

ARTISAN CONTRACTORS PROGRAM

Offered through:

ION
GENERAL
INSURANCE
SERVICES

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**ARTISAN CONTRACTORS PROGRAM
GENERAL LIABILITY MANUAL**

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PROGRAM SUMMARY

The Program provides general liability coverage for specified classes of trade contractors. The program was designed to meet the needs of small to mid-sized subcontracting companies doing business within the trades and construction industry. The program does not cover contractors who hold an active or inactive General Contractor’s or Builder’s License or contractors acting in the capacity of a General Contractor, Builder, Project Manager or Developer. The scope of work is limited to the customary and routine activities described in the selected classification.

PART I. SCOPE OF COVERAGE

Coverage applies only to the operations included in the classification of operations selected.

The policy excludes coverage and/or supplementary payments for defense or expense cost under any part of the policy arising out of:

- A. Operations which are not customary to the classification of operations shown in the Policy Declarations;
- B. Exterior work exceeding three stories in height;
- C. Street or road work;
- D. Power line construction, burglar or fire alarm system, electrical machinery or auxiliary apparatus work;
- E. Liquefied petroleum gas (LPG) equipment sales or work;
- F. Spraying; tree trimming, tree removal or tree pruning;
- G. Painting of tanks;
- H. Exterior Spray painting;
- I. Fire sprinkler installation or service;
- J. Sign erection or sign work above the first floor;
- K. Swimming pool installation, service or repair;
- L. Telephone or cable line construction;
- M. Satellite dish installation;
- N. New residential property, town home, condominium, row home, apartment, housing project or dwelling work prior to the certificate of occupancy;
- O. Removal of any asbestos.

PART II. GENERAL RULES

- . Policy Term - Policies may be written for one year and renewed annually.
- A. Minimum premium per Policy Limit
Minimum premium is not subject to modification

Limit of Liability Insurance	Minimum Premium
Up to \$500,000	\$750.00
Over \$500,000	\$1,000.00

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- B. Binders – Coverage is not bound without express written approval from Ion General Insurance Services.
- C. Risk Canceled or Non-Renewed By Other Company - Refer to Company for prior approval. We ask that full information regarding the reason for cancellation or non-renewal and the conditions or preventive steps taken by the insured be submitted for our consideration.
- D. Financial Underwriting - In some cases, we may request financial statements to determine the acceptability of the risk. Businesses should be successfully operated for at least three years, exhibit sound financial condition and have experienced management. Risk with fair, marginal or poor ratings, should be referred to the Company.
- E. Rounding
 - 1. Premium - each coverage or exposure, which requires a premium calculation, will be rounded to the nearest whole dollar. Fifty cents or more, round up to the next dollar. Charge a premium of at least \$1 whenever a separate premium is calculated.
 - 2. Rates - Round rates, factors and multipliers after the final calculation to three decimal places. Five tenths or more of a mill shall be considered one mill, e.g. .1245 = .125.
- F. Premium Changes
 - 2. Change In Number of Employees - Determine the number of days from the date of change to the expiration date of the policy. If 122 days or more, employee is considered a full time employee. If 121 days or less, employee is considered a part time employee.
 - 3. All Other - Pro rate all premium changes using the rates and rules in effect on the effective date of policy.
- A. Waiver of Premium
 - Waive additional or return premium of \$10.00 or less.
- III. Cancellations
 - 10. Pro rate cancellations when policy is canceled:
 - . At the request of the company.
 - a. Nonpayment of premium except when nonpayment of premium is to a premium finance company.
 - b. Insured no longer has a financial or insurable interest in the property or business operation.
 - c. Rewritten in the same company.
 - 1. Other cancellations - When a policy is canceled for any reason other than outlined in rule I.1, including nonpayment to a Premium Finance Company, compute the return premium using .90 of the pro rata unearned premium.
 - 2. Number of Employees - Cancellation
 - d. Proprietors, partners and officers active in the business are considered a full time employee.
 - e. Other than proprietors, partners, officers and clerical employees:

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Determine the number of days from the effective date of the policy to the cancellation date of the policy. If the employee worked 1/3 (.333) days or more of the total number of day's policy was in force, then employee is considered a full time.

