

LEXINGTON Program Division 66 - 2011

EDITION DATE: June 15, 2011

PROGRAM NAME: SBT Social Services Program;
Home Health, Durable Medical Equipment, Miscellaneous Professional
Property

PROGRAM ADMINISTRATOR: Smith, Bell & Thompson, Inc.
40 Main Street, Suite 500
Burlington, VT. 05402-0730

PRINCIPAL(S):
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PROGRAM DESCRIPTION:

Social Services: Package policy written for not for profit social service organizations. For Profit accounts are eligible if they conduct operations in no more than two contiguous states.

HH/DME: Provides Property coverage for the following classes (but not limited to): visiting nurses, home health agencies, infusions providers, home hospice, hospital staffing, associations, nurse registries, community-based non-profit agencies and providers. This program includes Durable Medical Equipment suppliers.

Misc. Medical: Provides Property coverage to support those accounts meeting the Program requirements and written by Chartis Healthcare DIV 97 for General Liability or Professional liability (clinics, medical offices etc.)

PROGRAM INCEPTION: 1/1/1998

DIVISION: 66 – Lexington Programs

PRODUCER COMMISSION: 22% for all business written in the program.

PROGRAM TERRITORY: United States of America excluding all territories and possessions

RELATED PUC NUMBERS:

<u>Coverall Program Code</u>	<u>PUC #</u>	<u>PUC Description</u>
HS	26-0206	SBT Elderly Care Pkg
HS	26-0256	SBT Elderly Care XS
HT	26-0207	SBT Substance Abuse Pkg
HT	26-0257	SBT Substance Abuse XS
01	26-0210	SBT Social Service Other Pkg
01	26-0260	SBT Social Service Other XS
18	26-0213	SBT Home Health Med Equip Dis
10	26-0214	SBT Home Health Pkg

AUTHORITY:

1. INSURANCE COMPANIES

You are authorized to conduct business on behalf of the following companies, signified by an 'X' in the box next to the company name.

New Hampshire Insurance Company	[x]
Granite State Insurance Company	[x]
Illinois National Insurance Company	[x]
National Union Fire Insurance Company of Pittsburgh, PA	[x]

2. POLICY PREMIUMS

You may underwrite, quote and bind business on accounts with premiums up to the following amounts. These premium amounts apply only to business written in the LEXINGTON Program Division, and do not apply to any business written with any other company, branch, division or department of Chartis, Inc.

<u>SS</u>	<u>All Other</u>	
\$100,000	\$50,000	For Property /Inland Marine Coverages
\$100,000	Na	For Errors and Omissions Coverages
\$100,000	Na	For General Liability Coverages
\$75,000	Na	For Commercial Automobile Coverages
\$50,000	Na	For Umbrella Liability Coverages
\$25,000	\$25,000	For Commercial Crime Coverages
\$250,000	\$50,000	For the sum of all policies and/or coverages written for one insured

3. ASSIGNED PROGRAMS

You may underwrite, quote and bind business on accounts within the following LEXINGTON Program Division programs, defined as follows by program name and/or description, plus the corresponding Profit Unit Code (PUC) assigned to the eligible lines of business.

<u>Human & Social Services, Behavioral Health, Substance Abuse</u>
<u>Home Health Services, Durable Medical Equipment, Misc Professional</u>

4. LIMITS OF LIABILITY

You may underwrite, quote and bind business on accounts with limit(s) up to the following levels.

\$1,000,000	Per occurrence	for General Liability and
\$3,000,000	General Aggregate	Products Liability
\$3,000,000	Products Aggregate	
\$1,000,000	Per occurrence	For Abuse and Molestation
\$3,000,000	Annual Aggregate	
\$1,000,000	Occurrence	for Employee Benefits Liability
\$3,000,000	Annual Aggregate	
\$1,000,000	Combined single limit	for Automobile Liability
\$ ACV to	Per vehicle	for Automobile Physical Damage
\$75,000		Min Comp & Collision deductible of \$1,000. If vehicle cost new is over \$45,000 a minimum Comp & Collision deductible of \$2,500 is required.
\$5,000,000	Per policy	for Commercial Umbrella excluding abuse
\$3,000,000	Per Policy	For Commercial Umbrella including abuse only for

		Addiction Treatment and Adult Day Care. Excludes accounts providing residential services to youth.
\$10,000,000	Amount subject (gross)	for Commercial Property and/or Inland Marine.
\$2,500,000	Amount subject any location in Protection Class 9 or 10	
\$20,000,000	Total insured values (gross)	
\$500,000	Per occurrence	for Commercial Crime Form A, Depositors Forgery and Employee Benefit Plans (when scheduled in the Declarations)
\$25,000	Per occurrence	for all other Commercial Crime
\$1,000,000	Per Wrongful Act/	For Errors and Omissions Liability
\$3,000,000	Annual Aggregate	

You may underwrite, quote and bind business on accounts with limit(s) up to the following levels.

5. PROPERTY PERILS

You may underwrite, quote and bind business subject to the following catastrophe management limitations.

(no authority) Earthquake – 250 year MMI Zones 7.0 through 12, and the entire state of California

\$1,000,000 Earthquake – 250 year MMI Zones 1 through 6.99

(no authority) Earthquake Sprinkler Leakage – 250 year MMI Zones 7.0 through 12, and the entire state of California

\$1,000,000 Earthquake Sprinkler Leakage – 250 year MMI Zones 1 through 6.99

(no authority)

\$1,000,000 Flood – Federal Flood Zone(s) A, V, B, D, X (shaded), and X(500)

Wind/Coastal Property Flood – Federal Flood Zone(s) C, X or better

Wind/Coastal Property Wind/Coastal Property – There is no authority to quote windstorm or hail on locations within any of the windstorm control zones. All such locations must be submitted to, and approved by, your Program Manager before quoting. Definitions of windstorm control zones are in the Property Qwik Notes.

6. PRICING

Pricing is to be ISO based loss costs with applicable loss cost multipliers unless specific rates have been provided by Lexington Insurance. You have authority for the following pricing plans if an 'x' in the box next to the plan designates them.

