

**AIG PROGRAMS  
DIVISION 66**

**QWIK NOTES FOR UMBRELLA  
4/28/14**

**A quick reference guide to basic umbrella strategies and standards for Program Administrators**

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## **INTRODUCTION**

While most of the information contained in this guide is generic, the purpose is to give program administrators some insight into basic umbrella underwriting and AIG's requirements. Specific program Underwriting Guidelines outline risk grades, hazards and requirements for the program.

AIG's underwriting philosophy is to view the umbrella as a catastrophic contract that provides high limits of protection against an unforeseen disastrous occurrence. The umbrella policy is not a substitute for primary insurance. Known exposures must be evaluated and sufficient primary insurance must be in place to protect the umbrella. The coverage extensions afforded, subject to the SIR, allow for truly fortuitous and unexpected occurrences.

## **UMBRELLA OVERVIEW**

Umbrella insurance is excess insurance that provides:

1. **High liability limits**  
The umbrella policy provides liability limits above scheduled insurance that the insured has purchased. For commercial accounts the underlying or primary coverage must include Commercial General Liability and can also include Employers Liability, Auto Liability, Liquor Liability or other specialized coverage tailored to the insured's needs.
2. **Excess of Aggregate/"Drop Down"**  
The umbrella is also designed to provide coverage when the aggregate limits of the underlying policy have been exhausted by the payment of claims.
3. **Coverage for Unknown and Unexpected Liability Losses**  
The umbrella policy may cover unknown and unexpected liability losses that are not covered by the insured's underlying policies. Umbrella policies provide primary coverage, subject to the self-insured retention, for gaps that may exist between underlying policies – subject to the umbrella terms and conditions. This is different than an excess policy which is follow form and the terms and conditions on the excess policy are never broader than the terms of the primary policy. With follow form policies there are no gaps between the underlying policy and the excess policy. Although this feature exists, it is expected that the underwriter will identify gaps in the primary and attach the appropriate follow form endorsement.

## **LIMITS OF LIABILITY**

Refer to the program guidelines to determine the limits of liability that you can bind and the maximum limits available in the particular program.

## **SOURCE OF UNDERWRITING INFORMATION**

A completed commercial umbrella application, signed by the producer, must be received prior to providing a new quote. ACORD applications 125 (Applicant Information) and 131 (Umbrella) are preferred over proprietary applications. Financial information, surveys, loss runs and pricing worksheets from the primary insurance program should also be reviewed. When there are

multiple named insured's review the primary insurance program (i.e. limits, premium, insurer, type and extent of coverage) for each entity. Also, obtain and review a description of operation for each named insured and the relationship of each named insured to each of the other named insureds.

### **UMBRELLA UNDERWRITING CONCEPTS**

The umbrella underwriter has to take the following into consideration:

- Great degree of unpredictability
- Long tail development
- Low premiums to limits exposed

Underwriting attention must be directed towards severity and catastrophe rather than to frequency. Usually frequency is not a problem unless the underlying aggregate has been exhausted. The nature of some frequent losses might cause concern if a severity or catastrophe potential is also present.

Understanding a business' operation is essential to evaluating the risk. Risk grades can be a starting point in the catastrophe evaluation process. The loss severity potential of a class of business is considered in these grades. However, there are some classes which reflect a high risk grade solely due to loss frequency potential (e.g. restaurants without liquor liability). Individual severity exposures must also be examined to evaluate the catastrophe loss potential of a risk. Risks with low hazards and average risk characteristics are preferred. Also, medium hazard risks with above average to excellent risk characteristics are acceptable. As the degree of hazard increases superior risk characteristics must be in place.

Identify exposures for the type of operation and the insured's controls when assessing the degree of hazard that exists in premises/operations, products/completed operations and automobile liability.

- What is the insured's operation?
- How can it cause BI, PD, PI and AI?
- How much damage can result?
- Can an injury be minor, major, affect more than one person or result in death(s)?

