

# National Restaurant Owners PG, Inc.

## Terms & Conditions of Insurance

### 1. Insurance Coverage Not Automatic; Eligibility

Members of PG do not receive automatic coverage in the Insurance Programs. Only certain Members qualify for coverage in the Insurance Programs.

To obtain coverage under a given Insurance Program, a Member must complete an application for insurance, which application may be accepted or declined by the relevant MGU.

Under federal and state law, only Members of PG are eligible to participate in the Insurance Programs.

### 2. Selection of General Terms, Conditions & Exclusions of the Insurance Programs

PG shall select the general insurance terms, conditions, and exclusions of the Insurance Programs. Amongst other things, PG may accept or reject/decline:

- Terrorism Liability Exclusions;
- Uninsured Motorists Liability Exclusions;
- Underinsured Motorists Liability Exclusions;
- Lead Exclusions;
- Mold, Fungus & Spores Exclusions; and/or,
- Sexual & Physical Abuse & Molestation Exclusions.

With regards the general terms, conditions, and exclusions of the Insurance Programs, Applicant agrees to accept PG's decisions and grants authority to PG to accept or decline coverage on Applicant's behalf.

Applicant also grants authority to PG to waive or reject any of Applicants rights under federal or state insurance laws regarding the offer and waiver or rejection of certain insurance coverages, including, but not limited to:

- Terrorism Liability;
- Uninsured Motorists Liability;
- Underinsured Motorists Liability; and/or,
- Lead Paint Liability.

#### A. No Coverage for Uninsured or Underinsured Motorists Liability (Unless Explicitly Offered to Member in Writing)

Some states require insureds to decline Uninsured Motorists Liability and Underinsured Motorists Liability in writing. PG has declined these coverages; as such, these coverages are not available to Members.

Applicant agrees to waive its rights with regards to the offer, acceptance, and/or rejection of Uninsured Motorists Liability and Underinsured Motorists Liability.

However, there may be times that PG chooses to offer these coverages to its Members. If it does, these instances will be disclosed explicitly and in writing, either on an application for insurance and/or on a proposal of insurance.

### **3. Selection & Compensation of Managing General Underwriter**

PG shall select an MGU to administer each of the Insurance Programs.

PG shall negotiate each MGU's compensation, in terms of fees and commissions. Each MGU shall disclose its total commission and fee structure to PG, including any contingency fees, contingency commissions, or other sources of income which the MGU receives from a Selected Carrier in exchange for placement of PG's insurance business with that Selected Carrier. Applicant agrees to accept and not dispute PG's selected MGUs and their compensation plans.

Currently, the MGU for all Insurance Programs is McGowan & Company, Inc. (hereinafter "McG&C"). Depending on the Insurance Program, McG&C receives a commission of between 0% and 20% from the insurance companies which underwrite the Insurance Programs. McG&C may also receive contingency fees, contingency commissions, and other sources of income from insurance companies in exchange for the placement of the Insurance Programs. PG has authorized McG&C's compensation.

### **4. Terms, Conditions & Exclusions Applicable To a Given Member – Negotiable, But Subject To PG Approval; Authority of MGUs to Negotiate on Behalf of PG**

While PG is responsible for selecting the general terms, conditions, and exclusions of the Insurance Programs, Applicant shall receive an individual proposal of insurance detailing the terms (including price), conditions, and exclusions applicable to Applicant. Applicant may then decide if it wishes to purchase coverage as proposed. Applicant has the right to negotiate the terms, conditions, and exclusions of its insurance coverage with the relevant MGU; however, Applicant is always subject to the selection of the general terms, conditions, and exclusions of the Insurance Programs by PG; PG also may override any decisions by an MGU with regards to the grant of any coverage to a particular Member. If Applicant decides to negotiate the terms, conditions, and exclusions of its insurance coverage with the MGU, Applicant may only do so through its Retail Broker.

