LEXINGTON Program Division 66 - 2013
Underwriting Guidelines

EDITION DATE:	8/1/13
PROGRAM NAME:	**MetalworkingGuard, PlasticsGuard & DistributorGuard (MAPP)**
PROGRAM ADMINISTRATOR:	Willis of New Hampshire One New Hampshire Ave. Portsmouth, NH 03801
PRINCIPAL(S):	David G. Hampson, CPCU – President and CEO Monica McNally, CPCU - Chief Underwriting Officer Robin Pisecki – Program Manager
PROGRAM DESCRIPTION:	The focus of the program is metal products manufacturing, plastic products manufacturing and related distributors
PROGRAM INCEPTION:	6/15/2010
DIVISION:	Lexington Programs Division 66
PRODUCER COMMISSION:	25% All Lines
PROGRAM TERRITORY:	United States of America, excluding all territories and possessions
RELATED PUC NUMBERS:	**MAPP Pkg & Auto Agency Bill 915** **MAPP XS Agency Bill 916** **MAPP Pkg & Auto Direct Bill 917** **MAPP XS Direct Bill 918** **MAPP DIST Pkg Agency Bill 919** **MAPP DIST XS Agency Bill 920** **MAPP DIST Pkg Direct Bill 921** **MAPP DIST XS Direct Bill 922**

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	[X]
Granite State Insurance Company	[X]
Illinois National Insurance Company	[X]
National Union Fire Insurance Company of Pittsburgh, PA.-Umbrella only	[X]

2. POLICY PREMIUMS

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

$50,000	For Property /Inland Marine Coverages
$100,000	For General Liability Coverages
$50,000	For Commercial Automobile Coverages
$25,000	For Umbrella Liability Coverages
$Included in property	For Commercial Crime Coverages
$200,000	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.

Refer to Page 1 for Related PUCs by line of business.

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 Products Liability
$2,000,000	General Aggregate	
$2,000,000	Products Aggregate	
$1,000,000	Each Claim	for Employee Benefits Liability
$2,000,000	Annual Aggregate	* Retro Date – retro date is the effective date of the policy or original date written.
$1,000	Minimum Deductible	
Existing Date*	Retro Date	
$1,000,000	Combined single limit	for Automobile Liability
$ ACV to $75,000	Per vehicle	for Automobile Physical Damage
	Per Trailer	$1,000 Ded. - Comp and Collision.
	Vehicles	
	Cost new – less than $75,000	$1,000 Ded. – Comp and Collision
	Cost new - $75,000 to $100,000	$2,000 Ded. – Comp and Collision
	Cost new – more than $100,000	$5,000 Ded. – Comp and Collision
$1,500,000 cost new	Amount Subject any one location	
$5,000,000	Per policy	for Commercial Umbrella
$10,000,000	Amount subject (gross) - Amount subject any location in Protection class 1-8	for Commercial Property and/or Inland Marine
$5,000,000	Amount subject any location in Protection Class 9 or 10	TIV includes all real, personal, BII, Inland Marine and equipment at a single location
$15,000,000	Total insured values (gross)	
$250,000 $500,000 if required by ERISA	Per occurrence	for Commercial Crime Form A, Depositors Forgery and Employee Benefit Plans (when scheduled in the Declarations)
$100,000	Per occurrence	for all other Commercial Crime

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

6. PRICING

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 or HPR Rating Plans [ ]
- **E.** Composite Rating of Liability, but only if all requirements of the ISO Composite Rating Rule are met [ ]
- **F.** Composite Rating of Automobile, but only if all requirements of the ISO Composite Rating rule is met. [ ]