For example, a toy manufacturer is a risk hazard grade 6. However, the degree of hazard within this referral grade can range low to high as follows:

#### Degree of Hazard Toy Manufacturer

|          |             |
|----------|-------------|
| Low      | Board games |
| Moderate | Dolls       |
| High     | Skateboards |

What amount of property damage can result and what is the probability of the insured's operations, products or vehicles causing:

- Indirect or consequential damage?
- Minor direct damage?
- Loss of use?

The probability that a fertilizer manufacturer can cause property damage is high while that of a canned food processor (other than animal food) is low.

What are the probability and frequency of the insured's operation or product causing:

- Small losses?
- Medium-size losses?
- Large losses?
- Catastrophic loss?

A grocery store can have many small to medium losses from slips and falls, whereas a manufacturer can be subject to batch claims. A pharmaceuticals manufacturer can have a high probability of sustaining frequent large losses. The degree of hazard for a pharmaceutical manufacturer is catastrophic.

### **NAMED INSURED**

Identifying the insured is an important step in underwriting the umbrella policy. It is critical to know exactly what each entity does and where underlying insurance is placed. The definition of named insured includes controlled organizations and subsidiaries. There are many cases where the controlling interest in an organization can be less than a majority interest.

Do not name entities other than the named insured and its subsidiaries on umbrella policies. To exclude one or more controlled companies or subsidiaries use the Specified Entity(s) Exclusion 60443 to list the entity(s) to be excluded from the umbrella policy. Exclude entities that are either covered under other policies or which have unacceptable exposures.

An individual cannot be listed as named insured on commercial umbrella policies unless it is the legal entity.

### **ADDITIONAL INSUREDS**

Our umbrella policy includes additional insureds in the definition of insured if 1. the additional insureds are additional insureds in the scheduled underlying insurance and 2. the coverage is no broader than that in the scheduled underlying policies.

### **UNDERLYING CARRIER**

In most cases we write umbrella policies over our own primary policies; however coverages other than the general liability can be written over other carriers. We require all carriers to have an A.M. Best's rating of A- VII or better. Lloyds of London is not an acceptable underlying carrier. State assigned risk pools and state workers compensation funds are only acceptable for Workers Compensation.

### **CONCURRENCY/POLICY PERIOD**

Because of the problems from exhaustion of aggregate limits, the policy periods for all the underlying policies (with the exception of Employer's Liability) must be concurrent with the policy period of the umbrella policy. This must be achieved by the first anniversary of the umbrella policy. The easiest way to handle the situation is to write a short-term umbrella that expires the same date as the primary GL, auto or garage policy; then issue an umbrella with concurrent dates. Whenever underlying policy periods are not concurrent with the umbrella policy period you must attach the Retained Limit Amendment Endorsement 66123 to the umbrella policy.

### **PER LOCATION AGGREGATE/PER PROJECT AGGREGATE**

Do not attach a per location aggregate or a per project aggregate to the umbrella policy. There are too many legal liability issues that can be assessed to multiple locations that could stretch or compound our limits beyond our intent at the price for exposure of umbrella pricing. On the other hand, with complex, multi-location or multi-project risks, consideration should be given to requiring general aggregate limits in the underlying coverage to apply on a per location and/or per project basis. The reason is that if the insured has a significant location or job site loss which wipes out the primary aggregate limit, we do not want to provide our limit at all locations or job sites as primary limits for the remainder of the policy term.

### **LEAD/LEAD PAINT EXPOSURE**

Lead Exclusion 61718 must be added to all umbrella policies unless a particular state does not permit a lead exclusion.

### **SEXUAL ABUSE, MISCONDUCT/CHILD MOLESTATION**

This exposure must be excluded by attaching Sexual Abuse or Molestation Exclusion form 60423 on all umbrella policies when the insured has an exposure to children under the age of 18 years or mentally challenged adults (including the elderly) who are entrusted to their care or supervision.

