



HOMEBUILDERS COVERAGE

NAME: RESIDENTIAL HOMEBUILDERS PROGRAM

I. INDIVIDUAL MEMBER ELIGIBILITY

Contractors are engaged principally (75% or more) in the construction and/or remodeling of one to four (1-4) family dwellings and meet the underwriting standards of the Company.

II. MARKETING

This program will be marketed only by a limited number of Agents. In each agents marketing territory, the Homebuilders Division shall limit the number of agents appointed to avoid significant marketing territory overlaps between agents. We will not accept Broker of Record letters on accounts written by an appointed Homebuilder agent.

III. COVERAGES

A. The following coverages must be offered to the Company for any risk written in this program.

1. Package (Property and General Liability)
The Package coverages may be provided on whatever policy type the underwriter believes is appropriate.
2. Commercial Inland Marine Coverage (including Builders Risk, which can be written monoline)

B. The following coverages may be written in addition to the mandatory coverages. This is a partial listing of the more commonly used coverages for this Class. Other options should be referred to the Company.

1. Employee Benefits
2. Crime Coverage
3. Automobile Liability and Physical Damage Coverage
4. Umbrella



IV. **UNDERWRITING**

It is the Company's intention to underwrite a broad spectrum of individual accounts under this program using the Company guidelines and policies in effect from time to time. Any exception will be stated in the Agreed Plan Summary.

V. **PRODUCER SERVICES**

The agent(s) will perform the following services:

1. Actively Market the program by:
 - a. Mailing brochures and other information to eligible risks.
 - b. Solicit eligible risks.
2. Obtain completed and signed applications, questionnaires, loss information and expiring premiums.
3. Review marketing plans annually and provide a written report describing problems/opportunities and recommendations.
4. Review the Agreed Plan Summary.
5. Work with the Builders to establish a Safety Committee.
6. Coordinate activities between the builders and the Company.

VI. **MGA SERVICES**

The Company will perform the following services:

1. Assist the Agent(s) and Builder to achieve marketing goals.
2. Underwrite and price all individuals risks.
3. Loss Prevention coordination with the Agent(s).
4. Loss Prevention service on individual risks.
5. Claims
6. Audits
7. Group experience Reports-individual reports as requested.
8. Issue all policies.



VII. **ADVERTISING**

Promotional and advertising material can be a vital part of soliciting new risks and retaining current risks. The Company will assist in the design and the writing of the brochures. The Agent(s) will be responsible for printing and distribution costs.

If the Agent(s) decide to design their own material relating to the program, it must be submitted to the Company for review prior to printing. All use of the Company's name and logo must be approved by the company in advance.

VIII. "This Agreed plan Summary will be subject to interim review. The Company reserves the right to recommend and effect changes to this Agreed Plan Summary as it deems necessary and appropriate. Any changes made will be incorporated into the Agreed Plan Summary by reference. Changes to the Agreed Plan Summary may be made by the Company without effecting the Company's right to terminate this Agreed Plan Summary pursuant to the terms hereof."

IX. This Agreed Plan Summary will terminate:

- a. Upon either party giving written notice to the other; or
- b. Immediately and automatically, if the Agent's Agency-Company agreement is terminated for any reason.

In the event of the termination of this Agreed Plan Summary, the Company agrees as follows:

- a. The Company will accept new business placed with it by the Agency after the date of notice of termination and prior to the effective date of termination subject to the terms of this Agreed Plan Summary and other limits in effect at such time. The Company shall pay the Agency commission schedule in effect on the date of the notice of termination
- b. Unless otherwise specified under applicable law, the Company shall have no obligation to renew any risks placed with it by the Agency during the time this Agreed Plan Summary was in effect. The Company shall continue the outstanding policies until the expiration date or until the anniversary of the policies.



AGREED PLAN ADDENDUM SPECIAL POLICY ISSUANCE PROCEDURES

A. CERTIFICATES OF INSURANCE

Requests for certificates of insurance shall be honored by the Agent by issuance of certificates to the requesting parties. These forms should contain the contract cost, as well as, the description, duration, and location of major jobs for the Builders' Risk. Any major job being certified for the insurance coverage should be considered in light of current payroll estimates and their levels. **A copy of each certificate issued must be sent to the company for attachment to the underwriting file.**

B. CANCELLATIONS

Cancellations for non-payment of premium should be carefully considered as a possible sign of financial stress. This becomes more significant in the case of a risk accepted as an exception for not having previous business experience.

Notice of cancellations should also be given to holders of certificates of insurance.

No more than one reinstatement for non-payment of premium and one reinstatement for non-compliance with vital recommendations should be allowed.