7. LIMITATIONS TO AUTHORITY

A. Specific Operations/Exposures

- **(1)** No authority exists to bind any company of AIG. 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 coverages
- **(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 if not written through Coverall.
(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 LEXINGTON Claim Services, Inc., its affiliates, or an 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 companies of AIG., or not, that:
      (a) have not been vetted by DBG Legal; and/or
      (b) have not been assigned an ISO or LEXINGTON form number
   (7) removal of any policy exclusion
   (8) property loss-limit form or coverages
   (9) property (real, personal or inland marine) on a reporting form basis
   (10) property blanket policy limits
   (11) payment of any loss not covered by the policy as it was written at the time of loss
   (12) amendments to any Program Administrator Agreement or other contractual arrangement between any company of AIG., and any duly authorized broker doing business with the LEXINGTON Programs Division
   (13) back-dating of coverage more than ten (10) working days (and if ten 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 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

ELIGIBLE RISKS:

A. RISKS THAT MANUFACTURE OR DISTRIBUTE METAL AND PLASTIC COMPONENTS INCLUDED IN THE FOLLOWING CLASSIFICATIONS:

- Machine Shops
- Metal Finishing including
  - Plating
  - Power Coating
  - Painting

  - Heat Treating
  - Metal Finishing
- Plastics including
  - Raw material manufacturing
  - Good manufacturing
  - Recyclers
- Foundry
  - Nonferrous
    - Small Cast Job Shops
    - Aluminum, Copper, Brass or Nickel
    - No Metal in Powder/Dust form
  - Ferrous foundries must be referred to the Program Manager
- Sheet Metal including
  - Forging
  - Welding
- Distributors of Metal or Plastic Components

B. ADDITIONAL UNDERWRITING ELIGIBILITY:

- Must have in-force insurance (including products coverage) for 10 prior years or date entity established.
- The "Construction Defect" exposure must be underwritten and documented. Our concern is any product that may be used in residential home-building, especially for exterior insulation and finish systems.
- Representatives or Distributors for Manufacturers meeting the following criteria are eligible and those not meeting these criteria will be rated as manufacturers, if determined to be acceptable:
  - Domiciled in the coverage territory or for foreign manufacturers with legally registered representatives in the United States.
  - Carry product liability insurance and who are named as a vendor on the manufacturer's policy as demonstrated by a certificate of insurance in the underwriting file.
  - Having five years in the business or equivalent experience
- End use of the product is commercial or industrial. Direct consumer products must be referred to the Program Manager.

INELIGIBLE RISKS:

Any risk that falls within the following class codes/activities is not eligible for the program.

- Any manufacturing or machining of any "known" "critical" PRODUCT / COMPONENT used in **high hazard applications** are not eligible. A "Known" exposure mean the insured has end customers in the above-listed industries or has knowledge that their parts are ultimately used in these industries. These classes include, but not limited to:
  - Aircraft/Aerospace products
  - Automotive products critical to vehicle safety (i.e. power/drive systems; braking systems; airbags or emergency restraint systems)
  - Industrial machinery parts and components if "critical" parts (i.e. Drives, gears, speed changers, machine guards, etc.)
  - Active sports equipment (i.e. Helmets, parachute harnesses, etc.)
  - Boats/Yachts or critical components to vessel safety
  - Chemicals all forms including fuels & explosive type
  - Electronic Equipment
  - Fluid power cylinders (hydraulic and pneumatic)
  - Guns or ordinance applications (ammunition, weapons, etc.)
  - Load bearing structural steel
  - Manufacturing and repair of oil and gas holding tanks
  - Medical equipment or devices
  - Metal Drums

- Nozzles (if considered high hazard components depending on the customer and end use)
- Nuclear energy Machine guards
- Pressure vessels
- Pistons or piston rings (if considered high hazard components depending on the customer and end use)
- Speed changers, drives, and gears
- Tanks (above ground or below ground)
- Toys
- Valves (if considered high hazard components depending on the customer and end use)
- Design work
- Any operation that does not receive customer sign off on products
- Any operation that does not keep records of customer design specifications
- Accounts that generate more than 25% of their sales from off-site service or installation
- Accounts that generate more than 25% of their sales from repair work
- Import of Foreign Manufactured Products. If a Distributor, the risk must be classified as a Manufacturer.
- Assembly of products from components with foreign manufacturing of components and/or assembly of any product with a medium or high product exposure