Risks with this exposure include, but are not limited to:

- Vocation training schools
- School – day care centers
- Child care cooperatives
- Scouting organizations
- Athletic associations – Little League, Pop Warner, soccer, etc.
- Social service organizations
- Churches
- School bus contractors
- Governments
- Camps – day or overnight
- YMCAs and YWCAs
- Foster care

- Big Brother
- Adoption agencies
- Home health care
- Group homes for adults
- Child counseling
- Nursing homes
- Retirement centers

### **AUTOMOBILE LIABILITY**

The following must be considered recognizing that our umbrella policies are excess and only respond when losses exceed underlying limits.

#### **Number of Vehicles**

The potential for a large loss exists whether there is one owned auto or a hundred owned autos. As the number of vehicles increase so does the potential for a large loss.

#### **Motor Vehicle Reports (MVRs)**

In most cases it is not necessary to order MVRs solely for an umbrella policy. MVRs should be ordered when we are not the primary carrier and there is a heavy auto exposure. When we write the primary automobile coverage, the program administrator should review the driver profile and available MVRs in order to evaluate the catastrophe exposure.

#### **Operations**

Length of haul – A risk that regularly travels long distance presents greater exposure due to driver fatigue, unfamiliar roads and equipment failure. On the other hand, short distance travel within a large metropolitan area may present even greater exposure due to traffic congestion, time delivery constraints and multiple stops.

Routes traveled – Mountain roads, ice, snow, fog areas and heavy rain also contribute to loss potential.

Average daily use – Vehicles that are constantly on the road are more likely to generate a loss than ones parked all day.

Personal use auto – Large sales fleets may get a lot of non-work related use, ex. after hours, spouse and children.

Trip leases – This is typical of “gypsy operators” (truckers who lease to several carriers). They will generally haul anything and everything, anywhere and everywhere.

Passenger hazard – Buses and liveries have multiple injury exposures that can result in multiple lawsuits from one accident.

Non-ownership – Increased legal exposure from employees using their own vehicles on behalf of the insured – usually law firms, real estate companies, visiting nurses, social workers, newspaper delivery and pizza delivery.

Drivers – Age, MVRs, experience, caliber, turnover and method of remuneration all can affect the potential for loss.

Equipment – Size, weight, age, condition and maintenance all affect loss potential.

Management – Experience, supervision, pay scale, training, financial condition and safety standards are underwriting concerns on every risk.

High hazard vehicles – Risks that have more than an incidental exposure to the high hazard autos listed below (greater than 10% of fleet) must be referred to the Program Manager prior to binding.

### **HIGH HAZARD AUTO EXPOSURE**

- Acetylene gas – explosion, fire, loading and unloading
- Ambulance – emergency vehicles, passenger hazard
- Anhydrous ammonia – fire, explosion, toxic chemicals
- Auto dealer – customer usage, extensive personal use, drive away
- Auto driving schools – passenger hazard, inexperienced drivers
- Auto parts stores – young drivers
- Auto truck repairs – customer usage, young drivers, completed operations
- Auto racing
- Auto retail delivery – young drivers
- Carnivals – itinerant workers, employee caliber, young drivers
- Cattle or livestock dealers – load stability, shifting overturn
- Chemical hauling – explosion, fire, toxic chemicals, loading and unloading
- Concrete mix in transit – heavy loads, stability, congested areas
- Drive yourself moving trucks ex. U Haul and Ryder – no control over drivers
- Excavation contractors – dump trucks and trailers, heavy loads
- Explosives
- Fairs (see Carnivals above)
- Farm labor – inexperienced operators, passenger hazard, multiple injury, old equipment
- Fruit, vegetable or poultry dealers – congested areas, load stability, toxic waste
- Gasoline dealer or distributor – fire, explosion, heavy weight, loading and unloading
- Hay haulers – load stability, old equipment, fire, inexperienced operators
- Heavy equipment haulers – load stability, weight, loading and unloading
- House moving – load stability, loading and unloading
- Ice cream trucks – lure children into streets
- Iron and steel hauling – heavy weight, load stability, loading and unloading
- Junk dealer – load stability, young drivers, old equipment
- Moving vans – load stability, long haul, tight schedules, extra heavy



