

LEXINGTON Program Division 66 - 2010

EDITION DATE: December 30, 2011

PROGRAM NAME: Forest Products Program

PROGRAM ADMINISTRATOR: Victor O. Schinnerer Co., Inc.
Two Wisconsin Circle
Chevy Chase, MD 20815

The program is underwritten in the Sacramento, California office:
2520 Venture Oaks Way, Suite 250
Sacramento, CA 95833

PRINCIPAL(S): Dawn Eichelkraut, Vice President

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

PROGRAM INCEPTION: 10-00

DIVISION: 66 - Lexington Programs

PRODUCER COMMISSION: 20% for Auto
22% for Property, GL and Umbrella

PROGRAM TERRITORY: Nationwide excluding New York State and all territories and possessions

RELATED PUC NUMBERS:

All Lines other than Umbrella	327
Umbrella	923

AUTHORITY:

1. INSURANCE COMPANIES

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

New Hampshire Insurance Company	<input checked="" type="checkbox"/>
Granite State Insurance Company	<input checked="" type="checkbox"/>
Illinois National Insurance Company	<input checked="" type="checkbox"/>
National Union Fire Insurance Company of Pittsburgh, PA	<input checked="" type="checkbox"/> Umbrella Only

2. POLICY PREMIUMS

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

\$25,000	For Property /Inland Marine Coverages
\$75,000	For General Liability Coverages
\$75,000	For Commercial Automobile Coverages
\$25,000	For Umbrella Liability Coverages
\$5,000	For Commercial Crime Coverages
\$210,000	For the sum of all policies and/or coverages written for one insured

3. ASSIGNED PROGRAMS

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

Forest Products Program	327,923
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4. LIMITS OF LIABILITY

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

\$1,000,000	Per occurrence	for General Liability and
\$2,000,000	General Aggregate	Products Liability
\$1,000,000	Products Aggregate	
\$1,000,000	Occurrence	for Employee Benefits Liability
\$3,000,000	Annual Aggregate	
\$ ACV to	Per vehicle	for Automobile Physical Damage
\$200,000		See deductible schedule under Specific
\$1,000,000	Amount Subject any one location	Guidelines
\$3,000,000	Per policy	for Commercial Umbrella
\$3,000,000	Amount subject (gross)	for Commercial Property and/or Inland Marine
\$ 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 (gross)	
\$100,000	Per occurrence	for Commercial Crime Form A, Depositors Forgery and Employee Benefit Plans (when scheduled in the Declarations)
\$10,000	Per occurrence	for all other Commercial Crime
\$300,000	Per Occurrence	Motor Truck Cargo/Transit; \$1000 deductible

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

5. PROPERTY PERILS

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

(no authority)	Earthquake - MMI zones 7 through 12, and the entire state of California
\$1,000,000	Earthquake - MMI zones 1 through 6.99
(no authority)	Earthquake Sprinkler Leakage - MMI zones 7 through 12, and the entire state of California
\$1,000,000	Earthquake Sprinkler Leakage - MMI zones 1 through 6.99
(no authority)	Flood - Federal Flood Zone(s) A, V, B, D and X (shaded)
\$1,000,000	Flood - Federal Flood Zone(s) C , X or better
Wind/Coastal Property	Wind/Coastal Property - There is <u>no authority</u> to quote windstorm or hail on locations within any of the windstorm control zones. All such locations must be submitted to, and approved by, your Program Manager <u>before</u> quoting. Definitions of windstorm control zones are in the Property Qwiknotes.

6. PRICING

You have authority for the following pricing plans if an 'x' in the box next to the plan designates them.

- a. Deviation of Increased Limits Factors, but only if all requirements of Rule 15 and Rule 34 are met []
- b. ISO Rule 34 General Liability []
- c. ISO Rule 15 Automobile []
- d. Preferred Risk Property, HPR or AAIS Rating Plans []
- e. Composite Rating of Liability, but only if all requirements of the ISO Composite Rating Rule are met [X]
- f. Composite Rating of Automobile, but only if all requirements of the ISO Composite Rating rule are met [X]

