

SERFF Tracking Number: NAVG-125634393 State: Arkansas
Filing Company: Navigators Insurance Company State Tracking Number: EFT \$100
Company Tracking Number: LUM-R-0508-AR
TOI: 17.2 Other Liability - Occurrence Only Sub-TOI: 17.2001 Commercial General Liability
Product Name: Lumber General Liability
Project Name/Number: Lumber Rate and Rule Filing/LUM-R-0508-AR

Filing at a Glance

Company: Navigators Insurance Company

Product Name: Lumber General Liability

TOI: 17.2 Other Liability - Occurrence Only

Sub-TOI: 17.2001 Commercial General Liability Co Tr Num: LUM-R-0508-AR

SERFF Tr Num: NAVG-125634393 State: Arkansas

SERFF Status: Closed

State Tr Num: EFT \$100

State Status: Fees verified and received

Filing Type: Rate/Rule

Co Status:

Reviewer(s): Betty Montesi, Edith Roberts, Brittany Yielding

Author: Sean Hayes

Disposition Date: 05/13/2008

Date Submitted: 05/07/2008

Disposition Status: Exempt from Review

Effective Date Requested (New): On Approval

Effective Date (New):

Effective Date Requested (Renewal): On Approval

Effective Date (Renewal):

State Filing Description:

General Information

Project Name: Lumber Rate and Rule Filing

Project Number: LUM-R-0508-AR

Reference Organization:

Reference Title:

Filing Status Changed: 05/13/2008

State Status Changed: 05/13/2008

Corresponding Filing Tracking Number:

Filing Description:

Status of Filing in Domicile: Pending

Domicile Status Comments:

Reference Number:

Advisory Org. Circular:

Deemer Date:

This filing introduces Navigators Insurance Company's new Lumber Insurance Program. The program has been designed to meet the property, inland marine, crime, automobile and general liability needs of those operations involved in producing lumber products, beginning at the sawmill and terminating with wholesale distribution. The program will also provide this protection to medium and small retail building materials distributors. This memorandum and supporting documentation addresses proposed amendments to the general liability rules and rating. Proposed deviations for other lines of coverage will be submitted separately.

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Company and Contact

Filing Contact Information

Sean Hayes, Compliance Analyst shayes@navg.com
 1375 E. Woodfield Rd. (847) 285-9042 [Phone]
 Schaumburg, IL 60173 (847) 230-1934[FAX]

Filing Company Information

Navigators Insurance Company CoCode: 42307 State of Domicile: New York
 1375 E. Woodfield Rd. Group Code: 510 Company Type: P&C
 Schaumburg, IL 60173 Group Name: Navigators Group, State ID Number:
 Inc.
 (847) 285-9006 ext. [Phone] FEIN Number: 13-3138390

Filing Fees

Fee Required? Yes
 Fee Amount: \$100.00
 Retaliatory? No
 Fee Explanation:
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Navigators Insurance Company	\$100.00	05/07/2008	20140600

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Exempt from Review	Edith Roberts	05/13/2008	05/13/2008

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Disposition

Disposition Date: 05/13/2008

Effective Date (New):

Effective Date (Renewal):

Status: Exempt from Review

Comment:

Rate data does NOT apply to filing.

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Item Type	Item Name	Item Status	Public Access
Supporting Document	Rate Making Rationale	Accepted for Informational Purposes	Yes
Rate	Underwriting Guide 0508	Accepted for Informational Purposes	Yes
Rate	Rate Page AR 0508	Accepted for Informational Purposes	Yes

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Rate Information

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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Accepted for Informational Purposes	Underwriting Guide 0508		New	Lumber UW Guide 0508.pdf
Accepted for Informational Purposes	Rate Page AR 0508		New	Arkansas GL Rate Page.pdf

NAVIGATORS SPECIALTY PROGRAM DIVISION

SMITH, BELL & THOMPSON

LUMBER INSURANCE PLAN
UNDERWRITING GUIDELINES

Main Office:

Smith, Bell & Thompson

Gateway Square
40 Main Street, Suite 500
Burlington, VT. 05401
(800) 735-1800
(802) 658-6191 FAX

Underwriting Office:

Managing Agency Group

200 Salina Meadows Parkway, Suite 180
Syracuse, New York 13212
(315) 413-0512
(800) 768-9738
(315) 413-0534 FAX
info@magprograms.com



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NOTICE OF PROPRIETARY INTEREST AND STATEMENT OF CONFIDENTIALITY

The information contained in these Underwriting Guidelines, and any and all information subsequently provided in connection with any subject matter or topic incorporated within this presentation, is proprietary, privileged, and confidential, and may not be divulged, disclosed, disseminated, or distributed, in whole or in part, to, or used by, any person or entity without the prior written consent of Navigators Specialty Program Division (NSPD) or its successor in interest.

