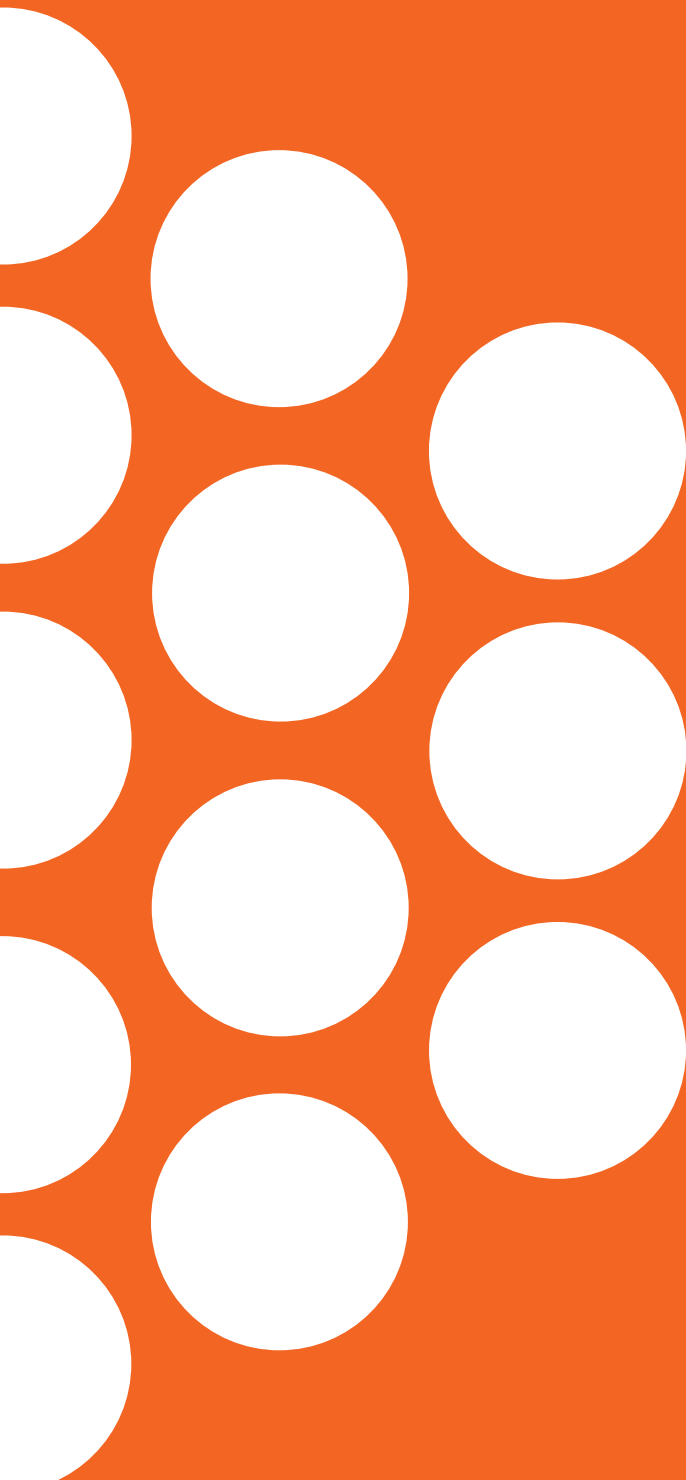


UNDERWRITING GUIDELINES/ PROGRAM MANUAL



aquapac
BOAT/YACHT
INSURANCE PROGRAM

These guidelines are provided to assist you in evaluating the acceptability of each customer in our AquaPac Boat & Yacht Insurance Program. Each situation will require individual underwriting judgment which may affect acceptability, pricing or coverage availability. On occasion a risk may be deemed unacceptable even though it is not expressly prohibited.

Available forms, quote sheets, guidelines, etc. can be found and downloaded from the Agent Resources section of our norman-spencer.com website.