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

a. Specific Operations/Exposures

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

- b. **Coverages** - No authority exists to quote or bind any account that requests any one or more of the following coverages.
- (1) Claims Made coverage in a program where the CGL exposure is written on an Occurrence form
 - (2) Occurrence coverage in a program where the CGL exposure is written on a Claims Made form
 - (3) Employment Related Practices Liability
 - (4) Pollution or other Environmental coverage's - Any specific exceptions are listed in section 14
 - (5) Captive, Pooling or other alternative risk financing arrangements
 - (6) Liquor Law Liability in states designated as High Hazard by ISO class
 - (7) Workers Compensation
 - (8) Railroad Protective Liability
 - (9) Protection & Indemnity
 - (10)U.S. Longshoremen & Harbor Workers liability
 - (11)Professional Liability or Errors & Omissions liability
 - (12)Manufacturers Output policies or coverages
 - (13)Ocean Marine
 - (14)Products Recall
 - (15)Assumed Reinsurance
 - (16)Foreign coverages (i.e., outside the United States or Canada)
 - (17)Hawaii Auto Coverages if not written through CoverAll
 - (18)Massachusetts Auto coverages.
 - (19) Mold/Fungus coverages
 - (20)Data Corruption coverage
- c. **Policy Terms and Conditions** - No authority exists to quote or bind any account which requests any one or more of the following terms or conditions.
- (1) Individual risks, or programs, requesting financial guarantees, e.g., any situation where we would be asked to include language in our policy, or assume obligations, in the repayment of indebtedness
 - (2) Aggregate Limit reinstatement
 - (3) Individual risks, or programs, if Chartis Claim Services, or a LEXINGTON approved TPA is not handling all losses and loss adjustment
 - (4) Extension of cancellation or non-renewal provisions beyond the statutory minimum or 90 days, whichever is greater
 - (5) Master policies with certificates
 - (6) Manuscript policies, forms or endorsements, defined as insurance coverage documents, whether written by member companies of Chartis , Inc., or not, that:
 - (a) have not been vetted by Lexington Legal; and/or
 - (b) have not been assigned an ISO or Lexington form number
 - (7) removal of any policy exclusion
 - (8) property loss-limit form or coverages
 - (9) property (real, personal or inland marine) on a reporting form basis
 - (10)property blanket policy limits
 - (11)payment of any loss not covered by the policy as it was written at the time of loss
 - (12)amendments to any Program Administrator Agreement or other contractual arrangement between any member company of Lexington Insurance , Inc., and any duly authorized broker doing business with the LEXINGTON Programs Division
 - (13)back-dating of coverage more than five (5) working days (and if five days or less, subject to a warranty of no known or reported losses)
 - (14)requests for facultative reinsurance of any line

d. **Pricing Techniques** - You have no authority to quote or bind any account that requests any one or more of the following pricing techniques.

- (1) rates or rating plans other than those filed by or on behalf of the insurance company or companies underwriting the Lexington Programs Division program
- (2) loss-sensitive rating or retrospective rating
- (3) dividend plans, whether individual risk or entire programs
- (4) revisions on premium audits without written consent of the Chartis Premium Audit Division
- (5) premium deferral or cash-flow programs, or compensating balance programs
- (6) rate guarantees beyond the annual policy term
- (7) self-insured retentions
- (8) aggregate stop loss on deductibles
- (9) policy terms greater than 12 months

8. Eligibility Requirements

Referrals

Risks once referred and approved need not be referred on the subsequent two renewals, if being referred for the same reasons, provided there has been no material change in the circumstance which caused the referral to be required. A material change includes but is not limited to an increase in limits, changes in operations or an increase in an incidental class.

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, milling operations and incidental exposures of other types.
- Auto in eligible states (Refer to eligibility document)
- Inland Marine in eligible states (Refer to eligibility document)

Ineligible Risks:

- 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 with property limits greater than \$500,000

Ineligible activities:

- Use of any explosives
- Operation of any gravel pits or quarries

9. UNDERWRITING CRITERIA:

Business eligible for this loggers program must be considered as a part of an overall account and be evaluated separately, by line, as well.

A minimum of four years currently valued hard copy loss runs provided by the insurance carrier.

No business will be accepted submitted as bound. Only quoted business may be bound.

At least 3 Years in operation, under three years must be referred to the Company.

Loss ratio for the current year or the past three years over 40% or with any single loss of \$50,000 or more must be referred to the company prior to quoting.

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

10. APPLICATIONS

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

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

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

11. RECORDING SUBMISSION IN ESTART

Any account must be entered into eStart.

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

12. QUOTES

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

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

13. BINDERS

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

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

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

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

14. POLICY ISSUANCE

All policies must be mailed within thirty (30) days from the effective date of the policy.

