

Wednesday, May 25, 2016

**Fitness South, LLC**  
**dba Fitness South**  
**6551 Hwy 69 South**  
**Tuscaloosa, AL, 35405**

Attn: **David Leverett**

Re: Health Club Insurance Proposal

**Proposed Effective Date: 10/09/2015**

Thank you for giving Fitness Insurance, LLC the opportunity to offer your renewal proposal. This proposal has been tailored to the overall needs of the Health Club Industry, as well as your specific needs.

This proposal provides a brief summary of the insurance coverages we are proposing for your renewal. Only the actual policy will contain all the terms, conditions, limitations and exclusions.

Proposed limits and terms presented are per expiring or per your renewal instructions. It is your responsibility to review the terms, limits, and optional coverages available and advise us of any changes necessary. It is important to notify us of any additions of equipment, tenant improvements, or added activities as it may be necessary for additional coverage.

When you choose Fitness Insurance, you are assured personal service, ease of doing business and quick responses to your needs.

We look forward to working with you and servicing your needs throughout the year!

Sincerely,

*Scott*

Scott Kerr on behalf of Randy Schumacher  
Fitness Insurance

To renew your coverage, please review the binding checklist attached. Should you elect to bind coverage, payment and all other required paperwork must be received in our office prior to binding. Coverage cannot be bound without completed paperwork and payment. The undersigned is an authorized representative of the applicant and agrees that the information provided in the application, written or verbal, and any material submitted herewith are the representations of all the applicants and that they are material and are the basis for issuance of the insurance policy provided by us. The undersigned further agrees that the application and any material submitted with the application shall be maintained on file (either electronically or paper) with us and shall be deemed to be attached hereto as if physically attached. The undersigned further agrees to all proposed limits, terms, and conditions contained herein and understands that higher limits may be available for all lines of coverage.

Signature \_\_\_\_\_

Date \_\_\_\_\_

## RENEWAL BINDING CHECKLIST

Wednesday, May 25, 2016

**Fitness South, LLC DBA Fitness South**

To renew coverage, please complete, sign and return the following items and indicate payment option below:

**NOTE:** All binding paperwork and payment must be received before the desired effective date of coverage. Failure to return paperwork and payment on time could result in a lapse in coverage. We cannot bind coverage without payment.

**Cover Letter**

**Liability Notice of Terrorism Coverage**

**Excess Liability Notice of Terrorism Coverage**

Note on Terrorism Coverage: You can choose to elect or reject terrorism on the policies indicated. To ELECT coverage, please make a SEPARATE CHECK payable to FITNESS INSURANCE, LLC for the amount specified on the Notice of Terrorism Coverage Form. Please be sure to either ELECT or REJECT this coverage, sign and return the applicable pages with your binding paperwork. Please note that the premium for this coverage is NOT and CANNOT BE included on your premium finance agreement, if you have selected to finance your premium.

**Eligibility Guidelines**

**24-Hour Eligibility Guidelines**

**Surplus Lines Acknowledgement/Affidavit Required by your State**

Please read and sign the original affidavit attached. This is a requirement in your State and must be completed before a policy can be issued.

**Wind and Hail Exclusion**

**Fraud Notice**

**Optional Coverages**

**Payment** - We must have payment to bind coverage. If payment is not received, there will be a lapse in coverage. Please select payment option below:

**Payment in full with check** mailed to Fitness Insurance, LLC

**Payment in full by electronic draft via Automated Clearing House (ACH)**

**Signed Premium Finance Agreement**

Down Payment made via Check attached

Down Payment by electronic draft via Automated Clearing House (ACH)

Monthly Installments from Premium Finance Company via Invoice/Statement

Monthly Installments from Premium Finance Company by electronic draft via Automated Clearing House (ACH)

**If ACH is requested, complete and sign the ACH Authorization Form and attach a copy of a voided check.**

**Renewal Questionnaire**

**Inspection** - Your general liability carrier requires an inspection every three years. We will order one upon renewal.

