

AN INSURED MUST BE SAFETY CONSCIOUS AND HAVE A GOOD ATTITUDE TOWARDS LOSS PREVENTION

Underwriting Guidelines

1. Insured must be financially sound & have been operating a profitable business for at least three (3) years at present location, or have had three (3) year's previous experience in the current type business. (Financial statement may be required).
2. Insurance-To-Value Guidelines:
 - a) **Replacement Value** - In order for standard Replacement Cost Provision to apply, Coverage A (Building) limit must equal at least 80% of the estimated Replacement Value, as determined by a current MS/B Express Square-Foot Business Valuation Cost Estimator. (Refer to NCIC website at ncins.com) (SF-27) or SF-27A.
 - b) **Alternative Replacement Cost** - Coverage A (Building) must be insured to 50% of Replacement Cost as determined by a current MS/B Express Square-Foot Business Valuation Cost Guide, (NC-SF-27).
 - c) **Alternative Replacement Cost** - Coverage A (Building) must be insured to 100% of Replacement Cost as determined by a current MS/B Express Square-Foot Business Valuation Cost Guide, (NC-RC-SF-27). The Replacement Cost Provision is changed to 90%.
 - d) **Actual Cash Value** - If Coverage A limit does not meet the Replacement Cost Provisions outlined above, policy is considered an Actual Cash Value policy with no co-insurance provision. Minimum Coverage A (Building) must be 50% of Replacement Cost.
 - e) **Market Value** - Coverage A (Building) must be insured to 30% of Replacement Cost as determined by a current MS/B Express Square-Foot Business Valuation Cost Guide, (SF-38 MVP-NCIC) Total minimum replacement cost of structure must be \$250,000 to qualify.
3. Buildings must meet the following minimum construction requirements:
 - Electric service must be at least 100 AMP.
 - Must have central heat.
 - Property must meet local and state codes/ordinances.
4. Physical condition of risk must be above average, with all risks subject to physical inspection.
5. Physical condition of entrances, parking lot and surrounding must be above average.
6. Earthquake Coverage: There is a 10-day waiting period before coverage becomes effective. Coverage must remain on the policy for 1 year.
7. Canine exclusion is mandatory on policy. (LS-373)
8. Lead Exclusion (LS-59) is mandatory if dwelling is constructed prior to 1980 or has 2 or more units.
9. Presence of fire protection program (fire extinguishers, fire alarm, smoke detectors or ansul system).
10. If any cooking exposures are present, all equipment must be covered with a properly installed and maintained hood/duct system, further protected by a properly installed and maintained fixed extinguishing system.

Ineligible Risks

1. Risks with below average conditions. (lack of maintenance, poor housekeeping, etc.)
2. Insureds with poor loss and/or credit history.
3. Property in foreclosure proceedings, litigation or heavily encumbered.
4. Vacant or unoccupied property or a non-operating business. (without prior company approval)
5. Property for sale. (without prior company approval)
6. Property insured in the name of the mortgagee.
7. Property that is seasonally unoccupied. (without prior company approval)

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Ineligible Risks (cont.)

8. Risks previously canceled, declined or non-renewed by the company.(without prior company approval)
9. Buildings insured must be at least 20 feet from any other structure. (without prior company approval)
10. Property within 1 mile of ocean, ocean bay or ocean sound.
11. No Coverage on buildings with flat, cedar, slate or rolled roofs. (without prior company approval)
12. Premises with any dog of traditionally dangerous breeds such as Pitbulls, German Shepherds, Dobermans, Rottweilers, Akitas, Chows and any other dog deemed aggressive.
13. Applicant has horses, which are used for riding by other than the insured.
14. Property with fuel storage tank on premises, except fuel storage tanks used for present heating system. (Maximum tank capacity - 500 gallons or less)
15. Property with underground or unprotected fuel storage tanks.
16. Property that has unfenced in-ground swimming pools or diving boards or unsecured aboveground swimming pools.
17. Premises with trampolines.
18. Daycare or nurseries whether incidental or not
19. Any building that is over two stories high (not counting basement), without prior company approval.
20. Risks that are open for business on a twenty-four hour basis.