15. MINIMUM REQUIREMENTS FOR POLICY FILE CONTENTS

The minimum requirements for contents of a policy file are:

- Declarations Page (including full legal address of the insured)

- Forms attached (a list of included forms)

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

- Signed and Dated Application(s)

- Any quotes or proposals

- Any binders

- Any inspections, loss controls or audits

- Any and all correspondence on coverage or premium, including referrals

- Any Premium Audits

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

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

16. Specific Underwriting Guidelines by line of business

A. COMMERCIAL PROPERTY/ INLAND MARINE

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

All property with limits of over \$500,000 for milling/manufacturing accounts must be referred to the Program Manager.

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

Insurance to Value:

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

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

Business income worksheets must be completed for all insureds desiring limits for this coverage in excess of \$500,000 any one amount subject.

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

Properties must comply with all National, State and Local building and safety codes, as well as NFPA guidelines for the occupancy. Evidence that this is apparent should be obtained and documentation kept available in the underwriting file. Copies of loss control reports will usually meet this requirement.

The Amount Subject is to be determined as follows:

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

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

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

Refer to the Property Qwiknotes for:

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

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

89644 (7/05) - OFAC - excluding Virginia

109754 (9/11) - OFAC PHN - Virginia Only

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

- 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.
- Any line of business that exceeds the “policy premium authority” identified in item 2. (“Policy Premiums”) of this document.
- Operations with less than 5 years in business without demonstrated experience in the industry.
- Accounts with three-year loss ratio in excess of 30%.
- Valuation method other than actual cash value.
- Any modification to the coverage form.
- Accounts requesting deductibles on any piece of equipment less than the following:

Limit of Insurance

Less than \$150,000
\$150,001 to \$250,000
Over \$250,000

Deductible

\$ 1,000 Not applicable to Skidders etc
\$ 2,500
\$ 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...

Rating Methodology

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 provided.

Inland Marine Rates Effective 11/1/10

Year	Skidder	FellerBuncher /					Dozer	Forwarder / PreHauler
		Harvester	Chipper	Loader	Delimber			
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
\$500,0001 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.

<u>\$0</u>	<u>to</u>	<u>300,000</u>	<u>TIV</u>	<u>Experience Rating</u>
				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.

Coverage form:

Equipment Coverage Form 80782 (08/02)
(And applicable General Conditions, Equipment Coverage Form Schedule, Loss Payable Endorsement)
89644 (7/05) - OFAC - excluding Virginia
109754 (9/11) - OFAC PHN - Virginia Only

B. GENERAL LIABILITY

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

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

Classifications include:

Logging & Lumbering	97111
Subcontractors	91581
Truckmen (terminal employees only)	99793
Forestry	43822
Buildings or Premises	61222
Building or Premises-Lessors	61211
Vacant Land	49451
Wood Products NOC	59985
Sawmills or Planing Mills	58873
Street and Road Construction	92215

Additional classifications may be used based on exposures.

All rating done utilizing currently adopted ISO rating plan.

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

MANDATORY ENDORSEMENTS

- 58332 (08/07) - Total Lead Exclusion (except RI, MA,VT)
- 62898 (09/01) - Radioactive Matter Exclusion (except LA)
- 62898 (06-95) - Radioactive Matter Exclusion-LA only
- 78689 (07/03) - Fungus exclusion (except AK, MA, NY, WA, LA, GA, KS, NH, VT, VA, not required if 86563 - excludes NY (10/09) CGL Enhancement endt. is used)
- 79277 (02/04) - Fungus exclusion - WA only
- 79379 (04/02) - Fungus exclusion - MA only
- CG 32 10 (4/05) - Fungus exclusion - LA only
- CG 21 67 (12/04) - Fungus exclusion - GA, KS, NH, VT, VA only
- 82540 (08/07) - Asbestos and Silica exclusion
- 87295 (01/08) - Violation of Statutes exclusion (except AK, (NH - there is no endorsement))
- 89035 (10/08) - Violation of Statutes exclusion -AK only
- 89644 (07/05) - OFAC - excluding Virginia
- 109754 (9/11) - OFAC PHN - Virginia Only