9. UNDERWRITING CRITERIA:

- Any account previously referred to and approved by the Program Division does not need to be referred again for three (3) years if no other referral issues arise on subsequent renewals. If some new referral reason arises, it will need to be referred for approval of the account. The entire account must be referred, not just the line of business with the issue.
- Active principals must have at least three (3) years of experience in this business/operations and the insured entity must be in business for at least 5 *Years.*
- For New Business - Loss ratio for the current year and the past FIVE years (all lines combined including the umbrella) 30% or less and with no single loss greater than $50,000.
- For Renewal Business – Account Quality Index (AQI) will be completed on every renewal account. The Company and the Program Administrator will determine and agree upon the AQI strategy on an annual basis (or as needed). Exception to the AQI strategy based on the individual account AQI grade is a referral to the Program Manager.
- Renewal with Umbrella Losses are a referral
- The insured must have a D&B Stress Score of 1, 2 or 3 as obtained from eStart.
  - Any accounts that have a stress score of 4 or 5 and total account premiums under $250,000 Willis should provide Experian Intelliscore and the rating must be 25 or higher.
  - If the stress score is 4 or 5 and total account premiums are over $250,000 then Willis will provide a copy of the insured's current financial statements and their payment history must be reviewed. This must be referred to Company.

Quick Guide to Analyzing Financial Reports In reviewing various financial reports certain ratios are provided below that help to measure financial stability. A brief definition is provided along with guides and comments.	
Current Ratio	This measures the degree to which current assets can cover current liabilities. A ratio of 1 to 1 or greater is considered good. Calculation = Total Current Assets ÷ Total Current Liabilities.
Quick Ratio (Acid Test)	The quick ratio adjusts the Current Ratio to eliminate all assets that are not already in cash (or "near cash"). Ratio should be greater than 1. Calculation = Cash and near cash ÷ Current liabilities.

Gross Profit Margin	Indicates how efficiently a business is using its materials and labor in the production process. This shows the percentage of net sales remaining after subtracting cost of goods sold. A low margin in relation to industry norms could indicate under pricing. A High margin could indicate overpricing if business is slow and profits are weak. Should be .05 or greater. Calculation = Gross profit ÷ Total sales.
Debt to Equity Ratio	This measures company solvency and indicates how much money a company should safely be able to borrow over long periods of time. The result indicates how much the company is leveraged (in debt). The lower the number the better. The ratio should not be greater than 1.30. Calculation = Total debt (short and long term) ÷ equity.

10. APPLICATIONS

A COPY OF THE COMPLETED AND SIGNED APPLICATION MUST BE KEPT IN THE POLICY FILE.

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 THE FOLLOWING SUPPLEMENTAL APPLICATIONS ARE THE ONLY APPLICATIONS APPROVED FOR THIS PROGRAM:

- Completed and signed MAPP Program Supplemental Applications for all new business.
- Completed and signed MAPP Program Renewal Checklist annually for all renewal business unless it is eligible for automatic renewal.
- Updated MAPP Program Supplemental Applications should be obtained every 3 years unless the account is subject to Loss Control at 3 year (Loss Control validating supplemental information).

11. RECORDING SUBMISSION IN ESTART

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

12. QUOTES

Quotes must be issued in writing for all accounts. 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 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 Willis Binding Acknowledgement 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 AND ENDORSEMENT ISSUANCE
All policies must be mailed within thirty (30) days from the effective date of the policy. All endorsements must be issued and mailed within 30 days of receipt. There must a confirmation of no losses when backdating.

