing by HSB and Lexington to be a Referral policy.
- Any policy that has a "Location" with a total power generating capacity greater than 250 kilowatts based on the nameplate rating of the equipment. This includes solar, wind, and any other method of generating power. This does not include equipment intended to generate electricity solely on an "emergency basis".
- Any policy HSB determines to be a referral based upon loss control information or claims information due to the exposure.
- Any policy that has a "Location" outside the United States

Deductibles:

The Equipment Breakdown deductibles for Property Damage and Business Income follow the Property Policy Property Damage Deductible and Business Income Deductible, subject to a \$1,000 minimum.

Rates:

.013 Per \$100 of TIV



The rates herein are annual rates and may be pro-rated for in-term transactions or odd-term policies.

Definitions:

- “TIV” is Total Insured Value and is defined as 100% Building Value, 100% Business Personal Property (excluding stock) Value and 100% Business Income Value.
- “Location” means premises involving the same or connecting lots, or premises whose connection is interrupted only by a street, roadway, waterway or right-of-way of a railroad.

5.5 SURPLUS LINES FORMS – MANDATORY USE

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

Lexington Insurance Company – Service of Suit Endorsement – PRG 2023 (05/14)

AIG Specialty Insurance Company – Service of Suit Endorsement – PRG 2084 (05/14)

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

Alaska – Alaska Policyholder Notice – 94079 (07/14)

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

Montana - Amendatory Endorsement / Conformity with Montana Statutes – 57120 (05/93)

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

5.6 PREMIUM AUDIT

- Self-Audit form sent to insured 10 days prior to policy expiration date
- If not received 10 days after policy expires a request for the insured’s P&L worksheet will be sent out.
- If P&L worksheet is not received, an assumed audit will be performed based on the exposures of the expired policy, adding 15% to the exposure base and charging an audit AP based on the base rate of the expiring
- PAD will conduct on-site audits randomly to verify information.



6. ACKNOWLEDGEMENT AND ACCEPTANCE

ACKNOWLEDGEMENT AND ACCEPTANCE

The Program Underwriting Authority and the underwriting authority granted herein, supersede any previous document outlining any and all underwriting requirements and authority. Only the terms of this Authority apply to the conduct of your underwriting responsibility pursuant to the Program. Verbal expressions of underwriting authority do not alter the terms of Your Authority.

Please sign below and return an executed copy of this Underwriting Authority Statement to your Program Manager within 30 days of the date set forth below. If AIG Programs does not receive the executed copy within such time, this Underwriting Authority Statement will automatically go into effect 30 days from the date set forth below.

I acknowledge and accept the terms and conditions set forth in this Program Underwriting Authority.

Acknowledged By:

Delegated By:

RMS Brokerage Insurance
Name of Program Administrator

Ruby Simmons – Product Line Manager
Name and Title of Grantor

Diane Krause
Name of Recipient/Designee

Ruby Simmons
Signature of Grantor

Managing Partner
Title of Recipient/Designee

11/16/15
Date

[Signature]
Signature of Recipient/Designee

12/2/15
Date