In the event that any person or entity in possession of the information contained in this presentation shall become compelled legally to disclose any of the information herein, the insurance companies designated in paragraph 1 hereof shall be given prompt written notice thereof for the purpose of affording an opportunity to pursue an appropriate remedy to prevent such disclosure.

PROGRAM STATEMENT

Managing Agency Group (MAG)/Smith, Bell & Thompson (Program Administrator) has developed a strategic partnership with NSPD (Company) to provide Commercial General Liability, Commercial Property and Commercial Automobile coverage designed for forest services risks including but not limited to sawmills, wholesale and retail lumber and/or building materials dealers, and custom wood cutting operations.

Managing Agency Group (MAG)/Smith, Bell & Thompson(SBT) will serve as the Program Administrator performing the underwriting, rating, policy issuance, monitoring and processing functions on behalf of NSPD.

EFFECTIVE DATE OF THIS MANUAL

December 1, 2007

All revisions to this manual will be dated and effective on the date issued unless otherwise noted. All revisions to the manual will be made in writing by NSPD.

AUTHORITY

Underwriting and binding authority is extended to the following individuals:

Bob Scott
AnneMarie Latochia
Peter Plumb

No authority will be granted to any outside third party. Business will be accepted only from sources expressly approved by MAG/SBT. MAG/SBT will have the authority to rate, quote and bind business as set forth within this program manual and the Program Administrator Contract.

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AGENCY UNDERWRITING AUDITS

NSPD and other areas within the Navigator Insurance Group will perform underwriting and operation audits on the Program Administrator's book of business on a regular basis. The timing and frequency of the audits will be based upon a number of performance factors such as premium volume, a common inception date, loss ratio, late policy issuance, late premium payments and any other issue that may arise and create a need for a review by NSPD.

AUTHORIZED TERRITORY

The program is to be available in the 48 contiguous United States. Property coverage may not be written in Florida or in Coastal areas as detailed in the Coastal Wind Guidelines attached. Additional restrictions may be imposed based on Navigators Catastrophe Management Strategy.

PREMIUM COMPUTATION AND PREMIUM CHANGES

All policies will be for no more than 1 (one) year in term and the premium will be computed at rates in effect at policy inception

Calculation of additional and return premiums:

1. Pro rate all changes requiring additional/return premium
2. Compute additional/return premium based on the rates in force at inception

FACTORS OR MULTIPLIERS

Factors and multipliers will be provided by NSPD and are to be used consecutively, not added together. Rates, factors and multipliers (other than rates as determined by NSPD) will be limited to three decimal places (i.e., .1555 will be .156).

FILINGS

MAG/SBT will not prepare or make any filings required by the program. NSPD will notify the Administrator of any changes to forms (ISO or Company) or rates and rules. MAG/SBT will be responsible for updating their system as information is received from NSPD. All state filings will be prepared and made by NSPD for this program.

CERTIFICATES OF INSURANCE

All certificates of insurance will be issued using ACORD Certificates. Any certificates other than ACORD require prior approval of NSPD. Managing Agency Group (MAG)/Smith, Bell & Thompson is not allowed to alter the ACORD certificate wording without prior approval of NSPD. Retail agents may be allowed to issue certificates of insurance on behalf of Managing Agency Group (MAG)/Smith, Bell & Thompson with no alteration of the certificate and accurate representation of coverages.

OFAC (OFFICE OF FOREIGN ASSET CONTROL) REQUIREMENTS

MAG must assure compliance with the OFAC requirements as deemed appropriate.

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POLICY CANCELLATIONS

Flat cancellations will be allowed only prior to the effective date of coverage. All other requests for flat cancellation must be referred to Bob Scott or AnneMarie Latochia of MAG/SBT.

Cancellation requested by the insured will be on a short rate basis and must be accompanied by the original policy or a lost policy release signed by the insured.

Cancellation from finance companies will be accepted according to the regulations of the respective state insurance department.

Cancellation for underwriting reasons, or where the insured no longer has financial or insurable interest will be calculated on a pro rata basis.

Short rate cancellation shall include a penalty for early termination.

NSPD requires Managing Agency Group (MAG)/Smith, Bell & Thompson to maintain complete and legal evidence of cancellation in the underwriting file. Legal evidence consists of one of the following:

1. Copy of Original Policy
2. Properly executed lost policy release, signed by the first named insured
3. A signed letter from the first named insured asking for cancellation
4. A copy of the notice of Cancellation with a copy of the mailing certificate attached
5. Properly executed cancellation from a premium finance company
6. A 60 day non-renewal option before expiration of policy subject to state regulations.