If the employee worked less than 1/3 (.333) days of the total number of days policy was in force, the employee is considered a part time employee. When more than one part time employee, add total number of days for all part time employees together and divide by 1/3 (.333) of the number of days policy was inforce to determine the total number of part time employees.

Example: Policy period: Effective 1-1-93 Canceled 6-1-93
 Policy Inforce 151 days (1-1-93 to 6-1-93)
 $151 \times 1/3 \text{ or } .333 = 50.28 \text{ or } 51 \text{ days}$
 Full-time is employee working 51 days or more.

Part-time is employee working 50 days or less. Add total number of days worked for all part time employees together. Divide the total number of part time days by 50 to determine the total number of part time employees when more than one. i.e. Assuming we have 5 part time employees working a total of 132 days. Divide 132 by 50 = 2.64 or 3 part time employees for rating purposes.

- a. Apply cancellation factor determined in 1.or 2. to annual full and part time premiums developed to develop cancellation premium.

A. Payment Plans

- 1. All premiums should be submitted net of commission. Producer should make deposit trust check payable to Ion General Insurance Services. Checks from the applicant/insured are not acceptable.

OPTIO N	DESCRIPTION	AMOUNT TO COLLECT AND SEND TO ION
1	Premium Finance arranged by Ion (Complete PREMIUM FINANCE AUTHORIZATION)	25% of Premium, <i>less your commission</i> + \$250 Company Policy Fee
2	Payment in Full	Total Premium, <i>less your commission</i> + \$250 Company Policy Fee
3	Outside Premium Financing (Attach copy of completed, signed Premium Finance Agreement)	25% of Premium, <i>less your commission</i> + \$250 Company Policy Fee

2. Premium Financing

- Premium may be financed through Ion if the Premium Finance Authorization on the application is signed by the applicant and the producer.
- If the premium is financed through a premium finance company other than one arranged by Ion, a copy of the completed, signed Premium Finance Agreement must be submitted along with the application. Please also indicate the name of the Premium Finance Company on the application.
- Downpayment is as follows: 25% of the entire policy premium, less your commission along with a \$250 fully earned Company Policy Fee.

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- Your agency will be liable for any earned premium if any outside Premium Finance Company stops payment on its draft for any reason.

K. Referrals To The Company - Refer to the Company any risk or exposure for which:

4. No manual rate or applicable classification is included in this manual.
5. Risk canceled or non-renewed by other company.
6. Risk with fair, marginal or poor financial rating.
7. Risk with prior loss in 5 years.
8. Additional Insured coverage is needed.

. Situations Not Contained In This Manual - Contact the Company for prior approval.

A. Certificates of Insurance and Additional Insured Guidelines

. Certificates of Insurance

For proof of insurance (evidence of coverage) only, may be issued at the agency level. No special wording may be added. The agency is not required to send copies of Certificates of Insurance to the Company. A Certificate of Insurance, as stated in the ACORD form, is issued as a matter of information only and confers no rights upon the certificate holder. It does not amend, extend or alter the coverage afforded by the policies listed in the certificate. It is unacceptable to indicate that the certificate holder is an Additional Insured unless the policy has been endorsed by the Company adding the certificate holder as an additional insured.

. Additional Insureds

All additional insureds must be approved by the Company and must be endorsed to the policy. Additional Insured Endorsement Forms are only to be issued by the Company. Special wording, including Primary Wording and Waiver of Subrogation is not acceptable.

B. Audit Basis - General Liability premiums and exposures are subject to final audit. Earned premium for the exposure will be determined at the end of the policy period.

C. Disclaimer - This manual contains only general, descriptive information about our product. It is not a policy contract of any kind; the policy itself is the contract.