Our Wholesale Underwriting Team can be reached at **800.252.9597, option 3** when prompted. You can also submit quotes or any other request via email at wholesale@norman-spencer.com or by fax at **209.466.6911**.

GENERAL RULES / INFORMATION

1. Company / Program

- a. American Family Home Insurance Company for all states other than Maine and New Hampshire.
- b. American Southern Home Insurance Company for Maine and New Hampshire.
- c. Some underwriting and coverage differences can be found in these guidelines between the Western and Eastern states. Western States equals, Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming.

2. Claims

- a. Customers are provided our Claims contact information.
- b. Any agent receiving a notice of loss should inform the customer to report the claim directly to Norman-Spencer at **800.252.9597, option 5** when prompted.

3. Application (and Supplements), Payments

- a. A signed application and down payment is not always required prior to binding. It is however preferred. An Underwriter can provide you with the application, or assist in collecting payment.
- b. Situations that may require a signed application prior to binding include when an Excluded Operator Application Supplement, Speed Warranty Application Supplement, or Hurricane Plan is required (for instance).
- c. An acceptable Hurricane Plan is required for vessels \$500,000 or greater moored in salt or brackish water, or in any waterway subject to surge from storms. An Underwriter may request a Hurricane Plan on any size or value vessel as a condition of quoting and/or binding.
- d. If no application or payment is collected prior to binding, we will deliver a pre-filled application to the customer, who is instructed to sign and return to us. We will also send a statement with applicable payment options for the down payment and subsequent installments.

4. Minimum Premium

- a. Class BP (Personal Watercraft) = \$65
- b. All other classes = \$100 in Eastern States and \$250 in Western States

5. Hull Value

- a. Purchase price will be used for new purchases.
- b. Private sales may require bill of sale and verification of actual value.
- c. All values will be verified using pricing materials such as ABOS, NADA, BUC, online sources, selling prices of similar vessels in the chosen region, etc. ABOS is the primary source for AquaPac valuation.
- d. Values outside of verifiable values can be accepted with Underwriter approval.
- e. Maximum hull value of \$1,000,000.

6. Hull Age

No maximum hull age applies. However, age combined with other factors may deem a unit ineligible or require approval.

7. Maximum Speed

- a. 80 miles per hour. Individual class maximums will apply.
- b. Speed will be verified utilizing AquaPac approved speed formulas, or BAM online.
- c. Prop horsepower (if available) will be used to determine correct horsepower.
- d. If unsure of top speed prior to submission, verify with the following manual speed calculation. Note, this formula may not be accurate for higher end performance boats, and does not consider other givens such as hull design, etc:
 - (1) Length Overall x Horsepower = 1
 - (2) $1 / \text{Hull Weight (include 500 lbs for necessary operating equipment, AND 500 lbs for each outboard)} = 2$
 - (3) Square Root of $2 \times 32 = \text{Speed}$
 - (4) Additional considerations
 - (a) If sterndrive or outboard then Speed x 1.3
 - (b) If beam greater than 8'6" then Speed x .90
 - (c) Horsepower for twin engine sterndrive is total HP * .80

8. Watercraft Use

- a. All coverage is for Private Pleasure Use, unless an available commercial use or liveaboard endorsement is attached to the policy.
- b. Lay-up and Storage.
 - (1) Discounts are available in most states and will vary depending upon the location of the risk. Usage in warm weather climates or states with extended boating seasons will be limited. The watercraft should be properly protected against loss or damage. Consideration must be given for the state, facility, marina, etc. For instance, proper protection should be provided for watercraft stored in-water in a state where freezing is common.
 - (2) A Lay-Up Warranty is not always required. Determine the circumstances of the lay-up, and request the warranty if needed.
- c. Liveaboard is acceptable with the Liveaboard Endorsement.
- d. Port Risk is permitted with the Port Risk Endorsement.