15. MINIMUM REQUIREMENTS FOR POLICY FILE CONTENTS
The minimum requirements for contents of a policy file are:

- Account Summary Worksheet
- 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)
- Signed and Dated Exclusion Acknowledgement letters (continuous)
- Any final quotes or final 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. <u>COMMERCIAL PROPERTY/ INLAND MARINE</u>
Unless specific guidelines apply refer to the Division 66 Property Qwiknotes.
Buildings should be 20 years of age or less, or evidence must be obtained and kept in the file that wiring, heating and plumbing is up to date with all current codes and that the roof condition is satisfactory. The signed application affirming updates within the past 15 years is acceptable documentation. If such affirmation is not received, then copies of inspections by a licensed contractor, municipal building inspector or loss control reports will be sufficient documentation.

Insurance to Value:

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

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

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

Blanket policy limits will not be provided. Limits may be written "blanket per location" as outlined in the Property Qwiknotes. 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.

Valuation:
- Replacement Cost on buildings and contents (ACV should be used where appropriate);
- Agreed amount SUBJECT TO signed statement of values and signed business interruption worksheets within 60 days of the policy effective date.

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 is 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, wildfire/brush fire, and wind definitions of amount subject. You have no authority to issue single peril coverage or flood and earthquake only policies; and**
- **it is <u>mandatory</u> 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.**

Deductible: $1,000 minimum per occurrence for Property Damage.

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

PROPERTY FORMS ARE OUTLINED IN ADDENDUM 1

- Enhanced Property Supplemental Declarations (97069) - Increases to the sub-limits shown in Enhanced Property Supplemental Declarations (97069) or the Property One Supplemental Declarations are to be rated and charged for using ISO rating rules for the amounts/limits in excess of the limit provided. For example, if the limit is $50,000 and you want to increase that to $100,000, you would rate for the additional limit of $50,000 to determine the appropriate Additional Premium. A manuscript endorsement entry in Coverall must be done showing the new limit and additional premium charge.
- You have authority to double the limit of insurance in any category listed on forms 97069, 63948, 63949 or 63950 except for the following categories: Newly Acquired or Constructed Buildings,

Business Personal Property or Business Income. Any requests for increases beyond this require referral with the proposed rates to be charged.

- Any account requesting that you add a Vacancy Permit endorsement 94454 (05/07) for Property One or CP 0450 for Enhanced Property requires referral to the Program Manager for approval.

B. INLAND MARINE

Underwriting Criteria:

- Inland Marine coverage is subject to the same underwriting criteria applicable to commercial property.
- The total values and loss experience for all Inland Marine coverage must be included in the TIV to determine authority and referral requirements.
- Risks which are susceptible to catastrophe perils as identified below should have higher deductibles.
- IM schedules must have a clear description of the insured's equipment including in addition to the cost the following:
  - Year built
  - Make/Model
  - Serial numbers
  - If stored off site, how is the equipment protected
  - Who does it and how often is maintenance done – record keeping practices
  - Any equipment that was constructed by the insured is ineligible.
  - Any account that rents equipment to others is ineligible.

Contractors Equipment:

- All risk coverage for contractor's tools and equipment is available on a Scheduled basis as outlined below.
- Coverage is available on an ACV basis only. Any request for Replacement Cost must be referred to the Program Manager.
- Coinsurance applies to Scheduled Coverage

Scheduled Coverage:

- **Scheduled coverage** is available for owned tools and equipment or tools leased/rented from others.
- **Maximum limit of Scheduled Coverage** is as follows:
  - **$50,000 maximum limit** for any one item of owned or leased/rented equipment
  - **$500,000 maximum any one location** for covered equipment. Any limits beyond this must be referred to Program Manager.
  - Scheduled equipment must be specifically described and listed on the Inland Marine Coverage Form Schedule with information listed above.

Deductibles:

- **A minimum deductible of $1,000** per occurrence applies for coverage written on the Scheduled forms. Some exceptions can be made for a lower deductible on small equipment and tools.
- A minimum deductible of 1% per occurrence applies for any single piece of equipment with a value greater than $100,000.