- a. Deviation of Increased Limits Factors, but only if all requirements of Rule 15 and Rule 34 are met
- b. ISO Rule 34 General Liability
- c. ISO Rule 15 Automobile
- d. Preferred Risk Property Rating Plan (PropertyOne)
- e. AAIS Rating Plans
- f. Composite Rating of Liability, but only if all requirements of the ISO Composite Rating Rule are met

- g. Composite Rating of Automobile, but only if all requirements of the ISO Composite Rating rule are met

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7. LIMITATIONS TO AUTHORITY - ANY SPECIFIC EXCEPTIONS ARE LISTED IN SECTION 16

a. Specific Operations/Exposures

- (1) No authority exists to bind any company of Chartis, Inc., to a new program.
- (2) No authority exists to amend the parameters of an existing program, i.e., adding SIC or CGL codes, or altering the underwriting guidelines established for the program.
- (3) No authority exists to quote or bind any account filed under or operating under any chapter of the Federal Bankruptcy Law(s).
- (4) No authority exists to quote or bind any account with Commercial Auto exposures of a long-haul nature, defined as a radius of operations greater than 250 miles.
- (5) No authority exists to quote or bind any account with overhead transmission/distribution lines, either for direct damage or consequential loss, i.e., business interruption or extra expense.
- (6) No authority exists to make any exceptions to Lexington's Safe Harbor or Risk Transfer protocols.

b. Coverages – No authority exists to quote or bind any account that requests any one or more of the following coverages.

- (1) Employment Related Practices Liability
- (2) Pollution or other Environmental coverages
- (3) Captive, Pooling or other alternative risk financing arrangements
- (4) Liquor Law Liability in states designated as High Hazard by ISO class
- (5) Workers Compensation
- (6) Railroad Protective Liability
- (7) Protection & Indemnity
- (8) U.S. Longshoremen & Harbor Workers liability
- (9) Professional Liability or Errors & Omissions liability except for Social Services Professional Liability.
- (10) Manufacturers Output policies or coverages
- (11) Ocean Marine
- (12) Products Recall
- (13) Assumed Reinsurance
- (14) Foreign coverages (i.e., outside the United States or Canada)
- (15) Hawaii Auto Coverages if not written through CoverAll
- (16) Massachusetts Auto coverages.
- (19) Mold/Fungus coverages
- (20) Data Corruption coverage

c. Policy Terms and Conditions – No authority exists to quote or bind any account which requests any one or more of the following terms or conditions.

- (1) Individual risks, 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) Individual risks, or programs, if Chartis Claim Services, or a LEXINGTON approved TPA is not handling all losses and loss adjustment
- (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 Chartis, Inc., or not, that:

- (a) have not been vetted by Lexington Legal; and/or
 - (b) have not been assigned an ISO or Lexington form number
 - (7) removal of any policy exclusion
 - (8) property loss-limit form or coverages
 - (9) property (real, personal or inland marine) on a reporting form basis
 - (10) property blanket policy limits
 - (11) payment of any loss not covered by the policy as it was written at the time of loss
 - (12) amendments to any Program Administrator Agreement or other contractual arrangement between any company of Chartis, Inc., and any duly authorized broker doing business with the LEXINGTON Programs Division
 - (13) back-dating of coverage more than five (5) working days (and if five days or less, subject to a warranty of no known or reported losses)
 - (14) requests for facultative reinsurance of any line
- d. **Pricing Techniques** – You have no authority to quote or bind any account that requests any one or more of the following pricing techniques.
- (1) rates or rating plans other than those filed by or on behalf of the insurance company or companies underwriting the Lexington Programs Division program
 - (2) loss-sensitive rating or retrospective rating
 - (3) dividend plans, whether individual risk or entire programs
 - (4) revisions on premium audits without written consent of the Chartis Premium Audit Division
 - (5) premium deferral or cash-flow programs, or compensating balance programs
 - (6) rate guarantees beyond the annual policy term
 - (7) self-insured retentions
 - (8) aggregate stop loss on deductibles
 - (9) policy terms greater than 12 months

8. Eligibility Requirements

Designed for those organizations which provide a broad base of treatment services to the community. Generally the services provided include all forms of counseling (drug & alcohol, community and AA sponsored), workshops (e.g. job skill training), in-home services, services for client intervention & referral for government assistance programs. Typically, these organizations have a lower risk exposure basis. Accounts which fall into this category are:

Social Service/Community Services

Accounts which fall into this category are community based multi-faceted non-profit facilities. Most program participants have multiple needs. This program also addresses families and children at risk, however, participants do not have a primary diagnosis of Mental Illness or Substance Abuse. Another category of participants is consumers in need of services due to lower levels of income. These facilities generally have non-profit structures that provide service to the community to improve social and individual welfare of the community

Behavioral Health

Facilities will serve the needs of consumers who have a primary diagnosis of Mental Health who require psychiatric rehabilitation services through outpatient care. Programs are geared to serving people in need of behavioral rehabilitation services due to mental or social disabilities. Primary source of assistance is provided via outpatient counseling.

Substance Abuse

Facilities will serve the needs of consumers who have a primary diagnosis of Substance Abuse through outpatient care. Services provided are generally for treatment of alcohol/drug abusers. Most facilities, depending upon size, contain classrooms and therapy areas.

