

COMMERCIAL LINES UNDERWRITING GUIDELINES

INDUSTRY-SPECIFIC RISK ACCEPTANCE CRITERIA

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1. INTRODUCTION

This document establishes the industry-specific risk acceptance criteria for commercial lines underwriting. These guidelines are designed to ensure consistent risk selection, pricing, and coverage determination across all regions while maintaining portfolio profitability and meeting corporate growth objectives.

Underwriters must apply these criteria in conjunction with other applicable underwriting guidelines, including: - Property-Specific Underwriting Guidelines (UW-GUIDE-2025-P01) - General Liability Underwriting Guidelines (UW-GUIDE-2025-GL01) - Workers' Compensation Underwriting Guidelines (UW-GUIDE-2025-WC01) - Commercial Auto Underwriting Guidelines (UW-GUIDE-2025-CA01)

Note: These guidelines represent minimum standards. Regional underwriting managers may implement more restrictive criteria based on local market conditions, loss experience, or regulatory requirements.

2. GENERAL UNDERWRITING PRINCIPLES

All commercial accounts must meet the following general criteria regardless of industry classification:

1. **Financial Stability:** Accounts must demonstrate adequate financial resources to maintain operations, implement risk management practices, and cover deductible/retention obligations.
 2. **Management Experience:** Management should have at least 3 years of experience in the relevant industry with demonstrated knowledge of applicable regulations and industry standards.
 3. **Loss History:** Loss frequency and severity should be within acceptable ranges for the industry, with evidence of implemented corrective actions for prior losses.
 4. **Risk Management:** Appropriate risk management procedures must be in place, including formal safety programs for high-hazard operations.
 5. **Building/Premises Condition:** Properties must be well-maintained, compliant with applicable building codes, and protected by appropriate fire protection systems.
 6. **Commitment to Safety:** Business demonstrates a clear commitment to employee and customer safety with documented programs and procedures.
 7. **Regulatory Compliance:** Business must be in compliance with all applicable local, state, and federal regulations pertinent to their operations.
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3. AUTHORITY LEVELS

Underwriting authority is determined by industry, risk size, and complexity. The following authority matrix applies:

Industry Risk Level	Underwriter	Senior Underwriter	Underwriting Manager	Regional Director
Standard Risk	\$1M TIV	\$5M TIV	\$15M TIV	\$25M TIV
Non-Standard Risk	\$500K TIV	\$2.5M TIV	\$10M TIV	\$20M TIV
Difficult Placement	Refer	\$1M TIV	\$5M TIV	\$15M TIV

Note: Total Insured Value (TIV) includes building, contents, business income, and extra expense exposures.

4. INDUSTRY CLASSIFICATIONS

For underwriting purposes, businesses are classified into the following risk categories based on industry and operations:

Standard Risk: Industries with predictable hazards, established risk management practices, and favorable loss history.

Non-Standard Risk: Industries with moderate hazards requiring specialized underwriting knowledge and potentially higher than average loss frequency or severity.

Difficult Placement: Industries with significant inherent hazards, limited historical data, emerging risks, or challenging risk management requirements.

Prohibited: Industries with unacceptable hazards, poor loss experience, or those falling outside our corporate risk appetite.

5. RISK ACCEPTANCE CRITERIA BY INDUSTRY

5.1 RETAIL

Standard Risk Retail (BIC Codes 5200-5499, 5600-5699, 5900-5999)

- Stores with less than 50,000 sq. ft. per location
- Annual sales under \$10 million per location
- Formal employee training programs
- Premises in compliance with ADA requirements
- Functioning surveillance systems
- No more than 10% of sales from online operations
- Formal inventory management system

Non-Standard Risk Retail (BIC Codes 5500-5599, 5700-5799)

- Stores between 50,000-100,000 sq. ft.
- Annual sales between \$10-25 million per location
- Minimum 3 years in business with stable management
- Active loss prevention program
- Online sales between 10-30% of total revenue
- Central station alarm system for fire and security