Premiums/Rating Structure:

Contractors Equipment:

Scheduled Values	Rate
Up to 100,000	.50 to 1.50
- Higher rates should be used if warranted based on type of equipment and the associated exposure to loss of that equipment.
- Subject to a minimum premium of **$100.00**.
- File should reflect proper documentation of pricing based on the type, age and maintenance of equipment.

INLAND MARINE COVERAGE FORMS WITH APPROPRIATE SCHEDULES ARE OUTLINED IN ADDENDUM 1

C. **<u>EQUIPMENT BREAKDOWN</u>**
Guidelines for Equipment Breakdown Coverage, if authority is provided, as per attached Equipment Breakdown Addendum #2.

D. **<u>GENERAL LIABILITY</u>**
Unless specific guidelines apply refer to the Division 66 Casualty Qwiknotes.
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.

Underwriting Criteria:

- Risk must have a forklift safety program.
- Any activity or operation not typical to eligible risks must be specifically excluded from coverage using **CG 2153 Exclusion – Designated Ongoing Operations** or the risk is ineligible and should be declined.
- Receipt of current, valid Certificates of Insurance, Indemnification Agreements, Additional Insured Status whenever risk contracts with outside firms for services. Required Limits of Liability will be equal to or greater than $1,000,000 per occ/$2,000,000 annual aggregate.

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

FORMS APPROVED FOR USE - MANDATORY (M) & OPTIONAL (O) FORMS ARE OUTLINED IN ADDENDUM 1:

Employee Benefits Liability (Based on state specific forms) – refer to Coverall

- Mandatory $1,000 deductible applies.

Pricing:
Program utilizes ISO loss costs with filed company LCMs. For Products pricing, any account rated with an ELP lower than the filed ISO ELP must be referred to the Program Manager.

Premium Audit
Premium Audits will be done on any account with an auditable rating class according to AIG Premium Audit Department process and procedures.

E. **<u>CRIME</u>**
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 cannot be instituted an owner or corporate officer must be the authorized signer.
   b) The duties of handling in-coming checks and issuance of out-going checks must be handled by separate individuals.
   c) Mechanically Affixed Signatures involve computer or non-computer equipment.
      - If computer operated, control over the input and outflow must be restricted to specifically authorized personnel

- Non-computer equipment (e.g. facsimile signature plate or check writing machine) must be properly secured when not in use. Operational access must be limited to as few designated persons as possible and supervised by an owner/officer
- Reconciliation-Any employee authorized to reconcile bank account statements should not permitted to handle deposits or sign checks without countersignature.
- 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 ARE OUTLINED IN ADDENDUM 1.

Employee Benefit Plans (ERISA) 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.

F. COMMERCIAL AUTOMOBILE

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

Auto Underwriting Criteria

- Vehicle maintenance program must be in place identifying experience and how often.
- Driver training program must be in place.

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

New Business:

- Accounts with less than 30 drivers: MVR's are to be ordered on all drivers within 5 days of binding and reviewed for acceptability within 10 days of binding.

- Accounts with 30 drivers or more: MVR's are to be ordered on 30 drivers or a minimum of 25% of all drivers within 10 days of binding and reviewed for acceptability within 30 day of binding.

Renewals:

- MVR's should be ordered for all new drivers based on driver list updates. When the renewal applications are sent only request a list of new drivers. Also MVRs should be pulled on 25% of the remaining drivers on the expiring policy.

- Based on current MVR guidelines, the PA is required to identify Type A or B violations, DUI, Reckless driving; etc. Unacceptable drivers are either excluded or a signed "no drive" letter should be obtained

- MVR's should be ordered every 3rd year for all drivers so a complete drivers list will need to be obtained.

- The MVR Grid will only be completed every 3rd year to include all drivers

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 when ineligible drivers can be assigned non driving duties.

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.

Hired & Non-owned Auto Coverage
- This coverage is not available for accounts with Security Guard exposure where security employees are using their own cars on company business.
- All other accounts should be getting a signed certification of limits equal to the insured's policy limits or at least $300,000 per accident. All employees driving their own vehicles on the business of the insured should be verifying minimum limits are maintained.