CG 2146 (07 98) - Abuse or Molestation exclusion (except TX)
CG 26 46 (4/99) - Texas Abuse or Molestation exclusion - TX only
CG 2147 (12/07) - Employment Related Practices exclusion (except TX) (do not attach if using 86563 (10/09) CGL Enhancement end.)
CG 26 39 (12/07) - Texas Employment Related Practices exclusion - TX only
IL 00 21(09/08)- Nuclear Energy Liability exclusion (except WA)
IL 0 198 (09/08)- Nuclear Energy Liability exclusion - WA only

OPTIONAL ENDORSEMENTS

65138 (4/96) Loggers Broad Form Property Damage
(For states other than California; \$500 Deduct. per occurrence)

M0904 Logging and Lumbering Operations Broad Form Liability Coverage
(formerly 76658 02 01) to be used in California. \$500 deductible
(achieved by using descriptive wording on form CG 03 00 01 96)

CG 0430 (9/99) - Pollution Exclusion - Limited Exception for Designated Pollutant(s)
(see fill in wording)

CG 22 64 07 98 Pesticide/Herbicide Applicators Endorsement (ISO) No charge per ISO Filing.

CG 20 10 07 04 Additional Insured Endorsement -See fill in wording. No charge per ISO Filing

CG 20 37 07 04 Additional Insured Endorsement- Completed Operations. No charge per ISO Filing

CG 2404 10 93 Waiver of Transfer of Rights of Recovery - Blanket (as required by written contract and with no prior action over claims. (See fill in wording) No charge per ISO Filing.

AVAILABLE WITH REFERRAL

CG 2415 10 01 Limited Pollution Extension Endorsement
\$1,000,000 Aggregate Limit

ENDORSEMENT FILL-IN VERBIAGE

BLANKET ADDITIONAL INSURED - CG 20 10 07 04

Name of Person or Organization: "Any person or organization required to be named as an additional insured under a written contract and evidenced by certificate of insurance on file with the company."

When the primary language is required by the contract, the following will be applied.

"It is further agreed that such insurance as is afforded by the policy for the benefit of the additional insured's shall be primary insurance, but only as respects any claims, loss or liability arising out of the Named Insured's operations and any insurance maintained by the additional insured shall be non-contributing."

WAIVER OF TRANSFER OF RIGHTS OF RECOVERY - CG 24 04 10 93

Person or Organization: "Blanket - Where required by written contract"

POLLUTION EXCLUSION - LIMITED EXCEPTION FOR DESIGNATED POLLUTANT(S) - CG 0430 (9/99)
Designated Pollutant(s): "Lubricants, oils & fuels at worksite landings"

C. CRIME

The following must be in place for Employee Dishonesty coverage:

1. Audits - Cash accounts and inventories must, at a minimum, have an annual audit by Certified Internal Auditors or Certified Public Accountants.
2. Check Signing:
 - a) Any checks issued over \$1000 must be countersigned by at least 2 persons. If countersignature can not be instituted an owner or corporate officer must be the authorized signer.
 - b) The duties of handling in-coming checks and issuance of out-going checks must be handled by separate individuals.
 - c) Mechanically Affixed Signatures involve computer or non-computer equipment.
 - o If computer operated, control over the input and outflow must be restricted to specifically authorized personnel
 - o Non-computer equipment (e.g. facsimile signature plate or check writing machine) must be properly secured when not in use. Operational access must be limited to as few designated persons as possible and supervised by an owner/officer
 - o Reconciliation-Any employee authorized to reconcile bank account statements should not be permitted to handle deposits or sign checks without countersignature.
 - o Stamping Incoming Checks-All incoming check must be stamped "For Deposit Only" as soon as they are received.
3. Control over Flow and Possession of Merchandise-There must always be close managerial supervision over the movement of property from one location to another.
4. Any risk that requires referral must have background checks on all individuals handling cash or check issuance and annual audits of the insured's cash management is mandatory.

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

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

Loss Sustained Form:

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

Discovery Form

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

Any other filed and approved ISO Crime Forms

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

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

D. COMMERCIAL AUTOMOBILE

Driving records for all drivers should be checked as part of the hiring process and on an annual basis thereafter to a written non discriminating company policy.

On all new business with 20 or less drivers MVR's are to be reviewed PRIOR to quotation.

On all new business with more than 20 drivers MVR's are to be ORDERED with in 48 hours of binding and reviewed for acceptability within ten days of binding.

On all new business that does not have MVR's reviewed PRIOR to quotation the auto must be debited 15%.