9. Mooring Location

- a. The rating location will be the state where the watercraft is regularly moored 6 or more months per year.
- b. The Absentee Ownership Questionnaire must be provided when the watercraft is moored far enough away where the applicant/insured is unable to easily get to the watercraft in the event of a problem, or to routinely check on the watercraft.
- c. Territories may be temporarily restricted by our carrier.

CONDITION & VALUE SURVEYS / SELF-INSPECTION FORM

Survey rules may be adjusted depending upon the risk. Consideration for changes will be based upon the condition of the vessel, when the last survey was completed, submission of maintenance records, routine bottom maintenance, current service contracts with the customer's marina, etc.

1. An Out of Water Condition and Value Survey is required on watercraft 27 feet or greater and 16 years or older.
2. A new survey will be requested every 5 years as a condition of renewal.
3. The survey must have been completed within the past 12 to 24 months. Older surveys can be acceptable with other supporting information.
4. Pontoons (Class P) of any length are exempt from survey requirements, if moored in fresh water. Houseboats that utilize pontoon systems for flotation are NOT exempt.

5. All surveys should be performed by an accredited NAMS or SAMS surveyor, or a surveyor reviewed and approved by us.
6. Surveys may be requested for any reason at the discretion of an Underwriter.
7. A Self Inspection Form may be utilized at the discretion of an Underwriter for any vessel.

CLASSES, GENERAL ELIGIBILITY

1. **BOAT POLICY** Classes:
 - a. Class A and Class B
 - (1) A full range of everyday trailerable watercraft such as runabouts, ski boats, etc.
 - (a) Class A, speeds up to 65 miles per hour.
 - (b) Class B, speeds from 66 to 71 miles per hour.
 - b. Class C, High Performance
 - (1) Speeds 72 to 80 miles per hour.
 - (2) Speed Warranty Endorsement must be included.
 - (3) Speed Warranty Application Supplement must be provided prior to binding.
 - c. Class F, FishOn
 - (1) FishOn Program is designed specifically for tournament style bass and walleye boats (or similar). Everyday fishing boats or customers that are not avid bass fishermen should be placed in another appropriate class.
 - (2) Speeds up to 75 miles per hour.
 - (3) *Note:* Customers requiring endorsements for tournament coverage, tournament reimbursement, or professional angler must be placed in Class F.
 - d. Class P
 - (1) Pontoon and Tritoon boats with performance levels similar to Class A.
 - (2) Houseboats with pontoon style flotation are not permitted in Class P.
 - (3) Speeds up to 65 miles per hour.
 - (4) Speeds greater than 65 are reclassified to Class B or Class C.
 - e. Class BP
 - (1) Personal Watercraft / PWC.
 - (2) Jet boats (e.g., SeaDoo Speedster) and will be placed in an appropriate boat class.
2. **YACHT POLICY** classes:

Yacht classes have a maximum of 55 miles per hour.

 - a. Class DC
 - (1) Larger powerboats such as cruiser or sportfish.
 - (2) Trawlers greater than 25 miles per hour.
 - b. Class DH, Houseboats of any length.
 - c. Class DS, Sail
 - (1) All sailboats, regardless of length.
 - (2) Mono and multi-hull acceptable.

d. Class DT, Trawler

- (1) Trawlers, as used for classification and rating, are not a specific design. A trawler will be deemed any slow moving watercraft 27 feet or greater, with a top speed of 25 miles per hour.
- (2) Speeds in excess of 25 miles per hour will be placed in Class DC.

3. **HORSEPOWER TO LENGTH GUIDE**

The following table is a guide only. It is a quick way of determining overall speed eligibility. Speeds will vary based upon hull design and displacement, and use (ski versus runabout for example).

All speeds will be verified for an accurate quote and bind.

