

LEXINGTON Program Division 66 - 2011

EDITION DATE: 6/30/11

PROGRAM NAME: UtilitySure Program

PROGRAM ADMINISTRATOR: Willis of New Hampshire
One New Hampshire Avenue
Portsmouth, NH 03801

PRINCIPAL(S): David G. Hampson, CPCU – President and CEO
Monica McNally – CPCU -Chief Underwriting Officer
Robin Mucher – Senior Underwriter

PROGRAM DESCRIPTION: This program is for public and IOU (independently owned investors) gas utility companies who are eligible for membership in the American Public Gas Association (APGA). It also includes municipal utilities that are operated by private companies. Combo utilities such as gas, sewer, water, oil, telephone/telegraph or electric utilities also qualify. The program covers distribution and transmission of utility services and no production or generation.

PROGRAM INCEPTION: 6/1/08

DIVISION: 66 – Lexington Programs

PRODUCER COMMISSION: 20% All lines

PROGRAM TERRITORY: United States of America excluding all territories and possessions

RELATED PUC NUMBERS: UtilitySure Pkg/Auto – APGA – Agency bill – 0050
UtilitySure XS - APGA – Agency Bill – 0051
UtilitySure Pkg/Auto - APGA –Direct Bill – 0052
UtilitySure XS - APGA – Direct Bill – 0053
UtilitySure Pkg/Auto – NON -APGA – Agency Bill – 0054
UtilitySure XS – Non-APGA – Agency Bill – 0055
UtilitySure Pkg/Auto – Non-APGA – Direct Bill – 0056
UtilitySure Xs – Non-APGA – Direct Bill - 0057

AUTHORITY:

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1. INSURANCE COMPANIES

You are authorized to conduct business on behalf 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	[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 Chartis, Inc.

<u>\$50,000</u>	For Property /Inland Marine Coverages
<u>\$None</u>	For Errors and Omissions Coverages
<u>\$100,000</u>	For General Liability Coverages
<u>\$50,000</u>	For Commercial Automobile Coverages
<u>\$25,000</u>	For Umbrella Liability Coverages
<u>\$Included in Property</u>	For Commercial Crime Coverages
<u>\$225,000</u>	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.

<u>\$1,000,000</u>	Per occurrence	for General Liability and
<u>\$2,000,000</u>	General Aggregate	Products Liability
<u>\$2,000,000</u>	Products Aggregate	
<u>\$n/a</u>	Per occurrence	for Liquor Liability
<u>\$n/a</u>	Annual Aggregate	
<u>\$1,000,000</u>	Each Claim	for Employee Benefits Liability
<u>\$3,000,000</u>	Annual Aggregate	
<u>\$ ACV to</u>	Per vehicle	for Automobile Physical Damage
<u>\$150,000</u>	Per Trailer	\$1,000 Ded. Comp & Collision
	Vehicles	
	Cost new – less than \$75,000	\$1,000 Ded. Comp & Collision
	Cost new - \$75,000 to \$100,000	\$2,000 Ded. Comp & Collision
	Cost new – more than \$100,000	\$5,000 Ded. Comp & Collision

\$1,500,000	Amount Subject any one location	Open Lot/Garage
\$5,000,000	Per policy	for Commercial Umbrella
\$10,000,000	Amount subject (gross) -- Protection class 1-8	for Commercial Property and/or Inland Marine
\$5,000,000	Amount subject any location in Protection Class 9 or 10	
\$15,000,000	Total insured values (gross)	
\$250,000	Per occurrence	for Commercial Crime Form A, Depositors Forgery and Employee Benefit Plans (when scheduled in the Declarations)
\$500,000 if required by ERISA		
\$100,000	Per occurrence	for all other Commercial Crime
Refer to Crime section		
\$n/a	Per Wrongful Act/	For Errors and Omissions Liability
\$n/a	Annual Aggregate	

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 – 250 year MMI Zones 7.0 through 12, and the entire state of California

\$1,000,000 Earthquake – 250 year MMI Zones 1 through 6.99

(no authority) Earthquake Sprinkler Leakage – 250 year MMI Zones 7.0 through 12, and the entire state of California

\$1,000,000 Earthquake Sprinkler Leakage – 250 year MMI Zones 1 through 6.99

(no authority) Flood – Federal Flood Zone(s) A, V, B, D, X (shaded), and X(500)

\$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 Rating Plan (PropertyOne)
- e. AAIS Rating Plans

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- f. Composite Rating of Liability, but only if all requirements of the ISO Composite Rating Rule are met []
- g. Composite Rating of Automobile, but only if all requirements of the ISO Composite Rating rule are met []

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

a. Specific Operations/Exposures

- (1) No authority exists to bind any 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 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.
- (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.

