

Commodore Insurance Services, Inc.

CIS Contractors Specialty Program

Underwriting Guidelines

Effective 6/15/09 to 6/14/10

Commodore Contractors Program Underwriting Guidelines

Term

Program term: 6/15/09 to 6/14/10. Individual policies will be issued for a term of 12 months.

States of Operation

CA, OR and WA. All other states are excluded from this program. Any incidental out of state work must be reviewed and approved by the carrier.

Line of Business & Limits of Liability Available

General Liability

\$ 500,000 per Each Occurrence
 \$1,000,000 General Aggregate
 \$ 500,000 Products/Completed Operation
 \$ 500,000 Personal & Advertising Operation
 \$ 100,000 Fire Damage Legal Liability
 \$ 5,000 Medical Expenses

\$1,000,000 per Each Occurrence
 \$1,000,000 General Aggregate
 \$1,000,000 Products/Completed Operation
 \$1,000,000 Personal & Advertising Operation
 \$ 100,000 Fire Damage Legal Liability
 \$ 5,000 Medical Expenses

\$1,000,000 per Each Occurrence
 \$2,000,000 General Aggregate
 \$1,000,000 Products/Completed Operation
 \$1,000,000 Personal & Advertising Operation
 \$ 100,000 Fire Damage Legal Liability
 \$ 5,000 Medical Expenses

\$1,000,000 per Each Occurrence
 \$2,000,000 General Aggregate
 \$2,000,000 Products/Completed Operation
 \$1,000,000 Personal & Advertising Operation
 \$ 100,000 Fire Damage Legal Liability
 \$ 5,000 Medical Expenses

Hired and Non-Owned Auto (Washington and Oregon only)

	<u>Flat Rate</u>
\$ 500,000/\$1,000,000	\$150
\$1,000,000/\$1,000,000	\$175
\$1,000,000/\$2,000,000	\$225

Stop Gap Employers Liability (Washington only)

	<u>Flat Rate</u>
\$ 500,000/\$1,000,000/\$1,000,000	\$150
\$1,000,000/\$1,000,000/\$1,000,000	\$200
\$1,000,000/\$2,000,000/\$2,000,000	\$250

Coverages

Water Damage Exclusion (AGL 0161)

This exclusion is mandatory for the following classes:

- Carpentry home building/commercial buildings (91340)
- Carpentry NOC (91342) (applies when payroll for this class code is >40% of the entire account payroll)
- Door & Window Installation (91746)

Water Damage Sublimit (AGL 0162)

The following classes will be required to carry a \$100,000 water damage sublimit endorsement:

- Carpentry home building/commercial buildings (91340)
- Carpentry NOC (91342) (applies when payroll for this class code is >40% of the entire account payroll)
- Door & Window Installation (91746)

*** A full buy back option is available on Carpentry NOC (91342) for a 10% surcharge.**

Sunset Clause (AGL 0172 or AGL 0166)

All accounts are subject to the 4 year sunset clause endorsement. An optional buyback is available that replaces the 4 year sunset clause endorsement with a 10 year sunset clause endorsement. The surcharge for this buyback is 40%.

Prior Completed Operations-California only (AGL 0034)

All California accounts are subject to the prior completed operations endorsement. No buy back option is available.

Waiver of Subrogation (CG 2402)

Waiver of Subrogation coverage is available at the request of the insured and at the discretion of the underwriter. The additional premium charge for this endorsement is 10% of the original premium for the project and is subject to a minimum premium charge of \$250 per endorsement.

Additional Insureds

The viability of the additional insured's interest must be confirmed and documented before coverage is extended to cover that interest. Consideration must be given to the additional insured exposures when the policy is affording contractual liability coverage. The Insured shall require and maintain the same additional insured endorsement coverage from their sub-contractors as the insured is required to provide to others.

Additional insured endorsements may be offered subject to underwriting evaluation and consideration of the exposure at hand. An additional insured questionnaire must be completed and submitted to Commodore before we can endorse on to the policy. Primary and non contributory wording is included.