## WORKERS' COMPENSATION COVERAGE PROPOSAL

**INSURED:** Fitness South, LLC   **DBA:** Fitness South

**UNDERWRITTEN BY:**

**Effective Date:**   **Expiration Date:**

**EIN:** \_\_\_\_\_

Class Code	Description	Rate	Payroll
test class	test desc	1.3330	\$10,000
		2.1000	\$0
Based on Total Payroll of:		\$10,000	

Estimated Premium	\$0.00
Total Premium and Fees	\$0.00

### **Employer's Liability Policy Limits (Higher Limits May Be Available)**

Each Accident	\$1,000,000
Disease Per Employee	\$1,000,000
Disease Policy Limit	\$1,000,000

Owner/Partner/Officer Name	Title	% Ownership	Include	Exclude	Salary if Coverage Included
TOTAL:	0%				

**\*\*WORKERS COMPENSATION STATUTORY GUIDELINES determine whether owners/officers are automatically included or excluded\*\***

Your state will include/exclude owners and officers unless they are specifically included/excluded by name, title, salary and % ownership and listed on the policy. Whether or not you elect coverage for owners/officers (as allowed by your state), we must have complete information regarding all qualifying individuals. If information above is incomplete or incorrect, please update and return to this office prior to binding coverage.

Optional Coverage: Voluntary Compensation can be included for approximately five percent of premium where allowed by state statute. Please let your Account Manager know if you would like to include this coverage.

Note: Workers' Compensation coverage may be subject to state specific laws which may supersede policy forms.

Workers' Compensation policies are subject to audit. Upon expiration of your policy, the insurance carrier will contact you to conduct an audit for the prior policy term to determine the actual premium based on the actual payroll. If the payroll was over-estimated, the overpaid premium will be refunded to you. If the payroll was under-estimated, the additional premium is due upon receipt. Failure to respond to the carrier will result in an automatic increase to your payroll and the corresponding premium.

## DISCLOSURE PURSUANT TO TERRORISM RISK INSURANCE ACT

**Fitness South, LLC** DBA Fitness South

### Terrorism Coverage and Premium

In accordance with the federal Terrorism Risk Insurance Act (as amended "TRIA"), we are required to make coverage available under your policy for "certified acts of terrorism." The actual coverage provided by your policy(ies) will be limited by the terms, conditions, exclusions, limits, and other provisions of your policy(ies), as well as any applicable rules of law.

The portion of your premium attributable to this terrorism coverage is shown in the premium section(s) of this quote proposal or binder.

### Definition of Certified Act of Terrorism

A "certified act of terrorism" means an act that is certified by the Secretary of the Treasury, in accordance with the provisions of TRIA, to be an act of terrorism under TRIA. The criteria contained in TRIA for a "certified act of terrorism" include the following:

1. The act results in insured losses in excess of \$5 million in the aggregate, attributable to all types of insurance subject to TRIA; and
2. The act results in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of an United States mission; and
3. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals acting as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

### Disclosure of Federal Share of Terrorism Losses under TRIA

The United States Department of the Treasury will reimburse insurers for 85% of insured losses that exceed the applicable insurer deductible. Effective January 1, 2016, this percentage will be reduced to 84%, effective January 1, 2017 to 83%, effective January 1, 2018 to 82%, effective January 1, 2019 to 81%, and effective January 1, 2020 to 80%.

However, if aggregate industry insured losses under TRIA exceed \$100 Billion in a calendar year, the Treasury shall not make any payment for any portion of the amount of such losses that exceeds \$100 billion. The United States government has not charged any premium for their participation in covering terrorism losses.

### Cap on Insurer Liability for Terrorism Losses

If aggregate industry insured losses attributable to "certified acts of terrorism" under TRIA exceed \$100 Billion in a calendar year, and we have met, or will meet, our insurer deductible under TRIA, we shall not be liable for the payment of any portion of the amount of such losses that exceed \$100 billion. In such case, your coverage for terrorism losses may be reduced on a pro-rata basis in accordance with procedures established by the Treasury, based on its estimates of aggregate industry losses and our estimate that we will exceed our insurer deductible. In accordance with the Treasury's procedures, amounts paid for losses may be subject to further adjustments based on differences between actual losses and estimates.

## UMBRELLA PROPOSAL

**INSURED:** Fitness South, LLC   **DBA:** Fitness South

**UNDERWRITTEN BY:**

**Effective Date      Expiration Date:**

COVERAGE	LIMIT
Retention	\$0
Umbrella	\$0 Each Occurrence \$0 Annual Aggregate
Premium	\$0.00
<b>Total</b>	<b>\$0.00</b>

### REQUIRED PRIMARY (UNDERLYING) COVERAGES:

#### Commercial Liability

- \$1,000,000 Each Occurrence
- \$2,000,000 General Aggregate
- \$1,000,000 Products Aggregate
- \$1,000,000 Personal Injury
- \$100,000 Fire Damage Legal Liability

#### Auto Liability

- \$1,000,000 Combined Single Limit

#### Employer's Liability

- \$500,000 Bodily Injury Each Accident
- \$500,000 Bodily Injury by Disease - Policy Limit
- \$500,000 Bodily Injury by Disease - Each Employee

**Information on "Non-Admitted" Carriers:** Carrier quoted may be "non-admitted." If insurance company is "non-admitted," the insurance policy is being issued by an Insurer that is not licensed in the state where the risk is located. The Insurer is not subject to the financial regulations and enforcement of carriers that are admitted in a state. The Insurer does not participate in any guarantee fund in the state, so in the event of the insolvency of the Insurance Carrier, the state will not pay your claims or protect your assets. If you have further questions about "Non-Admitted" carriers, please call us to discuss.