Difficult Placement Retail

- Jewelry stores with inventory exceeding \$1 million
- High-end electronics retailers
- Firearms/weapons retailers (see special guidelines in Appendix A)
- Stores with over 30% of revenue from online sales
- Seasonal or temporary operations

Prohibited Retail Operations

- Vape shops and marijuana dispensaries
- Fireworks retailers
- Adult entertainment retailers
- Businesses with more than 3 property losses in past 3 years
- Non-compliant premises with multiple code violations

5.2 WHOLESALE/DISTRIBUTION

Standard Risk Wholesale/Distribution (BIC Codes 5000-5199)

- Operations with less than 100,000 sq. ft. of warehouse space
- Annual gross receipts under \$15 million
- Less than 15 delivery vehicles
- Formal warehouse safety program
- No handling of hazardous, flammable, or explosive materials
- Premises equipped with sprinkler systems
- Regular equipment maintenance program

Non-Standard Risk Wholesale/Distribution

- Operations with 100,000-250,000 sq. ft. of warehouse space
- Annual gross receipts between \$15-50 million
- 15-30 delivery vehicles

- Limited handling of low-hazard chemicals
- Moderate long-haul distribution (regional only)
- At least 5 years in business with stable management
- Formal fleet safety program

Difficult Placement Wholesale/Distribution

- Operations exceeding 250,000 sq. ft. of warehouse space
- Food distribution requiring refrigeration/freezer storage
- Moderate handling of hazardous/regulated materials
- Transport of high-value commodities (>\$250K per shipment)
- Nationwide or international distribution operations
- Operations with significant seasonal variations (>50%)

Prohibited Wholesale/Distribution Operations

- Primary distributors of explosives or fireworks
- Handling of class A explosive materials
- Fuel/petroleum distributors without specialized coverage
- Operations with poor driving records (>2 major violations)
- Distribution of illicit or heavily regulated materials

5.3 MANUFACTURING

Standard Risk Manufacturing (BIC Codes 2000-3999 except as noted)

- Operations with less than 50 employees per shift
- Annual gross receipts under \$20 million
- No processes involving high heat operations (>500°F)
- No use of highly flammable materials/solvents
- Formal lockout/tagout procedures
- Less than 15% of products exported internationally
- Formal quality control program

Non-Standard Risk Manufacturing

- Operations with 50-150 employees per shift
- Annual gross receipts between \$20-75 million
- Limited use of flammable materials with proper controls
- Moderate use of automated equipment/robotics
- Up to 30% of products exported internationally
- Limited high-heat operations with proper controls
- Comprehensive equipment maintenance program

Difficult Placement Manufacturing

- Operations with more than 150 employees per shift
- Extensive use of industrial robots or automated systems
- Operations involving moderate heat treating or foundry work
- Facilities operating multiple shifts (24/7 operations)
- Use of moderate hazard chemicals or processes
- Metal working with magnesium, titanium, or similar metals
- Significant product export (>30% of revenue)

Prohibited Manufacturing Operations

- Explosive manufacturing
- Fireworks manufacturing
- Primary ammunition manufacturing
- Asbestos products manufacturing
- Poorly maintained facilities with history of fire code violations
- Operations with 3+ serious OSHA violations in 5 years

5.4 CONSTRUCTION

Standard Risk Construction (BIC Codes 1500-1799)

- Annual revenue under \$10 million
- Work height restrictions: maximum 3 stories or 40 feet
- No more than 10% of work involving new residential construction
- No roofing operations as primary focus
- Maximum 25 employees
- Formal safety program with regular training
- No subcontractor work exceeding 25% of total operations
- No work on bridges, dams, tunnels, or other critical infrastructure

Non-Standard Risk Construction

- Annual revenue between \$10-30 million
- Work height maximum: 5 stories or 75 feet
- Limited residential work (10-25% of operations)
- Limited use of cranes and heavy equipment (owned or rented)
- Subcontractor work between 25-40% of operations
- Workers with appropriate certifications and licensing
- Use of formal written contracts with all clients/subcontractors
- Formal equipment maintenance program

