The Company proposes to introduce six new optional Commercial Property broadening endorsements to provide tailored coverage enhancements to the ISO Property Coverage forms for our new Microbreweries and Wineries Program. We developed these endorsements based on either ISO related analysis or The Hanover Insurance Group products having similar coverages. The first 5 forms, rates and rules are based on the following New York State approved Commercial Property Filings:

* HNVR-126464942 and NY State filing number R2010000226, effective April 1, 2010
* HNVX-G129169843 and NY State filing number R2013003378, effective June 15, 2014
* HNVX-G129297128 and NY State filing number R2013004608, effective January 1, 2014
* HNVX-G129169843 and NY State filing number R2013003378, effective June 15, 2014

These endorsements offer a range of different combinations of key coverages with varying levels of coverage limits, which will serve the diverse needs of our new Microbreweries and Wineries customers.

The new endorsements include:

1. Property Broadening Endorsement
2. Wineries Property Coverage Endorsement
3. Brewers And Vintners Spoilage And Contamination Coverage Endorsement
4. Beer Leakage Endorsement
5. Valuation Of Wine Stock
6. Brewers And Vintners Property In Transit – Refrigeration Breakdown Endorsement

Form Coverage Descriptions:

1. **Property Broadening Endorsement 118377 (1-15)**

This optional broadening endorsement amends coverage provided under the Building and Personal Property Coverage Form, Causes of Loss – Special Form, Business Income (and Extra Expense) Coverage Form by providing Additional Coverages and increased limits for basic coverages. This endorsement also includes a Blanket Limit of $1,000,000 for a group of coverages outlined in the endorsement. This new form is used in conjunction with approved ISO property forms for this product.

This endorsement also offers the ability to amend the standard Limits of Insurance for various coverages included in the endorsement. Refer to the Outline of Coverages attached to this Explanatory Memorandum for a list of coverages that may be amended and the applicable rating information when one of these amended coverage limits is used.

There is an additional premium charge for this endorsement:

First Location: $650

Each Additional Location: $50

1. **Wineries Property Coverage Endorsement 118378 (1-15)**

This endorsement modifies the property coverages to provide coverage tailored specifically for the Winery market segment.

1. Broadened Business Personal Property – expands coverage for improvements and betterments, to also include coverage for fixtures, alterations, installations or additions made a part of a wine cave.
2. Additional Property Not Covered – clarifies that certain types of property specific to wineries, unharvested grapes and vines, and mobile equipment are not covered property.
3. Coverage Extension-Trellises - Extending coverage for Business Personal Property to also cover trellises and drip irrigation systems attached to the trellises. A limit of $25,000 is included. Higher limits can be purchased. See following Rating Rule for increased limit.
4. Coverage Extension–Outdoor Growing Grapevines – Extends the insurance provided under the coverage form to apply to direct physical loss of or damage to your outdoor growing grapevines. A limit of $25,000 is included. Higher limits can be purchased. See following Rating Rule for increased limit.
5. Coverage Extension–Packaging Errors – Provides coverage for the actual incurred costs to repackage wine product due to accidental errors in labeling, bottling or packaging. A limit of $25,000 is included. Higher limits can be purchased. See following Rating Rule for increased limit.
6. Coverage Extension–Wine Leakage – Provides coverage for wine leakage from a covered cause of loss, collapse or implosion of a take, vessel or barrel, or Errors and Omissions in workmanship of employees. Included in the limit for Business Personal Property.
7. Special Winery Exclusions – this section adds a number of exclusions specific to wineries.
8. Broadened Building–Additional Coverage–Collapse – expands coverage under Additional Coverage – Collapse to also apply to collapse of a wine cave and a wine tank.
9. Business Income–Limitation–clarifies that Business Income and Extra Expense Coverages do not apply to loss resulting from direct physical loss or damage to property specific to wineries, unharvested grapes and vines which are added as property not covered.
10. Valuation – adds a number of valuation provisions unique to wineries.
11. Definitions – expands the definition of Specified Causes of Loss to also include theft or attempted theft. Also adds 5 definitions unique to wineries.