INBOARD, INBOARD/OUTDRIVE (non-supercharged/turbocharged; no blowers)		OUTBOARD	
Length	Horsepower	Length	Horsepower
14' to 16'	200	14'	75
17' to 18'	265	15'	95
19' to 20'	350	16'	150
21' to 26'	475	17'	200
27' or greater	525	18' or greater	300

OWNER / OPERATOR

- 1. Minimum owner age of 18 in Eastern states; 21 in Western states.
- 2. Foreign licenses are not permitted. Owners must hold a valid U.S. license.
- 3. Up to 4 owners permitted. Provide supporting documentation for requests for additional owners.
- 4. Experience. The following minimum experience is required with like kind and size.
 - a. Experience is not a requirement for Class A watercraft under \$25,000 in value.
 - b. 1 year for Class A over \$25,000.
 - c. 2 years for watercraft 27 feet and greater.
 - d. 2 years for watercraft in Classes B, C, and F.
 - e. 2 years for any value \$500,000 or greater.
- 5. MVR
 - a. Agents are responsible for ordering and maintaining their own MVRs.
 - b. MVRs must be ordered on the following:
 - (1) Over 65 mph, regardless of class.
 - (2) Owners under the age of 25.
 - (3) No identifiable experience (while still meeting experience rules).
 - (4) Non Yacht classes for P&I limits of \$500,000 or greater.

AVAILABLE COVERAGES

The following provides general rules and descriptions of coverage. Refer to policy forms and endorsements for coverage terms and restrictions.

- 1. Protection & Indemnity (Liability)
 - a. Maximum limit is \$1,000,000.

- b. Minimum limit requirements:
 - (1) \$100,000 for all classes other than BP (PWC).
 - (2) \$50,000 for Class BP in Arkansas.
 - (3) \$100,000 for Class BP in Utah.
- c. Includes coverage for Defense Cost, Wreck Removal, and up to 15 days coverage for injuries to Captain/Crew.
- 2. Uninsured / Underinsured Boaters.
 - a. Maximum limit of \$500,000.
 - b. Included at a limit equal to P&I (up to \$500k) in all classes.
 - c. Underinsured component is only available for Yacht classes in the Western states.
- 3. Contaminant Spill / Pollution Liability. Included at a limit of \$854,400.
- 4. Boat / Yacht & Equipment
 - a. Standard Coverage
 - (1) Boat Policy
 - (a) Agreed Value for units 10 years and newer.
 - (b) Market Value (ACV) for units 11 years and older.
 - (c) Agreed Value can be extended for boats 11+ years in the Eastern states.
 - (2) Yacht Policy
 - (a) Agreed Value for all age watercraft.
 - (b) Provides the following coverage options that are not found in the Boat Policy:
 - 1. Rental Reimbursement.
 - 2. Named Storm Protection (Haul Out).
 - 3. Additional Repairs (Repair Guarantee).
 - 4. Reduced (\$250) Electronics Deductible.
 - 5. Extended Parts Replacement (10 years on most parts). Coverage applies to part age, not unit age.
 - 6. \$3,000 of unscheduled Tender / Dinghy.
 - (3) FishOn
 - (a) Includes Boat Policy core coverage form.
 - (b) Optional FishOn Plus, Pro Angler, and Tournament Reimbursement endorsements
 - (4) Disappearing Deductible Endorsement
 - (a) Provided on every new business policy at no charge.
 - (b) Is NOT mutually exclusive of Renewal (Claims Free) Discounts in the Eastern states. They are however mutually exclusive in the Western states.
 - b. Loss Settlement Optional Coverages
 - (1) Market Value (ACV).
 - (a) In most states this is a 25% decrease in Hull Premium. The pricing will vary in some states.
 - (b) Available for Boat Policy watercraft new to 10 years old.
 - (c) Available for Yacht Policy for watercraft of any age.
 - (2) Extended Parts Replacement
 - (a) 10% increase in Hull Premium.