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

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

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

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

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

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

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

Eligible drivers must:

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

Each eligible risk must be evaluated for Experience and Schedule rating, and documentation must be in the file indicating rationale for each credit or debit applied, based on information available in the file. Documentation must be in the file for each eligible risk, whether a credit

or debit is applied or not. If the filing permits, the maximum credit is limited to 25%; the maximum debit is limited to 25%.

Preferred company can be utilized on risks that meet the following criteria:

- 5 years in business.
- 3 year loss ratio < 30% with no single loss over \$25,000.
- No drivers under 21.
- Class A (tractor) Drivers over the age of 65 are only eligible if they pass standard DOT physicals.
- No drivers with more than 3 points
- 20 or more power units.

Fleets of more than 50 vehicles (power units) must be referred to the company. A driver profile should be completed on all schedules with 10 or more power units.

The following situations must be referred to the LEXINGTON Program Manager:

- The combination of MVR point "3" and "4+" equal to a total of 30% or more of drivers.
- Risks with more than 20% of employee's age 24 or less.
- Risks with 4 or more employees age 24 or less (regardless of %age).
- Risks with more than 30% of drivers over 65.

On accounts with NO owned autos but requesting non-owned coverage MVRs must be ordered on ALL drivers using their own vehicles for company business.

Fleets of private passenger vehicles are not acceptable.

Vehicles primarily used for personal use should be avoided.

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

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

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

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

DEDUCTIBLES:

\$1,000 All except Extra Heavy

\$2,000 All Extra Heavy

COMMERCIAL AUTOMOBILE FORMS USED MUST BE THE ISO FORMS APPROVED FOR USE BY THE COMPANY IN THE STATE WHERE COVERAGE IS AFFORDED.

89644 (7/05) - OFAC - excluding Virginia

109754 (9/11) - OFAC PHN - Virginia Only

If policy is multistate and VA is on the policy then BOTH forms need to be added.

Auto Pollution utilizing ISO approved form - Policy limits - \$250 Flat Charge

AUTOMOBILE COVERAGE CANNOT BE ISSUED ON A STANDALONE BASIS.

E. EXCESS AND UMBRELLA

The minimum Self insured retention for uninsured primary coverage is \$10,000. Requests for waiver of this requirement must be referred to the LEXINGTON Program Manager.

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

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

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

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

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

Employers Liability is included (see underlying requirements)

Employee Benefit Liability may be included on a following form basis

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

COVERAGE FORM: 57697 (10/04)

MANDATORY EXCLUSIONS:

- 80478 (07/02) - Abuse or Molestation exclusion
- 66687 (12/96) - Silica exclusion
- 61718 (12/94) - Lead exclusion (not MA, RI, VT)
- 87260 (12/04) - Violation of Statutes exclusion - Commercial Umbrella Form
- 89057 (4/05) - Violation of Statutes exclusion - Excess Liability Form
- 105642 (05,10) - Anti-Stacking Endorsement
- 57725 (06/93) - Subsidence exclusion
- 84307 (04/04) - Liquor Legal Liability exclusion
- 60441 (05/94) - Cross Suits endorsement
- 62221 (03/95) - Total Pollution exclusion (not LA)
- 79346 (03/02) - LA Total Pollution exclusion
- 60436 (05/94) - Directors & Officers Liability exclusion
- 60458 (05/94) - Professional Liability exclusion
- 79279 (03/02) - Fungus exclusion (except AK, NY, KS, NH, WA)
- 63374 (09/95) - Urea/Formaldehyde exclusion
- 60438 (05/94) - Follow form Personal Injury
- 57720 (06/93) - Employee Benefits Liability exclusion
- 89644 (07/05) - OFAC - excluding Virginia
- 109754 (9/11) - OFAC PHN - Virginia Only

OPTIONAL FORMS:

57826 (06/93) - Employee Benefits Follow Form Claims Made

57827 (06/93) - Employee Benefits Follow Form Occurrence

66123 (06/06) - Retained Limit Amendment Endorsement

Logging and Lumbering Exclusion 60449 can be deleted for logging and lumbering operations outside of California where accounts do no burning of slash. Additional charge of 10% of General Liability related Umbrella premium applies when eliminating 60449. Maximum Umbrella limit of \$3,000,000 can be written when deleting 60449 outside of California.

On risks domiciled or operating primarily in California, 60449 can be deleted where accounts do no slash burning. Maximum Umbrella limit of \$1,000,000 can be written when 60449 is deleted on California business. Additional charge of 25% of General Liability related premium applies when deleting 60449 on California business.

