



CORNERSTONE
UNDERWRITING PARTNERS, LLC

UNDERWRITING GUIDELINES
GENERAL LIABILITY
GENERAL CONTRACTORS

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UNDERWRITING GUIDELINES

GENERAL CONTRACTORS

Version 4.2

The intent of these guidelines is to assist our producer partners in anticipating what our General Liability program for contractors can deliver. Price indications are available via our online rater. These indications are designed to provide a quick and accurate base price indication for most risks eligible for our program. This document is intended as a guide. No binding of risks is permitted. A full submission of our application either online or by way of cupsubmissions@cornerstone-underwriters.com is required in order for our underwriters to approve a risk. The approval process is usually completed in 24 hrs.

SECTION I – GENERAL PROGRAM INFORMATION

DESCRIPTION OF PROGRAM:

This is a General Liability program for small General Contractors including: Residential Home Builders, Residential - Commercial General Contractors involved in remodeling and tenant improvements and Commercial Builders. Our target risks are contractors with less than \$15,000,000 in annual receipts and less than \$3,000,000 for any given project: Higher receipts and project values can be considered. Please refer to Cornerstone Underwriting Partners (CUP).

PROGRAM DETAILS:

- No limitation on percentage of work subbed out
- Both Residential and Commercial General Contractors are eligible
- Residential Remodelers are eligible
- Condo/tract work is eligible up to 15 units new construction at one development (multifamily of more than 7 can be considered – check with our underwriting team)
- New ventures may be eligible
- Rated on subs payroll less cost of materials
- Annual receipts no greater than \$15,000,000 – higher receipts can be considered.
- Maximum annual receipts \$3,000,000 for any project – higher project values can be considered.

APPROVED CLASSES OF BUSINESS:

The program is limited to Acceptable Operations that satisfy **all** of the criteria applicable to the following ISO classifications:

See **Artisan guide for acceptable classes performed by sub-contractors of the General Contractor**

DESCRIPTION – INSURED SUB-CONTRACTED CLASSES	CLASS CODE	ACCEPTABLE OPERATIONS	UNACCEPTABLE OPERATIONS
Contractors-subcontracted work-in connection with construction, reconstruction, erection or repair - <u>not buildings</u> .	91581	Subcontracting work - not in relation to actual building construction such as millwrights, electrical or similar classes.	Anything that is noted under the Ineligible Risks Section below
Contractors-subcontracted work-in connection with building construction, reconstruction, repair or erection - <u>one or two family dwellings</u> .	91583	Subcontracting work in relation to one or two family dwellings construction. Residential contractors only.	Anything that is noted under the Ineligible Risks Section below.
Contractors-subcontracted work-in connection with building construction, reconstruction, repair or erection - <u>commercial buildings or residential in excess of 2 family dwelling</u> .	91585	Subcontracting work in relation to commercial buildings less than 4 stories and residential with more than 2 families.	Anything that is noted under the Ineligible Risks Section below.

See Artisan guide for acceptable classes performed by employees of the General Contractor

DESCRIPTION – EMPLOYEE & OWNERS PAYROLL CLASSES	CLASS CODE	ACCEPTABLE OPERATIONS	UNACCEPTABLE OPERATIONS
Employees Carpentry – construction of residential property not exceeding 3 stories in height (residential home builders)	91340	Employees who do general construction work such as framing, wood decks, flooring, siding or similar construction for residential.	Any manufacturing risks or anything that is noted under the Ineligible Risks Section below
Employees Carpentry – commercial construction	91583	Employees who do general construction, repair or tenant improvements on commercial structures.	Any excavation, manufacturing, roofing, refinishing of floors or furniture or anything that is noted under the Ineligible Risks Section below.
Owners, contractors executive or supervisor	91580	Owners, executive, supervisors or superintendents having managerial responsibility for construction or erection projects.	Anything that is noted under the Ineligible Risks Section below.

SECTION II – GENERAL ELIGIBILITY

ELIGIBLE RISKS:

- Residential Home Builders with less than \$15,000,000 in annual receipts and less than \$3,000,000 for any given project.
- Residential and Commercial General Contractors involved in major remodeling of condos, townhouses or apartments of up to 5 units at any one time.
- Applicants who have been in business for 3 years or longer.
- New ventures that have had a minimum of three years experience in the same contracting segment.

INELIGIBLE RISKS:

- General Contractors with less than 3 years experience except for new ventures with a minimum of three years experience in the same contracting segment.
- General Contractors who work on student housing, senior housing, assisted living facilities or retirement homes.
- General Contractors involved in any exterior work over three (3) stories in height.
- General Contractors engaged in any structural work including grading and excavation on slopes of greater than 30 degrees. Retaining wall may not exceed 6 feet in height.
- General Contractors with more than 2 claims in 3 years.
- General Contractors with one or more construction defect claims (open or closed).
- General Contractors that sell, install, service or repair alarm systems, automatic fire extinguishing systems, boilers, elevators, escalators, surveillance systems or TV monitoring systems, either commercial or residential.
- General Contractors that sell, install service or repair wood, coal or waste oil-burning stoves.
- General Contractors that remove asbestos insulation or asbestos containing material, fungus, mold or install insulation materials other than fiberglass or rock wool.