- (b) Used generally for the Boat Policy since the depreciation is more rapid.
 - (c) Provides for replacement cost protection for most parts new to 10 years old.
 - (d) Coverage pertains to part age NOT unit age, and the endorsement can be applied to a vessel of any age. For refits or refurbishments, consider adding this endorsement to continue replacement cost allowances.
- (3) Extended Agreed Value
- (a) 10% increase in Hull Premium.
 - (b) Available for Boat Policy for watercraft 11 or more years old.
 - (c) Not available in Western states.
- (4) Total Loss Replacement
- (a) 10% increase in Hull Premium.
 - (b) Available for any watercraft new to 4 years old.
 - (c) Provides Total Loss Replacement for watercraft through the 4th model year. Coverage will be removed at renewal, once the vessel reaches its 5th model year. Calculation will be current year minus model year.
 - (d) Maximum payment is Agreed Value PLUS 20% for watercraft 27 feet and greater.
 - (e) Not available for Yacht classes in the Western states.
- c. Trailer
- (1) Coverage provided within Coverage A; subject to the limit shown on the declarations for the trailer.
 - (2) Rating is 2% of the insured value.
 - (3) \$250 deductible. In Western states, the deductible range is from \$100 to \$500 based on value.
- d. Tender / Dinghy
- (1) Coverage provided within Coverage A; subject to the limit shown on the declarations for the tender / dinghy.
 - (2) Coverage for unscheduled Tender / Dinghy included at \$3,000 with Yacht Policy.
 - (3) Rating is 2% of the insured value IN EXCESS of the automatic \$3,000.
 - (4) \$250 deductible.
- e. Deductibles in Eastern states. All deductibles are available for all classes, with the exception of classes B and C (below).
- (1) 1%, \$250 minimum
 - (2) 2%, \$500 minimum
 - (3) 3%, \$750 minimum
 - (4) 4%, \$1000 minimum
 - (5) 5%, \$1500 minimum
 - (6) Class specific minimums:
 - (a) Minimum 2% for Class B.
 - (b) Minimum 3% for Class C.
- f. Deductibles in the Western States are as follows:
- (1) Classes A & F = 1%, 2% and 3% available with a \$250 minimum.
 - (2) Class B = 2% (\$300 min), 3% (\$600 min) and 4% (\$1200 min).
 - (3) Class C = 3% (\$400 min), 4% (\$800 min) and 5% (\$1600 min).

- (4) All Yacht classes = 1% (\$250 min), 2% (\$500 min) and 3% (\$1000 min).
 - (5) Class BP (PWC) is \$250 with no other options available.
5. Medical Payments
 - a. \$1,000 included on Class BP with a maximum of \$5,000.
 - b. \$10,000 included on all classes other than BP with a maximum of \$25,000.
 6. Emergency Services
 - a. \$500 included with Class BP.
 - b. \$1,000 included on all other classes.
 - c. Maximum limit available for all classes in Eastern states is \$10,000.
 - d. In Western states, the maximum available for all classes other than BP is \$2,500.
 7. Personal Effects
 - a. \$1,000 included on all classes.
 - b. \$100 deductible in Eastern states. Western states deductibles vary by limit selected (increasing from \$100 to \$250 as limit increases).
 - c. Available for \$10 premium for \$1,000 additional increments.
 - d. In Western states, \$1,000 is the only limit available for PWC.
 8. Boat Lift
 - a. Market Value (ACV) coverage for fire, lightning, explosion, upset or collision to a boat lift used for the covered watercraft.
 - b. Rating is 2% of the insured value.
 - c. \$250 deductible.
 - d. No maximum limit applies in Eastern states. Limits greater than \$15,000 must include supporting documentation. In Western states, the maximum available is \$6,000.
 9. Optional Coverage Forms. Refer to forms list in Navigator for available forms. The following represents key rules associated with identified forms.
 - a. Yacht Coverage Endorsement
 - (1) Available for non-Yacht classes for a fee.
 - (2) Provides Rental Reimbursement, Named Storm Protection (Haul Out), Additional Repairs (Repair Guarantee), and Reduced (\$250) Electronics Deductible.
 - b. Bahamas Navigation
 - (1) Full and Limited Bahamas available.
 - (a) Limited provides coverage for Grand Bahama, Bimini and Abaco Islands.
 - (b) Full provides coverage for all Bahama islands, and the Turks and Caicos.
 - (2) Vessel requirements:
 - (a) Only center console Sport Fish, Sailboats, Cruisers or Trawlers are permitted.
 - (b) Minimum length permitted:
 1. 30 feet or greater for Sport Fish.
 2. 40 feet or greater for Cruisers or Trawlers.
 3. 35 feet or greater for Sailboats.
 - (c) Sport Fish, Cruisers or Trawlers must have at least 2 main engines.
 - (d) Sailboats must have standard auxiliary power (not a kicker motor).