- Fleets of private passenger vehicles are not acceptable.
- Vehicles primarily used for personal use should be avoided.

Some authority is granted for long-haul for Wholesale Distributors Program {WDP}only
- Will allow up to 15% long-haul on any one Wholesale Distributor account;
- Will not allow more than 15% long-haul within the entire Wholesale Distributor portfolio.

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

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

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

AUTOMOBILE COVERAGE CANNOT BE ISSUED ON A STANDALONE BASIS.

G. EXCESS AND UMBRELLA

Unless specific guidelines apply refer to the Division 66 Umbrella Qwiknotes.
- The Primary General Liability policy **must be written** within 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)
- 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: Umbrella Prime

Note the Umbrella Policy must attach the Aircraft Products exclusion and/or the Products Completed Operations Exclusion.

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 term is non-concurrent with effective date of the primary GL, 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-$500/500 or as permitted by state regulation
- Miscellaneous Liability-$1,000,000 CSL (i.e. D&O, E&O)
- Employee Benefit Liability-$1,000,000 each wrongful act /aggregate (Claims Made Form)

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

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

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

17. LOSS CONTROL

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

Loss control services are provided by Global Loss Prevention and its approved subcontractors. Services include telephone and on-site surveys, quarterly loss and claims analysis, and monitoring of services for appropriateness and expenses. Telephone training seminars are available at no cost to the insured. Also, insureds are provided a means to easily obtain criminal background records on employees at a low cost.

SPECIFIC PROGRAM LOSS CONTROL REQUIREMENTS

A. The Underwriter should request a telephone survey within seven days of the effective date on all new business and every three (3) years thereafter if any of the following applies:

(1) Total combined premium is between $25,000 and $75,000;

(2) There is no Loss Control Report in the file or there is but the report is more than 2 years old; or
(3) At the discretion of the Underwriter, a telephone survey can be ordered more frequently or on accounts below $25,000, if necessary.

B. The Underwriter should request a physical survey on all new business and every three (3) years thereafter if any of the following applies:
(1) Total combined premium (all lines) is $75,000 or greater.
(2) Property TIV of $1,000,000 or greater amount subject at any one location. For accounts with multiple buildings or locations, a plan should be developed to complete location surveys within three years. The plan should be developed in conjunction with the Program Manager.
(3) The Underwriter has special instructions or questions they would like answered that are unique to the program or the account and are best addressed with a physical survey.
(4) At the discretion of the Underwriter; a physical survey may be requested more frequently and regardless of premium size, if necessary.

C. The Program Administrator should review the survey report regardless of whether or not it contains recommendations within seven (7) calendar days of receipt. The underwriting file should reflect the review including the date it was done and any underwriting actions that are or may be necessary as a result of the review – including items not resulting in recommendations. The policy should be endorsed to accurately reflect any changes to exposures or additional exposures identified through the survey.

D. Global Loss Prevention is responsible for mailing the insured and broker/agent the survey letter and recommendations requesting a response to *Essential* recommendations (if any) within 14 days.

E. The Underwriter is responsible for follow-up on *Essential* recommendations on or about day 45 when no response or a non-compliance response to *Essential* recommendations was received.

18. NON-RENEWAL

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

19. MATERIAL CHANGE IN COVERAGE/RATE INCREASES

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

The underwriting authority within these guidelines is granted exclusively to Monica M. McNally, Chief Underwriting Officer 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
This Underwriting Guideline and the authority grant within supersede 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 acknowledge and accept the terms and conditions set forth in this Statement.