The MGU for each Insurance Program has the authority to negotiate on PG's behalf.

### **5. Applicant's Retail Broker**

#### **A. Selection**

Applicant may work with the Retail Broker of its choosing, so long as that Retail Broker is appointed to work with the applicable MGU for a given Insurance Program. The decision to appoint a Retail Broker shall remain exclusively with the applicable MGU.

**B. No Quoting or Binding Authority; Coverage Not Bound Without Written Binder from an MGU;**

With regards the Insurance Programs, Applicant's Retail Broker does not have the authority to quote or bind coverage. Nor shall any provision of this Agreement be construed as granting Applicant's Retail Broker the authority to quote or bind coverage, even if it has received a quote from an MGU.

Coverage is not bound on a policy or EOI until such point as Applicant's Retail Broker receives a written binder from an MGU.

Once an MGU has provided Applicant's Retail Broker a binder of coverage, that Retail Broker may convey that coverage has been bound to the Applicant.

**C. Independent Contractor – No Agency or Employer-Employee Relationship**

Applicant's Retail Broker may not hold itself out, nor convey to anyone by any means, nor allude to the fact that it is an agent or employee of an MGU or a Selected Carrier. Nothing in this Agreement shall be construed to create a relationship of employer and employee, nor an agency relationship, between Applicant's Retail Broker and an MGU or a Selected Carrier. Applicant's Retail Broker's only rights as an appointed broker of an MGU shall be: (1) to submit risks to that MGU for consideration; and, (2) to request that MGU to bind coverage pursuant to that MGU's quote. Applicant's Retail Broker is an independent contractor.

**D. No Direct Access for Members**

MGUs will not accept business directly from Applicant. Applicants must access Insurance Programs through a Retail Broker.

**E. Compensation of Retail Broker; Responsibility for Compliance with State Insurance Laws, Regulations & Rules Regarding Commission & Fees**

In most instances Applicant's Retail Broker receives no compensation for its services from a Selected Carrier or an MGU in the Insurance Programs. In some limited cases, however, Applicant's Retail Brokers may receive a commission from an MGU which in an amount between 0% - 20% percent of the premiums charged. If Applicant's Retail Broker does not receive compensation from a Carrier or an MGU, it may charge Applicant a broker fee for its services. Typically, broker fees are non-refundable and range from 0% - 20% of the premiums charged. Broker fees are not required by Selected Carriers. In most states, broker fees are ordinary and legal. In some states, Applicant's Retail Broker may receive both commission and charge Applicant a broker fee. In other states, Applicant's Retail Broker may either receive commission or charge the insured a broker fee. Ordinarily, Retail Brokers receive commissions on insurance policies ranging from 10% - 20% of premiums. PG believes that, in the instances where Applicant's Retail Broker is not receiving commission, a broker fee of between 10% - 20% of the Quote, is ordinary, appropriate, and reasonable. Applicant agrees to pay its Retail Broker a broker fee of between 0% - 20% percent of the

Quote if the Retail Broker does not receive compensation from an MGU or a Carrier. The Retail Broker bears

sole and complete responsibility for complying with state laws regarding the charging of broker fees. Applicant agrees that it shall bring no action, claim, or suit against, nor file any grievance about an MGU, a Selected Carrier, or PG with regards the charging of a broker fee by Applicant's Retail Broker.

**F. Statements by Retail Brokers that Exceed Scope of Coverage; Retail Brokers Liable for Coverage Advice**

Applicant's Retail Broker assumes all liability for situations in which the Retail Broker makes statements regarding coverage, whether oral or written, which convey coverage beyond that which is provided by a binder or policy of insurance received by the Retail Broker from an MGU. Applicant's Retail Broker assumes all liability for advising Applicant as to the purchase of proper insurance coverages.