Ineligible Risks/Ineligible activities:

Accounts providing services to:

- Adoption or Foster Care Services if more than 15 placements or a stand alone facility; except for in force business as of 01/01/2004)
- Ambulance Services
- Any Clean Needle or Needle Exchange Program
- Any account incorporating the following types of therapies or activities:
 - Re-Birthing Therapy
 - Sex Therapy
 - Behavior Modification (physical striking, withholding of food, shelter, sleep, bathroom or other such activities)
- Birthing Centers/Abortion clinics
- Boy Scout/ Girl Scout/Big Brother/Big Sister/Boys & Girls Clubs/Four H Clubs or other "good citizen" organizations
- Camps – Survival/adventure/boot/ships/Outward Bound
- Cardiac rehabilitation agencies
- Churches, religious organizations, missionary (whose primary purpose is for religious evangelism)
- Community Action Agencies (except for in force business as of 01/01/2004)
- Community Redevelopment Agencies
- Construction when part of organization's services or programs
- Correction oriented/alternative incarceration programs/Detention facilities
- Day care centers, except Adult Day Care, when represent more than 15% of overall Organizations services or when stand alone
 - Adult Day Care is acceptable if less than 40% of consumers experience Stage 4 Alzheimer symptoms
- Early Release Prisoner Programs
- EMS/First Aid/Emergency Care Services
- Family Planning Clinics (other than pregnancy counseling only facilities)
- Halfway Houses when represent more than 15% to total residential services provided (GL & PL must be written on a non-admitted basis - refer to non-admitted guidelines)
- Head Start, if over 15% of services
- Health Clinics (other than outpatient care) if over 15% of services
- Home Health Care if over 15% of services except for Property Insurance
- Homeless Shelters stand alone with no other services provided or when represent more than 15% to total residential services provided. (GL & PL must be written on a non-admitted basis - refer to non-admitted guidelines)
- Hospitals
- Housing Authorities/Low Income Housing
- International Adoption
- Level IV Medical Detoxification rehabilitation facilities. Level IV facilities may be written if physicians are written separately through CHARTIS Healthcare and less than 20% of the operations involve Level IV care.
- Medically Intense Programs
- Nursing Homes/Convalescent Homes/Assisted Living – aged and infirmed
- Physicians and Lawyers professional liability (except psychiatrists employed by the agency)
- Psychiatric Hospitals
- Public Housing
- Residential Facilities-Youth (Troubled youth, Substance Abuse, Foster Care/Adoption etc) when represent more than 15% to total services provided (GL & PL must be written on a non-admitted basis - refer to non-admitted guidelines). Accounts moved from Westport to Chartis prior to 1/1/2011 can be written admitted.
- Transportation Risks

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- Scattered Living Exposures
- Services to persons with severe mental illness
- Sex Offenders (Services to Sex Offenders must be less than 10% of overall services)
- Stand alone special events/fundraisers
- Student Cooperative Housing
- Violent Youth Lockdown
- YMCA
- YWCA (unless a shelter and not a Health Club)

8A. ELIGIBILITY REQUIREMENTS HOME HEATH, DURABLE MED EQUIPMENT, MISC MEDICAL

This program is designed to meet the property needs of Home Health Care Agencies and Durable Medical Equipment suppliers. In order for a Home Health Care account to be eligible for this program, the General Liability or Professional Liability (if applicable) coverage must be provided through CHARTIS's Healthcare Division 97.

Eligibility must follow the following Chartis Healthcare guidelines without amendment.

- Home Health, Hospice, Staffing, Durable Medical Equipment dated January 2011
- Miscellaneous Medical Facilities dated December 2010

9. Underwriting criteria:

The insured must have three (3) years in business at the described location. If new in business, the owner or directors/administrator must have five (5) years prior experience running a similar business. Business plan, resumes & financials must be reviewed.

All facilities must be fully licensed by the appropriate federal/state authority complying with the regulation on supervision, experience and screening of staff including safety and medical assistance procedures.

Loss ratio for the current year or the past three (3) years over 40% or with any single loss of \$75,000 or more must be referred to the company prior to quoting.

Minimum four (4) years loss history is required.

For Profit accounts must have locations in no more than two contiguous states.

Adult Residential exposure acceptable. Accounts with youth residential exposure greater than 15% must be written on non-admitted basis – refer to non admitted guidelines

No Developmentally Disabled consumers (Where 60% or more of the consumers are Developmentally Disabled)

Renewal Referral Requirements:

Accounts that were previously approved do not need to be submitted on renewal except for the following.

- Account premium is over \$250,000
- Account has over 60 automobiles
- Account has facultative reinsurance
- Accounts Loss ratio over 40% unless due to a large loss that was previously approved
- Property Amount subject over \$25M unless previously approved and amount subject is not over \$30M
- TIV of more than \$50,000,000 unless previously approved and values have not increased more than 10% .

- Any account that falls outside the guideline and was not previously approved.

Automatic Renewals: Accounts falling into this process do not need updated application prior to issuance. An abbreviated application should be obtained after issuance for verification of exposures. The underwriter can determine whether or not to make adjustments to the existing policy.

For Profit accounts must have a financial statement indicating good current and debt to net worth ratios. For DME, HH and Misc Med accounts an indication must be made in the account summary that the account meets the financial requirements of CHARTIS Healthcare. (Refer to financial and D&B reference material provided)

Quick Guide to Analyzing Financial Reports	
In reviewing various financial reports certain ratios are provided below that help to measure financial stability. A brief definition is provided along with guides and comments.	
Current Ratio	This measures the degree to which current assets can cover current liabilities. A ratio of 1 to 1 or greater is considered good. Calculation = Total Current Assets ÷ Total Current Liabilities.
Quick Ratio (Acid Test)	The quick ratio adjusts the Current Ratio to eliminate all assets that are not already in cash (or "near cash"). Ratio should be greater than 1. Calculation = Cash and near cash ÷ Current liabilities.
Gross Profit Margin	Indicates how efficiently a business is using its materials and labor in the production process. This shows the percentage of net sales remaining after subtracting cost of goods sold. A low margin in relation to industry norms could indicate under pricing. A High margin could indicate overpricing if business is slow and profits are weak. Should be .05 or greater. Calculation = Gross profit ÷ Total sales.
Debt to Equity Ratio	This measures company solvency and indicates how much money a company should safely be able to borrow over long periods of time. The result indicates how much the company is leveraged (in debt). The lower the number the better. The ratio should not be greater than 1.30. Calculation = Total debt (short and long term) ÷ equity.