- Newspaper delivery – tight schedules, non-owned, loading and unloading

### **UNINSURED/UNDERINSURED MOTORIST (UM/UIM) COVERAGE**

The umbrella forms 60533 (6/94) and 57697 (10/04) exclude UM/UIM under Exclusion C in both contracts. For Florida, Louisiana, New Hampshire, Vermont and Wisconsin UM and/or UIM must be offered on admitted and nonadmitted policies whenever there are any registered or principally garaged vehicles in those states provided certain requirements are met. If an insured rejects UM/UIM once do not offer it again. Do not offer UM/UIM in those states when we are only providing hired car and non-owned auto. Refer to the Program Administrator's website [www.aigprograms.net](http://www.aigprograms.net) for the rules regarding UM/UIM on our Commercial Umbrella before offering this coverage.

### **FOREIGN EXPOSURES**

The ISO commercial general liability and automobile liability policies limit coverage to occurrences taking place in the United States of America (including its territories and possessions), Puerto Rico and Canada. In addition, the ISO CGL coverage form covers suits in all parts of the world if:

- (1) The injury or damages arises out of:
  - (a) Goods or products made or sold in the U.S. (including its territories and possessions), Puerto Rico and Canada, or
  - (b) The activities of a person whose home is in the territory described in (a) above, but away for a short time on your business, and
- (2) The insured's responsibility to pay damages is determined in a "suit" on the merits in the territory described (a) above or in a settlement we agree to.

Our umbrella policy provides coverage for occurrences that occur anywhere in the world (provided there are no OFAC restrictions). One of these two endorsements must be attached to the umbrella policy whenever there is a foreign liability exposure. Attach Foreign Liability Exclusion 60419 to prevent the umbrella policy from picking up foreign liability. If foreign liability is scheduled on the umbrella policy attach Foreign Liability Follow Form Endorsement 57710 so that the umbrella policy provides additional limits over the scheduled foreign liability policy while not being broader than the scheduled insurance.

U.S. companies may have exposure for foreign sales and/or foreign operations. Determine if the products are sold outside the U.S., if there is foreign travel or if the insured has locations outside the U.S. Whenever a risk has foreign locations or operations, a primary foreign liability policy is required. Foreign coverage could also be required for incidental operations depending on the degree of exposure. A WorldSource Underwriter will be able to determine when a primary liability policy is needed as well as whether or not foreign underlyers must be purchased. We can write an umbrella over nonadmitted foreign policies written from the U.S. (called nonadmitted policies), but we cannot write over foreign issued policies (called local policies).

We prefer the foreign policies be written with our WorldSource department. If the foreign policies are written with another carrier that carrier must be rated A- VII or better by A.M. Best. The minimum underlying limits we require for foreign policies are the same as those we require for domestic U.S. policies. Schedule the foreign policies in the schedule of underlying insurance. List each of the lines that the umbrella is over by showing the policy number, policy period and limits. The GL, auto and EL must be listed separately. Use the GL premium, but for the auto charge 1 PPT for every car rental up to two weeks in duration. No charge is made for EL. We do not write over kidnap ransom and extortion, political risk, travel accident or property so if the foreign package contains these coverages do not schedule them and do not include the premium charges for those coverages.

### **AIRCRAFT LIABILITY**

Owned and non-owned aircraft coverages cannot be scheduled as underlying insurance.

### **WATERCRAFT**

Our umbrella policy covers liability for watercraft only on a follow-form basis arising out of the ownership, maintenance, operation, use, loading or unloading of any watercraft owned by the insured or rented to the insured without a crew. We cannot cover jet skis.