Difficult Placement Construction

- Revenue between \$30-100 million
- Work height maximum: 10 stories or 150 feet
- Moderate residential exposure (25-50% of operations)
- Demolition operations (non-explosive)
- Crane/hoist operations with certified operators
- Operations involving excavation deeper than 10 feet
- Work on public infrastructure (non-critical)
- Multiple concurrent projects exceeding \$5 million each

Prohibited Construction Operations

- Revenue exceeding \$100 million (refer to Large Accounts division)
- Residential tract housing developers/builders
- Work on bridges, tunnels, dams, or airports
- Explosive demolition
- Work height exceeding 10 stories or 150 feet
- Underground mining operations
- Environmental remediation (without specific coverage)
- EIFS installation as primary operation

5.5 HOSPITALITY

Standard Risk Hospitality (BIC Codes 7000-7099)

- Properties with less than 100 rooms/units
- No alcohol sales or limited to less than 25% of revenue
- Maximum 2 locations under same ownership/management
- No swimming pools or fully compliant pool with lifeguard when in use
- Central station fire alarm system
- No banquet/conference facilities over 5,000 sq ft
- In business minimum 3 years under current management

Non-Standard Risk Hospitality

- Properties with 100-250 rooms/units
- Alcohol sales between 25-40% of total revenue
- Up to 5 locations under same ownership/management
- Swimming pools with formal safety procedures
- Fitness centers under 2,500 sq ft
- Small banquet/conference facilities (5,000-10,000 sq ft)
- Formal staff training program for emergency procedures
- Valet parking services (with separate coverage)

Difficult Placement Hospitality

- Properties with 250-500 rooms/units
- Alcohol sales between 40-50% of total revenue
- Resort properties with recreational activities
- Multiple amenities (spa, fitness center >2,500 sq ft)
- Large conference/banquet facilities (>10,000 sq ft)
- Live entertainment venues
- Multiple swimming pools or water features
- Seasonal operations

Prohibited Hospitality Operations

- Properties exceeding 500 rooms (refer to Large Accounts division)
- Alcohol sales exceeding 50% of revenue (classify as bar/tavern)
- Adult-themed entertainment
- Properties with waterparks or extensive water features
- Properties with multiple serious code violations
- Hostels or single-room occupancy (SRO) facilities
- Properties with history of violent incidents (>3 in 5 years)

5.6 REAL ESTATE

Standard Risk Real Estate (BIC Codes 6500-6599)

- Residential properties with less than 50 units per location
- Commercial properties with less than 100,000 sq ft
- Occupancy rate exceeding 85%
- Professional property management
- Centralized fire alarm systems
- No subsidized housing operations
- Buildings less than 50 years old or fully renovated within 15 years

Non-Standard Risk Real Estate

- Residential properties with 50-150 units per location
- Commercial properties between 100,000-250,000 sq ft
- Mixed-use properties (retail/residential)
- Buildings 50-75 years old with updates to major systems
- Limited exposure to subsidized housing (<25% of units)
- Shopping centers with less than 50 tenants
- Office buildings with less than 10 stories

Difficult Placement Real Estate

- Residential properties with 150-300 units per location
- Commercial properties between 250,000-500,000 sq ft
- Buildings 75-100 years old with documented renovation history
- Moderate exposure to subsidized housing (25-50% of units)
- Historical buildings with preservation requirements
- Buildings under active renovation with tenant occupancy
- Office buildings 10-25 stories
- Shopping centers with 50+ tenants

Prohibited Real Estate Operations

- Properties with more than 300 residential units per location
- Commercial properties exceeding 500,000 sq ft
- Buildings exceeding 25 stories
- Buildings over 100 years old without complete systems renovation
- Predominantly subsidized housing (>50% of units)
- Vacant buildings (>30% vacancy for >6 months)
- Properties with multiple code violations or citations
- Properties with known environmental contamination

5.7 PROFESSIONAL SERVICES

Standard Risk Professional Services (BIC Codes 8000-8999)