The insured must have a D&B Stress Score of 1, 2 or 3 as obtained from eStart. If the stress score is 4 or 5 a copy of their current financial statements and payment history must be reviewed. Any accounts that have a stress score of 4 or 5 and total account premiums over \$250,000 must be referred to the Company for approval.

10. Applications

A COPY OF THE COMPLETED AND SIGNED APPLICATION MUST BE KEPT IN THE POLICY FILE. ANY SUPPLEMENTAL APPLICATIONS, QUESTIONNAIRES OR STATEMENTS OF VALUE WHICH ARE CRITICAL IN THE UNDERWRITING OF THE ACCOUNT MUST BE SIGNED. UMBRELLA APPLICATIONS ARE NOT REQUIRED TO BE SIGNED IF ALL OF THE UNDERLYING APPLICATIONS HAVE BEEN SIGNED.

All applications, including supplemental applications used by the producer, need the approval of the company. In some cases, supplemental information can be obtained separately from the application. Additional information that is obtained through telephone conversations or other means may be used to analyze an account, but must be documented in the account file.

STANDARD ACORD FORMS AND ANY SPECIAL SUPPLEMENTAL APPLICATIONS ARE THE ONLY APPLICATIONS APPROVED FOR THIS PROGRAM.

11. RECORDING SUBMISSION in eStart

All accounts must be entered into eStart.

Naming standards are the basis for entry into the company's database as well as the recommended way for listing Named Insureds. For those individual accounts that require clearance, the process of ensuring an account has not been submitted, quoted, declined or is actively covered by another producer, region and/or underwriter, use these same standards.

12. QUOTES

Quotes must be issued in writing for all accounts. Quotes are to be either hard copy or, if electronic, protected pdf format.

If coverage limits or effective dates are different from those requested by the insured in the application, the quote letter, binder and the policy must reflect the changed terms;

13. BINDERS

If a policy is issued and mailed prior to the effective date or is issued within five business days after the effective date, a binder is not required to be issued. If a policy will not be issued and mailed within five business days a binder must be issued and mailed within 3 business days of the effective date. Binders must be issued in either hard copy or, if electronic, protected pdf format.

If telephone orders are received, a note must be placed in the file indicating who the underwriter spoke with and the date that coverage and limits were bound. This should be followed by confirmation in writing either by the insured or a confirmation letter issued by you that should be signed and dated by the insured, or a representative of the insured, and returned to you and placed in the underwriting file

All binders must be confirmed in writing utilizing the either the ACORD form 75s or a form approved by the company and cannot extend for more than thirty (30) days without written approval by the Company. No provisions changing or increasing agreed to program parameters may be bound. In the event of such occurrence, **THE PRODUCER SHOULD BE CONTACTED IMMEDIATELY AND ADVISED OF THE UNACCEPTABLE TERMS AND SUCH BINDERS SHOULD BE IMMEDIATELY RETURNED TO THE PRODUCER FOR CORRECTION WITH A WRITTEN REJECTION OF THE UNACCEPTABLE TERMS.**

All binders must contain the following: **THIS BINDER IS A SUMMATION OF THE LIMITS, TERM, COVERAGES AND CONDITIONS ALL OF WHICH ARE SUPERCEDED BY THE ACTUAL POLICY WHEN ISSUED.**

14. POLICY ISSUANCE

All policies must be mailed within thirty (30) days from the effective date of the policy except for accounts effective in January or July where 60 days from the effective date is acceptable.

15. MINIMUM REQUIREMENTS FOR POLICY FILE CONTENTS

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The minimum requirements for contents of a policy file are:

Declarations Page (including full legal address of the insured)

Forms attached (a list of included forms)

Rating (whether on a worksheet or not) including justification for any individual risk modification factors

Signed and Dated Application(s)

Any quotes or proposals

Any binders

Any inspections, loss controls or audits

Any and all correspondence on coverage or premium, including referrals

Any Premium Audits

Copies of any mid-term endorsements, Notice of Cancellations, schedules of Additional Insureds, Certificates of Insurance, Non-Renewal notices, Conditional Renewal notices

Complete copies of the underwriting file must be retained by the program administrator unless and until specific written authorization is given by the company.

16. SPECIFIC UNDERWRITING GUIDELINES BY LINE OF BUSINESS

A. COMMERCIAL PROPERTY/INLAND MARINE

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

Buildings should be 20 years of age or less, or evidence must be obtained and kept in the file that wiring, heating and plumbing is up to date with all current codes and that the roof condition is satisfactory. The signed application affirming updates within the past 15 years is acceptable documentation. If such affirmation is not received, then copies of inspections by a licensed contractor, municipal building inspector or loss control reports will be sufficient documentation.

Insurance to Value:

An insurance-to-value calculation using Marshall & Swift must be done for all new business with a building value of \$750,000 or greater. Access to Marshall & Swift, an ITV analysis system, is provided by LEXINGTON. All new Marshall & Swift calculations, and required renewal Marshall & Swift calculations, must be saved in the MSB system for annual updates.

If the submitted building value is less than the Marshall and Swift estimate by 15% or more, action should be taken to address the deficiency. Coinsurance, amended limit, documentation of adequacy for the submitted building value via appraisal or similar document, must be finalized prior to binding.

Business income worksheets must be completed for all insureds desiring limits for this coverage in excess of \$1,000,000 any one amount subject.

Signed statements of value must be obtained on any policy affording blanket per location limits.

Properties must comply with all National, State and Local building and safety codes, as well as NFPA guidelines for the occupancy. Evidence that this is apparent should be obtained and

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documentation kept available in the underwriting file. Copies of loss control reports will usually meet this requirement.

The Amount Subject is to be determined as follows:

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

If all covered property is Masonry Non-combustible or Fire Resistive construction and located within Protection Class 1 to 8 and two stories or less in height 50 feet is considered subject; if over two stories in height 75 feet is considered subject. Protection Class 9 or 10 all buildings within 100 feet are considered subject.