- General Contractors involved in the sale of chemicals, or the application of chemicals, such as herbicides or pesticides, to property.
- General Contractors that perform work for petroleum, industrial, or chemical facilities.
- General Contractors with operations/work on or for airport, elevator, environmental remediation, dock construction, railroad, roofing, hurricane shutter installation, swimming pool construction, traffic lights, underground tanks, skylights, EFIS.
- General Contractors involved in tunneling.
- General Contractors involved in any exterior work over three (3) stories in height.
- General Contractors who have been personally bankrupt or the principal in a company that has been bankrupt the past five years.
- General Contractors involved in recreational or playground construction.
- General Contractors where any officer, owner, or partner has a prior felony conviction in the last 5 years.
- Risks that perform or sublet any demolition or blasting operations.
- Contractors involved in restoration work involving smoke, fire, water or earthquake damage.
- General Contractors allowing open roof construction (except new construction on premises that are not yet certified for occupancy)
- Developers or Construction Managers

SECTION III – COVERAGE

Our base form is ISO with the following 3 policy form options:

Full Occurrence with no sunset clause; \$1,500 MP

Eligible contractor will use fully insured subcontractors, is held harmless and named as an additional insured by the subcontractors, and maintains records of same for 5 years. Special Conditions endorsement required.

Occurrence with a 2 year sunset clause; \$1,500 MP

For the contractor who will use underinsured or uninsured subcontractors, and feels that a two (2) year sunset provision to the occurrence policy provides adequate coverage length for his/her business.

Claims Made; \$1,500 MP

Eligible contractor will use fully insured subcontractors, is held harmless and named as an additional insured by the subcontractors and maintains records of same for 5 years. Can consider some uninsured/underinsured subs (less than 20%).

Special Conditions Endorsement

Every full occurrence policy or policies with longer than a 2 year sunset clause will have the Special Conditions endorsement which mandates the following prior to start of any work by sub-contractor:

- Certificate of insurance will be obtained on all sub-contractors indicating limits of coverage same as or greater than general contractor.
- Obtain proof that subs have workers comp coverage if required by state law.
- Obtain a written indemnity agreement from sub-contractor holding our insured harmless for all liabilities, including cost of defense arising from work performed by sub-contractor.
- Obtain proof that all licenses as required by law are up to date.
- Above records will be maintained for a minimum period of five (5) years.

Standard Endorsements & Exclusions

Our standard endorsements and exclusions on all Contractor policies are as follows:

- Subsidence exclusion
- Lead paint exclusion
- Asbestos exclusion
- Chromated copper arsenate exclusion (treated lumber typically used on older decks and outdoor structures).
- Cross suits exclusion
- Assault and battery exclusion
- Abuse and molestation exclusion
- Exclude Canine Liability
- Formaldehyde exclusion
- Open flame exclusion relating to work involved in removal of paint or coatings
- Exclusion of “torch down” and “torch on” roofing and other use of open flame and torches in roofing operations.
- Exclusion for third party action-over claims
- Exclusion of pending and prior litigation
- Demolition exclusion
- Intentional Injury exclusion
- Punitive and Exemplary Damage exclusion
- Roofing Limitation endorsement that excludes certain types of roofing operations.
- Minimum earned premium endorsement - 25% of the estimated annual premium.
- Underground utility location condition endorsement.
- Maintenance and Habitability Exclusion
- Fungi or bacteria exclusion
- Total Pollution exclusion with hostile fire exception
- Silica or silica related dust exclusion
- Employment- related practices exclusion
- Exclusion of inspection, appraisal and survey companies
- Exclusion of Exterior insulation and finish systems (EFIS)
- Exclusion – riot, civil commotion or mob actions
- Exclusion of construction management errors and omissions
- Exclusion – engineers, architects or surveyors professional liability
- Exclusion of contractors professional liability
- Exclusion of violation of statutes that govern e-mails, fax, phone calls or other methods of sending material or information.
- Exclusion - Nuclear energy liability
- Exclusion of punitive damages related to a certified act of terrorism
- Exclusion of Punitive Damages Related to Certified Act of Terrorism – CG 2190
- Terrorism related endorsements depending on coverage election

Additional terms and conditions may be stipulated for certain classes and territories.

Prior Acts Exclusion

This exclusion is mandated if there is a gap in coverage during the prior coverage term. Gaps in coverage could include:

- Prior policy was cancelled or not in-force for a portion of any prior year.
- Prior policy was not a full occurrence form – e.g., claims made or having a manifestation trigger
- New venture with no prior policy
- Other underwriting concerns that warrant the use of this exclusion

Project Specific Policy

Available with \$2,500 minimum premium. Policy is fully earned.

Additional Insured Coverages

- Additional Insured 2010 (04-07) will be charged \$100 (\$50 for South Carolina)
- Blanket AI's are available with \$250 premium charge.
- Blanket Primary/Non-contributory available – \$250 additional premium.
- Waiver of Subrogation available upon request and can be included with the \$250 premium charge for Primary/Non-contributory.
- Blanket AI endorsement could be subject to additional premium if number of AI's are excessive
- Additional Insured 2037 (07-04) is available for Commercial Projects with premium charge of \$100 per project. This coverage must be added to the 2010 (04-07) form.

