



AIG Programs

Program Underwriting Authority

FOREST PROGRAM

Edition Date: March 1, 2015

Program Administrator: Victor O Schinnerer
Two Wisconsin Circle
Chevy Chase, MD 20815

The program is underwritten in the Sacramento office:
2520 Venture Oaks Way, Suite 450
Sacramento, CA 95833

Principal(s): Scott P. Thomas, SVP

Program Description: Property incl. Marine, General Liability, Crime, Commercial Auto, and Umbrella for Logging and Lumbering and related businesses.

Program Manager: MaryAlice Stembridge

Program Inception: October, 2000

Division: 66 – AIG Programs

Related PUC Numbers: 327, 923

Program Territory: Nationwide excluding New York and all territories and possessions

Program Commission: 20% for Auto
22% for Property, GL and Umbrella



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NOTICE – PLEASE READ CAREFULLY

The 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.

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, including but not limited to updates to rates, rating rules, forms implementation and other underwriting bulletins as the Company may issue from time to time.

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.

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 Forest Program (Hereinafter, the “Program”) that meet the following eligibility requirements:

Eligible Risks

- Risks engaged in the logging and lumbering industry (including related operations) within the program territory. Related operations may include logging or lumbering, reforestation, forestry, road building, hauling of forest products, and incidental exposures of other types.
- Auto in eligible states (Refer to eligibility with file name Forest Auto Eligibility 2015.xlsx , attached))
- Inland Marine in eligible states (See section 5.1 for ineligible inland marine risks)



Forest Auto Eligibility
2015.xlsx



In addition, We require the following account attributes*:

- At least three (3) years in operation (new business only; once approved, further referrals not needed).
- 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).
- The loss ratio for the current year, and separately, all lines combined for the past three years, must be 40% or less and have no single loss greater than \$50,000 (Incurred loss).
- Current policy must be active and not in the process of being cancelled or non-renewed. (unless expiring carrier is exiting the market)
- D&B credit score of 1, 2 or 3 as obtained from eStart.**

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

**For accounts with a D&B score of 0, 4, or 5 with an annual premium of less than \$100,000, the following financial review is acceptable and documented in file:

- Where the accounts last three (3) years of payment history indicate payment issues; or
- If you subscribe to Experian, a score of twenty five (25) or higher; and **For accounts with a D&B score of 0, 4, or 5, you must refer any account: or
- For new business premium must be paid in full at inception or documented that the account is financed.

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

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

1.2 INELIGIBLE BUSINESS

You cannot quote or bind business for accounts that are outside of the parameters established above or any account with of the following parameters:

- Work performed in the state of New York
- Work done in within 200 feet of a residence that is more than 10% of the operation
- Milling operations - operations with direct logging payroll can be considered on a referral basis. The Property limits must be less than \$500,000
- Use of any explosives
- Operation of any gravel pits or quarries
- See section 5.1 for ineligible inland marine risks



2. AUTHORITY

2.1 INSURANCE COMPANIES

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

COMPANY NAME
New Hampshire Insurance Company
Granite State Insurance Company
Illinois National Insurance Company
National Union Insurance Company of Pittsburgh

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	\$25,000	Coverall
Commercial Package Policy	\$105,000	Coverall
Commercial General Liability	\$75,000	Coverall
Commercial Automobile	\$75,000	Coverall
Commercial Crime Coverage	\$5,000	Coverall
Umbrella Liability Coverage	\$25,000	Coverall
The sum of all policies and/or coverages written for one insured	\$205,000	