REINSTATEMENTS

When a policy is canceled for non-payment, a maximum of two reinstatements per policy may be issued by your office. If the reinstatement request includes a backdate of five calendar days or less, you may reinstate with a signed and notarized letter from the insured confirming no known or reported losses. Any approval for backdating of coverage should be made solely by Bob Scott or AnneMarie Latochia. Reinstated and backdated policies must be designated and reported to NSPD.

When a policy is canceled because of underwriting issues, the program administrator has the discretion to reinstate once underwriting compliance has been received and confirmed in writing by the insured, if such reinstatement is done prior to the cancellation effective date.

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Eligibility

For a risk to be eligible for coverage consideration under this program, it must meet the following eligibility requirements

ELIGIBLE RISKS:

The following are classes that fall with the target market of the program:

Wood Kitchen Cabinet Manufacturing	Sawmills & Planning Mills
Hardwood Dimension & Flooring	Millwork
Wood Office & Store Fixtures	Furniture fixtures
Nailed and Lock Corner Boxes	Wood products
Household Furniture	Wood Household Furniture
Wood television, Radio Cabinets	Wood Office Furniture
Lumberyards	Building Material Dealers
Building Materials Distributors	

INELIGIBLE RISKS: ALL LINES

Mobile Homes/Manufactured Housing	Reconstituted Wood Products
Mattresses, Foundations & Beds	Public Building & Related Furniture
Drapery Hardware & Blinds Mfg.	Prefabricated Wood Buildings
	Structural Wood Members
Logging if 10% or more of gross receipts	Building Material Dealers – Used
Sawdust or Mulch Mfg.	Shakes (hand split shingles) Mfg.

INELIGIBLE RISKS: AUTOMOBILE

The following automobile exposures are not eligible for this program:

- Insured's with more than incidental logging exposure (10% or more of gross receipts)
- Insured's who do not have vehicles on a documented monthly maintenance schedule.
- Any drivers with a DUI in the past 5 years
- Any drivers under the age of 21
- Common Carriers hauling goods for others (non-related entities)
- Insured with greater than \$100,000 of receipts for backhauling
- Risks with use of company vehicles by non-employees
- Physical Damage on vehicles older than 15 years unless physically inspected
- Trailers more than 10 years old

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INELIGIBLE RISKS: PRODUCTS LIABILITY

Bar Furniture	Ladder, Scaffolding, Stepladder Mfg.
Battery Separators	Log Homes Mfg. W/ Installation
Bed Mfg.	Masts Mfg.
Benches Mfg.	Nursery Furniture Mfg.
Bleachers Mfg.	Playground Equipment
Breakfast Sets Mfg	Playpens
Cafeteria Furniture	Porch Swings
Cane, Woven Reed or Rattan Mfg.	Prefabricated Homes
Chair Mfg.	Prefabricated Partitions
Children's Rockers Mfg.	Restaurant Furniture
Cots	Sauna Rooms
Cradles, Cribs Mfg.	School Furniture Mfg.
Folding Chair Mfg.	Spars Mfg.
Frame for Box Springs Mfg.	Stadium Seating Mfg.
High Chair Mfg.	Stairs & Staircase Mfg.
Hot Tub Mfg.	Swing Set Mfg.
Jungle Gym Mfg.	Toilet Seats Mfg.
Juvenile Furniture Mfg.	Toy Mfg.

REFERRALS

In the event a company referral should be made it will be directed by either Bob Scott or AnneMarie Latochia to the NSPD designated Program Manager. Referral may be sent via mail, fax or electronically.

A referral form must be completed for each referral prior to quoting. To be able to respond appropriately, please forward the following documents upon referral:

Electronic mail correspondence including:

- Referral submission form
- Rating information
- Loss history
- Any other underwriting information deemed pertinent

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UNDERWRITING REFERRAL GUIDELINES

The following situations require a referral to NSPD prior to quoting coverage:

1. Any risk requiring facultative reinsurance
2. Insured's with more than 5% of gross receipts attributable to logging exposures
3. Account premiums greater than \$100,000
4. Any deviation from filed rates, endorsements, or forms
5. Any account utilizing sub-contracting work for more than the equivalent of 15% of gross receipts
6. Loss Ratio greater than 40% over the last 3 years.
7. Risks with a single loss equal to or greater than \$50,000 in the past five years or two or more losses with paid plus reserved amounts equal to or greater than \$25,000 per loss
8. Policy period other than one year. Short term policies written solely to accomodate concurrent expiration dates need not be referred.
9. Risks canceled or non-renewed by the prior carrier (except when the carrier is bankrupt, withdrawing from the Industry or the class, or due to non-pay).
10. Any exposure from operations not specifically indicated in the listing of Eligible Risks (above)
11. Any risk with hunting exposures on insured property. A completed Hunting Supplemental must accompany the referral.
12. Truss Manufacturing
13. Installation exposures
14. Wood Preserving

Auto:

1. Any deviation from filed rates, endorsements, or forms
2. Auto PD PD greater than \$150,000 for any one unit
3. Any deviation from rates, endorsements, or forms
4. Loss Ratio greater than 40% over the last 3 years
5. Vehicles that operate beyond a radius of 250 miles.
6. Risks with a single loss equal to or greater than \$50,000 in the past five years or two or more losses with paid plus reserved amounts equal to or greater than \$25,000 per loss
7. Policy period other than one year. Short term policies written solely to accomodate concurrent expiration dates need not be referred.