## EMPLOYMENT PRACTICES LIABILITY PROPOSAL

**INSURED:** Fitness South, LLC   **DBA:** Fitness South

**UNDERWRITTEN BY:**

**Effective Date**   **Expiration Date:**

**Retro Date:**

COVERAGE	LIMIT
Retention	\$789
Coverage Limit	\$456 Annual Aggregate
<input checked="" type="checkbox"/> Directors and Officers Coverage Provided (if checked)	
Coverage Limit	\$1,123 Annual Aggregate
Retention	\$234
Premium	\$0.00
<b>Total</b>	<b>\$0.00</b>

### TERMS AND CONDITIONS EPLI:

Third party coverage included. A separate third-party retention may apply. Refer to policy.

Based on no paid claim/grievances (loss and expense) in the last five years.

Risks anticipating any layoffs or facility closings within the next 12 months, subject to prior approval.

Subject to receipt of original signed EPLI application and a copy of the Employment Disclaimer.

Risks with greater than 60 employees are subject to prior approval.

Coverage included for Independent Contractors/Vendors at insured location for sexual harassment.

Punitive Damages available where permitted by State Law.

In the event of a policy cancellation prior to the expiration date, "Tail Coverage" is available and highly recommended.

**This insurance policy premium may be fully earned.**

## PREMIUM SUMMARY FOR ALL LOCATIONS AND COVERAGES

INSURED: Fitness South, LLC , Fitness South

<b>Liability Premium Summary</b>	
Terrorism Coverage	Not Included
Liability Total	\$0.00
<b>Property Premium Summary</b>	
Property Premium	\$0.00
Terrorism Coverage	Not Included
Property Total	\$0.00
<b>Workers Compensation Premium Summary</b>	
Workers Compensation Total	\$0.00
<b>Excess Liability Premium Summary</b>	
Excess Liability Total	\$0.00
<b>Employment Practices Liability Premium Summary</b>	
Employment Practices Liability Total	\$0.00
<b>GRAND TOTAL</b>	<b>\$0.00</b>

## DISCLOSURE PAGE

### Fitness South, LLC

PLEASE READ THIS QUOTE PROPOSAL VERY CAREFULLY, PAYING PARTICULAR ATTENTION TO THE COVERAGES AND ANY AND ALL LIMITATIONS, RESTRICTIONS, AND/OR EXCLUSIONS WITH RESPECTS TO SUCH COVERAGES, INCLUDING BUT NOT LIMITED TO COVERAGE LIMITS AND DEDUCTIBLES, ANY EXCLUSIONS FOR LOSSES DUE TO WIND OR HAIL, ANY SPECIAL DEDUCTIBLES APPLICABLE TO LOSSES DUE TO WIND, AND ANY INFORMATION REGARDING THE SPECIAL HANDLING OF ASSESSMENTS BY GOVERNMENT AGENCIES FOR LOSSES DUE TO WIND.

Note: Unless Otherwise indicated, this proposal does NOT include Workers' Compensation, Employment Practices Liability, Umbrella Coverage, Excess Coverage or other coverages indicated as available options. Unless a premium charge is shown, there is no offer for coverage. This quote is good for 30 days from the date issued.

All fees designated as policy fees, broker fees, company fees and terrorism fees are fully earned at policy inception and are NOT subject to any return in the event of cancellation.

\*By applying for this insurance, you are also applying for membership in Fitness Insurance, LLC, a Colorado domiciled Risk Purchasing Group. Membership in this association allows members to buy liability insurance on a group basis. Risk Purchasing Group Fees are fully earned and non-refundable.

If terrorism coverage is selected and premiums charged, the total of the Terrorism Premiums must be paid by separate check payable to Fitness Insurance, LLC for the full amount at binding. This amount will not be included with any premium finance contract.

Fitness Insurance may receive compensation through contingency or profit sharing agreements prepared by insurance companies with which we place business. This additional compensation, sometimes referred to as contingent commission, may include profit sharing agreements, fees, overrides and bonuses.