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- (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 company of Chartis , Inc., 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 (10) 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 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

Eligible Risks: To be eligible for this program a risk must meet the following criteria:

- The majority of their utility services (**75% of their payroll**) must be in following GL classification and NAIC Code.
 - **95306 – Gas Companies – Natural Gas – Local Distribution – payroll (NAIC code: 221210 – Natural Gas Distribution)**
 - **92445 Electric light or power companies – payroll (NAIC Code: Electric light or Power co NOC – all employees (electric power distribution)**
 - **99943 – Water Companies – payroll (NAIC Code: 221310 – Water distribution (except irrigation)**
 - **Telecommunication Services provider – payroll (NAIC code: 517110- Telephone or Telegraph Company: office or exchange employees & clerical)**

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- Risk must be a public or IOU – Investor owned utility.
- Municipal utilities must be operated by a private company and not the municipality in which they are located.

Incidental Class Codes: The following class codes can be written subject to prior approval by the Program Manager. They must also meet the underwriting guidelines. Please note the specific criteria for **incidental class codes** below:

For the following **Incidental class codes**, the **combined operations cannot** exceed more than 25% of their payroll.

- **98810 – Sewer Companies - payroll**
 - NAIC code – 221320 – Sewage disposal plants – treatment plants or facilities – sewer systems – collection, treatment and disposal of waste through a sewer system.
- **95647 – 95648 - Heating or combined heating and air conditioning systems or equipment – Dealers or Distributors – installation , service and repair – payroll**
- **91581 – Contractors – Subcontracted work – in connection with construction, reconstruction, erection or repair – not building. - cost**

For the following **Incidental class codes the individual operation** cannot exceed more than 10% of their total revenue. This applies **separately** to each class.

- **10042 – Appliance Stores – Household types – gross sales (EXCEPTION 25% of receipts)**
- **13410 – Gas Dealers – LPG - gallons**
 - NAIC code – 454312 - Gas Dealers - Liquefied Petroleum Gas – Bottled gas dealers or LPG dealers
- **13412 – Gas Distributors – LPG - gallons**
 - NAIC code – 454312 - Gas Distributing - Liquefied Petroleum Gas

Ineligible Risks: Any risk that falls within the following class codes/activities are not eligible for the program. **EXCEPTION: Current members of the APGA Risk Purchasing Group with an LPG exposure will be grandfathered.**

- **95305 – Gas Companies**
 - NAIC code – 221210 – Manufactured gas production and distribution – natural gas distribution systems – blue gas, carbureted – coke oven gas, production and distribution. – gas, mixed natural and manufactured.
- **98427 – Pipelines – Operations – Gas**
 - NAIC code – 486210 – Gas Pipeline Operation – natural gas pipeline operation, transportation, and transmission (processing plants to local distribution systems). Storage of natural gas and booster pumping station.
 - NAIC code – 486910 – Gas Pipeline Operation – Refined Petroleum Products – Transportation of refined petroleum products, natural gas liquids and gasoline pipeline.
- **98423 - 98424 – 98425 -9846 – Pipelines Construction – Gas - Oil – Other – Slurry – non-flammable Mixtures.**

- **NAIC code – 237120** – Oil and Gas Pipeline and Related Structures construction - Companies primarily engaged in the construction of oil and gas lines, mains, refineries and storage tanks. Work may include new work, reconstruction, rehab and repairs. Includes all structures including buildings.
- **NAIC code - 237110** – Water and Sewer line and related structures construction - Companies primarily engaged in construction of water and sewer lines, mains, pumping stations, treatment plants and storage tanks. Work may include new work, reconstruction, rehab and repairs. Includes all structures including buildings.
- **99160 – Steam Heating or Steam Power Companies**
 - **NAIC code – 221330** – Steam and Air-Conditioning Supply – Companies primarily engaged in providing steam, heated air or cooled air. The steam distribution may be through mains. Steam production and distribution. Steam supply systems including geothermal.