Applicant's Retail Broker acknowledges that MGU's Quotes may not contain all requested coverages and that it shall be comport with all of the may not quote

Applicant agrees to hold harmless PG, its MGUs, and its Selected Carriers, their related companies, affiliated companies, "trading as" entities, "doing business as" entities, and subsidiaries, as well as all of their employees, directors, officers, agents, and representatives from any damages, costs, claims, losses, expenses (including attorney fees), penalties, and interest thereupon until paid arising out of, caused by, relating to, resulting from, or as a consequence of, or flowing flow any errors or omissions, or alleged errors or omissions regarding the adequacy, amount, or form of any insurance coverage obtained or placed by Applicant's Retail Broker through an MGU.

**6. Master Programs – No Shared Limits; Coverage Instruments; Coverage Periods**

Most of the Insurance Programs cover PG and its membership under a Master Program of Insurance (hereinafter "MPI"). Applicant agrees to accept the terms, conditions, and exclusions of the MPI, if insured thereunder.

However, in some of the Insurance Programs, each Member receives its own policy.

**A. No Shared Limits**

Whether or not insured under an MPI, Applicant shall receive its own limits of insurance, which limits are not shared with any other Member.

**B. Coverage Periods**

Policies and EOIs describes the length of time for which coverage applies.

## **C. Evidences of Insurance & Purchasing Group Membership (EOIs)**

### **i. Function**

If insured under an MPI, Applicant will receive an Evidence of Insurance & Purchasing Group Membership (hereinafter “EOI”). An EOI functions as a “sub-policy” under a Master Policy (hereinafter “MP;” otherwise known as MPI) issued to PG and its membership. The EOI is a coverage document that states which terms, conditions, and exclusions of the MP apply or do not apply to a given Member. The EOI may contain further enhancements and restrictions of coverage unique to a given Member.

### **ii. Conflicts Between MPs & EOIs**

In the eventuality that a term, condition, or exclusion in an EOI conflicts with a term, condition, or exclusion of a related MP, the terms, conditions, and exclusions of the MP take precedence over and supercede the terms, conditions, and exclusions of the EOI, unless the EOI states on its face that the EOI takes precedence over conflicting terms, conditions, or exclusions in the MP.

## **7. “Large Commercial Risk” or “Industrial Insured” Election**

PG may elect for itself and its membership to be treated as a “Large Commercial Risk” (hereinafter “LCR”) and/or a “Industrial Insured” (hereinafter “II”) if it purchases an MP. This varies from Insurance Program to Insurance Program and depends on the state in which an MP is issued. However, whenever a state permits an MP to be issued to PG as a LCR or an II, MP elects to be treated as such, with regards itself and its membership.

If PG makes the election for itself and its membership to be treated as a LCR and/or an II, the Selected Carrier providing coverage under an MP may not be required to file its rates or forms in the state in which the MP is issued.

## **8. Automatic Non-Renewals & Notice of Non-Renewal**

Every policy and EOI is automatically non-renewed every year on its expiration date. Most often, a renewal quote will be provided. However, each Selected Carrier providing coverage to PG and/or its membership reserves the right, because of aforesaid automatic non-renewals, to provide renewal quotes with terms, conditions, and exclusions that are different from those of the expiring policies or EOIs. Those terms may include a premium increase of more than 25%.

If a Selected Carrier intends not to offer a renewal quote to a given Member, that Selected Carrier shall endeavor, but shall not be required, to provide said Member prior notice of non-renewal equal to the time allotted by said Member’s domiciliary state or any state with jurisdiction over the matter.

Applicant agrees to waive its rights under any applicable state's laws with regards the receipt of prior notice of non-renewal.

## **9. Cancellation of Coverage**

If Applicant's coverage is cancelled, the relevant Selected Carrier shall provide Applicant with prior notice of cancellation according to applicable state statutes, except in the eventuality that Applicant's membership in PG is terminated by written notice from PG. If Applicant's membership in PG is terminated by written notice from PG, Applicant's coverage under an MPI, an MP, policy, or EOI shall be immediately cancelled thereupon.