- (3) Operator/Owner requirements:
 - (a) Minimum 2 years of experience with deep/blue water navigation.
 - (b) Standard experience requirements for overall eligibility with like, kind, size still apply.
- c. Trip Endorsements
 - (1) Premium range from \$150 to \$750; pricing will be determined by an Underwriter.
 - (2) Charges must vary based upon length of stay, past navigation experience, distance traveled, and severe weather and trip plans.
- d. Excluded Operator Endorsement. Not available in the state of Virginia.
- e. Named Storm Deductible Endorsement.
 - (1) Automatically applied to watercraft moored in a tier 1 zip code (generally within 5 miles of the coast; some specific state rules apply).
 - (2) Applies in all coastal states from Texas to Delaware, excluding Louisiana (not permitted).
 - (3) Deductibles must be disclosed to the insured.
 - (4) Deductible is 2-3 times the standard deductible (see endorsement for specifics).

AVAILABLE DISCOUNTS (will vary by state)

Some discounts below specifically require the submission of proof. However, an Underwriter may require proof for any discount.

Any valid comparable group or course can be considered. Please submit each request individually for review.

- 1. 5% Advanced Safety Course
- 2. 2.5% Approved Safety Group
- 3. 5% Association
- 4. 5% Captain's License
 - a. Captain's License must be current.
 - b. License must be provided.
- 5. 10% Claim Free Renewal
 - a. Applies at each renewal for any insured where we have not paid a claim in the previous policy term.
 - b. If a claim occurs, and the discount is present, it will be removed at renewal for the next subsequent policy term.
- 6. 5% Coast Guard Auxiliary / US Power Squadron. Certificate must be provided.
- 7. 40% Lay-Up and Storage
 - a. 2.5% for each consecutive 15 day term of lay-up.
 - b. Each request in warm weather states, or states with an extended boating season, will require supplemental information. An example of an acceptable lay-up in these areas is extended storage for absentee owners.
- 8. 5% Multi-Policy
 - a. Applies if we insure 2 or more watercraft.
 - b. If a change occurs to reduce to a single watercraft, the discount will be removed from the remaining watercraft at renewal.
- 9. 2.5% Safety Equipment Discount
 - a. A discount will apply for each eligible item.
 - b. Identify all safety equipment during the quote request. An Underwriter will apply the discount(s).

SURCHARGES (will vary by state)

1. 15% Corporate Ownership Surcharge
 - a. Applies if the watercraft is owned by a corporation, including LLC.
 - b. Can be waived if use is restricted to 1 person.

2. 40% Liveaboard Surcharge

3. Multiple Ownership Surcharges

2 owners	10%
3 owners	15%
4 owners	20%

4. MVR Surcharges

- a. The review period is the 36 months (3 years) preceding the effective date of the policy.
- b. Household versus Individual
 - (1) Household means 2 or more people.
 - (2) If more than one individual, living in the same household, and both identified as regular operators, Household will be used.
 - (3) If only one individual, use Individual.