Ineligible activities: (Any exception to the items below will require a referral to the Program Manager):

- Risk with excessive amounts of cast iron piping which are subject to deterioration. (gas companies)
- Risk that do not use artificial odorant to detect gas leaks as required by the PHMSA pipeline safety regulations (49 CFR) – (Title 49 of the Code of Federal Regulations (CFR) for natural gas operators).
- Risk with excessive **grade 1 leaks** (gas companies). - The PHMSA Office of Pipeline Safety classifies gas leaks using the **CGI** (Combustible gas indicator) method. The following grade definitions are to be used:
 - **Grade 3 (A) leaks – 0%-15% CGI** – A grade 3 leak is non-hazardous at the time of detection and can be reasonably expected to remain non-hazardous. Grade 3 leaks should be reevaluated during the next scheduled visit or within 15 month of the date reported whichever is first.
 - **Grade 2 (B) leaks – 15% to 75% CGI** – A grade 2 leak is recognized as being non-hazardous at the time of detection, but justifies scheduled repair based on probable future hazard. Grade 2 leaks should be repaired or cleared within one calendar year but no later than 15 months from date the leak is reported.
 - **Grade 1 (C) leaks – 75% - 100% CGI** – A grade 1 leak represents an existing or probable hazard to persons or property, and requires immediate repair or continuous action until the conditions are no longer hazardous. Grade 1 leaks require prompt action to protect life and property, and continuous action until the conditions are no longer hazardous.
- Any operations involved in the manufacturing, processing or production of gas (LPG, natural or manufactured), oil (petroleum), steamed heat or cooled air.
- Any operations primarily involved in the manufacturing or repair of gas, oil, steam heat or cooled air systems.
- Any risk where the primary operation includes the construction, installation or repair of gas, oil, water, sewer mains, telephone/cable lines or electric/light power lines.
- Any risk that have sewer or waste treatment plants or facilities or waste collection and disposal.
- Any risk where operations involve underground storage or pipeline contracting.
- Retail stores operations where sale, service, installation and repair of heating and air conditioning equipment/appliances **exceeding 25% of their revenue** These operations must be rated separately. Use code: 10042 – Appliance Stores – Household types as noted above which must not exceed 25% of their revenue.

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- Retail operations where rental of fixtures, heating and air conditioning equipment/appliances **exceeding 25% of their revenue**. Separately rate using code 10042 -- Appliance Stores as noted above.
- Any risk involving the installation, removal/dismantling or cleaning of oil or water tanks; trench digging or roadways repairs. These exposures should be subcontracted and rated separately using code: 91581 – Contractors – Subcontracted work – in connection with construction, reconstruction, erection or repair – not building as noted above.
 - **Hold Harmless/Indemnification agreements, Additional Insured status and certificates of insurance with adequate limits must be obtained.**
- Any risk that has been non-renewed/cancelled by the current carrier for underwriting reasons or non-payment of premium.
- Any risk that is not recommended for coverage by Loss control or fails to comply with critical recommendations (as defined by Chartis Loss Consultants) within the timeframes established by the Chartis Loss Consultants.

9. Underwriting criteria:

- 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*.
- Submissions should include:
 - **3 years leakage cap reports**
 - **Complete the Leakage Survey Recap - Exhibit IV**
 - **3 years of the PHMSA F 7100 1.1 report – Annual Report for Calendar Year 20__ – Gas Distribution System**
 - **Electric Company Supplemental Questionnaire for electric companies**
- All risk must have a written plan for **operations, maintenance and Emergency Response activities** as required by 49 CFR Part 192.605. (Title 49 – Part 192.605 of the Code of Federal Regulations (CFR) for natural gas operators).
- Risk must record all leakage surveys, leaks found, and all repair data including leak reports received from customers or tenants.
- *Loss ratio for the current year or the past FIVE years (all lines combined including the umbrella) 30% or less and with no single loss greater than \$50,000.*
 - A renewal account can be referred every three years if the original referral had one large property loss that caused the loss ratio to exceed 50%. The loss must be paid/closed and the account must not have a loss frequency problem in any line of business for this exception to apply.
- Five-year currently valued hard copy loss history provided by the insurance carrier.

Financials:

- 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. The insured must have a financial statement indicating good current and debt to net worth ratios. Complete copy and evaluation of the most recent 2 years Audited Financial Statement or Complication / CPA prepared Financial Statement must be obtained.