## **10. Authorization of Retail Broker to Act on Applicant's Behalf**

Applicant authorizes its Retail Broker to act as its insurance broker for the purposes of purchasing and maintaining insurance. With regards the purchase and maintenance of insurance, Applicant agrees that the acts of its Retail Broker shall be deemed to be the acts of the Applicant. If Applicant's Retail Broker communicates written instructions to an MGU to bind or cancel coverage, such binding or cancellation instructions will be deemed to have been authorized by Applicant.

## **11. Premiums**

### **A. Purpose of Purchasing Group – Achieving Purpose; Methodology Arbitrary, Capricious &/or Discriminatory**

A primary purpose of PG shall be to provide each of its Members, regardless of such Member's financial size and sophistication, with the ability to obtain quality insurance coverage and high limits of insurance protection at an affordable cost. To achieve this purpose, an MGU may charge premiums in a manner that varies from Member to Member and in a manner that might otherwise be considered arbitrary, capricious, or discriminatory.

### **B. Computation & Amount – Authorization of PG; MGUs Not Required To Disclose Calculation Method or to Prove Purpose of PG Achieved by Calculation Method**

The premium and premium rate charged to each Member may vary from Member to Member. The amount of the premium charged shall be within the sole discretion of the MGU; it shall be based upon, but not limited to, such criteria as the exposures to loss presented to a Selected Carrier, the complexity of underwriting that Member's risk, the Member's finances and/or capability to pay, and the expected future service needs of the Member. However, the MGU may utilize, not utilize, change, or amend the criteria used to determine premiums at any time without prior approval of the Members. In addition, each Member's base premiums may be debited, via an Individual Premium Risk Modifier, based upon that Member's individual loss experience, whether or not that Member has a risk manager, whether or not that Member's management is markedly excellent, and whether or not the Member has in place markedly excellent loss controls. Further, the MGU may charge each Member a premium in an

arbitrary, capricious, and/or discriminatory manner. PG has authorized each MGU to calculate premiums in the manner discussed herein on behalf of itself and its Members. MGUs shall not be required to disclose the method by which they computed a given Member's premium or to prove that the method by which they computed a given Member's premium has achieved the purposes of PG.

**C. No Changes in Premiums Without Change in Insurance Exposures**

Once Applicant has purchased insurance coverage through the Insurance Programs and become a Member of PG, the insurance premium shall not be changed until expiration date of that Member's current insurance policy or coverage period unless Applicant has a change in insurance exposures. If a Member's insurance exposures increase or decrease, the premium may be adjusted, accordingly.

**D. Combined Quote for Insurance & Membership; Premiums Delineated on Policies and/or EOIs; Premiums May Be Requested Prior to Purchase**

Applicant shall receive a combined quote for insurance and membership in PG (hereinafter "Quote"). That Quote shall include all premiums and PGMFs; it may also include other fees, (e.g.- State and/or Federal Taxes, State and/or Federal Surcharges, service fees, broker fees, etc.). Premiums, fees, and State and/or Federal Taxes and Surcharges shall not be individually delineated on Quotes; however, they shall be individually delineated on policies and EOIs. Applicants may request – prior to purchase – an individual delineation of the premium, PGMF, State and/or Federal Taxes (if applicable), and State and/or Federal Surcharges by (1) sending a self-addressed, stamped return envelope with a request on Applicant's letterhead therefore to PG or (2) requesting this information from Applicant's Retail Broker.

**E. Payment Due Prior to Receipt of Policy and/or EOI**

Upon payment of all premiums, fees, taxes, and surcharges due, the relevant MGU shall send Applicant, via Applicant's Retail Broker, a policy or EOI.