Acknowledged By:

Monica M. McNally, Chief Underwriting Officer

Monica M. McNally

Signature of Recipient/Designee

10/23/13

Date

Delegated By:

Ruby P. Simmons, Product Line Manager

Ruby Simmons PLM

Signature and Title

10/22/13

Date

ADDENDUM # 1
MAPP PROGRAM FORMS AND ENDORSEMENTS

ADDENDUM #2

MAPP
EQUIPMENT BREAKDOWN GUIDELINES (6/8/2010)
PROGRAM EFFECTIVE 6/15/2010

Covering Section and PUC Codes: Section 22 PUC 915 and Section 22 PUC 917 - Machine Shops, General Light Metals Mfg, Plastic Goods Manufacturer Electroplating
Covering Section and PUC Codes: Section 22 PUC 919 and Section 22 PUC 922 - Distributing and Warehousing locations

REFERRAL RISKS:

- Any risk that has a location with a Total Insured Value* greater than $10,000,000 for PUC 22-0915 and 22-0917
- Any risk that has a location with a Total Insured Value* greater than $10,000,000 for PUC 22-0919 and 22-0922
- Any Risk with an account Total Insured Value* greater than $15,000,000
- Any risk with locations outside the United States
- Any risk with Inland Marine Coverage, Builders Risk, Equipment Floater or Contractor Installation Floater that requires Equipment Breakdown coverage
- Any risk, regardless of class or value, which is engaged in the generation of power, other than emergency back-up power
- Any risk with mixing, blending or other manufacturing operations, or cold storage operations associated with any distribution occupancy
- ***Any Risk that is classified as a Foundry or Metals Recycler***

Equipment breakdown forms wording: PropertyOne forms and endorsements
Enhanced Property forms and endorsements

EQUIPMENT BREAKDOWN INSURANCE PROFILE

Coverage: Comprehensive Equipment Breakdown Coverage (PUC 22-0915 and 22-0917)

Equipment Breakdown Limit	Up to $15,000,000
Property Damage	Included
Off Premises Property Damage	Follows Property up to $50,000 sublimit
Business Income	Follows Property
Extra Expense	Follows Property
Expediting Expenses	$100,000 Sublimit
Hazardous Substances	$100,000 Sublimit
Perishable goods	$100,000 Sublimit
Dependent Property	$100,000 Sublimit
Computer Equipment	$100,000 Sublimit
Data Restoration	$100,000 Sublimit
Ordinance or Law	Follows Property
Service Interruption	$100,000 Sublimit (24 hour Waiting Period)
Newly Acquired Premises	$1,000,000 – Building $1,000,000 – Business Personal Property $500,000 – Business Income

Other Conditions:

Newly Acquired Premises	Covered for 180 days

Deductible: Follows Property, subject to a $2,500 minimum

Rate: Gross Rate of .03/$100 TIV

MAPP

EQUIPMENT BREAKDOWN INSURANCE PROFILE (Distributors ONLY)

Coverage: Comprehensive Equipment Breakdown Coverage (PUC 22-0919 and PUC 22-0922)

Equipment Breakdown Limit	Up to $15,000,000
Property Damage	Included
Off Premises Property Damage	Follows Property up to $50,000 sublimit
Business Income	Follows Property
Extra Expense	Follows Property
Expediting Expenses	$ 25,000 Sublimit
Hazardous Substances	$ 25,000 Sublimit
Perishable goods	$ 25,000 Sublimit
Dependent Property	$ 25,000 Sublimit
Computer Equipment	$ 25,000 Sublimit
Data Restoration	$ 25,000 Sublimit
Ordinance or Law	Follows Property
Service Interruption	$25,000 Sublimit (24-hour Waiting Period)
Newly Acquired Premises	$1,000,000 – Building $1,000,000 – Business Personal Property $500,000 – Business Income

Other Conditions:

Newly Acquired Premises	Covered for 180 days

Deductible: Follows Property, subject to $1,000 minimum for property damage

Rate: Gross Rate of $0.01/$100 TIV
Add 1.04% for increased sublimits to $100,000

*Definition of Total Insurable Value (TIV):
100% of Building Value, Contents Value (excluding Stock) and Annual Business Income Value.