2.3 NAMED INSURED

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

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

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



2.4 LIMITS AUTHORITY

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

PROPERTY/CRIME COVERAGES	Limits	
PROPERTY		
Commercial Property and/or Inland Marine	\$3,000,000	Maximum Amount Subject (gross) in Protection Class (PC) 1 – 8
	\$ 500,000	Maximum Exposure milling/manufacturing
	\$1,000,000	Amount subject any location in Protection Class 9 or 10
	\$5,000,000	Total Insured Values
Earthquake – 250 Year MMI Zones of 7.0 through 12 (derived from RiskMeter*), and the entire state of California, Alaska and Hawaii	No Authority	
Earthquake – 250 Year MMI Zones 1 through 6.99 (derived from RiskMeter*),	\$1,000,000	
Earthquake Sprinkler Leakage – 250 Year MMI Zones 1 – 6.99 (derived from RiskMeter*),	\$1,000,000	
Flood – RiskMeter flood score over 40	No Authority	
Flood – RiskMeter flood score 10 - 40	\$1,000,000	
* See QwikNotes for Information on RiskMeter		
Wind/Coastal Property	No Authority	Refer to the Windstorm section of Property QwikNotes for guidelines prior to making your referral.
Motor Truck Cargo/Transit	\$300,000	Per Occurrence; \$1,000 deductible
CRIME		
Commercial Crime (1): Employee Theft Forgery or Alteration (1) Includes Employee Benefit Plans – when scheduled on the Declarations Page	\$100,000	Per Occurrence
Inside the Premises: Theft of Money and Securities	\$10,000	
Inside the Premises: Robbery or Safe Burglary of Other Property	\$10,000	
Outside the Premises	\$10,000	
Computer and Funds Transfer Fraud	\$10,000	
Money Orders and Counterfeit Money	\$10,000	



All other Commercial Crime	\$10,000	Per Occurrence
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GENERAL LIABILITY, AUTOMOBILE, GARAGE, UMBRELLA	Limits	
Commercial General Liability and Products Liability	\$1,000,000 \$2,000,000 \$2,000,000	Each Occurrence General Aggregate Products-Completed Operations Aggregate
Medical Payments	\$ 10,000	
Personal/Advertising Injury	\$1,000,000	Each Occurrence
Damage to Premises Rented to You	\$ 300,000	
Employee Benefits Liability	\$1,000,000 \$3,000,000	Claims Made Annual Aggregate
Commercial Automobile Liability	\$1,000,000	Any One Accident
Commercial Automobile Physical Damage	ACV to \$250,000	Per Vehicle Replacement Cost
Minimum Deductible:		
➤	\$1,000 with Cost New Less than \$60,000	
➤	\$2,000 with Cost New At or Above \$60,000	
Amount Subject Any One Location	\$1,500,000	
Commercial Umbrella	\$3,000,000 \$3,000,000	Each Occurrence General Aggregate Limit

2.5 WINDSTORM AND EARTHQUAKE CAT MANAGEMENT REFERRALS

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

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

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

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

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

2.6 ADHERENCE TO FILED RULES/LOSS COSTS/FORMS

2.6.1 ISO PRODUCTS / AAIS PRODUCTS / PROPRIETARY PRODUCTS

For this program, for the following lines of business, the Company utilizes the following products as set forth below:



INSURANCE SERVICES ORGANIZATION	AAIS	PROPRIETARY PRODUCTS
Commercial General Liability	Inland Marine	Enhanced Property Forms
Commercial Auto		Commercial Umbrella
Commercial Crime		Inland Marine
Property		

Unless you are advised otherwise by a Program Administrator Bulletin, the Company will automatically adopt all ISO/AAIS products *using their effective dates* as filed for:

- Coverage Forms and Endorsements
- Loss Costs, Expected Loss Potentials and/or Rates
- Increased Limits Factors
- Rating Plans
- Classification Plans
- Manual Rules
- Package Modification Factors

The Cover-All Operating system will maintain all changes in compliance with our filings.

2.6.2 NEW YORK FREE TRADE ZONE (NYFTZ)

You have no authority to write business in the state of New York.

2.7 POLICY TERM

Policy periods (including any coverage and rate commitments associated therewith) are for a twelve (12) month term only except in the case of writing to gain concurrency where short term policies are acceptable..