**F. Agreement Not To Bring Claim, Law Suit, or Administrative Action Regarding Amount of Premium**

Member agrees and warrants that it shall never bring a claim, law suit, or governmental or administrative proceeding against PG, the relevant MGU, or the relevant Selected Carrier based upon the amount it was charged as a premium in relation to other Members or alleging that the amount it was charged in premium was arbitrary, capricious, or discriminatory. Each Member shall receive an individually-tailored Quote, and it shall be the decision of each Member as to whether it accepts or rejects said Quote, understanding that the premium component of said Quote may have been calculated in an arbitrary, capricious, or discriminatory fashion.

**G. Where Payment Made**

Applicant agrees to pay the premium, PGMF, other fees (if applicable), State or Federal taxes and/or surcharges (if applicable) to its Retail Broker. Its Retail Broker shall then remit the premium, PGMF, other fees (if applicable), State or Federal taxes and/or surcharges (if applicable) to the Administrator or the relevant MGU, depending on how the Retail Broker is invoiced by either the Administrator or the relevant MGU. In any event, insurance premiums shall be remitted to relevant Selected Carriers via the relevant MGU. The Administrator shall retain the PGMF, which PGMF is not insurance-related, to fund the operations of the purchasing group.

With regards policies underwritten by American Alternative Insurance Corporation, premiums shall be paid to Applicant's Retail Broker, then to McGowan & Company, Inc. or Statehouse Casualty Managers, Inc., depending on how the Retail Broker is invoiced by either McGowan & Company, Inc. or Statehouse Casualty Managers, Inc.

## **12. Texas & Related States Notice**

The Carrier may not be subject to all insurance laws and regulations of the state in which the insurance policy or EOI is issued.

## **13. No Backdating; Written Instructions Required to Bind; Written Instructions to Cancel**

The earliest date upon which an MGU may place coverage into effect is the date upon which it receives a request in writing from Applicant's Retail Broker to place coverage into force (i.e.- to "bind" coverage).

The earliest date upon which an MGU may cancel coverage is the date upon which it receives an ACORD Lost Policy Release, signed by both Applicant and Applicant's Retail Broker, instructing it to cancel coverage.

No Selected Carrier in the Insurance Programs permits any MGU in the Insurance Programs to "backdate" coverage or cancellations.

## **14. Minimum Earned Premiums; "Flat" Cancellations Not Permitted**

Some policies and EOIs carry Minimum Earned Premiums. The Minimum Earned Premium is the premium for which Applicant is liable, whether Applicant decides to keep a policy or EOI in force for one (1) day or one (1) year. Prior to binding coverage, an MGU shall provide Applicant's Retail Broker with a quote. That quote shall detail the Minimum Earned Premium if a Minimum Earned Premium applies. Once Applicant instructs its Retail Broker to instruct an MGU to bind coverage, and coverage is placed into effect, coverage cannot be "unbound." If Applicant decides to cancel coverage, even if it is one day into a policy, Applicant owes the MGU the Minimum Earned Premium.

Applicant agrees to be liable for any Minimum Earned Premiums in the eventuality that it cancels coverage prior to a policy or EOI's natural expiration date.



Furthermore, “flat” cancellations are not permitted. Once a policy or EOI has been bound, the policy shall carry, at a minimum, a short-rate penalty of 10%. Said policy or EOI may also carry a Minimum Earned Premium, as discussed above.

**15. No Changes in Premium Without a Change in Applicant’s Exposures or Operations**

Once Applicant has purchased insurance coverage through the Insurance Programs and become a Member of PG, the insurance premium and PGMF shall not be changed until the renewal date of that Member’s policy period or coverage period unless Applicant has a change in insurance exposures or operations. If a Member’s insurance exposures or operations increase or decrease, the premium may be adjusted, accordingly.

**16. Right To Decline Business for Any Reason**

An MGU shall have the absolute right to decline any business submitted by Applicant’s Retail Broker for any reason or no reason whatsoever.

**17. Only Members May Access Insurance Programs**

Only Members of PG may access the Insurance Programs.