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SELECTION CRITERIA

MAG/SBT will be responsible for reviewing all new business applications, determining acceptability based on eligibility guidelines, performing the initial underwriting functions, and rating and issuing all policies.

- The objective is to select average to above average accounts considering rate adequacy and underwriting requirements by utilizing a fact-gathering and analytical process.
- The goal is to insure those accounts that demonstrate an active concern for workplace safety, and an above-average ability to control losses and loss exposures. Each account is underwritten with these concerns and abilities in mind.
- The underwriting guidelines must be adhered to as minimum standards. Any account that does not meet the minimum standards should either be declined, or receive written approval from NSPD prior to binding.
- Analysis and decisions on all underwriting considerations must be fully documented in the individual account underwriting file.
- Only the forms provided by NSPD can be used. No manuscript forms of any kind are to be attached to the policy without review and approval of NSPD .

The following should be carefully reviewed on all new and renewal risks:

Applications

ACORD and appropriate Supplemental Applications must be fully completed and signed by an authorized representative of the insured. The completed applications are to be kept in each underwriting file.

Business Experience

The applicant must have demonstrated management capability with at least three years in business under the current business. If applicant has less than five years business experience, underwrite as a new venture, and the applicant must have strong industry experience with at least three or more years experience in the specific operation to be insured.

Loss Experience

Currently valued (within the last 90 days) hard copy company loss experience for a minimum of the current and three prior years must be evaluated for all new business and at each renewal. Accounts must have a 3 year loss ratio below 40%. Any risk with a greater than 3 year loss ratio will require the prior approval of NSPD.

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AUTHORITY:

MAXIMUM AVAILABLE LIMITS

General Liability:

General Aggregate	\$2,000,000
Products/Completed Operations Aggregate	\$2,000,000
Each Occurrence/Each Claim	\$1,000,000
Personal Injury and Advertising Injury-occurrence	\$1,000,000
Fire Damage-any one fire	\$ 300,000
Medical Payments-any one person	\$ 10,000
Employee Benefits - Claims Made-Each act	\$1,000,000
Aggregate	\$1,000,000

Property

Limits: Protection classes 1 through 8	\$5,000,000 TIV Max.
Protection classes 9 & 10	\$2,000,000 TIV Max.
All Risk (excluding Flood and Earthquake, subject to policy exclusions)	
Minimum Deductible	\$ 500

Automobile

Liability (CSL)	\$1,000,000
PIP	Statutory
Med Pay	Statutory
Hired Car & Non Owned Autos	\$1,000,000
Uninsured/Underinsured	\$1,000,000
APD	\$ 150,000 Max per unit
Hired Car Physical Damage	\$ 100,000 Max per unit

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UNDERWRITING DUE DILIGENCE

Applicable to all Coverage

New Business

1. Verify program eligibility
2. Review all applications and analyze overall operations
3. All entities of a Named Insured must be identified & more than 50% combinable. The ownership, interest and operation of each entity must be clear.
4. Individual and/or corporate Named Insureds who are not exclusively involved in the covered operation must be identified and those other operations specifically excluded or an appropriate designated operations/location endorsements utilized.
5. No insurance coverage canceled or non-renewed during previous 3 years for loss reasons, failure to comply with any loss control recommendations, poor MVR's or non-payment of premium.
6. Drivers must meet driving eligibility as outlined in the driver qualification criteria. (See Motor Vehicle Report Section)
7. No major changes in operations during past 3 years, and none contemplated nor planned during the next year.
8. Review and analyze loss experience
9. Input all exposures and loss information in rating system
10. Review current and prior exposures, rates and premiums. Always try to obtain current coverage and pricing
11. Apply any eligible scheduled factors.
12. Complete required underwriting documentation

Annual Renewal Business

1. Initiate preliminary review of account 90 days prior to expiration date
2. Review renewal applications as compared to initial applications to compare any exposure changes
3. No major changes contemplated nor planned during the next year.
4. Accounts must operate within acceptable operating radius.
5. Drivers must meet driving eligibility as outlined in the driver qualification criteria. (See MVR point Section)
6. Review of prior years audits as a barometer for new estimated exposures that can be used (If account has not complied with one years' audit; account must be flagged for non renewal for non compliance with audit(s))
7. Obtain updated loss data to review any loss development
8. Input all exposures and loss information in rating system
9. Apply any eligible scheduled factors
10. Complete required underwriting documentation

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Claims-made Guidelines

Employee Benefits Liability Coverage is written on a claims made form and is subject to the following provisions. Claims-made coverage is not available in the program for any other line of business.