- For risks with account premium between \$75,000 and \$250,000, an Experian Credit rating must be obtained. Any risk with a credit rating below 48 would require additional financial information such as an Experian Business Profile report and/or financial statement. The underwriting file should be documented on accounts with D&B Credit alerts for classes 4, 5 as noted above including 0 and null alerts.
- Risk should have a clear premium payment history.

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. 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.

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Completed and signed UtilitySure Program Supplemental Applications for all New business.
Completed and signed UtilitySure Program Renewal Checklist annually for all Renewal business.
Updated UtilitySure Program Supplemental Applications should be obtained every 3 years at minimum

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, 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 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

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

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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)

Final 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 – (Current ISO rates are used in GL, Property and Auto sections and Umbrella rates are on file with the company.)

A. COMMERCIAL PROPERTY/ INLAND MARINE

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

Note: The UtilitySure program does not afford property/BI coverage for any gas pipelines or related transmission lines. The program intent is to only afford property/BI coverage for gas pumping stations and odification facilities with regards to the delivery of gas, water, electricity, etc.

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

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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 \$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 Qwik notes and must be referred to the Program Manager.
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 OR LEXINGTON FILED AND APPROVED FORMS UNLESS SPECIFICALLY LISTED.

MANDATORY FORMS:

<input type="checkbox"/> 64543 (12/04)	PROPERTY ONE BUILDING AND PERSONAL PROPERTY COVERAGE FORM
<input type="checkbox"/> 63940 (12/04)	PROPERTY ONE EXTENSION OF SUPPLEMENTAL DEC PAGE
<input type="checkbox"/> 63948 (12/04)	PROPERTY ONE SUPPLEMENTAL DEC PAGE – NEW HAMPSHIRE
<input type="checkbox"/> 63949 (12/04)	PROPERTY ONE SUPPLEMENTAL DEC PAGE – GRANITE STATE

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- | | |
|--|--|
| <input type="checkbox"/> 63950 (12/04) | PROPERTY ONE SUPPLEMENTAL DEC PAGE – ILLINOIS NATIONAL |
| <input type="checkbox"/> 97077 | UTILITYSURE EXTENSION ENDORSEMENT |
| <input type="checkbox"/> IL 00 17 | POLICY CONDITIONS |

OPTIONAL FORMS

- | | |
|--|--|
| <input type="checkbox"/> 64872 (12/04) | PROPERTY ONE BUSINESS INCOME EXTRA EXPENSE |
| <input type="checkbox"/> 64546 (12/04) | PROPERTY COVERAGE – EARTH MOVEMENT END. |
| <input type="checkbox"/> 64550 (12/05) | EQUIPMENT BREAKDOWN EXCLUSION – USE IF COVERAGE IS NOT WRITTEN THROUGH HARTFORD STEAM & BOILER |
| <input type="checkbox"/> 67282 (12/04) | SPRINKLER LEAKAGE – EARTHQUAKE LIMITATION |
| <input type="checkbox"/> 67281 (12/04) | SPRINKLER LEAKAGE – EARTHQUAKE EXCLUSION |
| <input type="checkbox"/> 64545 (12/04) | PROPERTY COVERAGE FORM – FLOOD ENDORSEMENT |
| <input type="checkbox"/> 90611 (3/06) | WIND AND HAIL EXCLUSION |
| <input type="checkbox"/> 90610 (3/06) | WIND AND HAIL DEDUCTIBLE |
| <input type="checkbox"/> 97091 (3/10) | BLANKET LIMITS PER PREMISES ENDORSEMENT/SCHEDULE |
| <input type="checkbox"/> CP 99 93 | TENTATIVE RATE |

Increases to the sub-limits shown in the PropertyOne Supplemental Declarations should be rated & charged using ISO rating rules for the amount/limits in excess of the limit provided. For example, if the limit is \$50,000 and you want to increase it to \$100K, 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.

Request for higher limits should be referred to the Program Manager.

INLAND MARINE:

Underwriting Criteria:

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

Contractors Equipment:

- All risk coverage for contractor's tools and equipment is available on an Unscheduled "blanket" or 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 coverages.

Unscheduled "Blanket" coverage:

- **Unscheduled "blanket" coverage** for owned or non-owned tools and equipment owned or leased/rented from others. Employee tools are NOT covered.
- **Maximum limit of "blanket" coverage** must be set for tools and equipment owned or leased/rented from others over a three month period with coverage not to exceed the following:

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- \$5,000 per item for owned tools and equipment.
- \$5,000 per items for tools and equipment leased/rented from others;
- \$5,000 per item subject to a maximum per person of \$50,000.
- Any item over \$5,000 require scheduled coverage.
- \$250,000 max per occurrence limit.