There is no charge for the first 5 additional insured requests. For each request beyond the first five, a fully earned premium of \$50 for artisan risks and \$250 for home/commercial builders is to be charged.

Pricing

Premiums will be calculated based on payroll by class of operations.

Determine proper classification from the description of operations. If more than one class applies, payroll should be allocated to each class and the appropriate rate should be used.

Please refer to the attached table of rates and surcharges by classification.

Rates

Premiums will be calculated based on payroll by class of operations.

Owner payroll by state:

California - \$25,000

Oregon - \$31,100

Washington - \$17,800

Note: On minimum payroll policies no more than 2 class codes may be used online. Contact underwriting for exceptions.

Rating Guideline:

Payroll should be in proportion to receipts, normally within 25% to 35% of receipts.

Underwriting Credits/Debits

Below are the general guidelines that are to be followed in regards to credits.

Commodore Controlled Accounts Credit:

A credit may be given if Commodore has written an account and has controlled the General Liability. We would allow the following credits:

Up to and including 2 years or longer controlled by Commodore	5% credit
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- **Maximum Credit of 5%**

Commodore Loss Free Credits:

A risk may be eligible for credit if provided with current valued loss runs (dated within 120 days) by the broker indicating that the account has not had any losses. Commodore would give a 5% credit per year up to 3 years. Loss runs are required at binding. See schedule below:

1 year currently valued loss runs showing no losses	5% credit*
2 year currently valued loss runs showing no losses	10% credit*
3 year currently valued loss runs showing no losses	15% credit*

- **Maximum Credit of 15%**

Any credits given must have Commodore's review and approval.

In order to qualify:

- Hard copy loss run must be provided.

New Ventures/Under 3 Years in Business:

A 10% surcharge will be applied on new ventures or where the account has less than three years of business experience (licensed and bonded for 3 years).

Minimum Premiums

As low as \$700 for Artisan risks.

\$3,500 for risks (considered Home/Commercial builders) classified and rated under 91340-Home/Commercial builder.

Deductible

Each policy will contain a \$2,000 bodily injury and property damage per occurrence deductible (including loss adjustment expense).

Terrorism - TRIA

The terrorism charge is 10% of the GL premium.

Premium Audit

All accounts may be subject to audit. Audit selection will be based on underwriting discretion and can be a Self-Audit, Telephone or Physical audit, regardless of original annual premium. There will be a mandatory audit on any account generating an annual premium over \$20,000.

Any audit that develops an eligible audit change >20% additional premium must have current exposures adjusted to reflect this change.

Quotes

Quotes will be honored for thirty (30) days. After thirty days, the risk must be re-evaluated and re-quoted.

Underwriting Guidelines

- The Commodore Artisan Contractors Program targets contractors in dedicated classes of business.
- All eligible risks must have been in business for a minimum of three (3) years, or demonstrate sufficient and applicable prior industry experience and be deemed acceptable by Commodore.
- The management of the risk must be:
 - Stable for the past 3 years with no material change in operation.
 - Experienced in construction industry and in the type of construction that they are performing.
 - Safety-conscious and compliant with any and all loss control recommendations.
- All risks are subject to a favorable loss control inspection within 60 days binding of coverage, subject to compliance with any recommendations developed.

Eligible Classes of Business

91436	Acoustical Tiling
91150	Appliance & Accessories Installation, Service or Repair - Commercial
91155	Appliance & Accessories Installation, Service or Repair - Household
91341	Carpentry Interior
91342	Carpentry NOC
91343	Carpentry Shop Only - Woodworking
91405	Carpet, Rug, Furniture or Upholstery Cleaning-On Customers Premises
91560	Concrete Construction
91583	Contractors Subcontracted work (applicable in Oregon and Washington only)