Clear space between buildings are parking lots, maintained lawns, gravel etc. Anything combustible (brush, stock in the open) between buildings would negate the benefit of separation. All values within the enclosed walls of the structure are always considered subject irrespective of interior cutoffs.

Refer to the Property Qwiknotes for:

- earthquake, flood and wind definitions of amount subject. You have no authority to issue single peril coverage or flood and earthquake only policies; and
- it is **mandatory** to use RiskMeter for all determination of geocoded data including but not limited to- distance to coast, wind pool eligibility, MMI zone for earthquake, NFIP flood zones, wildfire hazard, hail and tornado reports – all to be utilized throughout the underwriting process, with printed copies of these RiskMeter results maintained in the underwriting file.

POLICY FORMS MUST BE EITHER ISO OR LEXINGTON FILED AND APPROVED FORMS UNLESS SPECIFICALLY LISTED.

Mandatory Property Coverage Forms except AK, LA and FL

97064	Bldg PersProp Form
97069	Supplementary Declarations
97072	Causes of Loss Special Form
97100	Commercial Property Conditions
97101	Common Policy Conditions
100380	Ordinance or Law Amendatory Endorsement
100381	Coverage for Loss to the Undamaged Portion of a Building

Optional

70630	Additional Coverage Human Services
CP1065	Flood Endorsement
CP1045	Earth Movement Endorsement
90611	Wind/Hail Exclusion
90610	Wind/Hail Deductible Endorsement
97065	Equipment Breakdown Exclusion (Rare exception to use)
97081	Equipment Breakdown Other Conditions(used when E.B. terms from property limits, sublimits,deds. or other terms)

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97070 Business Income (and Extra Expense) coverage form
97091 Blanket Limits per Premises Endorsement
97036 Upgrade to Green-except CT
99712 Upgrade to Green-CT only

Mandatory Property Forms AK, FL, LA

CP0010 Building & Personal Property Cov Form
CP 1030 Causes of Loss Special Form

Optional

70630 Additional Coverage Human Services
AIU 130 Property Extension Endt
CP 0030 BII (& EECoverage Form
IL 0145 Protective Safeguards (if has protective devices)
CP0420 South Dakota Protective Safeguard
CP9902 Manufacturers consequential loss
CP0320 Multiple ded form (to apply lower ded to patient property)
CP1410 Additional Covered Property (ex assistance dogs)
Newly acquired or constructed property (\$1M combined
BLD/BPP)
CP0425
CP1508 Dependent Property BI/EE (\$250,000 max)
CP0415 Debris Removal (\$300,000 limit max)
CP1430 Outdoor Tree, shrubs, plants (\$25,000 per occ max)
CP1531 Ordinance or Law Increase (up to 180 days)
CP1529 Electronic Media and Records
90629 Equipment Breakdown Schedule
90630 Equipment Breakdown Common Form
94343 Equipment Breakdown (Alaska)

Inland Marine Forms and Rates

AAIS forms and rates are available through Coverall.

**B. EQUIPMENT BREAKDOWN:
SBT Social Services, Home Health, Durable Medical Equipment and Miscellaneous
Medical
EQUIPMENT BREAKDOWN GUIDELINES
Effective 1/1/2011**

Covering operations for accounts quoted by Smith, Bell & Thompson, Inc., in conjunction with the Lexington Program Division.

Eligibility: Risks involving Social Service organizations which provide counseling (drug & alcohol, mental and behavioral health), workshops (e.g. Job skill training) and in-home services. Typically, the exposures for these types of organizations can run from a low basis (outpatient only) to a high basis (residential). Home Health and Staffing Agencies such as visiting nurses, infusions providers, home hospice, hospital staffing, and nurse registries. Durable Medical Equipment suppliers. Misc. Medical is the smallest part of the program providing Property coverage to clinics, medical offices etc.

Referral Risks:

- Any risk that has a location with a Total Insured Value (Building, Personal Property and BI) greater than \$10,000,000
- Any risk with locations outside the United States
- Any risk with Inland Marine Coverage, Builders Risk, Equipment Floater or Contractor Installation Floater that requires Equipment Breakdown coverage
- Any risk, regardless of class or value, which is engaged in the generation of power, other than emergency back-up power
- Any risk with stand alone retail pharmacies or internet pharmacy services.
- Any risk which has had an equipment breakdown loss greater than \$25,000
- Any risk which has had two or more equipment breakdown losses in a 24 month period

Equipment Breakdown wording: Enhanced property Forms and Endorsements
Common Form and Endorsements

<u>Equipment Breakdown Insurance Profile</u>		
Coverage:	Comprehensive Equipment Breakdown Coverage	
	Equipment Breakdown Limit	Up To \$20,000,000
	Property Damage	Included
	Off Premises Property Damage	Follows property up to \$50,000 Sublimit
	Business Income	Follows Property
	Extra Expense	Follows Property
	Expediting Expenses	\$25,000 Sublimit
	Hazardous Substances	\$25,000 Sublimit
	Perishable Goods	\$25,000 Sublimit
	Dependent Property	\$25,000 Sublimit
	Computer Equipment	\$25,000 Sublimit
	Data Restoration	\$25,000 Sublimit
	Ordinance or Law	Follows Property
	Service Interruption	\$25,000 Sublimit (24 Hr Waiting Period)
	Newly Acquired Premises:	\$1,000,000 - Building \$1,000,000 - Business Personal Property \$500,000 - Business Income

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Other Conditions:	Newly Acquired Locations	180 days
Deductible:	Follows property, \$1,000 minimum.	
Rate:	Gross Rate of .01 per \$100/TIV for all eligible policies.	
Definition of TIV:	100% Building Value and Contents Value (excluding Stock) and Business Interruption	

C. GENERAL LIABILITY

Applications and accompanying statements must identify all entities insured as they are currently and entities, products and operations as they were in the past if the insured remains legally responsible for them.

If any past entities, products or operations would not be eligible for consideration within this program, the prospect must be submitted to the company prior to any commitment.

POLICY FORMS MUST BE EITHER ISO OR CHARTIS FILED AND APPROVED FORMS UNLESS SPECIFICALLY LISTED.