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: Contractors Equip; Motor Truck Cargo; Scheduled Property 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 except on Umbrella policies	No Authority
Consent to Rate Rules	No Authority

2.8.1 ISO “REFER TO COMPANY” RULES

Anytime ISO has insufficient data to promulgate a rate or loss cost, they defer to the company to create its own rate. Please refer to Section 5, “Refer to Company” rules which are applicable (by product line) for the Program, or QwikNotes for guidance. If we do not address a specific “Refer to Company” issue pertaining to rating an account, please refer the matter to your Program Manager for guidance prior to quote.

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-dating of coverage more than five (5) business days (and if five days or less, subject to a warranty of no known or reported losses).



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 a 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 except as otherwise allowed in through the use of optional forms within this authority statement .
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

No authority exists to quote or bind any of the following terms or conditions unless authority is granted elsewhere in this document:

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 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 SURCHARGES AND FEES

You are responsible for the proper billing and collection of all state surcharges and fees. Please refer to our Underwriting Bulletins or contact your Program Manager for current information regarding all applicable state surcharges and fees.

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 within thirty (30) days of receipt of the request.

2.12 APPROVED COVERAGE FORMS AND ENDORSEMENT AUTHORITY

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



Forms List - revised
2-24-15.xlsx

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 Excel Spreadsheet, 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 - QWIKNOTES

Throughout this document you will see references to QwikNotes. These are Our Underwriting guidelines that summarize specific line of business rules that you are expected to follow. You and your staff should carefully read them and refer any questions to your Program Manager. We will notify you of changes during the course of the year via producer bulletin. You can access the most current edition of QwikNotes via the AIG Program website: <http://www.aigprograms.net/pgSignIn.php?next>

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 or a letter of no known losses where applicable – 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.

The minimum additional document requirements by product line are:

3.1.1 PROPERTY FILE DOCUMENTATION REQUIREMENTS

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

3.1.2 GENERAL LIABILITY FILE DOCUMENTATION REQUIREMENTS

- a. Experience and Schedule rating worksheets (including those written with a unity (1.00 mod where required) and justification for all schedule credits/debits applied.

3.1.3 AUTOMOBILE FILE DOCUMENTATION REQUIREMENTS

- a. Experience and Schedule rating worksheets (including those written with a unity (1.00 mod where required) and justification for all schedule credits/debits applied.
- b. Driver List and copies of MVR's as required by our Underwriting Guidelines.
- c. UM/UIM offers and rejections (where required)
- d. All filings

3.1.4 UMBRELLA / EXCESS CASUALTY FILE DOCUMENTATION REQUIREMENTS

- a. Umbrella pricing worksheet including reason for pricing deviations.
- b. UM/UIM offer, acceptance & rejection forms where required
- c. For all scheduled underlying policies that we do not write:
 - 1. Loss runs or a letter of 'no known losses' where applicable – see Section 3.5
 - 2. Declarations pages from non AIG underwriting policies with writing company, premium, limits, policy periods, and for GL, a form schedule.
- d. Umbrella policy when issued.
- e. Schedule rating worksheets (including those written with a unity (1.00) mod) and justification for all schedule credits/debits applied.

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 supplemental questionnaires or applications approved by the 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 Insureds 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 or as directed by your Program Manager prior to quote and retained in the file.

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

3.4 ACCOUNT SUMMARY WORKSHEET

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

- Name and address of the First Named Insured
- Complete list of Named Insureds, a brief summary of each named insured's operations (including any discontinued operations).
- Description of all operations.
- Exposure and hazard analysis.
- Current/expiring premium.
- 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. Loss runs must be from an insurer or



Approved Third Party Administrator and must have been produced and currently valued within 180 days of the policy effective date for both new and renewal 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 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 the referral is approved, the approval shall remain in effect and, with the exception of the limitations stated below (1), resubmission is not required at each renewal, but only if:

- You have established that there has been no material change to the risk and
- You have properly documented the file (2).

(1) The following exception(s) shall limit referral approval(s) to the current policy term only:

1. When limited by the Program Manager and stated in their approval email; or
2. Deterioration of previously approved three year account loss ratio; 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 are any changes to limit(s) or 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.

(2) 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 DEDUCTIBLES / SIR PROCEDURES

General Liability: there are no mandatory deductibles or SIR's for this Program. Accordingly, the use of any deductibles on a General Liability must be referred to your Program Manager prior to use.