**FOR ALL STATES EXCEPT TEXAS:** If the carrier noted within this summary indicates "Non-Admitted," the insurance policy is being issued by an insurer that is not licensed in the state where the risk is located. This insurer is not subject to the financial regulations and enforcement of carriers that are admitted in a state. The insurer does not participate in any guarantee fund in the state, so in the event of the insolvency of the insurance carrier, the state will not pay your claims or protect your assets. If you have further questions about "Non- Admitted" Carriers, please call us to discuss.

**FOR TEXAS ONLY:** To each group member that has a risk located in Texas, please note that risk is not protected by an insurance guaranty fund in Texas and the insurer may not be subject to all the insurance laws and regulations of Texas. For licensed insurers in Texas only: Texas Insurance Code, Chapter 2201.258 states that if the licensed insurer has at least \$25 million in capital and surplus at the time of policy issuance or is a part of a group of companies with combined capital and surplus of at least \$25 million, then and only then is there guaranty fund protection. This portion may be excluded from the above notification to the group and its members if any of the licensed insurers meet this requirement.

PLEASE CAREFULLY READ ALL DISCLOSURES AND NOTES ON THIS PAGE

## GENERAL LIABILITY COVERAGE

### BROADENED COVERAGE ENDORSEMENT INCLUDES THE FOLLOWING:

Products/Completed Operations  
Premises/Operations Liability  
Personal and Advertising Injury Liability  
Limited Contractual Liability  
Employees as Additional Insureds  
Host Liquor Liability  
Incidental Medical Malpractice  
Limited World Wide Products  
Non-Owned Watercraft  
Broad Form Property Damage  
Premises Medical Payments – (If limits are shown, coverage Excludes Athletic Participants)

### ADDITIONAL EXCLUSIONS:

Asbestos  
Breach of Contract  
Punitive Damages  
Employment Related Practices Liability\*  
Infringement, Misappropriation & Unfair Competition  
Contractors, Leased Workers or Volunteers not covered for on the job injuries to themselves  
Cryotherapy, Cryosauna and Body Temperature Reduction  
Recording and Distribution of Material or Information in Violation of Law

\*This policy does not respond to any construction, remodeling and renovations activities and/or operations.

**POLICY DEDUCTIBLE:** See Each Location Summary for GL Deductible to Apply

**NON-AUDITABLE POLICY --** Policy is not subject to adjustment of premium with additional receipts

\*Sexual Harassment, Wrongful Termination, Discrimination, etc. alleged by an Employee against the Employer is NOT COVERED under this Liability Policy.

\*Separate Employment Practices Coverage is available and may be a required coverage if you are affiliated with certain gym program affiliates

## COMMERCIAL PROPERTY COVERAGE

**HEALTH CLUB PLUS EXTENSIONS AND SUPPLEMENTAL COVERAGES AUTOMATICALLY INCLUDE THE FOLLOWING:**

### BUILDING COVERAGE LIMITS

Ordinance or Law - (Coverages A, B & C Combined)  
 Fungus, Wet Rot, Dry Rot, Bacteria  
 Newly Acquired Buildings  
 Pollutant Cleanup and Removal  
 Debris Removal  
 Green Upgrades Additional Coverage - 10% Green Upgrades Percentage

### Limits

\$250,000 (Combined)  
 \$15,000 Aggregate  
 \$1,000,000-120 Days  
 \$25,000  
 \$50,000  
 \$25,000 per Occurrence

### BUSINESS PERSONAL PROPERTY

Newly Acquired Business Personal Property  
 Business Personal Property at Other Locations  
 Installation Floater  
 Brands and Labels Expense  
 Food Contamination  
 Green Upgrades Additional Coverage - 10% Green Upgrades Percentage

\$500,000-120 Days  
 \$25,000 Per Occurrence  
 Business Personal Property Limit  
 \$25,000 Per Occurrence  
 \$10,000 Per Occurrence  
 \$25,000 per Occurrence

### BUSINESS INCOME/EXTRA EXPENSE

Extended Period of Indemnity  
 Off-Premises Power or Communications Failure  
 Dependant Properties  
 Newly Acquired Property  
 Lessors-Lease Cancellation  
 Tenant Relocation Expense  
 California Hardware, Media and Electronic Data Earthquake  
 Preservation of Property - Expense  
 Automatic Seasonal Increase (Peak Season)  
 Utility Services Coverage - Water, Power, Communication (Not Including Overhead Transmission Lines)