- Firms with annual revenue under \$5 million
- Professional staff less than 25 employees
- In business minimum 5 years
- No international operations
- Local or regional client base
- Formal quality control procedures
- No government contract work exceeding 25% of revenue

Non-Standard Risk Professional Services

- Firms with annual revenue between \$5-15 million
- Professional staff between 25-75 employees
- Minimum 3 years in business
- Limited international operations (<15% of revenue)
- Regional or national client base
- Limited government contract work (25-40% of revenue)
- Professional liability coverage in place for minimum 3 years

Difficult Placement Professional Services

- Firms with annual revenue between \$15-50 million
- Professional staff between 75-150 employees
- International operations (15-30% of revenue)
- Significant government contract work (40-60% of revenue)
- Professional services involving financial transactions
- Consulting services for high-risk industries
- Firms with multiple office locations

Prohibited Professional Services Operations

- Law firms specializing in securities or class action litigation
- Financial advisory firms managing assets exceeding \$500 million
- Accounting firms providing audit services for publicly traded companies
- Firms with revenue exceeding \$50 million
- Firms with known regulatory investigations
- Professional liability claims exceeding \$1 million in past 5 years
- International operations exceeding 30% of revenue

5.8 HEALTHCARE

Standard Risk Healthcare (BIC Codes 8000-8099)

- Ambulatory care facilities (non-surgical)
- Medical offices with less than 10 physicians
- Dental offices with less than 5 practitioners
- Physical therapy facilities
- Annual revenue under \$5 million
- No procedures requiring general anesthesia
- Formal infection control procedures
- No overnight patient stays

Non-Standard Risk Healthcare

- Outpatient surgical centers (minor procedures only)
- Medical offices with 10-25 physicians
- Urgent care facilities (non-24 hour)
- Dental offices with 5-15 practitioners
- Annual revenue between \$5-15 million
- Limited procedures under conscious sedation
- Diagnostic imaging centers (no radiation therapy)
- Formal peer review and quality assurance programs

Difficult Placement Healthcare

- Ambulatory surgical centers with general anesthesia
- Medical offices with 25-50 physicians
- Urgent care facilities (24-hour operations)
- Specialized treatment facilities (non-hospital)
- Annual revenue between \$15-30 million
- Dialysis centers
- Facilities performing moderate-risk procedures
- Limited radiation therapy or cancer treatment

Prohibited Healthcare Operations

- Hospitals and inpatient facilities
- Nursing homes and long-term care facilities
- Abortion clinics
- Experimental treatment facilities
- Facilities with revenue exceeding \$30 million
- Blood banks and tissue storage facilities
- Facilities with 3+ malpractice claims exceeding \$250,000 in 5 years
- Facilities without proper accreditation/licensing

5.9 TECHNOLOGY

Standard Risk Technology (BIC Codes 7370-7379)

- Annual revenue under \$10 million
- Software development (non-critical applications)
- IT consulting and services
- Web design and development
- Less than 50 employees
- No government/military contracts
- No processing/storage of payment card or healthcare data
- No cloud hosting services

Non-Standard Risk Technology

- Annual revenue between \$10-30 million
- Hardware development (non-critical applications)
- Limited SaaS (Software as a Service) operations
- Data analytics (non-personal data)
- 50-100 employees
- Limited government contracts (non-classified)
- Limited storage of PII with formal security protocols
- Regional cloud services

Difficult Placement Technology

- Annual revenue between \$30-75 million
- Moderate SaaS operations with multiple products
- Mobile application development
- IoT (Internet of Things) device manufacturing
- 100-250 employees
- Storage of payment card information with PCI compliance
- Moderate government/military contract exposure
- AI/machine learning operations

Prohibited Technology Operations

- Cryptocurrency mining/exchange operations
- Critical infrastructure software/hardware
- Revenue exceeding \$75 million
- Social media platforms with >1 million users
- Cybersecurity operations for classified government systems
- Companies with history of data breaches
- Healthcare information management without HIPAA compliance

- Payment processing platforms

5.10 FOOD SERVICES

Standard Risk Food Services (BIC Codes 5800-5899)