Scheduled Coverages:

- **Scheduled coverage** is available for owned tools and equipment or tools/equipment leased/rented from others, if higher limits than those offered under Unscheduled “Blanket” Coverage are required.
- **Maximum limit of Scheduled Coverage** is as follows:
 - **\$350,000 maximum value per item of equipment** for any owned or leased/rented from others tools and equipment
 - Short term rentals of equipment are subject to a \$10,000 maximum limit for 30 days.
 - **\$1,500,000 maximum any one location** for covered property. Any limits beyond this must be referred to Program Manager.
 - Scheduled machinery or equipment must be specifically described and listed on the Inland Marine Coverage Form Schedule with its type, age, serial # and value.
- **\$10,000 automatic coverage for newly purchased tools** (owned only) for a period of 30 days. Automatic coverage does NOT apply to tools and equipment leased/rented from others.

Deductibles:

- **A minimum deductible of \$1,000** applies for coverage written on the either unscheduled or Scheduled forms and equipment leased/rented from others. Some exceptions can be made for \$1,000 deductibles on small equipment and tools.
- **A maximum deductible of \$5,000** minimum with a minimum of 1% of value per each item of equipment for all equipment valued \$100,000 or greater.

Premiums/Rating Structure:

Contractors Equipment:

- | <u>Scheduled Values</u> | <u>Rate</u> |
|-------------------------|-------------|
| Up to 500,000 | .50 to 1.50 |
| 500,001 – 2,000,000 | .40 to .75 |
| 2,000,001 and up | .25 to .70 |
- Higher rate 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 \$500.00.
 - File should reflect proper documentation of pricing based on the type, age and maintenance of equipment.

Waterborne Equipment: 1.00 to 2.00 (depending upon the type of waterborne exposure, how it is managed, etc.)

Equipment Leased/rented tools & equipment to and from others:

- Increase the scheduled equipment rate by a factor of 1.50 to 2.00; and apply the rate to rental expenditures (per \$100)
- Deductible factors:
 - \$2,500 .85
 - \$5,000 .80
 - \$10,000 .75

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- Subject to a minimum premium of \$500.00
- This coverage contemplates a lease less than 3 months in duration.
- Equipment leased for more than 3 months should be scheduled and priced based on the rental cost.

Contractors Equipment Forms:

- CM 00 01 09 04 – Inland Marine Conditions
- CL 01 00 3 99 – Common Policy Conditions
- State Specific Amendatory Endorsements

- IM 7000 – Contractors Equipment Cov. Form – Broad - There are two options:
 1. Schedule the equipment or
 2. State that it is on file and reference schedule and the date. This excludes leased, rented or waterbourne exposures, but they can be added by endorsement.

- IM 7001- Contractors Equipment Cov – Scheduled Form - (*preferred form*)
 - Used on risk where equipment is scheduled.
 - It is also excludes leased, rented or waterborne exposures, but they can be added by endorsement.

The maximum waterborne exposure is a \$350,000 sublimit for all covered equipment.

- IM 7002 – Contractors Equipment Cov Form – Blanket
 - Coverage is available only upon referral to Program Manager.
 - It includes coverage for leased, rented or waterborne exposures.
 - **The maximum waterborne exposure is a \$350,000 sublimit for all covered equipment.**

- IM 7005 - Schedule of Coverages - CE
- IM 7030 - Equipment Schedule - CE
- IM 7006 - Schedule of Coverages - CE - Scheduled Equipment Form*
- IM 7007- Schedule of Coverages - CE - Blanket Equipment Form*
- IM 7003 - Contractors Equipment Coverage - Small Tools Floater
- IM 7008 - Schedule of Coverages - CE - Small Tools Floater
- IM 7004 - Contractors Equipment Coverage - Leased or Rented Equipment Form
- IM 7009 - Schedule of Coverages - CE - Leased or Rented Equipment.
- IM 7035 - Equipment leased or rented to others schedule
- IM 7036 - Equipment leased or rented from others schedule

Miscellaneous Inland Marine Coverages:

Maximum Policy Limits:

Computer equipment, media, data & programs

- Equipment - \$500,000
- Media, data & programs - \$250,000

Fine Arts - \$25,000 any on item/ \$100,000 per location – Use ISO rates.