**18. State Disclosure Notices**

Some States require that we provide you with specific notices in specified fonts and formatting regarding your insurance coverage. They are as follow.

**NOTICE TO ARKANSAS APPLICANTS**

ANY PERSON WHO KNOWINGLY PRESENTS A FALSE OR FRAUDULENT CLAIM FOR PAYMENT OF A LOSS OR BENEFIT, OR KNOWINGLY PRESENTS FALSE INFORMATION IN AN APPLICATION FOR INSURANCE IS GUILTY OF A CRIME AND MAY BE SUBJECT TO FINES AND CONFINEMENT IN PRISON.

**NOTICE TO COLORADO APPLICANTS**

IT IS UNLAWFUL TO KNOWINGLY PROVIDE FALSE, INCOMPLETE, OR MISLEADING FACTS OR INFORMATION TO AN INSURANCE COMPANY FOR THE PURPOSE OF DEFRAUDING OR ATTEMPTING TO DEFRAUD THE COMPANY. PENALTIES MAY INCLUDE IMPRISONMENT, FINES, DENIAL OF INSURANCE, AND CIVIL DAMAGES. ANY INSURANCE COMPANY OR AGENT OF AN INSURANCE COMPANY WHO KNOWINGLY PROVIDES FALSE, INCOMPLETE, OR MISLEADING FACTS OR INFORMATION TO A POLICYHOLDER OR CLAIMANT FOR THE PURPOSE OF DEFRAUDING OR ATTEMPTING TO DEFRAUD THE POLICYHOLDER OR CLAIMANT WITH REGARD TO A SETTLEMENT OR AWARD PAYABLE FROM INSURANCE PROCEEDS SHALL BE REPORTED TO THE COLORADO DIVISION OF INSURANCE WITHIN THE DEPARTMENT OF REGULATORY AUTHORITIES.

**NOTICE TO DISTRICT OF COLUMBIA APPLICANTS**

WARNING: IT IS A CRIME TO PROVIDE FALSE OR MISLEADING INFORMATION TO AN INSURER FOR THE PURPOSE OF DEFRAUDING THE INSURER OR ANY OTHER PERSON. PENALTIES INCLUDE IMPRISONMENT AND/OR FINES. IN ADDITION, AN INSURER MAY DENY INSURANCE BENEFITS IF FALSE INFORMATION MATERIALLY RELATED TO A CLAIM WAS PROVIDED BY THE APPLICANT.

**NOTICE TO FLORIDA APPLICANTS**

ANY PERSON WHO KNOWINGLY AND WITH INTENT TO INJURE, DEFRAUD, OR DECEIVE ANY INSURER FILES A STATEMENT OF CLAIM OR AN APPLICATION CONTAINING ANY FALSE, INCOMPLETE OR MISLEADING INFORMATION IS GUILTY OF A FELONY IN THE THIRD DEGREE.

**NOTICE TO KENTUCKY APPLICANTS**

ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR OTHER PERSON FILES AN APPLICATION FOR INSURANCE CONTAINING ANY MATERIALLY FALSE INFORMATION, OR CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO, COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME.

**NOTICE TO LOUISIANA APPLICANTS**

ANY PERSON WHO KNOWINGLY PRESENTS A FALSE OR FRAUDULENT CLAIM FOR PAYMENT OF A LOSS OR BENEFIT OR KNOWINGLY PRESENTS FALSE INFORMATION IN AN APPLICATION FOR INSURANCE IS GUILTY OF A CRIME AND MAY BE SUBJECT TO FINES AND CONFINEMENT IN PRISON.

**NOTICE TO MAINE APPLICANTS**

IT IS A CRIME TO KNOWINGLY PROVIDE FALSE, INCOMPLETE OR MISLEADING INFORMATION TO AN INSURANCE COMPANY FOR THE PURPOSE OF DEFRAUDING THE COMPANY. PENALTIES MAY INCLUDE IMPRISONMENT, FINES OR A DENIAL OF INSURANCE BENEFITS.