3.8 QUOTATION

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

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

3.9 BINDERS

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

You must issue a binder whenever a policy is not issued and mailed (USPS or electronically) within five (5) business days of the policy's effective date and 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 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

In addition, where required, you must include the approved 'anti fraud' language (if using ACORD 75, such language is included).

All proprietary 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."

3.10 OTHER UNDERWRITING CONSIDERATIONS

3.10.1 CANCELLATIONS/NON RENEWALS

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

3.10.2 DECLINATIONS

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

3.10.3 MATERIAL CHANGE IN COVERAGE/RATE INCREASES

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

3.10.4 STATE SPECIFIC AMENDATORY ENDORSEMENTS

You must include any/all state amendatory endorsements as required by the "Headquarters State" of the insured.



3.10.5 HEADQUARTERS STATE RULE

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

3.10.6 TERRORISM RISK INSURANCE ACT (TRIA)

You must comply with provisions of the Federal Terrorism Risk Insurance Act of 2002, as amended.

You must provide a quote for terrorism when providing coverage for Property, General Liability, and/or Excess Casualty lines of business. The Company has taken the position that coverage for terrorism for these lines must be offered with no option to reject coverage, using Form 96556 (02/08) and must clearly show the premium charge. The rate will be a flat charge of 1% where approved. (Refer to QwikNotes for zip codes where coverage for Terrorism requires a referral.)

Note: the current Federal Terrorism Risk Insurance Act, as amended, is schedule to 'sunset' on 12/31/2014. If it is not renewed, you will be advised to discontinue offering coverage, and instead attach a proprietary terrorism exclusion.

3.10.7 OFFICE OF FOREIGN ASSETS CONTROL (OFAC)

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

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

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

3.10.8 COMMISSION – POLICYHOLDER NOTICE

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



4. ADMINISTRATION AND SERVICE

4.1 LOSS CONTROL

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.

Refer to QwikNotes loss control section for specific requirements.

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

1. A loss control service request is to be made within 7 calendar days of the policy effective date through the iAE (internet Audit Expert) system.
2. Loss control service is to be requested on new business and every three years thereafter based on the following criteria:
 - a. Telephonic Surveys on accounts with premium between \$10,000 - \$25,000,
 - b. Physical Surveys on accounts with premium over \$25,000
 - c. Annual Consultative Surveys on accounts in California with premiums over \$25,000
 - d. At the discretion of the underwriter, telephone, physical or consultative requests can be ordered for accounts not meeting the criteria above however we prefer that telephone consultative services be provided for account with premiums less than \$15,000.
3. Service is provided by–
 - a. Don Milani of Tijerina Investigations in California.
 - b. Mutually agreed upon subcontractor in the Pacific Northwest: Phone, Physical and Consultative surveys
 - c. Tony Tijerina of Tijerina Investigations: Phone, Physical and Consultative surveys in all other states.
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. Programs Home Office Loss Control 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. Programs Home Office Loss Control and their approved subcontractors are responsible for following up on essential recommendations, making compliance determination, and notifying underwriting on compliance status and/or when assistance is needed.
7. The Program Administrator is responsible for responding to requests for assistance in gaining compliance with essential recommendations.

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 is a complete set of forms (and current edition date by jurisdiction) approved for use with this program. This information is current as of the date of this Authority and is subject to change. You must use the current, approved form edition, which may be a new version than appears in this Authority, based upon the Insured's headquarter state. 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, please refer to the Division 66 Property QwikNotes.

The company accepts ACORD Applications.

Unless directed otherwise, you are to use ISO loss costs or class rates applicable at each location.

You are expected to increase property values at each renewal to assure proper insurance to value and minimize any potential exposure to coinsurance penalties.

Refer to QwikNotes for specific guidance on approved Marshall & Swift valuations.

When writing Crime Coverage on a Discovery form, you must attach the Retroactive Date endorsement. The date utilized on the endorsements 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 change the retro date to be no more than one year prior to the *new* effective date.