Ineligible Classes

1. Bowling alleys and skating rinks.
2. Boarding, rooming, fraternity or sorority houses.
3. Fireworks manufacturing or distributor including but not limited to gun powder, dynamite, and ammunition.
4. Junkyards, scrap yards, auto wrecking yards.
5. Sawmills.
6. Amusement resorts and parks.
7. Automobile repair shops. (Including but not limited to service stations and body repair shops)
8. Automobile filling or service stations.
9. Automobile, motor home, mobile home and motorcycle dealers.
10. Health clubs and tanning parlors.
11. Marinas with or without repair service.
12. Restaurants with less than 70% of business from food.
13. Small engine repair service. (without prior company approval)
14. Bars, taverns and nightclubs.
15. Electric generating plants.
16. Grain elevators, grain tanks and grain warehouses.
17. Parking lots or garages.
18. Gas, fuel and petroleum dealers.
19. Operations engaged in manufacturing or processing.
20. Dealers in second hand goods, salvage stocks, pawnbrokers or auctions.

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Ineligible Classes (cont.)

21. Any risk that is predominantly bailee.
22. Storage or sorting of cardboard, paper or rags.
23. Banks, building & loan associations, savings & loan associations, credit unions, credit agencies, stockbrokers, finance companies, investment brokers or similar financial institutions.
24. Advertising agencies.
25. Detective agencies.
26. Labor or trade unions or associations.
27. Sale or repair of lawn mowers, snowmobiles, snow blowers or other small engines.
28. Art galleries, coin and stamp dealers.
29. Fur and jewelry stores.
30. Medical appliances, precision and scientific tool & instrument dealers.
31. Power equipment dealers.
32. Grocery stores/supermarkets with annual sales of more than \$1,000,000.
33. Musical instrument dealers.
34. Risks that derive more than 25% of total annual receipts from services performed off premises.
35. Any other classification that the company may consider unsatisfactory in the future.
36. Refer to the Class Desirability Section (CDS) of Businessowners Policy Program Underwriting Guidelines.

Ineligible Endorsement Conditions

Earthquake Coverage (SF-398)

- Before ten day waiting period has become effective.
- If coverage is written, it must remain on the policy for one year.

Beauty or Barber Shop Liability (LS-44)

- Beauty or barber school operations.
- Skin peel procedures.
- Previous professional liability claims have been filed against or reported to the applicant or employees.

Burglary and Robbery Coverage (SF-55 & SF-58A)

- No central station burglar alarm.

Clergyperson Professional Legal Liability (LS-45)

- Coverage ineligible for all limits.

Druggist Liability (LS-47)

- Products sold under applicant's own label.
- Receipts from equipment rented to others exceeds 10% of total sales.
- Sell, rent, lease or service of oxygen or oxygen equipment.
- Previous professional liability claims have been filed against or reported to the applicant or employees.

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Ineligible Endorsement Conditions (cont.)

Employer's Non-ownership Automobile Coverage (LS-50)

- Any operations including, but not limited to, pizza shops, restaurants, delicatessens, when off-premises delivery is offered.
- Any business which requires regular use of employees' personal automobiles in their work responsibilities. (i.e. salesmen, service). Personnel, magazine or newspaper (delivery, manufacturer's representatives, etc.)

Lead Coverage (FL-17) Temporary

- Buildings constructed prior to 1980 without proof of remediation.(lead abatement certificate)

Mortician or Cemetery Coverage (LS-46)

- Crematoriums.
- Chemicals not stored, handled and/or disposed of properly.
- Previous professional liability claims have been filed against or reported to the applicant or employees.

Personal Injury:

- Political office holders.
- Clergy.
- Newspaper publishers or reporters.

Sudden and Accidental Pollution Endorsement (LS-69)

- All classes ineligible for coverage .

