



AIG Programs

Non-Admitted Program Underwriting Authority

Safehold Special Risk Builders' Risk

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Program Administrator: Safehold Special Risk, Inc.
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Suite 1000
Atlanta, GA 30339

Principal(s): Dennis Sparks

Program Description: Inland Marine Builders' Risk coverage
and Installation Floater Coverage

Program Manager: Heather Warren

Program Inception: May 2015

Division: 66 – AIG Programs

Related PUC Numbers: 0036 – Builders Risk IM

Program Territory: United States of America, excluding RI
and US territories and possessions

Program Commission: 28%



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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 Safehold Special Risk Builders’ Risk Program (Hereinafter, the “Program”) that meet the following eligibility requirements:

-Builder’s Risk Program Eligible Classes:

- Dwellings Other than Apartments/Condo’s
- Dwellings – Renovations
- Apartments/Condo’s
- Institutional (Including Schools, Hospitals, etc.)
- All Manufacturing Classes
- Office
- Mercantile/Retail
- Civil Works: Street & Roads
- Water / Sewage Treatment Plants



In addition, We require the following account attributes*:

- At least three (3) years in operation (General Contractor).
- Three-year currently valued (within 180 days of the proposed effective date) hard copy loss history provided by the insurance carrier on new business (see Section 3.5 for additional information). A no known loss letter is also acceptable.
- The loss ratio for the current year, and separately, all lines combined for the past three years, must be 30% or less, with no single loss greater than \$50,000 (Incurred loss). As respects the General Contractor.
- Current policy must be active and not in the process of being cancelled or non-renewed. Only if the current policy is a reporting policy.
- D&B credit score of 1, 2, 3, or 'no alerts' 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 AIG 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:

- All Energy & Chemical Classes (i.e. Oil, Gas and Petrochemical), except Solar Panels
- Domed stadium – retractable
- Power house dams
- Pipeline projects with ocean out-fall, water crossing in trench, underground directional boring, compressor stations
- Tunnels
- High hazard manufacturing plants – pulp, paper, de-inking, steel, etc.
- Ocean Marine and Aviation
- Offshore Risk
- Transmission and Distribution lines, including fiber optic cable installations
- Underground Mines



- Boiler & Machinery
- Distressed Projects (not fully enclosed; unattended structure for more than six months; unrepaired damage; project and/or builder financially insolvent)
- Terrorism High Profile target risks for any occupancy
- Abortion Clinics
- Windmills
- Nuclear Facilities

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	\$100,000	PA's Proprietary System

2.3 NAMED INSURED

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.

Individuals, natural persons, can be listed on a policy with the following wording:

"Individual Name" as respects the operation and/or ownership of property at "identify property location" (example: 23 Main Street, New York, NY)"

Please refer all accounts that are requesting 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	
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 1 – 6.99 (derived from RiskMeter*),	\$1,000,000
Flood – Zones A and V	\$2,500,000
Flood – Zones B and X (shaded)	\$5,000,000
Flood – All other zones	Up to \$10,000,000

* See Qwik Notes for Information on RiskMeter

Wind/Coastal Property	No Authority	See section 2.5 for Windstorm/Coastal restrictions.
Equipment Breakdown		Excluded

Flood Deductibles:

Minimum Flood deductible is \$25,000 except as follows:

- Flood Zone A, D or equivalent as defined by FEMA – coverage is provided only in excess of the maximum amount of insurance available through NFIP, if purchased. When coverage is NOT excess of NFIP, then the following deductible structure applies:
 - A deductible of 3-5% for Zones A & V with a minimum deductible of \$500,000
 - A deductible of \$100,000 for Zones B & X Shaded

As respects to Flood coverage for any Business Interruption, Extra Expense and Rental Income coverage, a 30 day waiting period shall apply, except Zone C and/or X-500.



BUILDERS RISK COST TOTAL	HARD AND SOFT	Protection Class 3-6	Protection Class 7-8	Protection Class 9-10
BUILDING CONSTRUCTION:				
Frame		\$10,000,000	\$10,000,000	\$5,000,000
Joisted Masonry		\$15,000,000	\$15,000,000	\$5,000,000
Non-Combustible (ISO Construction Class 3)		\$25,000,000	\$25,000,000	\$15,000,000
Masonry Non Combustible, Semi-Fire Resistive, and Fire Resistive		\$25,000,000	\$25,000,000	\$15,000,000
Total Project value not to exceed \$150,000,000 – Aggregate				

- Coverage is a referral if the "Soft Costs" limit exceeds 30% of the Builders Risk "Hard Costs"
- "Soft Cost" Limits must be scheduled for each type of cost to be covered with respective limit

2.5 WINDSTORM AND EARTHQUAKE CAT MANAGEMENT REFERRALS

- A. If the Safehold Special Risk Wind Model premium is MORE than \$ 50,000 on any account with Locations in Tier 1 or Tier 2 as designated below, then the risk must be modeled by the Program Division.
- B. If the Safehold Special Risk Wind Model premium is more than \$ 50,000 on any account with locations in the coastal states of Virginia through Maine, then the risk must be modeled by the Program Division.