Mid-term cancellations and broker of record letters on accounts currently written within the program by Agent(s) marketing on behalf of the Builders will not be accepted, unless mandated by the insured.



ADDENDUM I – BUILDERS RISK

I. POLICY FORM

Homebuilders Program Builders' Risk Form, covering dwellings. The policy will be "All Risk" with all losses being subject to a deductible of \$1,000.00.

II. PROPERTY COVERED

This program provides Builders' Risk coverage for one to four (1-4) family dwellings in the course of construction with a standard policy limit of \$1,000,000. per dwelling and a \$5,000,000 per occurrence of catastrophe limit.

Builders' Risk on small mercantile, small apartments and/or condominiums may also be included in this program at terms and conditions to be individually determined, with a per building limit on these other properties of \$1,000,000 and catastrophe limit of \$5,000,000.

Limits in excess of those stated will be handled on a risk-by-risk basis subject to prior approval from an underwriter of the Company.

III. REPORTING REQUIREMENTS AND RATES

On or before the 30th of each month, the insured must report to the Agent all "new starts" begun during the previous month and all owned model homes. The reports must also show the completed value of each dwelling by address. **The insured is responsible for submitting a check to "NSM, Inc." for the premium due, based on the rates as shown on the policy, with each month's report.**

IV. REMODELING VALUES TO BE REPORTED

If an insured reports the remodeling of a dwelling owned by him, the value reported must be the 100% replacement cost of the remodeled dwelling. If the remodeling is a dwelling other than one owned by him, the value to be reported should be the cost of remodeling.



ADDENDUM I- BUILDERS RISK (continued)

V. PREUNDERWRITING

We want the Builders Risk on every submission. The agent will obtain a completed Acord Builders' Risk Application with each new Builders' Risk policy.

The following **ARE NOT** acceptable under this program:

- a. Those showing losses exceeding more than 40% of premium over the last three (3) years.
- b. Those with a principal indicating a past bankruptcy.
- c. Those with poor payment record.

The agent will keep an accurate record of all new starts reported under each policy. The agent(s) will review each policy on its anniversary date and any policy that has not reported new starts during the preceding policy year will be returned to the Company for cancellation.

INLAND MARINE BUILDERS' RISK UNDERWRITING GUIDELINES

DEDUCTIBLE- \$1,000, \$2,500, OR \$5,000

COVERAGE- All Risk form excluding flood and earthquake.

COASTAL TERRITORIES- Refer to company



ADDENDUM II – PROPERTY, GENERAL LIABILITY AND AUTOMOBILE PROGRAM

I. BASIC PROGRAM AND MANDATORY COVERAGES

Comprehensive General Liability, Automobile Liability and Physical Damage may be written under normal company filings.

Standard limits for General Liability are 1,000,000 Occ/2,000,000 General and Products/Completed Operations Aggregates. The standard Automobile limit will be 1,000,000 CSL.

Automobile Physical Damage minimum deductibles are \$500 for Comprehensive and Collision for all vehicles, with optional deductibles above these.

Minimum underlying limits for Umbrella/Excess coverage are as follows:

General Liability - \$1,000,000 Occ/\$2,000,000 General Aggregate &
\$1,000,000 Products/Completed Operations Aggregate,
Automobile - \$1,000,000 CSL, and
Employers Liability - \$500,000/\$500,000/\$500,000 Each Occurrence/
Each Employee for Disease/Policy Aggregate for Disease

In the event consideration is given to providing Umbrella/Excess coverage over another insurance carrier's policy the minimum financial rating of the carrier must be "A VI" or higher by A.M. Best Company, the insurance rating service.

II. PRICING TECHNIQUES

Each risk will be individually priced based on its past loss history and exposures using rules filed and approved for use by the Company



ADDENDUM II – PROPERTY, GENERAL LIABILITY AND AUTOMOBILE PROGRAM

III. MANDATORY ENDORSEMENTS

General Liability

Asbestos Exclusion
Continuing or Progressive BI,PI or PD
Contractors Amendatory Endorsement Exclusion-Designated Work
Employment-Related Practices Exclusion
Exclusion-Contractors-Professional Liability
Exclusion-Roofing Operations
Exterior Insulation and Finish Systems Exclusions
Fungus Exclusion
Land Subsidence & Land Condemnation Exclusion
Total Lead Exclusion
Total Pollution Exclusion
Urea/Formaldehyde Exclusion

Excess – all the GL Exclusion Endorsements shown above, plus:

CCC(RP or PP) Exclusion
Claims Reporting Endorsement
Contractual Liability Follow-Form Endorsement
D&O Liability Exclusion
Personal Injury Follow-Form Endorsement
Pre-Existing Damages &/or Defects Exclusion
Professional Liability
Punitive Damages Exclusion
Urea/Formaldehyde Exclusion



ADDENDUM II-PROPERTY, GENERAL LIABILITY AND AUTOMOBILE PROGRAM (CONTINUED)

IV. UNDERWRITING GUIDELINES

The intent of this program is to write coverage on above average risks. Individual risks should meet the following standards:

1. Experience as a construction manager or supervisor of three years or more, and in business as a homebuilder for three years or more.
2. Acceptable financial condition –to be determined by the Agent(s) appraisal Or, if necessary, qualification by a separate report (i.e. D&B or TRW) or financial statement when requested by company.
3. Acceptable loss history-meaning not more than a 40% loss ratio, over the last 3 years.