Q. Renewal Guidelines

1. Renewal quotes will be mailed directly to the agent. Policies will not be renewed unless requested by the insured or agent, along with the appropriate downpayment.
2. To avoid a lapse in coverage, payment must be received prior to the expiration date. Payments received after the renewal date will be renewed effective the date payment received by the company. (lapse in coverage) Payments received more than 14 days from the renewal date will be returned with no coverage afforded.

R. Reinstatement With a Lapse In Coverage Guidelines

To avoid a lapse in coverage, all outstanding issues or payments must be received by Bankers prior to the cancellation date.

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If the policy has been cancelled and required information or payment is received, the policy may be eligible for reinstatement with a lapse in coverage. Contact the Customer Service department for prior approval. Guidelines are as follows:

- Payment or required information is received no more than 14 days after the date of cancellation date; and
- No prior reinstatement with a lapse during the policy term.

Coverage will be reinstated with a lapse in coverage effective on the date approval given by the carrier. ***No coverage is bound without prior approval from the carrier.***

PART III. ELIGIBILITY

A. Classification of Risk

Based on the applicant's business operation and work performed, choose the eligible classification(s) which describes the operation. Coverage applies only to operations that are customary to the Classification(s) shown on the Policy Declarations. The applicant's scope of work is limited to the customary and routine activities described in the Classification(s) that are selected. Any changes in the contractor's business operations must be submitted to the Company for approval and endorsement to the policy. Contractors performing work in more than 3 classifications or unrelated classifications are not eligible. Handyman risks are not eligible. Contractors that hold a General Contractor's or Builder's license or otherwise acting in the capacity of a general contractor, builder, project manager or developer are not eligible, whether active or inactive. Misrepresentation of information will result in flat cancellation or voiding of coverage. Questions regarding proper classification of business operations should be referred to Company.

B. Subcontract Labor

Total payroll or cost for all sublet work must not exceed 10% of total receipts.

If the insured sublets any work, the insured must obtain Certificates of Insurance indicating general liability including products and completed operations coverage with limits not less than \$100,000.

Operations performed by subcontractors without adequate insurance shall be classified and rated under the specific classification of each operation in the same manner as though work was performed by the insured's own employees.

C. Incidental Sales Non-Related to Installation, Service or Repair shall not exceed 15% of total receipts.

D. Time In Business - Business should be successfully operated for at least three years. Start-up operations or new in business will be considered by providing information regarding prior employer and three or more years prior experience in the same particular trade.

E. Prior Insurance - Prior expiring insurance is a trademark of a well run, financially sound business. See General Liability rate section for rate modification for prior general liability coverage that may apply. To qualify for discount, proof of prior insurance must be included with each new

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application. Proof must be in the form of a General Liability declarations page, renewal/nonrenewal notification or cancellation notice from prior carrier in applicant's trade name indicating an expiration or cancellation date less than 30 days from effective date of Bankers policy. Prior coverage must have been in effect for at least six months.

PART IV. INELIGIBLE RISK

The following risks are NOT eligible for coverage under the Artisan Contractor Program:

0. Contractors that hold a General or Building Contractors license (B - License) whether active or inactive.
1. Contractors acting in the capacity of a general contractor, builder, project manager or developer.
2. Contractors that work or have worked on NEW residential construction prior to:
 - . The occupancy and possession of the property by the owner or tenant; or
 - . The issuance of a certificate of occupancy; or
 - . The notice of completion with appropriate State, County, City or Local agency; or
 - . The final permit issued by the appropriate State, County, City or Local official or employee;
3. Applicant that has ever been named in a lawsuit alleging construction defects;
4. Applicant that has or had a negligent claim made against them for any construction defects, products liability or other negligent claim;
5. Risks that perform exterior work on buildings exceeding three stories in height.
6. Risks that have an annual payroll in excess of \$300,000.

PART IV. INELIGIBLE RISKS (CONTINUED)

7. Risks that have annual gross receipts in excess of \$1,000,000.
8. Risks that work outside the state of domicile.
9. Risks that sublet more than 10% of their work to others.
10. Risks with less than 3 years' experience in selected trade(s).
11. Risks engaged in the renting or leasing of equipment to others.
12. Risks engaged in selling or manufacturing if products sold under the insured's name.
13. Risks that perform work on boats or ships.
14. Risks involving removal of any asbestos.
15. Risks sponsoring sporting or social events.
16. Risks that perform roofing work, including installation or repair of roof flashings, shingles, roof coatings or paint.