Unless there is a current loss control report in file which validates the following modifiers, they are not to be used (mark as unknown on the Wind Modeling request sheet):

- o Roof anchor
- o Mechanical to roof
- o Mechanical to wall
- o Mechanical to ground
- o Resistance windows
- o Resistance doors
- o Wind driven Missiles
- o Flood Missiles
- o Flood Protection

- C. DEDUCTIBLE: Shown in Table below
- D. AUTHORITY: Shown in Table below

NOTE:



- The Per Occurrence Limit noted above is the Maximum allowable limit in Tier 1 and Tier 2 wind areas and supersedes all higher Per Occurrence/Per Risk Limits as stated in the Property Underwriting Authority stated herein.
- Any account with MORE than \$10M in AIG TIV located in a Critical Windstorm Tier 1 or Tier 2 is a referral to your Program Manager.

WINDSTORM Hazard Tier	Limits*	Deductible
1 (High Hazard) All Tier 1 Counties	\$ 10,000,000* If we are no more than 25% participation; otherwise \$5,000,000	5% VARTL** in Monroe, Dade, Broward, Palm Beach and Collier Counties in Florida or equivalent flat deductible. All other Tier 1 counties; 2%-5% VARTL, or equivalent flat deductible
2 All Tier 2 Counties	\$ 10,000,000*	2%-5% VARTL, or equivalent flat deductible.
3 (Low hazard) Remaining Counties in Coastal States	\$10,000,000	Suggested: 1% VARTL, or AOP minimum deductible.

Jurisdiction	TIER 1 COUNTIES
Alabama	Baldwin, Mobile
Florida	Entire State
Georgia	Bryan, Camden, Chatham, Glynn, Liberty, McIntosh
Hawaii	Excluded
Louisiana	Parishes of Cameron, Iberia, Jefferson, Lafourche, Orleans, Plaquemines, St. Bernard, St. Mary, St. Tammany,
Mississippi	Hancock, Harrison, Jackson
North Carolina	Beaufort, Bertie, Brunswick, Camden, Carteret, Chowan, Currituck, Dare, Hyde, New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrell, Washington
South Carolina	Beaufort, Berkeley, Charleston, Colleton, Georgetown, Horry,



Texas	Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Harris, Jackson, Jefferson, Kennedy, Kleberg, Matagorda, Nueces, Refugio, San Patricio, Willacy
Virginia	Accomack, Gloucester, Hampton, Hampton City, Isle of Wight, James City, Lancaster, Mathews, Middlesex, Newport News, Norfolk, Northampton, Northumberland, Poquoson, Portsmouth, Portsmouth City, Suffolk, Surry, Virginia Beach, Westmoreland, Williamsburg, Williamsburg City, York.

Jurisdiction	TIER 2 COUNTIES
Alabama	Covington, Escambia, Geneva, Houston
Georgia	Brantley, Charlton, Effingham, Long, Pierce, Wayne
Louisiana	Parishes of Acadia, Ascension, Assumption, Calcasieu, East Baton Rouge, East Feliciana, Iberville, Jefferson Davis, Lafayette, Livingston, Pointe Coupee, St. Charles, St. Helena, St. James, St. John The Baptist, St. Martin, Tangipahoa, Washington, West Baton Rouge, West Feliciana
Mississippi	George, Pearl River, Stone
North Carolina	Bladen, Columbus, Craven, Duplin, Gates, Greene, Hertford, Jones, Lenoir, Martin, Pitt, Sampson
South Carolina	Dillon, Dorchester, Florence, Hampton, Marion, Williamsburg
Texas	Bee, Brooks, Fort Bend, Goliad, Hardin, Hidalgo, Jasper, Jim Wells, Liberty, Live Oak, Newton, Orange, Polk, Tyler, Victoria,
Virginia	Charles City, Chesapeake, Chesapeake City, King and Queen, New Kent, Prince George, Southampton, Sussex

2.6 ADHERENCE TO FILED RULES/LOSS COSTS/FORMS

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2.7 POLICY TERM

Policy periods (including any coverage and rate commitments associated therewith) are for up to a twenty four (24) month term only including one endorsement to extend the policy up to 90 days for project completion. A referral to the program manager is needed for any policy period greater than 24 months or any endorsement to extend more than 90 days for project completion.



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: Builders' Risk; Installation Floater	Approved
Preferred Risk Property (PropertyOne Rating Plan)	No Authority
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	No Authority
AIG Umbrella Rating Plan	No Authority

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).
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. 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.