There is no premium for this base limit coverage extension endorsement which will be added automatically for all winery risks we write with Building and/or Businsess Personal Property. Higher limits may be purchased.

* + 1. If a limit higher than $25,000 is selected for Coverage Extension – Trellises, the base rate for the additional limit will be determined using ISO Rule 85. L. 3. Special Class Rates, item 18. Fences & Arbors.
    2. If a limit higher than $25,000 is selected for Coverage Extension – Outdoor Growing Grapevines, the loss costs for the additional limit will be determined using ISO Rule 85. L. 3. Special Class Rates for Nursery Stock in the Open (Trees, Shrubs, Plants, Flowers). Multiply this loss cost by the applicable loss cost multiplier.
    3. If a limit higher than $25,000 is selected for Coverage Extension – Packaging Errors, the loss costs for the additional limit will be determined using ISO Rule 35. C. 2. Brands and Labels. Multiply this loss cost by the applicable loss cost multiplier.

1. **Brewers and Vintners Spoilage Contamination Endorsement 118376 (1-15)**

This endorsement provides coverage extensions specific to Brewery and Winery operations for direct physical loss of perishable goods at the insured’s premises, including perishable goods sold but not delivered, if it cannot be sold because of:

a. Spoilage or Process Failure resulting from:

(1) Breakdown, meaning mechanical breakdown or mechanical failure of refrigerating, cooling, or humidity control apparatus or equipment; or

(2) Outage, meaning complete or partial interruption of electrical power, gas, or water supply, on or off premises.

b. Contamination, meaning:

(1) A contaminant introduced during storage, processing or manufacturing;

(2) Contamination by refrigerant;

(3) The proliferation of unintended organisms; or

(4) Drugs, compounds, or any other physical or chemical material, in amounts that exceed maximum permissible levels (safe levels).

There is no additional charge for this $500,000 Limit of Insurance for Spoilage and Contamination coverage which is automatically provided.

Limits in excess of $500,000 may be purchased.

The rating basis for increased limits is the amount of increased limit over $500,000.

Use the Business Personal Property (BPP) rate as the rate for this coverage and adjust the selected BPP rate by a factor of 0.25.

1. **Beer Leakage Endorsement 118375 (1-15)**

This optional endorsement provides coverage for beer leakage. This endorsement was designed for use with the Brewers and Vintners market segment.

The premium for this endorsement is shown in the following table:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Limit of Insurance** | | |
| **Deductible** | $50,000 | $100,000 | $250,000 |
| $500 | $200 | $350 | $400 |
| $1,000 | $175 | $250 | $300 |
| $2,000 | $150 | $200 | $250 |
| $5,000 | $125 | $175 | $225 |
| $10,000 | $100 | $150 | $250 |

1. **Valuation of Wine Stock Endorsement 118444 (1-15)**

This endorsement provides a mechanism to determine the value of Wine Stock. This endorsement is designed for use with the Hospitality market segment and will be added to each winery policy as it defines how we will value the wine stock.

There is no charge for this endorsement.

1. **Brewers and Vintners Property in Transit - Refrigeration Breakdown Endorsement 118369 (1-15)**

This endorsement has been developed for use with the Brewers and Vintners market segment of our new Microbreweries and Wineries Program. This endorsement provides coverage to Property in Transit to cover direct physical loss or damage to covered property consisting of "perishable stock" caused by "spoilage" caused by “Refrigeration Breakdown” when the refrigeration or heating unit of a vehicle transporting covered property has a sudden or accidental breakdown or malfunction.