- c. Point Assignment

Minor Moving Violation	1 point
At Fault Accident with Citation	4 points
Major Violation	5 points
Any Cited Boating Violation	5 points

- d. Individual Surcharges

0-3 points	No charge
4 points	25%
5 points	50%
6 points	100%

- e. Household / Multiple Owners Surcharges

0-5 points	No charge
6 points	20%
7 points	40%
8 points	60%
9 points	80%
10 points	100%

5. Loss Surcharges

- a. The review period is the 60 months (5 years) preceding the effective date of the policy, including AquaPac claims paid.
- b. Applies to watercraft physical damage losses only.
- c. Frequency and Severity are independently applied.

d. Frequency Surcharges

1 loss	No charge
2 losses	10%
3 losses	25%

e. Severity Surcharges

Up to \$2,500	No charge
\$2,501 to \$5,000	5%
\$5,001 to \$10,000	10%
\$10,001 to \$25,000	15%
\$25,001 to \$50,000	20%
Greater than \$50,000	25%

JUDGMENT / EXPERIENCE RATING (will vary by state)

Judgment Discounts and Surcharges are available for:

1. Prior experience / inexperience other vessels, using the following comparisons to the vessel being insured:
 - a. Size of watercraft.
 - b. Type, size, horsepower of engine(s).
 - c. Type of watercraft.
 - d. Navigational waters.
2. Prior Insurance (not available in Western states). These factors may be applied if the customer has more than 1 watercraft currently insured, even if that other watercraft is not insured with us. Use this to your benefit. Our expectation is that you will market the additional vessel to AquaPac (or one of our companion carriers) at renewal.

RISKS REQUIRING ADDITIONAL UNDERWRITING

An Underwriter may request supporting information for the following.

1. Any request for the following endorsement/coverage:
 - a. Miscellaneous Commercial Use.
 - b. Occasional Commercial Fishing.
 - c. Charter.
 - d. Fishing Guide.
 - e. Bahamas Navigation (Full or Limited).
2. Owners under the age of 21 in Eastern states.
3. Any request for insured values more than 20% greater than pricing guides provide.
4. Values that exceed more than 20% of the owner's insurable interest (loan amount). A survey may be required to justify additional insured value.
5. Acceptance of a survey older than 2 years.
6. Binding without a survey. We may require the following conditions:
 - a. Out of Water Port Risk required unless it is deemed there is no sinking hazard.
 - b. Current market value will be the insured value; no exceptions. Once survey is completed, surveyor recommendations on value will be considered.

7. LPG (liquid propane gas) refrigerators and stoves. Tanks must be situated outside of the hull so that any leakage would flow overboard; and enclosed in a ventilated box.
8. Liability Limits greater than \$500,000. Experience and loss history will be a key factor during underwriting review.
9. Hull values in excess of \$500,000 over 10 years old at the time of new business.

INELIGIBLE RISKS

The following risks are ineligible. Other ineligibility rules may be found throughout these guidelines.

1. Liability only or Hull only policies.
2. Operator / Owner
 - a. Claims pending at the time of new business.
 - b. Owners/operators not meeting required experience guidelines.
 - c. More than 4 owners without supporting documentation.
 - d. More than 3 prior losses in 5 year history.
 - e. MVR points greater than:
 - (1) 6 per individual.
 - (2) 10 per household.
3. Storage / Mooring
 - a. Storage in theft prone areas (parking lots, apartment lots).
 - b. Storage in a permanent or temporarily restricted territory.
 - c. Extended trips/mooring in Dade, Broward, Monroe and Palm Beach counties in Florida.
 - d. Watercraft not permanently moored or stored in US.
 - e. Houseboats navigating in unprotected waters or coastline (offshore).
4. Watercraft Type / Use
 - a. Watercraft held for sale.
 - b. Salvage watercraft.
 - c. Tunnel hull performance watercraft.
 - d. Speeds over 80 mph.
 - e. Airboats.
 - f. Custom watercraft not built by a professional builder.
 - g. Homemade, kit or custom made watercraft or trailer.
 - h. Watercraft in an obvious state of disrepair or unrepaired damage.
 - i. Any watercraft used exclusively for organized racing.
 - j. Watercraft powered by engines other than marine engines.
 - k. Total outboard motors (kicker motors are excluded) greater than:
 - (1) 2 for all types other than center console sport fishing or bay boats.
 - (2) 3 for center console sport fishing or bay boats.