We are willing to cover incidental owned watercraft provided they are:

- Less than 26 feet for owned – 51 feet for non-owned
- Not used for racing
- Not rented, leased or chartered to others
- Speed rated at less than 40 mph
- Not used as a livery for persons or commodities
- Not powered in excess of manufacturer's specifications
- Insured for minimum underlying limits of \$1,000,000 – no sublimits for water skiing

### **PERSONAL UMBRELLAS**

We are not a market for personal umbrellas.

### **SELF-INSURED RETENTION/DEDUCTIBLES IN PRIMARY UNDERLYING**

Any umbrella to be written over a large self-insured retention or deductible (\$10,000 or more) in the primary must be referred to Home Office for approval prior to binding. The umbrella SIR should be the same or greater than the primary SIR or deductible. The Program Manager may waive the SIR requirement of the umbrella in any state except New York or Texas. New York requires a \$10,000 SIR and Texas requires a \$25,000 SIR.

When the GL has a deductible you must adjust the GL premium used for the umbrella by excluding the credit applied to the GL premium for the deductible.

## ENDORSEMENTS

The proper use of endorsements is a vital part of successful umbrella underwriting. They service to preserve the catastrophic nature of the umbrella by restricting or eliminating coverage in the instances where primary coverage does not exist. They clarify who is an insured and the extent of coverage provided when a comprehensive insurance program is not in place for a given entity.

### Exclusions

If an exposure is excluded in the primary coverage by endorsement, you must exclude the exposure in the umbrella. Not adding an exclusion can cause the umbrella policy to become primary over the SIR for indemnity and primary for defense.

### Follow form endorsements

These endorsements ensure that the umbrella policy follows a primary coverage with respect to insuring agreements, conditions and exclusions. In addition, the follow form endorsements state that the umbrella policy will be no broader than the scheduled underlying policies. When primary coverage is not standard add a follow form endorsement 87042 (11/04) to avoid confusion over coverage. In most cases this results in the use of follow-form endorsements to limit umbrella coverage where it is broader than the primary so that known drop down exposure can be avoided.

## NEW YORK FREE TRADE ZONE

Follow the procedures below for all umbrella and excess policies in NY:

For program administrators who are located in NY state: The policy must be underwritten from the NY office. The program administrator is responsible for including the required notice in the policy and all policy endorsements. The underwriting file and other records for this business must be maintained at the New York office.

For program administrators who do not have an office in NY state: Forward policy documents and underwriting items to the AIG Programs NY Free Trade Zone representatives at [NYFTZ@aig.com](mailto:NYFTZ@aig.com). In the subject line of the email enter: Division 66 – *insured's name* – NY FTZ. The AIG representatives for this business will determine if the business qualifies for the NY Free Trade Zone.

The NY Free Trade Zone notice must be added to the front page of each binder, policy, contract and endorsement. The notice must be in bold capital letters of at least 3/8 of an inch in height and surrounded by a border. The notice wording appears below:

**NOTICE: THESE POLICY FORMS AND THE APPLICABLE RATES ARE EXEMPT FROM THE FILING REQUIREMENTS OF THE NEW YORK STATE INSURANCE DEPARTMENT. HOWEVER, SUCH FORMS AND RATES MUST MEET THE MINIMUM STANDARDS OF THE NEW YORK INSURANCE LAW AND REGULATIONS.**

## **REFERRALS**

- Any umbrella with the first million layer premium greater than \$25,000.
- Federal Employee Act coverage
- Request for lower employer's liability underlying limits must be referred. However, the following states have various statutes, which allow for the exclusive remedy of workers compensation coverage to be breached: California, Illinois, New York, Ohio, Texas and West Virginia. We will not drop below our minimum attachment policy of \$500,000 for accounts with exposures in these states except for Ohio and Texas where we require a \$1,000,000 attachment point.

The current Program Administrator Underwriting Guidelines and Authority are defined in the specific underwriting guidelines. These are listed as examples of major areas to usually avoid.