Optional Coverages

- Designated Construction Project(s) (Per Project Aggregate) General Aggregate Limit 2503 (05-09) available for \$100 per project or \$500 on a blanket basis.
- Stop Gap 1111 (11-11) Available in WA for \$150 premium charge for \$500K coverage limit or \$250 premium charge for \$1M coverage limit.

Note: If policy is cancelled for any reason the premiums noted above are fully earned and not refundable to the insured. This premium is in addition to the policy minimum premium.

MAXIMUM POLICY PERIOD

- 12 months.

MAXIMUM COVERAGE LIMITS

- \$2,000,000 General aggregate
- \$2,000,000 Products/C.O. aggregate
- \$1,000,000 per Occurrence
- \$1,000,000 Personal/Advertising Injury
- \$100,000 Fire Damage Legal Liability (\$300,000 for commercial projects)
- \$5,000 Medical Payment Expense

DEDUCTIBLES

Standard Deductible is \$1,000 Property Damage Liability per claim. The Carrier's obligation to pay damage on behalf of the Insured or to defend the Insured applies only to the amount of damages in excess of the deductible amounts stated in the policy, not to exceed the limits of insurance applicable to each occurrence.

SECTION IV – Rating

Online Rater

Rate Indications are available online at: www.cornerstone-underwriters.com under the Partners Login.

Rating Adjustments

- All applicants subject to credits or debits up to +/- 25% - please request on your application if your target premium needs for us to utilize a credit or debit.

All surcharges or credits are subject to underwriter discretion.

Minimum Premiums

- Minimum Premium \$1,500 per policy
- Minimum Retained Premium for a policy cancelled for any reason shall not be less than 25% of the actual premium or \$500, whichever is greater.

SECTION V- SUBMISSION/BINDING REQUIREMENTS

ITEMS REQUIRED FOR SUBMISSION:

All quotes obtained online are considered indications. There are two methods to obtain a bindable quote:

- Complete the application at the end of the Online Indication process. Applications submitted online go directly to our underwriting team for immediate consideration.
- Send a complete ACORD application to cupsubmissions@cornerstone-underwriters.com.

You will usually receive a quote or response within 24 hours

ITEMS REQUIRED FOR BINDING

- Signed application and supplements are required only at the time of binding.
- Currently valued loss runs for the past 3 years or a signed statement of losses.
- Terrorism coverage election forms and all other required forms must be signed and dated by the insured.
- Quote Sheet to bind coverage must be signed by applicant and our Partner Producer.
- All Documents must be received in writing (EMAILED or faxed) and must be received prior to the effective date. COVERAGE CANNOT BE BACKDATED.

ADDITIONAL UNDERWRITING REQUIREMENTS:

- Contractors which have been in business for less than 3 years must have documented prior work experience for at least 3 years of similar operations.
- A New Venture supplement must be completed on all accounts that have not had three (3) prior years in business. (supplement is available online)
- Construction Managers supplemental must be completed for all submissions for Construction Managers.

SECTION VI – OTHER INFORMATION:

CERTIFICATES OF INSURANCE

- Certificates may be issued by the producer. The Additional Insured worksheet must be completed and forwarded to CUP within 30 days for any AI added. Please use our A.I. request form available in the Forms Library under Partner Login on our Web Site.
- Certificates to cover Additional Insureds are to be issued by producer using the standard ACORD certificate. No changes, additions or alterations of any kind to the certificate are permitted.

- CUP reserves the right to reject if the AI exposure merits such action (i.e., exposure is outside guidelines).
- Utility Companies or other entities requiring completion of their own certificates/endorsements must be referred to the CUP for approval prior to issuing

LOSS CONTROL/ INSPECTION FEES:

Risks may require inspections as determined by CUP. Most fees will range from \$100 to \$250 based on size and nature of the operation. If a physical inspection is indicated, costs may be passed along in our quote. All inspection fees are fully earned and must be remitted by our producers with the deposit payment. They are in addition to any minimum premiums.

Inspections will usually be completed within 30-45 days of binding coverage. Any request for an inspection refused by an insured could subject the policy to cancellation.

Terrorism Coverage Election:

TRIA coverage for war and terrorism is available to all insureds in the program for an additional charge of 20% of the underlying premium subject to a minimum of \$3,000. War and NCB coverage is not provided in the program. The insured must elect to take or decline the coverage in writing before the policy is bound.

PREMIUM AUDITS:

Policies under \$5,000 in annual premium will be issued “not subject to audit”. For policies above \$5,000 in annual premium Cornerstone may elect to do an audit – voluntary or physical.

POLICY REINSTATEMENTS

A policy may be reinstated for non-payment of premium one time with no additional charge. A second request for reinstatement due to non-payment of premium will be handled as a cancel/re-write subject to all fees, conditions and minimum premiums associated with a new policy.