MANDATORY ENDORSEMENTS

58332 (08/07) – Total Lead Exclusion (except RI, MA, VT)
62898 (09/01) – Radioactive Matter Exclusion (except LA)
62898 (06-95) – Radioactive Matter Exclusion-LA only
78689 (07/03) – Fungus exclusion (except AK, MA, NY, WA, LA, GA, KS, NH, VT, VA, not required if end. 86563 (08/04) CGL Enhancement end. Is used)

79277 (02/04) – Fungus exclusion – WA only
79379 (04/02) – Fungus exclusion – MA only
CG 32 10 (4/05) – Fungus exclusion – LA only
CG 21 67 (12/01) – Fungus exclusion – GA, KS, NH, VT, VA only
82540 (08/07) – Asbestos and Silica exclusion (do not attach if using 86563 (08/04) CGL Enhancement end.)
64003 (09/01) – CHARTIS Silica exclusion (not required if end. 82540 (08/07) is used)

87295 (01/08) – Violation of Statutes exclusion (except AK, OK, VA)
89413 (12/07) – Violation of Statutes exclusion - OK & VA only
89035 (10/08) – Violation of Statutes exclusion –AK only
89644 (07/05) – Territorial Definition OFAC
CG 2146 (07 98) – Abuse or Molestation exclusion (except TX)
CG 26 46 (4/99) – Texas Abuse or Molestation exclusion – TX only
CG 2147 (12/07) – Employment Related Practices exclusion (except TX) (do not attach if using 86563 (08/04) CGL Enhancement end.)

CG 26 39 (12/07) – Texas Employment Related Practices exclusion – TX only
CG2149 (9/99) – Total Pollution exclusion (except AK, IL, ME, TX, VT, VA)
CG 32 67 (09/08) – Alaska Total Pollution exclusion
CG 2155 (09 99) – Total Pollution exclusion with exception for hostile fire (except AK, ME, TX)
CG 32 68 (09/08) – Alaska Total Pollution Exclusion with a Hostile Fire Exception
CG 21 65 (12/04) – Total Pollution Exclusion with a Building Heating Equipment and Hostile Fire Exception (except AK, ME, TX)

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IL 00 21(09/08)- Nuclear Energy Liability exclusion (except NY, WA)
IL 0 198 (09/08)- Nuclear Energy Liability exclusion – WA only
IL 00 23 (07/02) - Nuclear Energy Liability exclusion – NY only

OPTIONAL ENDORSEMENTS

86563 (10/09) – General Liability Extension Endt (except NY, VT)
89919 (9/05)- General Liability Extension Endorsement (Vt only)
86571 (8/04)- General Liability Extension Endorsement for Human Services (except NY)

Athletic/Special Events requiring Separate Coverage

Non-profit agencies often have fund raising special events to raise additional revenues and to promote community integration. There are typical fundraising events that are intended to be covered by AIG's general liability policy (see below). Occasionally an event that has a higher level of exposure requiring a separate special event policy and a separate medical payments policy. Both of these products can be accessed through other AIG Divisions.

Typical Fund Raising Activities:

Auctions-Art, Memorabilia

Breakfasts, Dinners, Luncheons, Annual Banquets

Bingo (rated under GL)

Golf Outings or Tournaments (Special coverage is needed if the event includes a "Hole-in-One")

Walk-a-thon, Bike-a-thon, 5K and 10k road races

Fund Raising Events to consider Med Pay/Special Events Cover:

Auto racing or rallies

Events involving Celebrity Athletes

Events involving shooting-Clay pigeon, turkey shoots etc

Hot Air Balloon Festivals/Rides

Motorcycle Rides/Rallies

Music Festivals

Poker Runs

Softball, Football, Basketball, Soccer team events as fund raiser (Teams from community participate in a competition as a fund raiser for the insured)

Abuse and Molestation Coverage

Sexual/physical abuse and molestation is offered only as optional coverage under the CGL policy and is written on a specific sub-limit basis. Abuse and Molestation Endorsement additional declarations form 65123 (4/96) is to be attached to and made a part of policies offering sub-limits on an occurrence basis.

In addition, the ISO Abuse/Molestation exclusion form CG2146 must also be attached to and made a part of each package or commercial general liability policy whether offering abuse coverage or not.

It is mandatory that our abuse and molestation supplemental application be completed on each and every risk where coverage is being offered on a sub-limit basis.

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All applications must be completed and signed by the Director of the Named Insured's operations. No application is to be accepted unless duly signed, all questions answered and specific explanations offered where required.

Each account must be underwritten on its own merit with coverage being prohibited for the following classes of business:

- Adoption or Foster Care Services if more than 15 placements or a stand alone facility; except for in force business as of 01/01/2004)
- Home Health Care

In addition, in order to provide coverage to an organization, the following must be in place:

- Past history free of any substantiated incident of physical or sexual abuse
- An abuse prevention program which consists of:
 - Comprehensive employee/volunteer screening- verification of SS#, residency information, present and two previous employers, education and licensing, MVRs., state or county criminal records for each county the individual has resided within the past five (5) years
 - An abuse policy that includes zero tolerance, appropriate definitions of abuse and maltreatment, reporting and investigation procedures, disciplinary procedures and retaliation warning
 - The abuse policy is consistently enforced, reviewed annually with each employee/volunteer who then signs off that they understand the policy, received the training and will adhere to the policy. The policy should be reviewed periodically by the organization's legal counsel to insure that the policy meets current state laws and statutes
 - One-on-one contact in isolation between adults and youth is not permitted
 - The organization will take all allegations of abuse seriously and will promptly and thoroughly investigate

PROFESSIONAL LIABILITY POLICY MANDATORY FORMS

AIG Approved forms and rates are available for this program. All forms are available in Coverall.

Form Number	Description	Mandatory
67688	Social Services Professional Package Form/Occ	Yes (either/or)
67675	Social Services Professional Package Form/Clms Made	Yes (either/or)

All state amendatory endorsements must be attached where applicable.