Transportation – \$100,000 - Use AAIS rates

Miscellaneous Inland Marine Forms (as needed):

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Installation Floater Forms:

Maximum Policy Limits:

Computer equipment, media, data & programs

- o Equipment - \$500,000
- o Media, data & programs - \$250,000

Fine Arts - \$25,000 any on item/ \$100,000 per location – Use ISO rates.

Transportation – \$100,000 - Use AAIS rates

Miscellaneous Inland Marine Forms:

Installation Floater Forms:

IM 7100 - Installation Floater Coverage

IM 7105 - Schedule of Coverages - Installation Floater Coverage

EDP Forms:

IM 7200 - Electronic Data Processing - Equipment Coverage Part - Scheduled Limits

IM 7205 - EDP - Schedule of Coverages - Scheduled Limits

IM 7208 - EDP - Additional Locations Schedule

Computer Forms:

IM 7201 - Computer Coverage

IM 7206 - Computer Coverage -Schedule of Coverages

IM 7209 - Computer Coverage - Additional Locations Schedule

Fine Arts Floater:

IM 7400 - Fine Arts Floater

IM 7405 - Schedule of Coverages - Fine Arts Floater

IM 7406 - Fine Arts Schedule - Fine Arts Floater

Miscellaneous Floaters:

IM 7500 - Scheduled Property Floater

IM 7506 - Schedule of Coverages - Scheduled Property Floater

IM 7512 - Named Perils Endorsement

B. EQUIPMENT BREAKDOWN:

Guidelines for Equipment Breakdown Coverage, if authority is provided, as per attached Equipment Breakdown Addendum.

C. 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.

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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 21 53 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 occ/\$2,000,000

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

MANDATORY ENDORSEMENTS

- CG 00 01 – Commercial General Liability Coverage Form
- 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
- CG2152 - Chartis SECURITIES & FINANCIAL INTERESTS EXCLUSION
- 78689 (07/03) – Fungus exclusion (not in AK, MA, NY, WA, not required if end. 86563 (08/04) CGL Enhancement end. is used)
- 79277 (02/04) – Fungus exclusion – WA only
- 79379 (04/02) – Fungus exclusion – MA only
- 82540 (08/07) – Asbestos and Silica exclusion (DO NOT ATTACH IF 69928 OR 64003 IS USED).
- 69928 (3/98) - ASBESTOS EXCLUSION ENDORSEMENT – not required if ends 86563 CGL Enhancement or 82540 Asbestos & Silica exclusion are used.
- 64003 – (9/01) SILICA EXCLUSION (NOT REQUIRED IF END 82540 ASBESTOS & SILICA EXCLUSION IS USED)
- 87295 (01/08) – Violation of Statutes exclusion (except AK, OK, VA)
- 89413 (12/07) – Violation of Statutes exclusion (OK & VA)
- 89035 (08/07) – Violation of Statutes exclusion –AK only
- 89644 (07/05) – Territorial Definition OFAC
- CG 2147 (12 07) – Employment Related Practices exclusion (do not attach if using 86563 CGL Enhancement end.)
- CG2149 (9/99) – Total Pollution exclusion (except AK,IL,ME,TX,VT,VA) do not attach if using CG2155 (MANDATORY UNLESS 97059 – POLLUTION EXCLUSION-NAMED PERIL COVER IS PURCHASED)
- CG 2155 (09 99) – Total Pollution exclusion with exception for hostile fire (except ME, TX) - (MANDATORY UNLESS 97059 – POLLUTION EXCLUSION- NAMED PERIL COVER IS PURCHASED)
- CG 22 43 - EXCLUSION – ENGINEERS, ARCHITECTS OR SURVEYS (PROFESSIONAL EXCLUSION)
- CG 22 91 - EXCLUSION – TELECOMMUNICATION EQUIPMENT OR SERVICE PROVIDERS ERRORS AND OMISSIONS END. (TELEPHONE/TELEGRAPH UTILITIES)
- CG 21 44 - LIMITATION OF COVERAGE TO DESIGNATED PREMISES OR PROJECT
- IL0021 - Nuclear Energy Liability exclusion (except NY, WA)
- IL0198 - Nuclear Energy Liability exclusion – WA only
- IL0023 - Nuclear Energy Liability exclusion – NY only

(For Construction/Contractors/Real Estate Developers add the following)

- 69186 (08/07) – Continuing and Progressive endorsement
- 74959 (02/00) – Land Subsidence and Condemnation exclusion
- 74960 (02/00) – UREA Formaldehyde exclusion