1. In the first year of the program, the claims-made policies will have their retro-active dates set at the inception date of the policy.
2. In future years of the program there will be NO support for honoring retroactive dates prior to the inception of the first NSPD policy. Any exception must be referred to NSPD for review.
3. Any request made for NSPD to honor a retro-date that is descended from another carrier's coverage must be referred to NSPD for approval. If supported by NSPD, the retro-date applies only to the type and extent of coverage offered in the NSPD policy. NSPD does not provide continuity of coverage beyond its policy's written terms and conditions.
4. When quoting claims-made it is necessary to include either specific or estimated charges for the ERP if they do not renew. Recommended charges are one year only: 70% AP (70% of the annual Employee Benefits Liability premium).

General Guidelines

1. There shall be no back-dating of inception dates or retroactive dates more than one day without referral and acceptance by Navigators.
2. Standard approved endorsements are to be used. No manuscript endorsements are to be used without prior approval from Navigators.

Financial Analysis

1. Underwriter obtains Rating from D&B online and documents file. Ratings of 1 & 2 are acceptable. No further action is needed.
2. A score of "3" and more than 1 late premium payments or a reduction in sales in the past 12 months will require the receipt of an acceptable financial statement.
3. Any score of 4 will require an acceptable financial statement.
4. The presence of a suits or judgment on the D&B report will require details and must be approved by NSPD.
5. Any account without a rating must be approved by NSPD. It is likely this is a small account without a financial statement. In this instance we will require the previous years corporate tax return.

Dun & Bradstreet Ratings

- 1 = High
- 2 = Good
- 3 = Fair
- 4 = Limited

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Acceptable Financials

Account must show a positive Quick ratio. The quick ratio is computed by dividing cash plus accounts receivable by total current liabilities. Current liabilities are all the liabilities that fall due within one year. This ratio reveals the protection afforded short-term creditors in cash or near-cash assets. It shows the number of dollars of liquid assets available to cover each dollar of current debt. Any time this ratio is as much as 1 to 1 (1.0) the business is said to be in a liquid condition. The larger the ratio the greater the liquidity.

Account must show a positive net income for the past year. The pay taken by the owner should be considered when determining profitability.

Motor Vehicle Reports

A current MVR will be required on all drivers including new and replacement drivers. MVR's will be required for renewals. Questionable / borderline drivers should be reviewed mid term or as good underwriting judgment dictates. All unacceptable drivers must be approved by NSPD. There will be no exceptions on alcohol/drug related offences or felony convictions. In addition:

1. Drivers must have a valid Commercial Drivers License issued by the state of domicile of the named insured, or immediate adjacent state for the type of vehicle operated under this policy. Drivers of PPTs do not require a CDL license.
2. Number of Drivers should be reasonable for the number of vehicles.
3. Unacceptable drivers must be reviewed with NSPD to establish underwriting action as needed.
4. Drivers must be at least 21 years of age; 25 years if driving vehicles classified as heavy or extra heavy

UNACCEPTABLE DRIVING RECORDS:

1. More than 5 violations and/or accidents in the most recent 5 years or
2. 3 or more violations and/or accidents in a three year period
3. Alcohol or substance abuse Related Violation in Past FIVE years
4. Careless or reckless driving
5. Leaving the scene of an accident
6. Homicide, manslaughter or assault through use of a motor vehicle
7. Drivers who currently have a suspended or revoked license
8. Attempting to flee or elude a police officer
9. Commission of a Felony through the use of a motor vehicle
10. Drag racing
11. Speeding over 25 MPH above posted speed limit

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Loss Control and Risk Management Services

MAG/SBT will promote safety and operator awareness through onsite and telephone loss control surveys. Each account may be subject to inspection upon binding coverage to ensure the standard of care of each risk and operator is in compliance with all applicable state regulations and program underwriting criteria. Each account will be **reviewed for** reinspected prior to offering renewal. **Changes in risk operations or claims activity will require renewal inspections.**

Loss Control Guidelines

Loss Control surveys are completed annually on every bound account. The primary vendor will be Berkley Risk Administrators Company, LLC.

Physical Inspections:

- All primary manufacturing accounts
- Accounts with finishing operations
- Accounts with greater than 20 motorized units

Risks with less than \$75,000 in premium and/or fleets less than 20 units may be phone surveyed.