90 Days  
 \$10,000 Per Occurrence  
 \$50,000 Per Occurrence  
 \$100,000-120 Days  
 \$10,000 Per Occurrence  
 \$10,000 Per Occurrence  
 \$100,000 Per Occurrence  
 \$25,000 Per Occurrence  
 \$50,000 Per Occurrence  
 \$10,000 Per Occurrence

### CYBER VANDALISM

Electronic Data Damage or Destruction - Employee  
 Electronic Data Damage or Destruction - Non-Employee  
 Electronic Data Loss of Income/Extra Expense - Employee  
 Electronic Data Loss of Income/Extra Expense - Non-Employee  
 Denial of Service Coverage  
 California Hardware, Media and Electronic Data Earthquake  
 Preservation of Property

\$25,000 Aggregate  
 \$5,000 Aggregate  
 \$25,000 Aggregate  
 \$5,000 Aggregate  
 \$5,000 Aggregate  
 \$100,000 Per Occurrence  
 \$25,000 Per Occurrence

### EQUIPMENT BREAKDOWN: BUILDING AND/OR PERSONAL PROPERTY LIMITS

Up to full limit of Building and Business Personal Property Limits	
Expediting Expenses	\$100,000
Hazardous Substances	\$100,000
Perishable Goods	\$100,000
CFC Refrigerants	\$100,000

## COMMERCIAL PROPERTY COVERAGE

**HEALTH CLUB PLUS EXTENSIONS AND SUPPLEMENTAL COVERAGES AUTOMATICALLY INCLUDE THE FOLLOWING:**

### CRIME

	<b>Limits</b>
Employee Theft/Dishonesty	\$10,000 Limit
Forgery and Alteration	Included in Above Limit
Inside the Premises - Robbery or Safe Burglary of Other Property	Included in Above Limit
Money and Securities	Included in Above Limit
Money Orders and Counterfeit Paper Currency	Included in Above Limit
ERISA Employee Theft	\$10,000 per Occurrence
Credit, Debit or Charge Card Forgery	\$5,000 per Occurrence

### ADDITIONAL COVERAGES

Reward	\$25,000
Contractual Penalties	\$25,000
Backup of Sewers & Drains (Excluding Flood)	\$25,000
Lock Replacement	\$5,000 per Occurrence
Catastrophe Allowance	\$50,000 Aggregate
Expediting Expenses	\$25,000
Soft Costs	\$10,000
Temporary Relocation of Property During Renovation or Remodeling	\$50,000 per Occurrence - 90 days
Property in Transit	\$25,000 per Occurrence

\*Standard valuation for the Fitness Insurance Health Club Program is replacement cost with no coinsurance. Please read your policy as other options may be used, such as coinsurance, actual cash value or functional replacement cost\*

### BUCKET ENDORSEMENT

The following limits are the total coverage limits for that particular coverage and include the amount provided in the appropriate form:

Accounts Receivable	\$250,000 per Occurrence
Decreased Value of Stock due to Damage to Another Part(s) of Stock	Included
Conditional Sales Agreement	Included
Outdoor Property	Included
Valuable Information Property	Included
Hardware and Media	Included
Electronic Data Damage or Destruction from Inland Marine Causes of Loss	Included
Electronic Data Loss of Income and Extra Expenses from Inland Marine	Included
Cause of Loss	Included
Fire Extinguisher and Automatic Extinguishing System Recharge	Included
Fine Arts Coverage	\$5,000 per Item
Personal Effects of Officers, Partners, and Employees	\$25,000 Max per Owner \$5,000 Max per Employee Gym Members are Excluded

**POLICYHOLDER DISCLOSURE - LLOYD'S OF LONDON  
NOTICE OF LIABILITY TERRORISM INSURANCE COVERAGE**

Date: Wednesday, May 25, 2016

Policyholder or Applicant Name: **Fitness South, LLC DBA Fitness South**

Dear Policyholder:

We are required to send you this notice pursuant to federal legislation concerning terrorism insurance.

You are hereby notified that under the Terrorism Risk Insurance Act of 2002 (The Act) effective November 26, 2002, that you now have the right to purchase insurance coverage for losses arising out of acts of terrorism, as defined in Section 102(1) of the Act ("Terrorism Coverage"): The term "act of terrorism" means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States--to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of an air carrier or vessel or the premises of a United States mission; and to have been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States to influence the policy or affect the conduct of the United States Government by coercion.