91340	Custom Home Builder
91629	Debris Removal
91746	Door, Window or Assembled Millwork Installation - Metal
92215	Driveway, Parking Area or Sidewalk Paving or Repair
92338	Drywall or Wallboard Installation
92478	Electrical Work - within Building
94007	Excavation-in connection with ground-up new const. 91340 must be primary classification and rated
94276	Fence Erection Contractors
94569	Floor Covering Installation - Not Ceramic Tile or Stone
13590	Glass Dealers and Glaziers
95410	Grading of Land-in connection with ground-up new const. 91340 must be primary classification and rated
95648	Heat and Air Condition Systems Installation, Servicing and Repair
96053	House Furnishing Installation – NOC
96410	Insulation
96611	Interior Decorators
96816	Janitorial
97047	Landscaping
14913	Locksmiths
97447	Masonry
97652	Metal Erection-In Construction of Dwellings (not to exceed 2 stories)
59914	Metal Workshops-Decorative or Artistic
98111	Office Machine or Appliances - Installation, Inspection, Servicing or Repair
98304	Painting Exterior - 3 Stories or less
98305	Painting Interior
98344	Paperhanging
98449	Plastering and Stucco
98482	Plumbing Commercial
98483	Plumbing Residential
98677	Roofing Commercial- in connection with ground-up new const. 91340 must be primary classification and rated
98678	Roofing Residential- in connection with ground-up new const. 91340 must be primary classification and rated
98806	Septic Tank Systems
98884	Sheet Metal Work – Outside
98967	Siding Installation
99650	Television or Radio Receiving Set Installation or Repair
99709	Tents or Canvas Good Erection, Removal or Repair
99746	Tiling - Stone Marble (Interior)
99827	Upholstery
99969	Welding or cutting
99975	Window Cleaning

Ineligible Exposures

- Any risk whose primary operation is not listed in the above referenced “Eligible Classes”.
- Any account that utilizes uninsured subcontractors.
- Risks with known exposures to explosions, collapse, underground (XCU).
- Gross receipts in excess of \$2,500,000 (unless approved in writing by the carrier).
- Manuscript endorsements, amendment of policy conditions, or elimination of exclusions without prior approval from the carrier.
- Any business written excess over any underlying insurance.
- Any business written on a loss responsive plan.

- Any Pollution Liability coverage that is different than what has been pre-approved by the carrier.
- Malpractice, Professional Liability/E&O.
- Directors and Officers liability.
- Employment Practices Liability.
- Discontinued Operations/Prior Discontinued Operations coverage.
- Owners and Contractors Protective Liability.
- A real estate developer that is not the majority owner of the project or does not have an entity that supervises their own construction projects.
- Any risk involved in multi-unit new construction including tract housing, apartments, town homes, condominiums, and/or duplexes.
- Any risk with sub-contracted work including material costs totaling more than 50% of their gross receipts.
- Any risk that does not require Certificates of Insurance from all subcontractors.
- Any contractor that is not licensed (where required) and does not have practical work experience in the trade or industry.
- Any risk involved in: pollution, asbestos, lead and / or radon abatement.
- Any risk involving nuclear exposure.
- Any risk doing EIFS work.
- Any risk requiring Wrap-Up coverage.
- Any risk requiring coverage for a joint venture.
- Any risk involved in building shoring, moving or demolition.
- Any risk which rents or leases equipment to others.
- Any risk involved in swimming pool installation and/or repair and/or service.
- Any risk involved in alarm installation, repair and/or monitoring.
- Any risk involved in replacement, installation and/or repair of roofing not incidental to other operations.
- Any risk involved in oil, gas, LPG, or electrical power generating related exposures. Incidental LPG work in the construction of a building or a structure and is less than 10% of the insured's operation is acceptable if it has been reviewed and approved by the carrier. Incidental installation of solar panels totaling less than 10% of the insured's operation is acceptable.
- Any risk involved in public road, street or bridge construction.
- Any risk involved in mobile home set-up.
- Accounts having two (2) or more claims or a paid or reserved loss exceeding \$10,000 in the past three (3) years must be reviewed and approved by the carrier.
- Any risks involving hospitals except building work only. No medical equipment.
- Any risk involving airports except building work only. No hangar, apron or runway work.
- Any risk requiring coverage to be "back-dated" more than one business day. Any exceptions must be reviewed and approved by the carrier.
- Questions that fall outside these parameters must be reviewed and approved by the carrier.