The premium for this endorsement will be calculated using loss costs developed from the AAIS non-filed Inland Marine rating guide.

|  |  |
| --- | --- |
| **Coverage** | **Platinum** |
| **Blanket Limit/Coverages** | 1,000,000 |
| Accounts Receivable | Included in Blanket |
| Deferred Payments | Included in Blanket |
| Fine Arts | Included in Blanket - no per item limitation |
| Fire Department Service Charge | Included in Blanket |
| Movement of Property | Included in Blanket |
| Outdoor Property | Included in Blanket |
| Personal Effects and Property of Others | Included in Blanket |
| Valuable Papers and Records | Included in Blanket |
| Research & Development Documentation | Included in Blanket |
|  |  |
| **General Coverage** |  |
| Additional Covered Property | Included |
| Sewer Backup | Included |
| Brands and Labels | Included |
| Broadened Building | Included |
| Business Income - Extended | 180 |
| Business income and EE from Dependent Properties | 250,000 |
| Broadened Business Personal Property | Included |
| Catastrophe Allowance Coverage | 50,000 |
| Consequential Loss to Stock | Included |
| Contract Penalties | 100,000 |
| Computer and Funds Transfer Fraud | 25,000 |
| E-Commerce | 50,000 annual aggregate |
| Debris Removal | 25% of loss or $250,000 additional |
| Definition of property | 2,000 Feet |
| Denial of Access to Premises | Included |
| Electronic Data Processing Equipment | Included |
| Employee Theft Including ERISA | $150,000 no crime aggregate |
| Employee Tool and Work Clothing | 25,000 |
| Expediting Expenses | 50,000 |
| Extra Expense | 300,000 |
| Fire Protection Equipment Recharge | Included |
| Food Contamination Coverage | 25,000 including 3,000 advertising expense |
| Forgery and Alteration | $50,000 no crime aggregate |
| Foundations and Underground Pipes | Included in the Building Limits |
| Inflation Guard - building | 115% |
| Inventory & Loss Appraisal | 300,000 |
| International Air Shipments | 50,000 |
| Key Replacement and Lock Repair | 20,000 |
| Lease Cancellation Coverage | 50,000 |
| Leasehold Interests - Tenants | 250,000 |
| Marring and Scratching | Included |
| Money & Securities In/Out | $50,000 no crime aggregate |
| Money Orders and Counterfeit Paper Currency | $50,000 no crime aggregate |
| Movement of Property | 100,000 |
| Newly Acquired - Business Income | 500,000 - 180 days |
| Newly Acquired Building | 2,000,000 - 180 days |
| Newly Acquired Personal Property | 1,000,000 - 180 days |
| Non Owned Detached Trailers | 50,000 |
| Ordinance or Law | Coverage A included, B & C Blanket 500,000 |
| Pollutant Cleanup and Removal | 150,000 |
| Preservation of Property - Expense | 150,000 |
| Preservation of Property | 90 days |
| Prototypes | Included |
| Property in Transit - Include Out of Territory language | 150,000 |
| Property Off Premises- Include Out of Territory Language | 200,000 |
| Salespersons Samples | 50,000 |
| Seasonal Increase - business personal property | 25% |
| Soft Costs Coverage | 50,000 |
| Temporary Relocation of Property | 100,000 - 90 days |
| Tenant Glass | 25,000 |
| Tenant Relocation Expense coverage | 50,000 |
| Theft Damage to Building | Included |
| Transit Business Income and Extra Expense | 100,000 |
| Undamaged Tenants Improvements and Betterments | 250,000 |
| Underground Water Seepage | 150,000 |
| Unintentional Property Reporting Errors | 500,000 |
| Unnamed Locations | 200,000 |
| Utility Services Business Income | 100,000 no overhead |
| Utility Services Direct Damage | 100,000 no overhead |
| Voluntary Parting | 100,000 |
| Water Damage, Other Liquids, Powder, Molten Material Damage | 50,000 |
| Windblown Debris | 10,000 |
| Worldwide Property Off premises | 100,000 |