Fleet Safety program:

- Required for all accounts with greater than 5 extra heavy vehicles
- Any logging exposure

Mid term inspections:

- Losses indicate a specific area in need of attention

MAG/SBT will be responsible for all costs associated with the ordering, conducting and preparing of all loss control reports and the resulting follow up work.

Critical safety recommendations are to be complied with and verified in writing within 30 days of notification, or a notice of cancellation is to be sent.

Schedule Rating

Use of debit or credit must be documented in the underwriting file based on risk eligibility and review of the individual risk characteristics of the account. Supporting documentation for any debit or credit must be maintained in the underwriting file.

Terrorism Risk Insurance Act of 2002 (TRIA)

All risks must exclude Certified and non-Certified Terrorism, including Nuclear, Biological and/or Chemical acts.

On all policies a TRIA charge for Certified Acts of terrorism is to be quoted. This charge is to be 1% of the annual developed premium. If the insured declines the TRIA

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coverage for Certified Acts of Terrorism (as defined by applicable form/act), a signed waiver/declination document from the Insured shall remain in file and be maintained as part of the underwriting records.

Rating

All risks must be rated electronically and a copy of the rating worksheets should be included in each file. The rates for each state will be provided by NSPD and will be updated as needed.

Reinsurance

No authority is granted for placement of treaty or facultative reinsurance. Accounts that exceed the binding authority above must be submitted as a referral to NSPD no less than 14 days prior to the policy's effective date.

Minimum Premiums

Policy minimum annual premium shall be \$1,500. Account minimum annual premium shall be \$5,000.

STEWARDSHIP

Policy Issuance

Policies should be issued within 30 days of the effective date of coverage. The authority granted allows only MAG/SBT to rate, quote, bind and issue policies. NSPD must receive either electronic information sufficient to verify that the risk selection and rating are in compliance with program guidelines filings or a hard copy of the policy and all forms requiring typed entries, to include the application, any supplementary applications, declarations page, applicable endorsements and rating worksheets within 30 days of the effective date of coverage. This requirement relates to the original policy submission, as well as all premium bearing endorsements, cancellations and reinstatements.

Policy Numbering

NSPD will provide policy numbers to be assigned for the program. All policy numbers must be kept in a secure location with access limited to only those individuals with underwriting authority. MAG/SBT is to maintain a policy number log that indicates clearly the disposition of each number assigned, spoiled, cancelled, etc.

The policy number sequence is defined as follows:

MLNC0800000100

Positions 1-2 represent the Program Administrator (M for MAG/SBT) and the program (L for Lumber Insurance Plan)

Positions 3-4 represent the paper (NC for Navigators, NS for Navigators Specialty)

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Positions 5-6 represent the inception year of the policy (08 for 2008)

Positions 7-12 represent a unique sequential number (this helps to ensure that each policy number is unique)

Positions 13-14 represent a module number which is incremented on each renewal (for example, in year one the module number would be 00, in year two the module number would be 01)

The inception year of the policy will set the policy number; the only change upon renewal would be the last two digits (from 00 to 01, from 01 to 02, etc.)

Policy numbers are disseminated by the NSPD program manager.

Policy Fees

Policy fees are not allowed unless filed and approved.

Claims Alerts

One of the many valuable services provided to the Program Administrators and Program Managers in NSPD is providing Claims Alerts. When claims alerts or Risk Impressions are created by BRAC and furnished to Program Administrators, it is expected that the underwriter of the account will match the communication with the risk file and depending on the finding in the communication will work to either aid BRAC in getting cooperation they may need or make sure that the information provided squares with underwriting information in the file.

Claims Handling

All claims must be reported by the policyholder to Berkley Risk Administrators Company, LLC. A toll free number is provided to assist in reporting their claim.

The telephone number to report their claim is **(877) 992-8844**. The email address is: berkleyrisk@berkleyrisk.com.

The mailing address is:

Berkley Risk Administrators Company, LLC. (BRAC)
195 Scott Swamp Road
Farmington, CT 06032

BRAC will provide MAG/SBT with a formal written procedure for claim handling under separate cover.

Reports/Remittances

A monthly premium report, itemizing the names of all insureds, the transaction effective date, the type of transaction (new, renewal, cancellation, endorsement), the state or states where the risk(s) is(are) located, gross written premium by line of business, and net written premium (gross written premium – commission) by line of

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business is to be provided to NSPD within five (5) business days from the end of each month.

Within forty-five (45) days from the last day of the month from which coverage is effective, the amounts based on the monthly premium report are due NSPD.

Within ten (10) days of the end of the month, three management reports are also due.