- Aviation products and liability with respect to airframe, engine components and control equipment
- Directors and Officers
- Bodily Injury for railroads that transport fare paying passengers
- Vehicles used in speed contests or to haul explosives
- SEC Liability
- Pollution Liability – except hostile fire
- Product Recall
- Professional Liability other than cosmetic stores; dental labs; hearing aids; pet grooming; pet stores; print shops; barbers; beauticians; druggists; optometrists; funeral directors; cemetery professional; opticians; librarians; school nurses; school or camp infirmaries with no employed physicians, physical assistants or drug dispensing; and miscellaneous professional liability which is included in ISO general liability classifications.
- Environmental Impairment Liability
- Any liability from the manufacturing, processing or exclusive wholesale distribution of tobacco products
- War
- Liquor liability if the insured is in the business of manufacturing alcoholic beverage

## UMBRELLA RATING GUIDE

NOTE: Underlying insurers must have an A.M. Best's rating of A- VII or better. WC must be written in an approved state fund.

### NEW HAMPSHIRE INSURANCE COMPANY AND NATIONAL UNION

This procedure is included in Cover-All. A spreadsheet rating tool is also available. If needed, please contact your Program Manager.

The following rating formula is predicated upon the risk carrying minimum underlying limits (or retained limits) as indicated below. These minimums apply to both New Hampshire and National Union filings.

#### COMMERCIAL GENERAL LIABILITY POLICY

|  |  |
|--|--|
| A) Premises/Operation, Contractual,<br>Personal and Advertising Injury | \$1,000,000 each occurrence<br>\$2,000,000 general aggregate |
| B) Products/Completed Operations                                       | \$1,000,000 each occurrence<br>\$1,000,000 aggregate         |

#### BUSINESS AUTOMOBILE POLICY

|                      |                             |
|----------------------|-----------------------------|
| Automobile Liability | \$1,000,000 each occurrence |
|----------------------|-----------------------------|

#### WORKERS COMPENSATION AND EMPLOYERS LIABILITY

|                             |  |
|-----------------------------|--|
| Employers Liability         | \$500,000 each occurrence  |
| note – see Referral section | \$500,000 each employee for disease<br>\$500,000 aggregate for disease |

#### MISCELLANEOUS LIABILITY POLICIES

|                                  |  |
|----------------------------------|--|
| A) Watercraft Liability          | \$1,000,000 each occurrence                                  |
| B) Foreign Liability:            |  |
| a. All other CGL:                | \$1,000,000 each occurrence<br>\$1,000,000 general aggregate |
| b. Products/Completed Operations | \$1,000,000 each occurrence<br>\$1,000,000 general aggregate |
| c. Automobile                    | \$1,000,000 each occurrence                                  |

To calculate the premium for the first million of umbrella excess coverage, the following designated factors must be applied against the base underlying premium for CGL and miscellaneous coverages. The base underlying premium is defined as manual premium less experience and schedule credit, but before deductible credits. Do not modify the GL premium based on what is or is not covered on the umbrella. Only the following premium charges on the GL policy can be excluded from the GL premium used to rate the umbrella or excess policy: 1. products/completed operations premium if a products/completed operations exclusion is attached to the umbrella or excess policy 2. employment benefits liability premium if an employment benefits liability exclusion is added to the umbrella or excess policy and 3. nonGL premiums such as D&O or E&O. If these coverages are covered on the umbrella or excess policy use the miscellaneous liability rating for them.

Base Underlying Premium = Written Premium before deductible credits.

For automobile coverage per unit rates are to be used.

The underwriter must assess the risk's potential to incur a catastrophic loss, i.e. level of severity. The severity guide is designed to assist the underwriter in selecting an appropriate pricing factor from the range of designed factors.

