**EXPLANATORY MEMO**

The referenced Companies (the “Companies”) are filing a pricing structure for commercial general liability coverage for the oil heat and propane, septic service and contract bus operator market segments. This coverage will be written with the Companies’ package program for these market segments on file with your Department under filing no. AIG-14-MP-11. Please note that the name of the package program (Alteris) was changed to Fuel, Septic and Bus Operators (the “Program”) under filing no. AIG-15-MP-10. The commercial general liability coverage will be offered using the ISO General Liability Coverage Form on file with your departments The Program will contemplate commercial general liability accounts meeting specific eligibility criteria as described in the accompanying manual rule pages.

The Companies are proposing a risk quality factor pricing structure for the commercial general liability coverage to contemplate the unique risk characteristics found in qualifying commercial general liability coverage.

Loss Costs and rates published by Insurance Services Office (ISO) are averaged; developed by the sum of all commercial vehicles across all territories and segments of business in the state. As such, we do not believe the unique or specific implementation of distinctive management techniques, loss prevention, or other safety measures for specific commercial operators are adequately reflected in the ISO loss costs and merit consideration through the risk quality factor we are proposing.

The eligible accounts contemplated for commercial general liability coverage will be evaluated by the various risk characteristics as outlined in the attached program manual. This risk quality factor approach will assign one of the three risk quality factors to each account: Superior, Standard or Substandard.

We believe the outlined risk characteristics contemplate the spectrum of experience, and managerial oversight to support our proposed risk quality factor plan.