All Umbrellas are to be rated using current rates contained in Lexington's Umbrella Qwiknotes or at a modified rate as agreed upon by the Program Manager. All judgment rating must be documented as outlined in the Umbrella Qwiknotes.

TERM:

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

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

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

UNDERLYING REQUIREMENTS FOR UMBRELLA COVERAGE:

General Liability-\$1,000,000 occ./\$2,000,000 ann. Agg. Combined Single Limit BI/PD. All provisions outlined in the Comprehensive General Liability Section of these guidelines shall apply.

Automobile Liability- (includes hired and non-owned) \$1,000,000 CSL

Employers Liability-\$500,000/\$500,000 or as permitted by state regulation

Miscellaneous Liability-\$1,000,000 CSL (i.e. D&O, E&O)

Liquor Liability-\$1,000,000 each common cause/aggregate

Employee Benefit Liability-\$1,000,000 each wrongful act /aggregate (Claims Made Form)

UNDERLYING CARRIERS FOR COVERAGES NOT PROVIDED IN THE PROGRAM MUST BE BEST RATED AT LEAST A- VII OR ABOVE. EMPLOYERS LIABILITY PROVIDED BY A STATE FUNDS IS ACCEPTABLE. THE PREMIUM AND MINIMUM PREMIUMS FOR EACH POLICY SHALL BE AS APPROVED FOR USE BY THE COMPANY IN THE STATE WHERE COVERAGE IS AFFORDED.

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

17. Loss Control

Lexington Programs is committed to quality and cost effective loss control. The most cost effective way to accomplish this is through the combination of telephone and on-site risk management surveys. The purpose of the surveys is to verify information obtained on the application, improve/enhance the insured's risk management program and to identify "exceptions" or critical information requiring the underwriter's review.

Loss control services are provided by Global Loss Prevention, Program Division and its approved subcontractors. Services include telephone and on-site surveys, quarterly loss and claims analysis, and monitoring of services for appropriateness and expenses. Telephone training seminars are available at no cost to the insured.

Underwriters are encouraged to contact Global Loss Prevention for assistance with interpreting or implementing these guidelines or to discuss a particular account's needs

Specific Program Requirements:

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.
3. Service is provided by two consultants -
 - a. Don Milani of Tijerina Investigations: Phone surveys in the West and Consultative Requests in California.
 - b. Tony Tijerina of Tijerina Investigations: Phone, Physical and Consultative surveys in all other states and as requested.
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. Global Loss Prevention 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. Global Loss Prevention and their approved subcontractors are responsible for following up on the essential recommendations through day 45, after that, the responsibility is transferred to the underwriter if there has been no response or a non-compliance response was received.

18. NON-RENEWAL

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

19. MATERIAL CHANGE IN COVERAGE/RATE INCREASES

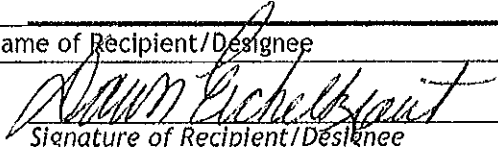

Many states require notification of any change in premium (includes not only base rate changes, but the premiums charged to an individual account) or restrictions in coverage. Some states will require notification to the policyholder prior to renewal, while other states may require a conditional non-renewal.

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

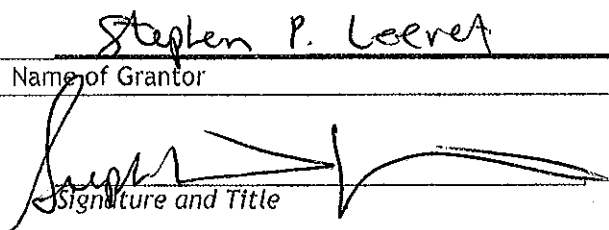
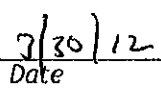
ACKNOWLEDGEMENT AND ACCEPTANCE
<i>This Underwriting Guideline and the authority grant within, supercedes any previous document outlining underwriting requirements and authority. Only the terms of this written statement apply to the conduct of your underwriting responsibility. Verbal expressions of underwriting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

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

Acknowledged By:

Name of Recipient/Designee
 Signature of Recipient/Designee
 Date

Delegated By:

Name of Grantor
 Signature and Title
 Date