No authority exists to include endorsements, other than those noted above, which enhance or provide additional coverage without approval from Home Office

D. CRIME

The following must be in place for Employee Dishonesty coverage:

1. Audits - Cash accounts and inventories must, at a minimum, have an annual audit by Certified Internal Auditors or Certified Public Accountants.
2. Check Signing:
 - a) Any checks issued over \$1000 must be countersigned by at least 2 persons. If countersignature can not be instituted an owner or corporate officer must be the authorized signer.

- b) The duties of handling in-coming checks and issuance of out-going checks must be handled by separate individuals.
- c) Mechanically Affixed Signatures involve computer or non-computer equipment.

If computer operated, control over the input and outflow must be restricted to specifically authorized personnel

- o Non-computer equipment (e.g. facsimile signature plate or check writing machine) must be properly secured when not in use. Operational access must be limited to as few designated persons as possible and supervised by an owner/officer

Reconciliation-Any employee authorized to reconcile bank account statements should not be permitted to handle deposits or sign checks without countersignature.

- o Stamping Incoming Checks-All incoming check must be stamped "For Deposit Only" as soon as they are received.
3. Control over Flow and Possession of Merchandise-There must always be close managerial supervision over the movement of property from one location to another.
 4. Any risk that requires referral must have background checks on all individuals handling cash or check issuance and annual audits of the insured's cash management is mandatory.

FORMS USED ARE TO BE THE FILED AND APPROVED ISO CRIME FORMS.

Use of either version of the form (Loss Sustained Form or Discovery Form) can be used:

Loss Sustained Form:

- CR DS 01 07 02 Commercial Crime Coverage Part Declarations
- CR 00 21 05 06 Commercial Crime Coverage Form (Loss Sustained Form)

Discovery Form

- CR DS 01 07 02 Commercial Crime Coverage Part Declarations
- CR 00 20 05 06 Commercial Crime Coverage Form (Discovery Form)
- CR 20 05 08 07 Retroactive Date Endorsement

Any other filed and approved ISO Crime Forms

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

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

E. COMMERCIAL AUTOMOBILE

Driving records for all drivers should be checked as part of the hiring process and every two years thereafter to a written non discriminating company policy. New drivers should have MVRs reviewed when hired.

On all new business :

- Need confirmation PRIOR to binding that all drivers are at least 21 years old and have four years of driving experience
- MVR's are to be ORDERED with in 48 hours of binding and reviewed for acceptability within ten days of binding.

On all renewals

- MVRs should be ordered on all drivers that had prior acceptable MVRs every two years.
- MVRs should be ordered on newly identified drivers and existing drivers that had prior issues.

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The program administrator is responsible for maintaining current driver and MVR information in the policy file.

Age and driving records are the key factors to analyze. MVR violations are to be categorized into the following types:

TYPE A – are major violations. These are DWI, DUI, OUI, OWI, refusing a substance test, driving with an open container of alcohol, reckless driving, hit and run, fleeing a police officer, racing, driving while license is revoked or suspended, manslaughter or any felony. **Fleets with ANY driver with a TYPE A violation within the prior three years is not acceptable.**

TYPE B – include most driving violations such as speeding, improper lane change, failure to yield or obey a traffic signal or sign, license suspension, at fault accidents.

TYPE C – include parking tickets, financial responsibility violations, seat belt violations, improper equipment or excessive loads.

Use a LEXINGTON approved MVR GRID worksheet to evaluate acceptability. Any new business which has an overall rating of POOR must be declined. Any renewal which has an overall rating of POOR must be referred to your Program Manager.

Driver exclusions should be avoided and are NOT condoned by LEXINGTON.

Eligible drivers must:

- Be at least 21 years old
- Have a minimum of four years driving experience
- Have an acceptable driving record
- Have a valid license
- Be familiar with the vehicles to be used or given instruction prior to driving insured vehicles.

On accounts with NO owned autos but requesting non-owned coverage MVRs must be ordered on ALL drivers using their own vehicles for company business at least one day per week or transport clients.

Fleets of more than 25 vehicles must be referred to the company.

Fleets of private passenger vehicles are not acceptable.

Vehicles primarily used for personal use should be avoided.

Accounts with 15 passenger vans must show proof that the vans have been modified with either dual rear wheels or the rear seat removed, removed roof racks and/or trailer hitches and must have a written plan to dispose of all such vehicles by a specified date. Refer to the Automobile Qwiknotes.

A signed certification by the employee must be obtained for all employees driving their own vehicles on the business of the insured. Limits equal to policy limits or at least \$300,000 per accident should be verified.

HAWAII AUTOMOBILE – coverage maybe written in Hawaii only if the rating and policy issuance is done on the LEXINGTON CoverAll system.

OHIO UM/UIM – coverage maybe written up to \$1,000,000 if specifically requested by the insured. Coverage can only be offered using the LEXINGTON approved endorsement. Ohio no longer requires a selection/rejection form.

COMMERCIAL AUTOMOBILE FORMS USED MUST BE THE ISO FORMS APPROVED FOR USE BY THE COMPANY IN THE STATE WHERE COVERAGE IS AFFORDED. AUTOMOBILE COVERAGE CANNOT BE ISSUED ON A STANDALONE BASIS.

F. EXCESS AND UMBRELLA

The Primary General Liability policy must be written by a Chartis member company for this program.

Operations outside the scope of the Primary Liability Program may be scheduled and covered subject to company approval.

Any exposures excluded under the primary GL must be excluded with the same verbiage under the umbrella contract

Underlying schedule must include automobile liability coverage and/or miscellaneous liability coverage. (see underlying requirements)

Liquor Liability may be covered if primary coverage is shown in the schedule of underlying.

Employers Liability is included (see underlying requirements)

Employee Benefit Liability may be included on a following form basis

Professional Liability or E&O coverage must be on a following form basis and only if provided on the primary.