Optional Coverages

Refer to the BOP Manual for optional coverages available. All optional coverages must be requested in detail on the application to be applied

Debit/Credit Table:

Refer to the Class Rates Manual for credit/debits available. All debits/credits used must be explained in detail on the application to be applied

Binding Authority:

<u>Solid Risk</u>	<u>Property</u>	<u>Liability</u>
All Eligible Classes	\$500,000	1,000,000

NOTE: All Risks bound must meet underwriting eligibility requirements for the specific program. Solid Risk is defined as an individual building and its contents, including time element coverages.

The Agent shall have no authority to bind the Company on windstorm, extended or physical damage coverage at any time during which the National Weather Service has issued, posted or placed into effect a tropical storm, hurricane or tornado advisory, watch or warning for the area in which the property for which such coverage is sought, is situated, located or owned.

To bind limits in excess of stated authority limits or to bind limits on a classification not listed above, a specific request must be made and approved by the Company.

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Binders cannot be issued for more than 30 days. The Company must be sent a copy of binder immediately upon the issuance of binder.

No agent may bind any risk that has been previously canceled or non-renewed by the Company. In the event the Company declines or terminates coverage by direct notice or any other legal means, the Agent may not re-bind that declined or terminated coverage without specific written authorization from the Company.

Submission Requirements

1. NCIC Commercial Lines Application or Commercial Acord application must be fully completed, signed by named insured and submitted to company within ten (10) working days from date coverage is bound. Company must be notified of binding immediately.
2. At least two (2) photos of all Insured buildings (front & rear) must accompany completed application. If there are other structures on the premises not to be insured please submit one (1) photo of each structure.
3. Business property (Contents) coverage B limit reaches \$50,000, at least one (1) photo of risk where contents are located must accompany application.
4. Current MS&B BVC Square Foot Residential Replacement Cost Estimator must accompany application
5. Minimum Deposit of 10% is required.

CLASS DESIRABILITY SECTION (DCS)

Class A = Acceptable

Class B = Normally Acceptable

Class C = Normally Acceptable

Class R = Refer To Company

Class P = Prohibited

Mercantile, Office, Apartment, Motel & Church Classes

- B-Apartment buildings - up to 20 units
- P-Apartment buildings - over 20 units
- A-Auto accessory store - No auto repair, tire recapping or vulcanizing performed
- B-Bagel shop - with baking
- C-Bagel shop - with cooking
- B-Bakeries - with baking on premises
- C-Bakeries - with cooking and selling on premises
- A-Bakeries, selling only (no baking) on premises
- P-Bar
- A-Barber and beauty supplies
- A-Barber and/or beauty shops with forms LS-76 and LS-76A attached
- P-Barber and/or beauty shops without LS-76 and LS-76A attached
- B-Bed & Breakfast-up to 10 units (Motels-up to 20 units)
- P-Bed & Breakfast-over 10 units (Motels-over 20 units)

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Mercantile, Office, Apartment, Motel & Church Classes (cont.)

- A-Beverage store, selling beer and wine
- A-Beverage store, selling no alcoholic beverages
- R-Bicycle shop
- A-Book and magazine store
- A-Camera and photographic supply store
- C-Candy, nut and confectionery store, with cooking on premises
- A-Candy, nut and confectionery store, with no cooking on premises
- A-Card and stationery store
- A-Carpet store, with less than 25% of total receipts derived from installation charges
- C-Churches
- A-Clothing store
- C-Confectionery, candy and nut store, with cooking on premises
- A-Confectionery, candy and nut store, with no cooking on premises
- A-Craft store
- A-Curtain and drapery store, with less than 25% of the total receipts derived from installation charges
- A-Delicatessen - no cooking
- B-Delicatessen - cooking with household appliances-no kitchen
- B-Department store with more than \$500,000. annual sales
- A-Department store with less than \$500,000. annual sales
- A-Drapery and curtain store, with less than 25% of the total receipts derived from installation charges
- P-Drug store, with cooking on premises
- P-Drug store, with no cooking on premises
- A-Fabric store
- A-Fish, meat and poultry store
- A-Floor covering store incl. carpet with less than 25% of the total receipts derived from installation charges
- A-Florist
- B-Furniture store
- A-Game, toy and hobby store
- P-Garden and lawn supply store
- A-General store
- A-Gift, novelty and souvenir store
- B-Glass, paint and wallpaper store
- A-Groceries, less than \$500,000 annual sales
- A-Hardware store
- B-Health food store
- B-Hobby, toy and game store
- A-Household appliance store, with less than 25% of total receipts derived from off-premises repair and service operations