PART V. MANDATORY COVERAGE

- A. General Liability Coverage - Premises Operation including Products - Completed Operations, Personal Injury & Advertising Injury, Fire Damage and Medical Expense coverage is provided on an occurrence basis.

The following is included in the base premium rate:

- ◆ General Aggregate Limit \$100,000
(other than Products/Completed Operations)

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◆ Products-Completed Operations	\$100,000
Aggregate Limit	
◆ Personal & Advertising Injury Limit	\$100,000
◆ Each Occurrence	\$100,000
◆ Fire Damage Limit - Any one fire	\$100,000
◆ Medical Expense Limit - Any one person	\$ 5,000

Higher occurrence and aggregate limits are available. Refer to the State Rate Pages for limits available. Higher limits do not increase Fire Damage or Medical Expense coverage.

B. Deductible - A \$1,000 per claim Property Damage deductible applies.

C. Certified Acts of Terrorism Coverage

The “Terrorism Risk Insurance Act of 2002” establishes a program within the Department of Treasury in which the federal government will share the risk of loss from terrorist attacks with the insurance industry. Federal participation will be triggered when the Secretary of the Treasury certifies an act of terrorism, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism committed by an individual(s) acting on behalf of any foreign interest, provided the terrorist act results in aggregate losses in excess of \$5 million. With respect to insured losses resulting from a certified act of terrorism, the federal government will reimburse individual insurers for 90% of losses in excess of the insurer’s retention, which is based on a specified percentage of the insurer’s earned premium for the year preceding the loss. Insured losses covered by the Program are capped at \$100 billion per year unless subsequent action of Congress changes that amount; this provision serves to limit insurer’s liability for losses. All insurers providing commercial casualty insurance are required to participate in the Program to the extent of offering and making available coverage for certified acts of terrorism in accordance with the terms and conditions of the Policy.

1. New and Renewal Business—The insurer will automatically provide coverage for losses caused by federally certified acts of terrorism, subject to underlying policy provisions. The insurer will disclose to the policyholder the premium for losses covered and the federal share of compensation for such losses under the Program at the time of offer, purchase and renewal of the policy. The insurer will use the Cap on Losses From Certified Acts of Terrorism Endorsement **CG 21 70** which states that the insurer will not pay any amount for injury or damage for any certified act of terrorism after the amounts of all such events in a statutory period exceed the cap provided by the Act.
2. Mid-Term Policies – For all policies in effect on the date of enactment of the “Terrorism Risk Insurance Act of 2002”, the insurer will disclose to the policyholder the premium for losses covered by the Program and the federal share of compensation for such losses under the Program not later than 90 days after the date of enactment
3. Premium for Certified Acts of Terrorism Coverage will be \$0.00.

PART VI. FORMS AND ENDORSEMENTS

G. Mandatory forms and endorsements attached to All Policies:

1. Common Policy Conditions, IL0017
2. Policy Declarations, BGL99.001.

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3. Commercial General Liability Occurrence, CG0001.
4. Nuclear Energy Exclusion, IL0021.
5. Asbestos Exclusion, BGL99.300.
6. Abuse or Molestation Exclusion, CG2146.
7. Exclusion - Designated Work or Operation, BGL04.331.
8. Employment Related Practices Exclusion, CG2147.
9. Lead Contamination Exclusion, BGL99.306.
10. Notice - Policy Subject to Audit, BGL99.00B.
11. Quick Reference, CL175.
12. Deductible Insurance, CG0300.
13. Premium Basis, BGL99.304.
14. Monies Due Us, BGL99.301.
15. California Changes, IL2070.
16. Amendatory Endorsement, BGL04.333.
17. Punitive Damages, BGL04.334.
18. Total Pollution Exclusion, CG2149.
19. Contractor & Subcontractor, BGL04.335.
20. Known Prior Incident(s) and Prior Construction Defects Exclusion, BGL99.336.
21. Fungi or Bacteria Exclusion CG2167.
22. Prior Completed or Abandoned Work Exclusion, BGL04.200.
23. Cap on Losses From Certified Acts of Terrorism Endorsement CG2170.
24. Disclosure Pursuant to Terrorism Risk Insurance Act of 2002, IL0985.

