**EXPLANATORY MEMORANDUM**

The referenced Companies (the “Company”) are filing to introduce six (6) new optional Commercial Property broadening endorsements to provide tailored coverage enhancements for use by property policies issued pursuant to a program administrator agreement with the following coverage forms:

* Building and Personal Property Coverage Form, Form No. 97064, filed under Company Filing No. AIC-08-CP-02;
* Building and Personal Property Coverage Form, Form No. CP 00 10 filed on the Companies’ behalf by ISO.
* Property Coverage Form, Form No. 64543, filed under Company Filing No. AIC-05-CP-03;

Two (2) of these forms do have a premium charge as detailed in the attached Rate Narrative:

* Key Employee Replacement Expense Coverage Endorsement, Form No. 118386
* Key Employee Replacement Expense Coverage Endorsement, Form No. 118387

1. **Historic Building Valuation Endorsement, Form No. 91828**

* The endorsement attaches to the Property Coverage Form, Form no. 64543
* The endorsement replaces Form No. 91828 (4/07) and is available to insureds for a building defined as being at least fifty (50) years old, which is listed in or eligible for the National Register of Historic Places or is recognized locally as having historic significance.
* The endorsement amends the Loss Conditions, Valuation section and is used to determine the value of a covered historic building at the time of the loss at replacement cost, which includes workmanship. Functional Replacement Cost, i.e. cost to replace property with similar property intended to perform the same function, as defined in the endorsement, can be claimed if the cost to replace property with identical property is impossible or unnecessary. Actual Cash Value will apply based on the value at the date of loss, if repairs or replacement of the loss or damaged historic building is not made and as soon as reasonably possible. Coverage shall not exceed the applicable limit of the policy for the covered historic building.
* The endorsement is optional, at the insured’s option, as long as the building meets the historic building criteria.
* Pricing: There is no additional premium.

1. **Historic Building Valuation Endorsement, Form No. 118333**

* The endorsement is available to insureds for a building defined as being at least fifty (50) years old, which is listed in or eligible for the National Register of Historic Places or is recognized locally as having historic significance.
* The endorsement attaches to the Building and Personal Property Coverage Form, Form No. 97064.
* The endorsement amends the Loss Conditions, Valuation section and is used to determine the value of a covered historic building at the time of the loss at replacement cost, which includes workmanship. Functional Replacement Cost, i.e. cost to replace property with similar property intended to perform the same function, as defined in the endorsement, can be claimed if the cost to replace property with identical property is impossible or unnecessary. Actual Cash Value will apply based on the value at the date of loss, if repairs or replacement of the loss or damaged historic building is not made and as soon as reasonably possible. Coverage shall not exceed the applicable limit of the policy for the covered historic building.
* The endorsement is optional, at the insured’s option, as long as the building meets the historic building criteria.
* Pricing: There is no additional premium.

1. **Historic Building Valuation Endorsement, Form No. 118334**

* The endorsement attaches to the Building and Personal Property Coverage Form, Form No. CP 00 10.
* The endorsement is available to insureds for a building defined as being at least fifty (50) years old, which is listed in or eligible for the National Register of Historic Places or is recognized locally as having historic significance.
* The endorsement amends the Loss Conditions, Valuation section and is used to determine the value of a covered historic building at the time of the loss at replacement cost, which includes workmanship. Functional Replacement Cost, i.e. cost to replace property with similar property intended to perform the same function, as defined in the endorsement, can be claimed if the cost to replace property with identical property is impossible or unnecessary. Actual Cash Value will apply based on the value at the date of loss, if repairs or replacement of the loss or damaged historic building is not made and as soon as reasonably possible. Coverage shall not exceed the applicable limit of the policy for the covered historic building.
* The endorsement is optional, at the insured’s option, as long as the building meets the historic building criteria.
* Pricing: There is no additional premium.

1. **Key Employee Replacement Expense Coverage Endorsement, Form No. 118386**

* The endorsement attaches to the Property Coverage Form, Form No. 64543.
* Provides coverage for expense incurred by an insured due to permanent loss of the services of a Key Employee. Each covered Key Employee and the associated limit for incurred expense will be scheduled. The permanent loss of services must be a caused by a Covered Accident, as defined in the endorsement.
* The endorsement is optional at the request of the Insured.
* Pricing: See Rule Page.

1. **Key Employee Replacement Expense Coverage Endorsement, Form No. 118387** 
   * The endorsement attaches to the Building and Personal Property Coverage Form, Form No. 97064.
   * Provides coverage for expense incurred by an insured due to permanent loss of the services of a Key Employee. Each covered Key Employee and the associated limit for incurred expense will be scheduled. The permanent loss of services must be a caused by a Covered Accident, as defined in the endorsement.

* The endorsement is optional at the request of the Insured.
* Pricing: See Rule Page.

1. **Blanket Limits Per Premises Endorsement, Form No. 97091**

* The optional endorsement attaches to the Building and Personal Property Coverage Form, Form No. 97064; Property Coverage Form, Form No. 64543; and Building and Personal Property Coverage Form, Form No. CP 00 10
* The endorsement replaces Form No. 97091 (5/08) and includes reference to applicability of the Agreed Value Condition, Coinsurance, when a policy is issued to include the Agreed Value Condition.
* Provides blanket property damage coverage and business income coverage for multi-building locations rather than specifically schedule the buildings.
* Pricing: There is no additional premium charge.