- 1) **Market condition report:** This report will indicate the number of new business submissions, the number of those submissions that were declined, the number that were quoted, and the number that was bound. It will also include the new business premium amount for the month. This report will also indicate the number of possible renewal policies, those renewals that were non-renewed, those that were quoted, and those that were bound.
- 2) **Rate monitoring report:** This report will include, but not be limited to indicating the rate per exposure change and schedule modifications from last year's policy to this year's policy.
- 3) **Concentrations.** This report will define the concentrations of values by zip code.

Please see report template for detailed description of required data elements.

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EXHIBIT A: Schedule Rating

<u>State</u>	<u>All Lines Schedule Rating Limits +/-% unless otherwise indicated</u>
Alabama	25%
Arizona	25%
Arkansas	40%
California	25%
Colorado	25%
Connecticut	25%
Delaware	25%
Florida	25%
Georgia	15%
Idaho	25%
Illinois	50%
Indiana	25%
Iowa	25%
Kansas	25%
Kentucky	50%
Louisiana	25%
Maine	40%
Maryland	40%
Massachusetts	+25%/-40%
Michigan	25%
Minnesota	40%
Mississippi	40%
Missouri	25%
Montana	40%
Nebraska	N/A
Nevada	40%
New Hampshire	40%
New Jersey	25%
New Mexico	25%
New York	25%
North Carolina	40%
North Dakota	25%
Ohio	25%

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<u>State</u>	<u>All Lines Schedule Rating Limits +/-% unless otherwise indicated</u>
Oklahoma	40%
Oregon	25%
Pennsylvania	40%
Rhode Island	40%
South Carolina	25%
South Dakota	25%
Tennessee	50%
Texas	25%
Utah	25%
Vermont	50%
Virginia	40%
Washington	50%
West Virginia	40%
Wisconsin	25%
Wyoming	50%

EXHIBIT B-GENERAL LIABILITY CLASSIFICATIONS

CLASS CODE	DESCRIPTION	CLASS CODE	DESCRIPTION
10255	Bld Mat Dealer	59985	Pallet Mfg
10257	Bld Mat Dist.	16722	Rental Sales
61212	Building or Prem	58873	Sawmills
53733	Cabinet Mfg	91581	Sub Contractors
91341	Carpentry- Interior	58397	Truss/ Home
12362	Distributor- NOC	99827	Upholstering
63010	Dwelling	49451	Vacant land
43822	Forestry Service	58301	Veneer Mfg.
53733	Furniture	59985	Wood NOC
97111	Logging	59984	Wood Treating
45819	Lumberyard		
45993	MFG Rep		
52315	Millwork		

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EXHIBIT C-DEDUCTIBLE RATING

<u>Deductible Size</u>	<u>Standard Discount</u>
\$500(Minimum)	0.00%
\$1,000	5.00%
\$2,500	7.50%

EXHIBIT D- FORMS LISTING: SEE FORMS SPREADSHEET.

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Supplements and Updates – Coastal Wind Guidelines

Exclude wind/catastrophe coverage in Tier 1 in all states in which you are authorized to write business. Tier I is defined as any county with shoreline on the Atlantic Ocean or the Gulf of Mexico. Risks located within these counties are eligible only for the perils of Fire and Theft. In each of the following counties, the entire county is considered Tier I.

Alabama	Connecticut	Delaware
Mobile Baldwin	Fairfield Middlesex New Haven New London	New Castle Kent Sussex

Florida	Florida	Florida	Florida
Bay Brevard Broward Calhoun Charlotte Citrus Collier Dixie Duval Escambia	Flager Franklin Gulf Hernando Hillsborough Holmes Indian River Jackson Jefferson Lafayette	Lee Leon Levy Liberty Manatee Martin Miami-Dade (incl. Keys) Monroe Nassau Okaloosa	Palm Beach Pasco Pinellas Santa Rosa Sarasota St Johns St Lucie Taylor Volusia Wakulla Walton Washington

Georgia	Louisiana	Maine	Maryland
Bryan Camden Chatham Glynn Liberty McIntosh	Cameron Iberia Jefferson Lafourche Orleans Plaquemines St. Charles St. John the Baptist St. Mary St. Tammany St. Bernard Terrebonne Vermillion Washington	Aroostook Cumberland Hancock Knox Lincoln Sagadahoc Waldo Washington York	Anne Arundel Baltimore Calvert Caroline Cecil Charles Dorchester Harford Kent Queen Anne's Somerset St Mary's Talbot Wicomico Worchester

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Massachusetts	Mississippi	New Hampshire	New Jersey
Barnstable Bristol Dukes Essex Middlesex Nantucket Norfolk Plymouth Suffolk	Hancock Harrison Jackson Pearl River	Hillsborough Rockingham Strafford	Atlantic Bergen Cape May Cumberland Hudson Middlesex Monmouth Ocean Salem Union