V. AUDIT PREMIUM DETERMINATION FOR SUBCONTRACTORS

- a. Adequately Insured Subcontractor
Unless otherwise specified by the Company at inspection, the subcontractor will be considered to be adequately insured for the purposes of premium computation only, if the subcontractor's insurance meets the following guidelines:

The subcontractor during the period of time that the work is performed carries limits equal to or greater than:

- (1) \$1,000,000 per occurrence, \$1,000,000 general aggregate, and
- (2) \$1,000,000 products/completed operations aggregate limits.



ADDENDUM II-PROPERTY, GENERAL LIABILITY AND AUTOMOBILE PROGRAM (CONTINUED)

b. . Premium for Adequately Insured Subcontractors

When a subcontractor is adequately insured, the Company will use the total cost of the subcontracted work to determine premium.

In order to meet this requirement, satisfactory evidence of subcontractor's insurance (i.e. certificate of insurance) showing adequate limits must be available at the time of audit. If required limits and documentation have not been maintained, the Company will deem the subcontractor inadequately insured.

If a subcontractor is performing work under a subcontract, the total cost of the subcontracted work will be the cost of all labor, materials and equipment furnished, used or delivered for use in the execution of such subcontracted work, whether furnished by the owner, contractor or subcontractor.

c. Premium for Inadequately Insured Subcontractor

When a subcontractor is inadequately insured, the subcontractor's payroll records are necessary to determine premium. In such cases, premium will be based on the payroll and the rate will vary according to the class of work performed by the subcontractor.

If the Company cannot determine the subcontractor's payroll, premium for the inadequately insured subcontractor will be based on the following:

- (1) Accepted auditing practices described in the PAAS audit guidelines.
- (2) Adequate supervision at job sites.
- (3) Cooperative in complying with reasonable recommendations.
- (4) Requirement for "Contractors Questionnaire" is waived unless specifically requested by the company.



AGENT'S COMMERCIAL AUTO UNDERWRITING GUIDELINE

INTRODUCTION

A sound underwriting decision cannot be made without complete and current information. The minimum information necessary to evaluate any commercial auto risk is:

A complete Application including:

- Management experience
- Use of the vehicles
- Types of vehicles
- Qualification of the drivers

The information obtained should provide an understanding of these exposures. The type and number of the insured's vehicles will determine what additional underwriting information should be secured.

I. REQUIRED UNDERWRITING DATA

1. Acord Commercial Automobile Application or equivalent information
2. Driver List to include family members that drive covered vehicles. Full driver information is to be obtained annually.
3. Motor vehicle Records (MVR) on each principal operator. If family members drive covered vehicles we need their MVRs. New drivers reflected on updated driver lists are included in this requirement.



AGENT'S COMMERCIAL AUTO UNDERWRITING GUIDELINE (CONTINUED)

4. Motor Vehicle Records are to be updated annually for youthful drivers (under age 21) or drivers with marginal records and every three years for all other drivers.

MVR's should be evaluated using a point system as follows:

Moving Violation	1 Point
First Preventable Accident	1 Point
Second Preventable Accident	2 Points
Major Violations (reckless, negligent driving, eluding an officer	4 Points
DUI, hit & run or license suspension in last 3 years	6 Points

A driver with 3 points or less is considered approved. A driver with 4 points or more must be monitored until such time as their record falls into the approved category. A driver with 6 points or more is unacceptable.

5. Any unacceptable MVR must be brought to the Insured's attention for action. Acceptable action by the insured for an unacceptable driver, can be either:
 - a. Re-assigned to a non-driving position, or
 - b. Excluded, if permitted by the state, or
 - c. Assigned a vehicle and the vehicle excluded and placed in a residual insurance market.

We must be notified, prior to binding, of the action to be taken by the insured or the account will be declined.

6. Must have supporting business such as the Package policy. Builders Risk coverage is not considered as support.

Prior carrier experience must be obtained on new risks. If the Prior carrier does not respond to letters, we will accept an insured signed no known loss letter.