Prerequisite Underwriting Information

- Completed Commodore Contractor's application that is signed by both the producer and the insured.
- A minimum of three (3) years of currently valued (within 90 days) company loss runs or no loss letter (for the number of years in business).
- Written description and current status of any claim greater than \$10,000.
- Listing of jobs for the past three (3) years and a description of the work performed
- Insured's length in time of business.
- Contractors must have no more than \$2,500,000 in yearly gross receipts.
- Custom Home Builders may build no more than three (3) homes in any one year. Custom homes are defined as single family dwellings built independently and must be separated from each other and can not be in the same subdivision.
- Insured must meet mandated licensing requirements relative to all aspects of their operations in their state of domicile.

- Contractors must have practical work experience in their trade or trades.
- 100% of their gross receipts must come from work within their state. Any incidental work outside their state must be reviewed and approved by the carrier.
- Each risk must be inspected and reviewed by an independent inspection service selected by Commodore. Any discrepancies found in the inspection must be acted upon within sixty (60) days of the inception date of the policy and must be satisfactorily brought to conclusion.
- Renewals are to be inspected on an as needed basis based on material changes to the operations or risk. All renewal risks are to be inspected every third renewal.
- Risks may have no more than two (2) cancelations in a single policy year. Any exceptions must be reviewed and approved by the carrier.

Application & Underwriting Review

Each application will be reviewed by Commodore to ensure completeness. A fully completed and signed application must accompany each submission. If the underwriter is unable to verify all sections of the application, the risk is automatically rejected until at which time information can be verified. The application must contain and consideration should be given to the following:

Named Insured

All entities of a Named Insured must be identified. The ownership, operations and exposures of each entity must be clearly evaluated and documented.

Named Insured(s) should not include any Joint Ventures (where the insured is not the controlling partner) and/or any Individual Named Insured(s).

The description of the Named Insured as it should appear on the Declarations Page will be provided to the Company.

Location of Operations

All locations must have an address and an adequate description so that they may be properly identified for loss control and claims purposes.

Exclusions

- Any line of business or risk not authorized or in compliance with the underwriting guidelines
- Any coverage specifically excluded by the company policies
- Any risk involving a Financial Guarantee
- Excess Liability or reinsurance assumed, except agency business assumed by the Company
- War
- Flood or Earthquake
- Boiler and Machinery
- Pollution liability coverage or environmental impairment coverage, or premises with existing pollution conditions
- Absolute Pollution Exclusion
- Absolute Asbestos Exclusion
- Carcinogen Exclusion
- Lead Exclusion
- Radon Exclusion
- Nuclear Exclusion
- Professional Sports Teams
- Places of public assembly with severe loss potential; such as circuses, carnivals, amusement parks, rodeos, racetracks, arenas or coliseums
- Gas or Electric Utility Companies or Works, gas lease operations
- Operations or exposure involving mining, blasting, explosives, fireworks or firearms
- Risks with known exposures to explosions, collapse or underground (XCU)
- Joint ventures

- Any moving of buildings, pile driving, shoring, underpinning, tunneling, cofferdam or caisson work
- Exploration, production and transportation, oil, gasoline or hazardous gasses
- Aircraft servicing contractors, or aircraft exposures
- Rail work, scaffolding, lumberyard exposures
- Maritime or offshore operations, shipbuilding, ship repair and/or conversion or stevedoring

Requirements to bind

Application

- Current 5 page Commodore application. Signed and dated by the insured and broker.

Bind Package

- Insured signed and dated D-1 form (California only).
- Broker completed, signed and dated SL-2-Diligent Search Report (California only).
- Completed and signed TRIA form by the Insured.

Loss Information

- Latest three (3) years of currently valued (within 90 days) loss runs or no loss letter. Hard copy loss runs required at binding for loss free credits.
- Complete description of any paid loss or reserve set at \$25,000 or greater

Online rate indicator

- Copy of the online premium indication sheet.

Contractors License

- Print out evidence of current, valid contractors license from the Contractors State Licensing Board.