ISO forms are available to be used on any account.

COMMERCIAL INLAND MARINE- LOGGING EQUIPMENT

- Skidders and Fellerbunchers more than 15 years old should be avoided.
- Any account with a chipper valued over \$150,000 must be referred to the AIG program manager.

Ineligible inland marine risks:

- Cranes
- Accounts not engaged in the Logging and Lumbering or related industries.
- Paper Mill operations.
- Skyline Yarding or Helicopter Yarding
- Any operations or equipment not specifically addressed in these Underwriting Guidelines.
- Physical Damage coverage on trucks or tractors.
- Valuation method other than actual cash value.



- Accounts requesting deductibles on any piece of equipment less than the following:

Limit of Insurance

Deductible

Less than \$150,000	\$ 1,000 Not applicable to Skidders etc
\$150,001 to \$250,000	\$ 2,500
Over \$250,000	\$ 5,000
	\$ 2,500 Minimum on Skidders and Fellerbunchers

Chippers:

Values less than \$50,000:	\$2,500 or greater
Over \$50,000:	\$5,000 or greater

- Deductible in excess of \$10,000 must be referred to the AIG Program Manager.

Inland Marine Rating

All rates contemplate 100% values, Actual Cash Value only, and the deductibles identified above.

LOGGING EQUIPMENT RATES (per \$100 of value):

Use approved Inland Marine rating worksheet that has been provided for rate documentation.

Inland Marine Rates Effective 11/1/10

Year	Skidder	FellerBuncher / Harvester	Chipper	Loader	Delimber	Dozer	Forwarder / PreHauler
2010	3.39	3.13	5.00	1.59	2.12	1.35	1.79
2009	3.67	3.39	5.00	1.71	2.52	1.42	1.91
2008	3.78	3.49	5.00	1.92	2.64	1.49	2.21
2007	4.19	4.01	5.00	2.02	2.88	1.60	2.42
2006	4.87	4.79	5.00	2.25	3.02	1.70	2.62
2005 & <	5.00	5.00	5.00	2.35	3.02	1.77	2.82

Skidder / FellerBuncher

Manufacturer Credit / Debit:

Ponsee:	0.80
Tiger Cat.	0.95
Barko:	1.05

Other Equipment:

-Contractors Equipment:

<u>Amount of Scheduled Values</u>	<u>Load</u>
Up to \$500,000	0.50 - 1.50
\$500,001 to \$2,000,000	0.40 - 0.75
Over \$2,000,000	0.25 - 0.70



-Contractors' Equipment Leased or Rented From Others

Step 1.B

Determine the contractors' equipment premium using the Contractors' Equipment Rating section. Divide the premium by the total limit of insurance (per \$100) to obtain an equipment rate.

Step 2.B

Determine the leased or rented equipment rate by multiplying the equipment rate by the factor for leased or rented equipment. The following are risk features that should be considered when determining a factor:

- a. Type of equipment being leased/rented
- b. Leasing/renting equipment with or without operators
- c. Liability stipulated in lease/rental agreement
- d. Use of credit checks and review of certificates of insurance (to others)

Factor: 1.50 to 2.00

Step 3.B

Apply the leased or rented equipment rate (per \$100) to the rental expenditures (from others).

Trailers for hauling equipment only: \$3.00 rate.

Miscellaneous Tools and Equipment: \$3.00 rate.

Size of Schedule Credit/Debits (from base rates):

Total Values:

\$0	to	300,000	1.00(exception 1.10 factor if premium is less than \$4000)
300,001	to	500,000	1.00
500,001	to	600,000	0.95
600,001	to	700,000	0.90
700,001	to	800,000	0.85
800,001	to	1,200,000	0.75

All schedules over \$1,200,000 should be referred to Program Manager for pricing considerations.

\$0 to 300,000 TIV Experience Rating

- 0 to 15% credit for no losses in the past 3 years,
- 1 or more losses in the past 3 years a 5% debit,
- 1 or more losses in the past 2 years a 10% debit and
- 1 or more losses in the past year a 15% debit.