## **SEVERITY GUIDE**

### **Underlying Risk Hazard Grade**

|                   |                     |
|-------------------|---------------------|
| Low Severity      | Minimum to Midpoint |
| Moderate Severity | Midpoint to Maximum |
| High Severity     | Maximum and Beyond  |

### **Rating First Million GL**

|                               | <b>Low</b> | <b>Moderate</b> | <b>High</b> |
|-------------------------------|------------|-----------------|-------------|
| Premises/Operations           | 8-15%      | 20-30%          | 30-40%      |
| Products/Completed Operations | 10-20%     | 30-40%          | 40-50%      |

Only use one rating option – premises/operations or products/completed operations. Determine which method represents the predominant catastrophic exposure for GL. Multiply the GL premium (remove any package mod or deductible credit first) by the applicable factor above.

### **Rating First Million Miscellaneous Liability**

Apply a factor of 10-50% for each miscellaneous liability's underlying premium.

**Rating First Million Auto Liability**

For accounts with fleets less than 25 vehicles and no heavy or extra heavy vehicles use 20-30% of the underlying automobile liability premiums.

For accounts with fleets greater than 25 vehicles or with any heavy or extra heavy vehicles use the following rate per auto unit.

Auto unit rates based on population of metropolitan areas. Rates are excess of \$1,000,000 each occurrence.

| VEHICLE TYPE | POPULATION under 1MM |              | POPULATION over 1MM |              |
|--------------|----------------------|--------------|---------------------|--------------|
|              | LOCAL                | INTERMEDIATE | LOCAL               | INTERMEDIATE |
| PPT          | 75                   | 95           | 115                 | 135          |
| LT           | 100                  | 175          | 210                 | 240          |
| MT           | 225                  | 255          | 285                 | 310          |
| HT           | 400                  | 500          | 625                 | 780          |
| XHT          | 750                  | 925          | 1165                | 1465         |

For incidental long haul increase factors by 1.25%. Occasional trip, one or two vehicles over 250 miles – less than 10% of operation, no overnight.

| BUSES                  |                      |              |           |                     |              |           |
|------------------------|----------------------|--------------|-----------|---------------------|--------------|-----------|
|                        | POPULATION under 1MM |              |           | POPULATION over 1MM |              |           |
|                        | Local                | Intermediate | Long Haul | Local               | Intermediate | Long Haul |
| Up to 8 passengers     | 250                  | 300          | 350       | 400                 | 450          | 500       |
| More than 8 passengers | 500                  | 600          | 700       | 800                 | 900          | 1,000     |

Local – under 100 mile radius

Intermediate – 100-250 mile radius

Long Haul over 250 mile radius – refer to appropriate level of authority if regular & more than 10% of operations.

**The final premium for the 1<sup>st</sup> million umbrella is the sum of the GL, miscellaneous liability and auto liability. The 1<sup>st</sup> million premium can be modified by schedule rating subject to minimum premium in minimum premium table below.**

**Calculating the Umbrella Premium for Limits in Excess of the 1<sup>st</sup> Million**

Multiply the 1<sup>st</sup> million modified umbrella premium by the following factors:

\$1 MM x \$1 MM x primary 20-30%

\$1 MM x \$2 MM x primary 15-30%

\$1 MM x \$3 MM x primary 15-30%

\$1 MM x \$4 MM x primary 15-30%

For each \$1 MM excess of the \$5 MM take 75% of the proceeding million premium for each million.

**Subject to minimum premium per layer – see minimum premium table below.**

| <b>MINIMUM PREMIUMS</b> |                     |                          |                       |
|-------------------------|---------------------|--------------------------|-----------------------|
|                         | <b>Low Severity</b> | <b>Moderate Severity</b> | <b>Heavy Severity</b> |
| 1 <sup>st</sup> \$1MM   | \$100               | \$1,500                  | \$2,500               |
| Each additional million | \$750               | \$1,000                  | \$1,000               |