New York	North Carolina	Rhode Island	South Carolina
Bronx Kings Nassau New York Queens Richmond Rockland Suffolk West Chester	Beaufort Bertie Brunswick Camden Carteret Chowan Currituck Dare Hyde New Hanover Onslow Pamlico Pasquotank Pender Perquimans Tyrrell Washington	Bristol Kent Newport Providence Washington	Beaufort Berkley Charleston Colleton Dorchester Georgetown Horry Jasper

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Texas	Virginia
Aransas	Accomack
Brazoria	Chesapeake
Calhoun	Gloucester
Cameron	Hampton
Chambers	Isle of Wight
Galveston	James City
	Lancaster
Jackson	Northumberland
Jefferson	Mathews
Kenedy	Middlesex
Kleberg	Newport News
Mata Gorda	Norfolk
Newton	North Hampton
Nueces	Poquoson
Orange	Portsmouth
Refugio	Suffolk
San Patricio	Surry
Willacy	Virginia Beach
	York

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ARKANSAS GENERAL LIABILITY RATE EXCEPTIONS

Classifications: This program includes manufacturing, distribution and other operations risks associated with wood product operations. Navigators Insurance Company will use ISO rates, rules, and forms in effect as of this date, except where noted.

Class Rates: The following loss costs are to be used for Premises / Operations & Products/Completed Operations in lieu of ISO loss costs:

AK	Premises/Operations					Products/Completed Operations			
ISO TERR.	Bldg. Mat. Dealer	Bldg. Mat. Dist.	Saw Mill	Wood Prod. Mfg.	*Vacant Land	Bldg. Mat. Dealer	Bldg. Mat. Dist.	Saw Mill	**Wood Prod. Mfg.
	10255	10257	58873	59985	49451	10255	10257	58873	59985
1	0.199	0.105	0.123	0.136	0.154	0.175	0.120	0.125	0.100

* This rate contemplates acreage held by the insured as timber stand. Land held for development is to be separately rated.

** This rate contemplates rough-cut lumber and raw material production. Finished products are to be separately classified and rated.

Minimum Premium: General Liability will be subject to a \$500 annual policy writing minimum premium.

Package Modification: When written as part of a package policy, the appropriate ISO package modification will be used.

SERFF Tracking Number: NAVG-125634393 State: Arkansas
Filing Company: Navigators Insurance Company State Tracking Number: EFT \$100
Company Tracking Number: LUM-R-0508-AR
TOI: 17.2 Other Liability - Occurrence Only Sub-TOI: 17.2001 Commercial General Liability
Product Name: Lumber General Liability
Project Name/Number: Lumber Rate and Rule Filing/LUM-R-0508-AR

Supporting Document Schedules

Satisfied -Name: Rate Making Rationale

Review Status:

Accepted for Informational 05/13/2008
Purposes

Comments:

Attachment:

Rate Making Rationale.pdf

**NAVIGATORS INSURANCE COMPANY
LUMBER INSURANCE PROGRAM
RATE MAKING RATIONALE**

For the past several years, various markets have written lumber insurance through a managing general agent. That agent now seeks to write business through Navigators Insurance Company on a program basis. Navigators Insurance Company has not typically written lumber business. Historically we have written specialty lines including but not limited to ocean and inland marine, contractors, professional liability and umbrella. Since Navigators has no credible experience in the lumber industry, we are not able to base our proposed rating plan on company experience.

We were able to obtain the average rates currently charged by various markets used by the MGA. Using these rates as a basis, we created a Navigators Lumber Insurance Program. We then test rated a number of policies to ensure that Navigators rating structure provided a smooth transition at renewal. As a result, the proposed Lumber Program provides insured's with the same coverages at a comparable premium.

Additionally, we took into consideration the overall loss experience of the book. Below is the General Liability Loss Experience as provided by our MGA and evaluated as of March 2008.

CY / AY	Earned Premium	Incurred Losses	Ultimate Losses	Loss Ratio	
				Inc'd.	Ult.
2003	3,382,250	781,939	876,542	23.1%	25.9%
2004	4,598,833	1,230,843	1,545,500	26.8%	33.6%
2005	3,741,500	1,646,147	2,657,463	44.0%	71.0%
2006	5,509,275	1,390,198	2,966,321	25.2%	53.8%
Total	17,231,858	5,049,126	8,045,825	29.3%	46.7%

Navigators expected loss ratio for this program is roughly the same as the historical overall ultimate loss ratio.

The lumber book of business will be underwritten by the same MGA that currently manages the book so the underwriting practices underlying our anticipated results will continue. Our underwriting judgment, experience review and rate comparison to the current marketplace lead us to believe that the proposed program rates are reasonable, not excessive and not unfairly discriminatory. As with any program, we will monitor the proposed rates as the experience for this coverage matures to ensure that the rate is adequate and not excessive.