Automatic Fire Suppression System Credit:

Each piece of equipment that has an automatic fire suppression system that is installed and maintained to the satisfaction of our loss control representative**, is eligible for the following credit:

- 2001 to present: 0.90
- 2000 and older: 0.95



**at a minimum, this requires maintenance records or receipts from a qualified servicing contractor, which confirm service at appropriate intervals. Credit can be given at policy inception, subject to verification during the loss control visit.

Schedule Credits or Debits:

Each file must contain account-specific documentation for any schedule credits or debits used.

PA Credit Authority: 10%

PA Debit Authority: 25%

AMOUNT SUBJECT:

Determination of amount subject exposures for logging equipment must consider the following:

- Wildfire exposure. If operations are located within a known wildfire area, we should avoid writing such risks. If upon referral it is agreed to write such a risk, all equipment will be considered one amount subject;
- Any yard storage exposures should be identified. If such equipment is within 100 feet of an insured structure, the value must be considered part of the amount subject for that building and its contents, business income, etc.
- Equipment located in the forest, and not wildfire exposed: determine procedure for "storage" of equipment during non-working hours – parked in clear space without any brush or other debris, and separation of each piece of equipment by a minimum of 50 feet. If such procedure is in place there is no need to set a specific amount subject. If equipment is spaced closer than 50 feet, determine the maximum values of equipment "stored" in this manner, and that will be the logging equipment amount subject.

5.2 GENERAL LIABILITY – APPROVED RATES AND RULES

Unless otherwise directed in this section, please refer to the Division 66 General Liability QwikNotes

The company accepts ACORD Applications.

We will use ISO loss costs, rules and forms when writing Commercial General Liability.

Refer to Company rules exist for our programs and are summarized in QwikNotes. Program specific 'refer to company rules', if any, can be found below:.

Additional insured forms CG 2010 and CG 2037 : charge \$100 per each endorsement with a max charge of \$1,000.

Primary and non-contributory form CG 20 01: \$250 per policy

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



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.

Classifications include and charges:

Classification	Code	Charge
Logging & Lumbering	97111	ISO published loss cost
Subcontractors	91581	10% of base loss cost of associated class code for the exposure
Truckmen (terminal employees only)	99793	ISO published loss cost
Forestry	43822	ISO published loss cost
Buildings or Premises	61222	ISO published loss cost
Building or Premises-Lessors	61211	ISO published loss cost
Vacant Land	49451	Published ELP
Wood Products NOC	59985	Published ELP
Sawmills or Planing Mills via referral	58873	ISO published loss cost
Street and Road Construction	92215	ISO published loss cost

Additional classifications may be used based on exposures.

5.3 AUTOMOBILE – APPROVED RATES AND RULES

Unless otherwise directed in this section, please refer to the Division 66 Automobile QwikNotes

The company accepts ACORD Applications.

We will use ISO loss costs, rules and forms when writing Commercial Automobile.

MSC-90 's are permitted where required.

VOSCO MVR Analysis form is an acceptable form of MVR documentation.

5.4 EXCESS / UMBRELLA: APPROVED RATES AND RULES

Unless otherwise directed in this section, please refer to the Division 66 Umbrella QwikNotes.

See the QwikNotes for our Umbrella underwriting guidelines.

Use AIG Rating Plan for Standard Umbrella found in Umbrella QwikNotes.



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 the Program Underwriting Authority to your Program Manager within 30 days. If AIG Programs does not receive the executed copy within such time, this Authority will automatically go into effect on **March 1, 2015**.

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

Acknowledged By:

Victor D. Schinnerer

Name of Program Administrator

Scott P. Thomas

Name of Recipient/Designee

Sr. Vice President

Title of Recipient/Designee

[Signature]

Signature of Recipient/Designee

3-3-15

Date

Delegated By:

AIG Programs - Lexington

Name of Insurers

Ruby Simmons

Name of Grantor

Product Line Manager

Title of Grantor

Ruby Simmons

Signature of Grantor

4/10/15

Date