**YOU SHOULD KNOW THAT TERRORISM COVERAGE REQUIRED TO BE OFFERED BY THE ACT FOR LOSSES CAUSED BY CERTIFIED ACTS OF TERRORISM IS PARTIALLY REIMBURSED BY THE UNITED STATES UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. UNDER THIS FORMULA, THE UNITED STATES PAYS 90% OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PREMIUM CHARGED FOR THIS TERRORISM COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.**

**This act is scheduled to expire on Dec 31, 2020, unless extended by the Federal Government. Your policy will be effective while the federal program is still in effect, but a decision by the Federal Government on extension of the program may not be made by this date. The federal government may terminate, be extended as is, or with modification during the term of your policy and treatment of terrorism may change under your policy. We strongly urge that you review the terms and conditions contained in the Conditional Exclusion of Terrorism (Relating to disposition of federal terrorism risk insurance act of 2002) Forms IL099 and/or CG2187 as applicable to your policy.**

IN ACCORDANCE WITH THE ACT, YOU MUST CHOOSE TO ACCEPT OR REJECT COVERAGE:  
PLEASE "X" ONE OF THE BOXES BELOW AND TAKE THE ACTION INDICATED

**ELECTION OF TERRORISM COVERAGE**

I hereby elect to purchase the Terrorism Coverage required to be offered under the Act for a premium of **\$0.00**

This coverage must be purchased at the time of binding and is not available anytime after the policy is bound.

Action: Please sign and return this form with your payment for your premium to Fitness Insurance.

**REJECTION OF TERRORISM COVERAGE**

I decline to purchase the Terrorism Coverage required to be offered under the Act.

Action: Please sign and return this form to Fitness Insurance.

\_\_\_\_\_  
Policyholder/Applicant's Signature

Print Name \_\_\_\_\_ Date \_\_\_\_\_

If you desire coverage, please prepare a check payable to Fitness Insurance, LLC for the amount shown above. Include the check with this form.

**POLICYHOLDER DISCLOSURE - LLOYD'S OF LONDON  
NOTICE OF EXCESS LIABILITY TERRORISM INSURANCE COVERAGE**

Date: Wednesday, May 25, 2016

Policyholder or Applicant Name: **Fitness South, LLC DBA Fitness South**

Dear Policyholder:

We are required to send you this notice pursuant to federal legislation concerning terrorism insurance.

You are hereby notified that under the Terrorism Risk Insurance Act of 2002 (The Act) effective November 26, 2002, that you now have the right to purchase insurance coverage for losses arising out of acts of terrorism, as defined in Section 102(1) of the Act ("Terrorism Coverage"): The term "act of terrorism" means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States--to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of an air carrier or vessel or the premises of a United States mission; and to have been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States to influence the policy or affect the conduct of the United States Government by coercion.

**YOU SHOULD KNOW THAT TERRORISM COVERAGE REQUIRED TO BE OFFERED BY THE ACT FOR LOSSES CAUSED BY CERTIFIED ACTS OF TERRORISM IS PARTIALLY REIMBURSED BY THE UNITED STATES UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. UNDER THIS FORMULA, THE UNITED STATES PAYS 90% OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PREMIUM CHARGED FOR THIS TERRORISM COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.**

**This act is scheduled to expire on Dec 31, 2020, unless extended by the Federal Government. Your policy will be effective while the federal program is still in effect, but a decision by the Federal Government on extension of the program may not be made by this date. The federal government may terminate, be extended as is, or with modification during the term of your policy and treatment of terrorism may change under your policy. We strongly urge that you review the terms and conditions contained in the Conditional Exclusion of Terrorism (Relating to disposition of federal terrorism risk insurance act of 2002) Forms IL099 and/or CG2187 as applicable to your policy.**

IN ACCORDANCE WITH THE ACT, YOU MUST CHOOSE TO ACCEPT OR REJECT COVERAGE:  
PLEASE "X" ONE OF THE BOXES BELOW AND TAKE THE ACTION INDICATED

**ELECTION OF TERRORISM COVERAGE**

I hereby elect to purchase the Terrorism Coverage required to be offered under the Act for a premium of **\$0.00**

This coverage must be purchased at the time of binding and is not available anytime after the policy is bound.

Action: Please sign and return this form with your payment for your premium to Fitness Insurance.

**REJECTION OF TERRORISM COVERAGE**

I decline to purchase the Terrorism Coverage required to be offered under the Act.

Action: Please sign and return this form to Fitness Insurance.

\_\_\_\_\_  
Policyholder/Applicant's Signature

Print Name \_\_\_\_\_ Date \_\_\_\_\_

If you desire coverage, please prepare a check payable to Fitness Insurance, LLC for the amount shown above. Include the check with this form.