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Mercantile, Office, Apartment, Motel & Church Classes (cont.)

- A-Ice cream store, no cooking on premises
- A-Kitchen accessories store
- P-Lawn and garden supply store
- R-Leather goods store
- A-Liquor store
- A-Magazine and book store
- A-Meat, fish and poultry store
- B-Motel-up to 20 units (Bed & Breakfast-up to 10 units)
- P-Motel-over 20 units (Bed & Breakfast-over 10 units)
- A-Music, tape and record store
- A-Novelty, gift and Souvenir store
- C-Nut, candy and confectionery store with cooking on premises
- A-Nut, candy and confectionery store with no cooking on premises
- A-Offices
- A-Office machine store
- A-Optical goods
- A-Paint, glass and wallpaper store
- B-Pet store
- A-Photography and camera supply store
- B-Pizza shop - with baking
- C-Pizza shop - with cooking
- A-Poultry, meat and fish store
- A-Radio and television store with less than 25% of total receipts derived from repair and service operations
- A-Record, tape and music store
- B-Retail NOC
- C-Restaurants with form SF-312, with alcoholic beverage sales of 30% or less of total annual receipts and without entertainment, dance floor, etc.
- P-Restaurants without SF-312 or with alcoholic beverage sales of more than 30% of total annual receipts or with entertainment, dance floor, etc.
- B-Restaurant equipment
- A-Sewing machine store
- A-Shoe repair store
- A-Shoe store
- A-Souvenir, gift and novelty store
- B-Sporting goods store without gun or ammunition sales, or repair or rental
- R-Sporting goods store with gun or ammunition sales that represent less than 5% of the total annual receipts with no repair whatsoever or rental
- A Stationery and card store

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Mercantile, Office, Apartment, Motel & Church Classes (cont.)

- B-Supermarket, more than \$500,000. annual sales
- A-Tailor shop (Men's and Women's)
- A-Tape, music and record store
- A-Television and radio store with less than 25% of total receipts derived from repair and service operations
- P-Tobacco store
- A-Toy, hobby and game store
- R-Upholstery goods store with less than 25% of total receipts derived from work performed
- A-Vacuum cleaner sales and service store
- A-Variety store
- A-Video store
- B-Wallpaper, paint and glass store
- P-Wholesale NOC

Service Classes

- B-Appliance repair
- P-Automatic car wash
- B-Clothing alteration, pressing & repair
- B-Clothing rental
- P-Clubs
- R-Coin operated laundries and dry cleaners (self service-attended)
- B-Dental labs
- B-Diaper service
- B-Dry cleaning plants (except rug cleaning)
- R-Electrotyping
- B-Engraving
- A-Funeral directors
- R-Industrial launders
- A-Laundry and dry cleaners pick up stations (no cleaning on premises)
- A-Letter service (mailing or addressing)
- B-Linen supply
- R-Linotyping
- R-Lithographing
- B-Photocopying & blueprinting
- R-Photoengraving
- B-Photofinishing laboratories
- B-Photographic studios
- R-Power laundries (not auto)
- B-Printing-commercial and related services



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Service Classes (cont.)

- B-Radio & TV repair
- B-Shoe repair
- B-Stenographic & duplicating NOC
- P-Storage buildings
- P-Valet service
- B-Watch, clock & jewelry repair
- B-Tailors
- B-Tuxedo rental