**Explanatory Memorandum**

The proposed E&O extension endorsement is an additional coverage part to the general liability. The coverage is intended for policyholders insured within the RecycleGuard program who participate in document destruction, shredding, storage and e-waste management services.

This filing comports with the CNA MPL filing specific to the document destruction hazard class. We believe the CNA MPL document destruction rating methodology most closely supports the exposures of electronic waste recyclers/document destruction insured within the RecycleGuard program.

Our proposed filing is modeled after the CNA MPL document destruction filing, as this is the filing currently being used by that carrier to provide E&O coverage to the RecycleGuard policy holders conducting document destruction services.

There are three notable differences in the proposed rate filing. First, the state modifier has been omitted from our filing. The CNA MPL filing is intended to encompass a broad number of professional classifications where portfolio management may be impacted by state. We do not believe the risk exposure of this solitary class of business to be geographically determined.

Secondly, the CNA individual risk factor category includes general categories for general professional exposures. Our risk factors include the preferred risk characteristics achieved by obtaining the R2 RIOS (Recycling Industry Operating Standards) certification. It is our belief R2 RIOS certified recyclers exceed industry standards and thusly should receive the credit deviation proposed here.

Similar to the CNA MPL filing, all deviations are subject to established minimum premiums. We have selected a minimum premium of $1,500.

A mandatory debit factor of 1.10 is applicable to contemplate the inclusion of defense outside the limits (the only policy option we will offer). This is analogous to CNA’s optional coverage for defense outside limits endorsement which utilizes an additional rating factor of 1.10. Thus our rates are comparable.