EXCLUSIONS:

- 80478 (07/02) -- Abuse or Molestation exclusion (except if coverage is provided)
- 66687 (12/96) -- Silica exclusion
- 61718 (12/94) -- Lead exclusion (not MA, RI, VT)
- 87295 (01/08) -- Violation of Statutes exclusion
- 80394 (07/02) -- Anti-Stacking Endorsement
- 60441 (05/94) -- Cross Suits endorsement
- 62221 (03/95) -- Total Pollution exclusion (not LA)
- 79346 (03/02) -- LA Total Pollution exclusion
- 60436 (05/94) -- Directors & Officers Liability exclusion
- 60458 (05/94) -- Professional Liability exclusion
- 79279 (03/02) -- Fungus exclusion (except AK, NY, KS, NH, WA)
- 60438 (05/94) -- Follow form Personal Injury
- 57720 (06/93) -- Employee Benefits Liability exclusion
- 89644 (07/05) -- Coverage Territory Endorsement (OFAC)

TERM:

Term shall be concurrent with the primary GL coverage and issued with a term no greater than one year.

Odd time extension of up to ninety (90) days can be granted subject to premium adjustment.

If the policy term is non-concurrent with effective date of the primary GL or any underlying policy containing a policy aggregate limit the non-concurrent endorsement must be attached. Form 66123 – Retained Limit Endorsement

UNDERLYING REQUIREMENTS FOR UMBRELLA COVERAGE:

- o General Liability-\$1,000,000 occ./\$2,000,000 ann. Agg. Combined Single Limit BI/PD. All provisions outlined in the Comprehensive General Liability Section of these guidelines shall apply.
- o Automobile Liability- (includes hired and non-owned) \$1,000,000 CSL
- o Employers Liability-\$500,000/\$500,000 or as permitted by state regulation

- o Miscellaneous Liability-\$1,000,000 CSL (i.e. D&O, E&O)
 - o Liquor Liability-\$1,000,000 each common cause/aggregate
- Employee Benefit Liability-\$1,000,000 each wrongful act /aggregate (Claims Made Form)

UNDERLYING CARRIERS FOR COVERAGES NOT PROVIDED IN THE PROGRAM MUST BE BEST RATED AT LEAST A- VII OR ABOVE.

THE PREMIUM AND MINIMUM PREMIUMS FOR EACH POLICY SHALL BE AS APPROVED FOR USE BY THE COMPANY IN THE STATE WHERE COVERAGE IS AFFORDED.

FORMS USED MUST BE THOSE APPROVED FOR USE BY THE COMPANY IN THE STATE WHERE COVERAGE IS AFFORDED. COVERAGE CANNOT TO BE ISSUED ON A STANDALONE BASIS.

17. LOSS CONTROL

LEXINGTON Programs is committed to quality and cost effective loss control. The most cost effective way to accomplish this is through the combination of telephone and on-site risk management surveys. 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 services are provided by Global Loss Prevention and its approved subcontractors. Services include telephone and on-site surveys, quarterly loss and claims analysis, and monitoring of services for appropriateness and expenses. Telephone training seminars are available at no cost to the insured. Also, insureds are provided a means to easily obtain criminal background records on employees at a low cost.

1. The Program Administrator should request a social service telephone survey within seven days of the effective date on all new business and every three (3) years thereafter if any of the following applies:
 - a. Total combined premium is between \$25,000 and \$75,000
 - b. At the discretion of the underwriter, a telephone survey may be requested more frequently or on accounts with a premium below \$25,000. Examples are: programs for special needs children; foster care; adoption.
2. The Program Administrator should request a social service physical survey on all new business and every three (3) years thereafter if any of the following applies:
 - a. Total combined premium is between \$75,000 and \$200,000
 - b. Property TIV \$2,000,000 or greater amount subject any one location. For accounts with multiple buildings/locations, a plan should be developed to complete location surveys within three years. The plan should be developed in conjunction with the Program Manager.
 - c. The underwriter has special instructions or questions that are best addressed with a physical survey.
 - d. At the discretion of the underwriter; a physical survey may be requested more frequently and regardless of premium size. Examples are higher risk exposures such as daycare and troubled youth residential facilities.
3. For accounts with total combined premium over \$200,000, the Program Administrator should request:
 - a. Social service physical survey on all new business and every three (3) years thereafter.
 - b. Consultative services should also be requested annually (in addition to the social service physical survey). Consultative services may be requested on smaller accounts at the discretion of the underwriter.

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

18. NON-RENEWAL

Many states have non-renewal laws in existence to provide the framework under which the non-renewal must be processed. In absence of such laws, there are often terms in the policy or in nationwide or state-specific amendatory endorsements which provide the requirements. Non-renewals must be processed in compliance with applicable state laws.

19. MATERIAL CHANGE IN COVERAGE/RATE INCREASES

Many states require notification of any change in premium (includes not only base rate changes, but the premiums charged to an 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.

The underwriting authority within these guidelines is granted exclusively to _____ and may not be transferred to anyone without the prior consent of the issuing company. Any authority previously extended is hereby rescinded. Authority is to be used with discretion, as individual risks falling within the scope of the authority granted herein may vary. Whenever a questionable situation is confronted, it should immediately be referred for consideration. All authority granted herein is further subject to limitations and guidelines as outlined in the Company underwriting manuals and bulletins, and, as amended from time to time.

ACKNOWLEDGEMENT AND ACCEPTANCE
<i>This Underwriting Guideline and the authority grant within, supercedes any previous document outlining underwriting requirements and authority. Only the terms of this written statement apply to the conduct of your underwriting responsibility. Verbal expressions of underwriting authority do not alter the terms of this Statement.</i>

I acknowledge and accept the terms and conditions set forth in this Statement.

Acknowledged By:

Name of Recipient/Designee	
<u>Marie Gardette</u> <i>Signature of Recipient/Designee</i>	<u>06/15/2011</u> <i>Date</i>
<i>Delegated By:</i>	
<u>[Signature]</u>	<u>6-22-2011</u>

LEXINGTON Program Division 66

Name of Grantor

Signature and Title

Date