## **SURPLUS LINES / NON-ADMITTED CARRIER ACKNOWLEDGMENT**

**Fitness South, LLC** DBA Fitness South

Policy Number: TBD

Effective Date: 10/09/2015

Line(s) of Business: General Liability/Excess Liability

Carrier: Lloyd's of London

The undersigned hereby acknowledges that (s)he has instructed Fitness Insurance to place insurance coverage(s) with a surplus lines company and understands that the insurance coverage(s) written are not subject to the protection and benefits of the proposed State's Insurance Guaranty Association.

Signature \_\_\_\_\_ Printed Name \_\_\_\_\_

Title \_\_\_\_\_ Date \_\_\_\_\_

## ELIGIBILITY GUIDELINES

**Fitness South, LLC DBA Fitness South**

**All Health Club Facilities Must Have the Following Procedures in Place:**

1. Staff is trained in how to handle accidents that occur at the club. At least one staff member trained in CPR and First Aid should be on the premises at all times.
2. Accident/incident report form is required to be completed by acting manager and witness reports need to be taken on every injury (no matter how minor) that occur to a member, guest, or subcontractor at your club. A written log must be maintained by management for at least four years.
3. Staff is required to offer an orientation of all club amenities to members and guests. This would include demonstrating to all members and guests the proper use of all exercise equipment or at least offering to do so.
4. A release of liability statement (usually written in the membership agreement) must be obtained from all members when they join the club. A waiver/hold harmless statement is obtained from all guests. A release of liability statement must be obtained from all employees and independent contractors who may use gym equipment and/or babysitting facilities and should be similar to the waiver signed by the members of the club.
5. Independent contractors such as aerobics instructors and personal trainers are required to maintain their own professional liability coverage. Club owners should keep certificates of insurance on file for each independent contractor indefinitely.]
6. Procedures must be in place to replace/repair damaged equipment. Inoperable equipment must be disabled and clearly marked with a sign "DO NOT USE." Sign must be highly visible and secured to the unit.
7. If child sitting is provided, parents must be on the premises at all times. Children must be in a supervised area specifically designed for child care services and separated into appropriate age groups. A ratio of less than 1:10 is required. Parents must sign children in and out. Background checks are required for all staff members who will be engaged in child sitting.
8. Parental release is required on all minors. Typically, any member or guest under the age of 18 is considered a minor. Supervision is required for all patrons under the age of 18.
9. If the club has tanning facilities, it is required that members and guests sign a separate waiver/hold harmless agreement. Tanning guidelines must be clearly posted and eye wear is required. UV-B lamps are prohibited. Tanning beds are required to have built-in timed shut-offs.
10. All wet areas must contain non-skid surfaces. Signs must be posted alerting patrons of wet areas. Areas that typically have standing water problems should be redesigned/repaired to allow for adequate drainage. Standing water areas must be marked with caution signs.
11. Fixed free weights must be checked daily. Written procedures should be in place for proper maintenance of all exercise equipment. Cams, pulleys, cabling, etc. must be inspected on an ongoing basis.
12. Jacuzzi, steam room and saunas must be checked to ensure that temperature settings and timing devises are in proper working order. Warning signs must be in place regarding usage of these amenities, including time limits.
13. The entire facility should be free of debris and equipment clutter. Weights should be racked after each use. Staff members are trained to enforce club policy and inform patrons if improper technique or use of equipment is used.
14. If you have a pool, depth must be clearly marked. Signs prohibiting diving and running should be in place. Signs should also warn patrons that they are swimming at their own risk. Individuals with health problems or special needs should not use the pool unless under supervision. Children without supervision are not allowed in the pool area at any time.
15. Smith machines must be bolted to the floor.
16. The use of cell phones for purposes other than fitness programs and/or music is prohibited in the club at all times.
17. There is no facilitation of, organization of, or accommodation of any "Ball Games" of any sort, whether arranged by insured or not.
18. There are no "Competitive Sports" of any kind arranged by or held at the insured location.
19. No teams, clubs, individuals, or associations, are allowed to use the insured location for any athletic games, sports or activities for which the insured is responsible nor for which the insured has any legal liability.
20. If Personal Training insurance is purchased, coverage only applies in the event that the number of trainers reported is accurate at time of loss.

I hereby certify that this/these facility/facilities adhere to all above guidelines. I will also provide a copy of these guidelines to each member of the staff and will conduct periodic safety meetings.

Signature \_\_\_\_\_ Printed Name \_\_\_\_\_

Title \_\_\_\_\_ Date \_\_\_\_\_

## FRAUD NOTICE STATEMENTS

### Fitness South, LLC DBA Fitness South

**NOTICE TO 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 may subject such person to criminal and civil penalties.