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87096 (11/04) – Water Intrusion exclusion
74860 (01/00) – EFIS exclusion
CG 21 54 (01 96) – Wrap up exclusion
CG 22 79 (07 98) – Contractors Professional Liability exclusion

OPTIONAL FORMS

73187 – Form A	DEDUCTIBLE LIABILITY INSURANCE
86563 (8/04)	GL ENHANCEMENT ENDORSEMENT (VT – 89919 & NH 86563 (12/04)
Refer to Coverall	EMPLOYEE BENEFITS LIABILITY – State specific forms*
97060	FAILURE TO SUPPLY COVERAGE (Gas, electric, oil, water, sewer)
97059	POLLUTION EXCLUSION – NAMED PERIL LIMITED EXCEPTION FOR A SHORT-TERM POLLUTION EVENT(Gas & Oil utilities)
CG 25 04	AMENDMENT OF LIMIT OF DESIGNATED LOCATIONS
CG 20 10	ADDITIONAL INSURED -- OWNERS, LESSEES OR CONTRACTORS -- SCHEDULED PERSON OR ORG.
CG 24 04	WAIVER OF TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US (if required by contract)
CG 21 53	EXCLUSION – DESIGNATED ONGOING OPERATIONS
52640 (10/91)	STOP GAP COVERAGE FOR MONOPOLISTIC STATES
69186	ENDORSEMENT FOR CONTINUING OR PROGRESSIVE BODILY INJURY, PERSONAL INJURY OR PROPERTY DAMAGE
CG 02 24	NOTICE OF CANCELLATION
CG 20 26	ADDITIONAL INSURED – DESIGNATED PERSONS/ORGANIZATION
CG 24 17	RAILROAD CONTRACTUAL LIABILITY END.
CG 22 66	Misdelivery of Liquid (for liquid propane)

- ***Employee Benefits Liability** – (Based on state specific forms) – refer to Coverall
 - Mandatory \$1,000 deductible applies

Program specific coverages:

- **POLLUTION EXCLUSION – NAMED PERIL LIMITED EXCEPTION FOR A SHORT-TERM POLLUTION EVENT – 97059**
- This GL endorsement provides coverage for a short-term pollution event that begins during the policy period at an identified time and place, and ends within 48 hours of the original pollutant release (excluding underground storage tanks). It is triggered by a named peril. The notification period has been amended from 14 days to 60 days for this program.
 - Coverage to be used for Gas and combo utilities (gas & oil) only
 - **MAXIMUM LIMITS** - \$1,000,000 GL Sublimit
 - **Pricing** - 8% of GL premium subject to \$1,000 minimum premium
- **FAILURE TO SUPPLY COVERAGE –(Form # 97060)**
- This GL endorsement provides BI and PD coverage for claims arising out of the failure of the insured to adequately supply gas, oil, water, electricity or steam. Coverage under this endorsement does not apply if the insured is unable to obtain supplies from their supplier.
 - Coverage to be used for Gas and combo utilities (gas, electric, oil, water) only
 - **Maximum Limits:**

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- A **\$1,000,000 GL sublimit** is provided if failure to supply occurs from sudden and accidental injury to tangible property owned or used by any insured to procure, produce, process, or transmit the utility service; and
- A **\$250,000 GL sublimit** applies for all other BI or PD losses from failure to supply other than sudden and accidental as noted above.
- **Pricing** -8% of GL premium subject to \$1,000 minimum premium

THE UMBRELLA POLICY CANNOT BE EXTENDED OVER THE POLLUTION EXCLUSION FORM 97059 or the FAILURE TO SUPPLY COVERAGE FORM 97060 TO PROVIDE HIGHER LIMITS.

D. 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.
 - 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 be 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.

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

The following coverages are afforded on the policy by putting a limit of insurance next to the Agreement.

- A.1 Employee Theft
 - A.2 Forgery and Alteration
 - A.3 Inside the Premise - Theft of Money and Securities
 - A.4 Inside the Premises - Robbery or Safe Burglary of Other Property
 - A.5 Outside the Premises
 - A.6 Funds Transfer Fraud
 - A.7 Computer Fraud
 - A.8 Money Orders and Counterfeit Paper Currency
- Employee Benefits Plan (ERISA) is afforded if the plan is named on the Dec Page as an Insured.