**NEW HAMPSHIRE UMBRELLA JUDGMENT RATING TABLE  
(new and renewal)**

| <b>JUSTIFICATION</b>   | <b>MODIFICATION RANGES</b> |              |
|--|----------------------------|--------------|
|  | <b>CREDIT</b>              | <b>DEBIT</b> |
| Fire life safety   | -10%                       | 10%          |
| Premises condition, pollution exposures  | -10%                       | 10%          |
| Insurance program adequacy – certificates from subcontractors, additional insured status | -10%                       | 10%          |
| Premises security guards, lighting, employee training                                    | -10%                       | 10%          |
| MVRs, young drivers, elderly drivers, convictions  | -10%                       | 10%          |
| Vehicle maintenance program  | -5%                        | 5%           |
| Vehicle age, distance traveled, load type  | -5%                        | 5%           |
| Safety program   | -5%                        | 5%           |
| Quality control program  | -5%                        | 5%           |
| Management experience  | -5%                        | 5%           |
| Employee selection   | -5%                        | 5%           |
| Advertising, broadcasting, publishing  | -5%                        | 5%           |
| Foreign sales  | -5%                        | 5%           |
| Foreign operations   | -5%                        | 5%           |
| Aircraft, watercraft   | -5%                        | 5%           |

Underwriter: \_\_\_\_\_ Manager approval: \_\_\_\_\_  
 Date: \_\_\_\_\_ Date: \_\_\_\_\_

Judgment modifications that exceed 25% (new or renewal) must be referred to the Program Manager on a prior approval basis. Judgment modification cannot exceed 40% credit (new or renewal). Most states limit judgment rating to +/- 25%. GA limits judgment rating to +/- 15%, and no judgment rating is permitted in HI and NE.



All judgment modifiers selected on the judgment rating table must be consistent with the underwriting information on file.

**NATIONAL UNION UMBRELLA JUDGMENT RATING TABLE  
(new and renewal)**

| <b>JUSTIFICATION</b>  | <b>MODIFICATION RANGES</b> |              |
|---|----------------------------|--------------|
|   | <b>CREDIT</b>              | <b>DEBIT</b> |
| <b>CLASSIFICATION/COVERAGE PECULIARITIES</b>                          |                            |              |
| Nonstandard deductibles   | -20%                       | 20%          |
| Variance in standard aggregate limits or in application of aggregates | -20%                       | 20%          |
| Other classification/coverage peculiarities                           | -20%                       | 20%          |
|   |                            |              |
| <b>LOSS CONTROL &amp; SAFETY</b>                                      |                            |              |
| Formal loss control & safety program                                  | -10%                       | 10%          |
| Employed safety director  | -10%                       | 10%          |
| Pollution control program   | -10%                       | 10%          |
| Accident investigation  | -10%                       | 10%          |
|   |                            |              |
| Quality Control Policy  | 10%                        | 10%          |
|   |                            |              |
| <b>VEHICLE AND EQUIPMENT</b>  |                            |              |
| Formal schedule of maintenance  | -5%                        | 5%           |
| Manual or automatically operated equipment/machinery                  | -5%                        | 5%           |
|   |                            |              |
| <b>EMPLOYEES</b>  |                            |              |
| Hiring Practices  | -5%                        | 5%           |
| Training  | -5%                        | 5%           |
| Stability or employment   | -5%                        | 5%           |
|   |                            |              |
| Premises – condition and care   | -5%                        | 5%           |
|   |                            |              |
| <b>MANAGEMENT</b>   |                            |              |
| Year in business  | -5%                        | 5%           |
| Financial condition of risk   | -5%                        | 5%           |
| Attitude – cooperative  | -5%                        | 5%           |

Underwriter: \_\_\_\_\_ Manager approval: \_\_\_\_\_  
 Date: \_\_\_\_\_ Date: \_\_\_\_\_

Judgment modifications that exceed 25% (new or renewal) must be referred to the Program Manager on a prior approval basis. Judgment modification cannot exceed 30% credit (new or renewal).

Most states limit judgment rating to +/- 25%. GA limits judgment rating to +/- 15%, and no judgment rating is permitted in HI and NE.

All judgment modifiers selected on the judgment rating table must be consistent with the underwriting information on file.