Note: In any instance where the endorsement must be back-dated (see Section 2.9.1.9) and such endorsement expands or broadens the terms, conditions or limits of the policy, the insured must provide written confirmation that there are no known losses during the period between the date of receipt and the endorsement effective date. For



changes to an Automobile policy, a no known loss letter will not be required if: (a) there is an exchange in vehicles, or (b) the number of units is reduced for any reason.

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.



Safehold_IM Forms
List for Guidelines_No

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, which must include a schedule of forms (either paper or electronic copy)
- 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. Builders' Risk rating documentation shall be maintained in each file to indicate compliance with the pricing parameters outlined in this authority statement.

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 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. (AIG's Participation)

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



3.7.1 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”

3.8 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.”

3.8.1 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”

3.9 OTHER UNDERWRITING CONSIDERATIONS

3.9.1 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.

3.9.2 DECLINATIONS

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

3.9.3 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.

3.9.4 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.

3.9.5 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.

3.9.6 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 rate will be a flat charge of 1% where approved. (Refer to Qwik Notes for zip codes where coverage for Terrorism requires a referral.)

The following forms will apply:

If TRIA is excluded, attach either 118951 (1/15) or 118950 (1/15)

If TRIA is offered with the option to reject, attach 96555 (1/15)

If TRIA is offered without the option to reject, attach 96556 (1/15)

3.9.7 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.

3.9.8 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

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.

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 or Risk Engineering is required on the following:

- *Frame*
 - o *PC 1-7 > \$5 million net limits*
 - o *PC 8-10 > \$3 million net limits*
- *Joisted Masonry:*
 - o *PC 1-7 > \$7.5 million net limits*
 - o *PC 8-10 > \$3million net limits*
- *Non-Combustible / Steel:*
 - o *PC 1-7 > \$10 million net limit*
 - o *PC 8-10 > \$5 million net limits*
- *Superior Construction - > \$15 million net limits*
- *Renovation Projects – In the absence of an inspection all renovation projects require interior and exterior pictures regardless of TECV of project.*

The following loss control requirements should be adhered to:

- I. Before ordering a survey, the underwriter should:



- a. Confirm actual construction commencement date and also determine estimated term of construction
 - b. Obtain construction prints or plot plans
 - c. Secure name and contact information of responsible party to serve as a contact at construction site
 - d. Provide Loss Control with this data when requesting a survey
- ii. When ordering surveys, the underwriter should consider:
- a. **Special Instructions.** If coverage for flood and quake, for example, is being provided, the survey request should specifically note these perils are to be included within the survey.
 - b. **Survey Requests.** Using best judgment and based on the job term, do not order surveys before 60 to 90 days after construction commences.
 - c. **Survey Matrix.** Consider the following as a guide on how often a risk should be inspected during the project term in addition to the initial survey.

VALUES	Construction Class			
	<u>Fire res.</u>	<u>Non-Comb.</u>	<u>J/M</u>	<u>Frame</u>
\$3M - \$5M	1 time	1 time	1 time	Ea. 6 mos.
\$5,001 - \$10M	1 time	1 time	Ea. 6 mos.	Ea. 6 mos.
\$10,001 - \$15M	Ea. 6 mos.	Ea. 6 mos.	Quarterly	Quarterly
More than \$15M	Ea. 3 – 6 mos.	Ea. 3 – 6 mos.	Quarterly	Quarterly

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. Unless directed otherwise, you are to use AAIS rating applicable at each location.



3. Copies of the AAIS rating plans, including those that are filed in required states have been provided to you.

Optional Sub-Limits:

Temporary Storage	25%/\$5,000,000 Maximum
Transit	25%/\$1,000,000 Maximum
Limited Fungus	\$500,000
Emergency Removal	\$500,000
Expediting Expense	\$1,000,000
Fire Dept. Expense	\$250,000
Ordinance or Law "A"	Covered
Ordinance or Law "B&C"	\$2,500,000 – New Construction
Pollution Clean Up	\$250,000
Sewer Back Up	\$1,000,000 All other flood zones \$500,000 Flood Zone B Flood Zone "A" – requires referral to program manager
Testing (Cold)	\$1,000,000
Trees, Plants, Shrubs	\$500,000
Permission to Occupy	180 Days w/Operational Sprinkler Systems, otherwise 60 days
Interior Water Damage	25% TECV/\$5,000,000 Maximum with \$50,000 Deductible – AAIS Form

5.2 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 to have 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)



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 :

Safhold Special Risk
Name of Program Administrator

Robert J. O'Neil Product Line Manager
Name and Title of Grantor

G. Dennis Sparks
Name of Recipient/Designee

Robert J. O'Neil
Signature of Grantor

CUO
Title of Recipient/Designee

6/3/2015
Date

[Signature]
Signature of Recipient/Designee

6/19/2015
Date