**Notice to Alaska Residents Applicants:** A person who knowingly and with intent to injure, defraud, or deceive an insurance company files a claim containing false, incomplete, or misleading information may be prosecuted under state law.

**Notice to Arkansas, Louisiana, New Mexico, Rhode Island and West Virginia Residents 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 Arizona Residents Applicants:** For your protection Arizona Law requires the following statement to appear on this form: Any person who knowingly presents a false or fraudulent claim for payment of a loss is subject to criminal and civil penalties.

**Notice to California Residents Applicants:** For your protection California law requires the following to appear on this form: Any person who knowingly presents false or fraudulent claim for the payment of a loss is guilty of a crime and may be subject to fines and confinement in state prison.

**Notice to Colorado Residents Applicants:** It is unlawful to knowingly provide false, incomplete, or misleading facts or information to any 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 Agencies.

**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 Delaware, Idaho, Indiana and Oklahoma Residents Applicants:** Any person who knowingly, and with intent to injure, defraud or deceive any insurer, files a statement of claim containing any false, incomplete or misleading information is guilty of a felony.

**Notice to Florida Residents 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 of 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 Maine, Massachusetts, Tennessee, Virginia and Washington Residents 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.

**Residents of Maryland Applicants:** Any person who knowingly and willfully presents a false or fraudulent claim for payment of a loss or benefit or who knowingly and willfully presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

**Residents of Minnesota Applicants:** Any person who, with intent to defraud or knowing that he/she is facilitating a fraud against any insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

**Residents of New Jersey Applicants:** Any person who includes any false or misleading information on an application for a insurance policy is subject to criminal and civil penalties. **Residents of 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 or 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.

**Residents of Ohio Applicants:** Any person who, with intent to defraud or knowing that he/she is facilitating a fraud against any insurer submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

**Residents of Oregon Applicants:** Any person who knowingly and with intent to defraud or solicit another to defraud an insurer (1) By submitting and application , or (2) By filing a claim containing a false statement as to any material fact, may be violating state law.

**Residents of 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.

**Residents of Texas Applicants:** If a life, health and/or accident insurer provides a claim form for a person to use to make a claim, that form must contain the following statement or a substantially similar statement: "Any person who knowingly presents a false or fraudulent claim for the payment of a loss is guilty of a crime and may be subject to fines and confinement in state prison"

**Notice to Vermont 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 act, which may be a crime and may subject such person to criminal and civil penalties.

---

Applicant Signature

---

Date

## OPTIONAL COVERAGES AVAILABLE:\*

Wednesday, May 25, 2016

### **Fitness South, LLC DBA Fitness South**

In addition to the coverages quoted in the attached proposal, the following additional coverages are available:

#### **Workers' Compensation**

Workers' Compensation coverage applies to bodily injury to an employee by accident or by disease. This coverage agreement obligates the insurer to pay all compensation and other benefits required of the insured by the workers' compensation law or occupational disease law of any state listed in the policy.

#### **Excess Liability / Umbrella**

Excess Liability or umbrella coverage provides excess liability coverage over primary liability policies. Excess Liability / Umbrella policies have two functions:

- 1.) to provide additional limits above the each occurrence limit of the insured's primary policies;
- 2.) to take the place of primary insurance when primary aggregate limits are reduced or exhausted.

#### **Employment Practices Liability - Wrongful Termination, Discrimination, Etc.**

Employment Practices Liability (EPL) covers businesses against claims by workers that their legal rights as employees of the company have been violated.

EPL provides protection against many kinds of employee lawsuits, including claims of: sexual harassment, discrimination, wrongful termination, breach of employment contract, negligent evaluation, failure to employ or promote, wrongful discipline, deprivation of career opportunity, wrongful infliction of emotional distress, or mismanagement of employee benefit plans.

#### **Data Breach**

Data breach covers incidents in which sensitive, protected or confidential data has potentially been viewed, stolen or used by an individual unauthorized to do so.

#### **Personal Trainers Liability**

#### **Key Man Insurance**

#### **Employee Benefits Liability**

#### **Flood and Earthquake**

#### **Employer's Liability (Stop Gap)**

#### **Liquor Liability**

#### **Business Auto**

#### **Drive Other Car Insurance**

#### **Boiler & Machinery**

#### **Employee Dishonesty (Additional Limits)**

#### **Directors and Officers Liability**

\*Not all options are available in every state.

By signing below, I understand that the above coverages are not included in the attached proposal and I am choosing to decline quotes for these coverages at this time.

---

Applicant Signature

---

Date