**NOTICE TO NEW JERSEY APPLICANTS**

ANY PERSON WHO INCLUDES ANY FALSE OR MISLEADING INFORMATION ON AN APPLICATION FOR AN INSURANCE POLICY IS SUBJECT TO CRIMINAL AND CIVIL PENALTIES.

**NOTICE TO NEW MEXICO APPLICANTS**

ANY PERSON WHO KNOWINGLY PRESENTS A FALSE OR FRAUDULENT CLAIM FOR PAYMENT OF A LOSS OR BENEFIT OR KNOWINGLY PRESENTS FALSE INFORMATION IN AN APPLICATION FOR INSURANCE IS GUILTY OF A CRIME AND MAY BE SUBJECT TO CIVIL FINES AND CRIMINAL PENALTIES.

**NOTICE TO NEW YORK APPLICANTS**

ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR OTHER PERSON FILES AN APPLICATION FOR INSURANCE OR STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION, CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO, COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME, AND SHALL ALSO BE SUBJECT TO A CIVIL PENALTY NOT TO EXCEED FIVE THOUSAND DOLLARS AND THE STATED VALUE OF THE CLAIM FOR EACH SUCH VIOLATION.

#### **NOTICE TO OHIO APPLICANTS**

ANY PERSON WHO, WITH INTENT TO DEFRAUD OR KNOWING THAT HE IS FACILITATING A FRAUD AGAINST AN INSURER, SUBMITS AN APPLICATION OR FILES A CLAIM CONTAINING A FALSE OR DECEPTIVE STATEMENT IS GUILTY OF INSURANCE FRAUD.

#### **NOTICE TO OKLAHOMA APPLICANTS**

WARNING: ANY PERSON WHO KNOWINGLY, AND WITH INTENT TO INJURE, DEFRAUD OR DECEIVE ANY INSURER, MAKES ANY CLAIM FOR THE PROCEEDS OF AN INSURANCE POLICY CONTAINING ANY FALSE, INCOMPLETE OR MISLEADING INFORMATION IS GUILTY OF A FELONY.” (365:15-1-10, 36 §3613.1)

#### **NOTICE TO PENNSYLVANIA APPLICANTS**

ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR OTHER PERSON FILES AN APPLICATION FOR INSURANCE OR STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION OR CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME AND SUBJECTS SUCH PERSON TO CRIMINAL AND CIVIL PENALTIES.

#### **NOTICE TO TENNESSEE APPLICANTS**

IT IS A CRIME TO KNOWINGLY PROVIDE FALSE, INCOMPLETE OR MISLEADING INFORMATION TO AN INSURANCE COMPANY FOR THE PURPOSE OF DEFRAUDING THE COMPANY. PENALTIES INCLUDE IMPRISONMENT, FINES AND DENIAL OF INSURANCE BENEFITS.

#### **NOTICE TO VIRGINIA APPLICANTS**

IT IS A CRIME TO KNOWINGLY PROVIDE FALSE, INCOMPLETE OR MISLEADING INFORMATION TO AN INSURANCE COMPANY FOR THE PURPOSE OF DEFRAUDING THE COMPANY. PENALTIES INCLUDE IMPRISONMENT, FINES AND DENIAL OF INSURANCE BENEFITS.

### **19. Written Statements & Supplemental Materials Furnished Become Material Part of the Application for Insurance**

All written statements and supplemental materials furnished to a Selected Carrier in conjunction with an application are hereby incorporated by reference into the application and made a material part thereof.

**20. Additional Text – Signature Page of Application**

Some of our Selected Carriers require that we insert specific language in a specific font regarding the signature page of our “Application for Insurance & Membership.”

The following language is hereby made a part of the signature page of the “Application for Insurance & Membership.”