- Annual revenue under \$3 million per location
- Maximum 3 locations under same ownership/management
- Alcohol sales less than 30% of revenue
- Seating capacity under 150 per location
- No delivery services or limited (less than 15% of sales)
- In business minimum 2 years under current management
- No 24-hour operations

Non-Standard Risk Food Services

- Annual revenue between \$3-10 million per location
- 4-10 locations under same ownership/management
- Alcohol sales between 30-45% of revenue
- Seating capacity between 150-250 per location
- Limited delivery services (15-30% of sales)
- In business minimum 1 year under current management
- Limited late-night operations (closing by 2 AM)

Difficult Placement Food Services

- Annual revenue between \$10-20 million per location
- 11-25 locations under same ownership/management
- Alcohol sales between 45-60% of revenue
- Seating capacity between 250-350 per location
- Significant delivery operations (30-50% of sales)
- Catering operations (up to 30% of revenue)
- 24-hour operations with formal security procedures
- Food trucks or mobile food operations

Prohibited Food Services Operations

- Revenue exceeding \$20 million per location
 - More than 25 locations (refer to Large Accounts division)
 - Alcohol sales exceeding 60% of revenue (classify as bar/tavern)
 - Seating capacity exceeding 350 per location
 - Operations with history of foodborne illness incidents
 - Nightclubs with dancing and entertainment as primary focus
 - Establishments with history of liquor license violations
 - Operations with history of health code violations (Grade C or below)
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6. PROHIBITED/RESTRICTED CLASSIFICATIONS

The following industries or operations are generally prohibited from underwriting consideration:

Absolutely Prohibited (No Exceptions)

- Amusement parks and carnival operations

- Explosives manufacturing or distribution
- Fireworks manufacturing or distribution
- Marijuana growing operations (regardless of legal status)
- Gentlemen's clubs or adult entertainment
- Hazardous waste disposal or treatment
- Underground mining operations
- Firearms manufacturing
- Chemical manufacturing (hazardous chemicals)
- Nuclear power related operations

Highly Restricted (Requires Executive Approval)

- Amusement devices (portable/temporary)
 - Bars and taverns (alcohol >60% of revenue)
 - Blood banks and plasma centers
 - Demolition contractors (structural)
 - Firearms dealers and gun ranges
 - Hunting clubs or guided hunting operations
 - Inflatables rental/operations
 - Logging operations
 - Roofing contractors (primary operations)
 - Sawmills and planing mills
 - Swimming pool contractors
 - Trampoline parks and bounce houses
 - Trucking operations (long-haul)
 - Waste/refuse collection
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7. EXCEPTIONS PROCESS

Exceptions to these guidelines may be considered under the following circumstances:

1. **Regional Market Conditions:** Where specific local market conditions warrant modified guidelines.
2. **Strategic Growth Initiatives:** Where an account falls within a targeted growth segment.
3. **Relationship Value:** Where the overall relationship value justifies acceptance of an otherwise border-line risk.
4. **Compensating Factors:** Where risk mitigation measures exceed standard requirements.

Exception requests must be submitted using Form UW-EXC-01 and include: - Detailed justification for the exception - Specific guideline provisions requiring exception - Compensating factors or risk mitigation measures - Financial analysis of expected loss impact - Senior underwriter recommendation

Approval Authority for Exceptions: - Regional Underwriting Director: Up to 10% deviation from standard guidelines - VP of Underwriting: Up to 25% deviation from standard guidelines - Chief Underwriting Officer: Exceptions exceeding 25% deviation from standard guidelines

Note: All exceptions must be documented in the underwriting file and reviewed annually.

8. APPENDICES

Appendix A: BIC (Business Industry Classification) Code Reference

Appendix B: Industry-Specific Applications and Supplemental Forms

Appendix C: Loss Experience Benchmarks by Industry

Appendix D: Risk Management Program Requirements

Appendix E: Special Guidelines for Firearms Retailers

Appendix F: State-Specific Requirements and Restrictions

DOCUMENT CONTROL

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