PART VII. HOW TO RATE

A. General Liability Coverage (Mandatory Coverage)

1. Based on the insured's business operation choose the classification(s) from the Classification Section of the manual, which describes the operation. For insured's who engage in more than one eligible classification by one employee, assign the highest rated classification of operation for development of premium. Indicate "if any" for other classification(s) of operation. Refer to Part III, Eligibility-Classification of Risk for more information.

Eligible classification means only those classifications indicated in the classification of operation schedule.

2. Determine the number of full time and/or part time employees.
 - a. Full Time Employee means:
 - (0) Proprietors
 - (1) Partners
 - (2) Officers active in the business - except those that exclusively handle clerical duties
 - (3) Any other employee other than clerical office employees working 122 days or more in any one year, or working 1/3 (.333) days or more of the total number of days policy was in force when the policy is canceled.
 - b. Part Time Employee means:

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- (0) All employees other than proprietors, partners, officers and clerical office employees working 121 days or less in any one year, or working less than 1/3 (.333) days of the total number of days policy was in force when the policy is canceled.
 - (1) When more than one part time employee, add the total number of days worked for all part time employees. Divide the total number of days by 121 for any one year policy or by the 1/3 (.333) number of days policy was in force for a canceled policy.
 - (2) The result is the total number of part time employees. Employees are rounded to the next highest number; example 6.20 is rounded to 7.
Example: Policy Period 01-01-93 to 01-01-94
 10 part time employees worked a total of 750 days.
 750 divided by 121 (one year policy) equals 6.20 or
 7 total part time employees.
3. Select the premium for each full time and/or part time employee from the General Liability State rate Page for the classification of risk and the limit of liability selected.
 4. Multiply the premium determined in item (3) by the total number of full time and/or part time employees.
 5. Multiply total general liability premium by the General Liability Modification Factor for:
 - . increased aggregate limit.
 - a. risk in business without prior general liability coverage or lapse in expiring coverage of more than 30 days.
 - b. Risk in business with proof of prior general liability coverage

PART VIII. GENERAL LIABILITY COVERAGE MODIFICATION

- A. Risks in Business Without Prior General Liability Coverage or Lapse in Coverage of More than 30 days - multiply the Total General Liability Premium by 1.50.
- B. Prior Coverage Discount - Multiply the Total General Liability Premium by .85.
 To qualify for discount, proof of prior insurance must be included with each new application. Proof must be in the form of a General Liability declarations page, renewal/nonrenewal notification or cancellation notice from prior carrier in applicant's trade name indicating an expiration or cancellation date less than 30 days from effective date of Bankers policy. Prior coverage must have been in effect for at least six months.

PART IX. OPTIONAL COVERAGES

- . Additional Insured Interest – Must be endorsed to the policy. No premium charge.
 - 0. Lessor of Leased Equipment, Form CG2028
 - 0. Managers or Lessors of Premise, Form CG2011
 - 1. Owners, Lessee or Contractors - Form B, Form CG2010 (10/93)
 - 0. State or Political Subdivisions - Permits, Form CG2012
- B. Increased General Aggregate Limit - Two Times the Occurrence Limit
 Multiply the premium for the occurrence limit selected by the following modification.

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<u>Limit</u>		
<u>Occurrence</u>	<u>Aggregate</u>	<u>Modification</u>
\$ 100,000	\$ 200,000	1.02
\$ 300,000	\$ 600,000	1.02
\$ 500,000	\$1,000,000	1.01
\$1,000,000	\$2,000,000	1.01