The following crime authority is delegated. Any request for higher limits must be referred to the Program Manager:

Employee Theft	\$250,000
Forgery or Alteration	\$100,000
Inside the Premises – Theft of Money & Securities	\$100,000
Inside the Premises – Robbery or Safe Burglary of other Property	\$100,000
Outside the Premises	\$50,000
Computer Fraud	\$100,000
Funds Transfer Fraud	\$25,000
Money Orders and Counterfeit Paper Currency	\$ 5,000
Employee Benefits Plan (ERISA)	Up to \$500,000

E. 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 then 20 drivers MVR’s are to be ORDERED with in 48 hours of binding and reviewed for acceptability within ten days of binding.

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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.

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 more than 25 vehicles must be referred to the company.

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.

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.

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Mandatory forms:

- | | |
|--------------------------------------|--|
| <input type="checkbox"/> CA 00 01 | BUSINESS AUTO COVERAGE FORM |
| <input type="checkbox"/> CA DS 02 97 | BUSINESS AUTO COVERAGE FORM DEC PAGE |
| <input type="checkbox"/> COVERALL | SCHEDULE OF AUTOS COVERED AUTOS YOU OWN |
| <input type="checkbox"/> CA 23 05 | WRONG DELIVERY OF LIQUID PRODUCTS (OIL CO) |

Optional forms:

- | | |
|--|---|
| <input type="checkbox"/> 73187 -- FORM A | DEDUCTIBLE COVERAGE FORM |
| <input type="checkbox"/> CA 20 48 | ADDITIONAL INSURED - DESIGNATED INSURED |
| <input type="checkbox"/> CA 99 03 | AUTO MEDICAL PAYMENT COVERAGE |
| <input type="checkbox"/> 62138 | CANCELLATION BY THE COMPAN |

F. EXCESS AND UMBRELLA

The Primary General Liability policy **must be written** by a 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 forms

- 60533 The New Hampshire Insurance Company Umbrella Coverage Form
- 60427 National Union Fire Insurance Company of PA Umbrella Coverage Form
- 59665 Commercial Umbrella Policy Decs
- 57833 Schedule of Underlying Insurance

Mandatory Forms:

- 57728 (06/93) – Aircraft Products exclusion
- 66687 (12/96) – Silica exclusion
- 60456 - Failure to Supply Exclusion
- 60448 - ERRONEOUS DELIVERY OF LIQUID PRODUCTS EXCLUSION
- 57714 - PRODUCTS-COMPLETED OPERATIONS HAZARD - FOLLOW FORM END
- 61717 (12/94) – Lead exclusion (not MA, RI, VT)
- 87241 (01/08) – Violation of Statutes exclusion
- 57725 (06/93) – Subsidence exclusion

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84307 (04/04) – Liquor 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
78691 (8/01) – Fungus exclusion (not AK, NY, KS, NH, WA)
79279 (3/02) – Fungus Exclusion – WA
70379 (4/02) – Fungus Exclusion - MA
63374 (09/95) – Urea/Formaldehyde exclusion
60423 (05/94) – Follow form Personal Injury
57720 (06/93) – Employee Benefits Liability exclusion
89644 (07/05) – Coverage Territory Endorsement (OFAC)
84490 (05/04) – Umbrella Policy Territory
65597 (06/96) – Pre-existing Conditions exclusion

(For Construction/Contractors/Real Estate Developers add the following):

57707 (06/93) – Contractors Limitation endorsement
87096 (11/04) – Water Intrusion exclusion

OPTIONAL FORMS:

80478 (7/02)	ABUSE AND MOLESTATION
57719 (6/93)	LONGSHORE AND JONES ACT EXCLUSION (AS NEEDED)
80394 (7/02)	ANTI STACKING ENDORSEMENT
57727	AMENDMENT OF CANCELLATION NOTICE
66123 (6/06)	RETAINED LIMIT END – IF UNDERLYING IS NON-CONCURRENT
62279	EMPLOYERS' LIABILITY EXCLUSION (AS NEEDED)

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)

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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.

Refer to QWIK Notes loss control section for specific requirements

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 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
<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</i>

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This Statement

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

Acknowledged By:

Names of Recipient/Designee – Monica McNally – CUO – Willis Programs

Monica McNally
Signature of Recipient/Designee

8/10/11
Date

Delegated By:

Name of Grantor – Ruby Simmons – Product Line Manager

Ruby Simmons
Signature and Title

8/10/11
Date