PLEASE READ THE FOLLOWING STATEMENT CAREFULLY AND SIGN BELOW WHERE INDICATED. IF A POLICY IS ISSUED, THIS SIGNED STATEMENT WILL BE CONSIDERED TO HAVE BEEN ATTACHED TO THE POLICY.

THE AUTHORIZED OFFICER OF THE APPLICANT WHO SIGNS AN APPLICATION FOR INSURANCE, HAVING MADE DUE INQUIRY (INCLUDING, BUT NOT LIMITED TO, DUE INQUIRY OF THE LEGAL AND RISK MANAGEMENT DEPARTMENTS), DECLARES THAT TO THE BEST OF HIS OR HER KNOWLEDGE AND BELIEF THE STATEMENTS SET FORTH IN AN APPLICATION OR WRITTEN STATEMENTS OR SUPPLEMENTAL MATERIALS FURNISHED TO A SELECTED CARRIER ARE TRUE. THE UNDERSIGNED AUTHORIZED OFFICER AGREES THAT IF THE INFORMATION SUPPLIED ON THIS APPLICATION (INCLUDING INFORMATION PROVIDED BY ATTACHMENT HERETO) CHANGES BETWEEN THE DATE OF THIS APPLICATION AND THE EFFECTIVE DATE OF THE INSURANCE, HE/SHE (UNDERSIGNED) WILL, IN ORDER FOR THE INFORMATION TO BE ACCURATE ON THE EFFECTIVE DATE OF THE INSURANCE, IMMEDIATELY NOTIFY THE INSURER OF SUCH CHANGES, AND THE INSURER MAY WITHDRAW OR MODIFY ANY OUTSTANDING INDICATIONS, QUOTATIONS AND/OR AUTHORIZATIONS OR AGREEMENTS TO BIND THE INSURANCE.

THE UNDERSIGNED, ON BEHALF OF THE APPLICANT, AGREES THAT THIS APPLICATION DOES NOT BIND THE APPLICANT OR THE INSURER TO COMPLETE THE INSURANCE, BUT IT IS AGREED THAT THIS APPLICATION SHALL BE THE BASIS OF ANY COVERAGE ISSUED BY US AND WILL BE ATTACHED TO AND BECOME PART OF THE POLICY.

**22. Financial Quality of Selected Carriers & Admitted / Non-Admitted Coverage**

All of the Insurance Programs are underwritten by insurance companies rated “A” or better by A.M. Best, the leading rater of financial strength for insurance companies in the United States. An “A” rating by A.M. Best means “Secure” and signifies the highest rating that A.M. Best gives an insurance company (The “A” Category includes A-, A, A+, or A++; all are considered “Secure”). For more information about A.M. Best and its rating scales, please visit [www.ambest.com](http://www.ambest.com).

Most of the Insurance Programs are underwritten by “Admitted” insurance companies. However, some of the Insurance Programs are underwritten by “Non-Admitted” insurance companies. Whether or not an insurance company is “Admitted” or “Non-Admitted” does not affect the financial quality (i.e.- strength and stability) of that insurance company.

If the policy or EOI which covers you is underwritten by a “Non-Admitted” insurance company, it means that coverage was otherwise unavailable through at least three other insurance companies.

Applicant’s Retail Broker is responsible for the placement of coverage through “Non-Admitted” insurance companies and for complying with all State laws, regulations, and rules regarding the placement of insurance through “Non-Admitted” insurance companies. Applicant’s Retail Broker is also responsible for advising Applicant regarding the placement of insurance through “Admitted” and “Non-Admitted” insurance companies.

### **23. Incorporation of Terminology from “Membership Agreement - Terms & Conditions of Membership” & “Application for Insurance & Membership”**

This “Terms & Conditions of Insurance” incorporates terminology and abbreviations from the “Membership Agreement – Terms & Condition of Membership” and from the “Application for Insurance & Membership.”

### **24. Headers**

Headers in this Agreement are used for organizational purposes and shall not be interpreted to convey any meaning.