

Insurance Proposal

Policy Term: October 15, 2009 to October 15, 2010

Date of Proposal: October 5, 2009

Presented To:

The Arrowhead Lake Associations



This is a convenient coverage summary, not a legal contract. This proposal is provided to facilitate your understanding of your insurance program. Please refer to the actual policies for specific terms, conditions, limitations and exclusions that will govern in the event of a loss. Specimen copies of all policies are available for review prior to the binding of coverage.



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Facts

Business

Trusted Advisor in Risk Management, Private Client Services, Employee Benefits, and Retirement Planning.

Formed in 1994, Hays Companies is a Minneapolis-based privately-held firm, owned by its senior professional staff.

Goal

We are unanimous in our goal. We use our expertise to help you protect assets and earnings, manage risks, and solve problems through customized service delivery.

Mission

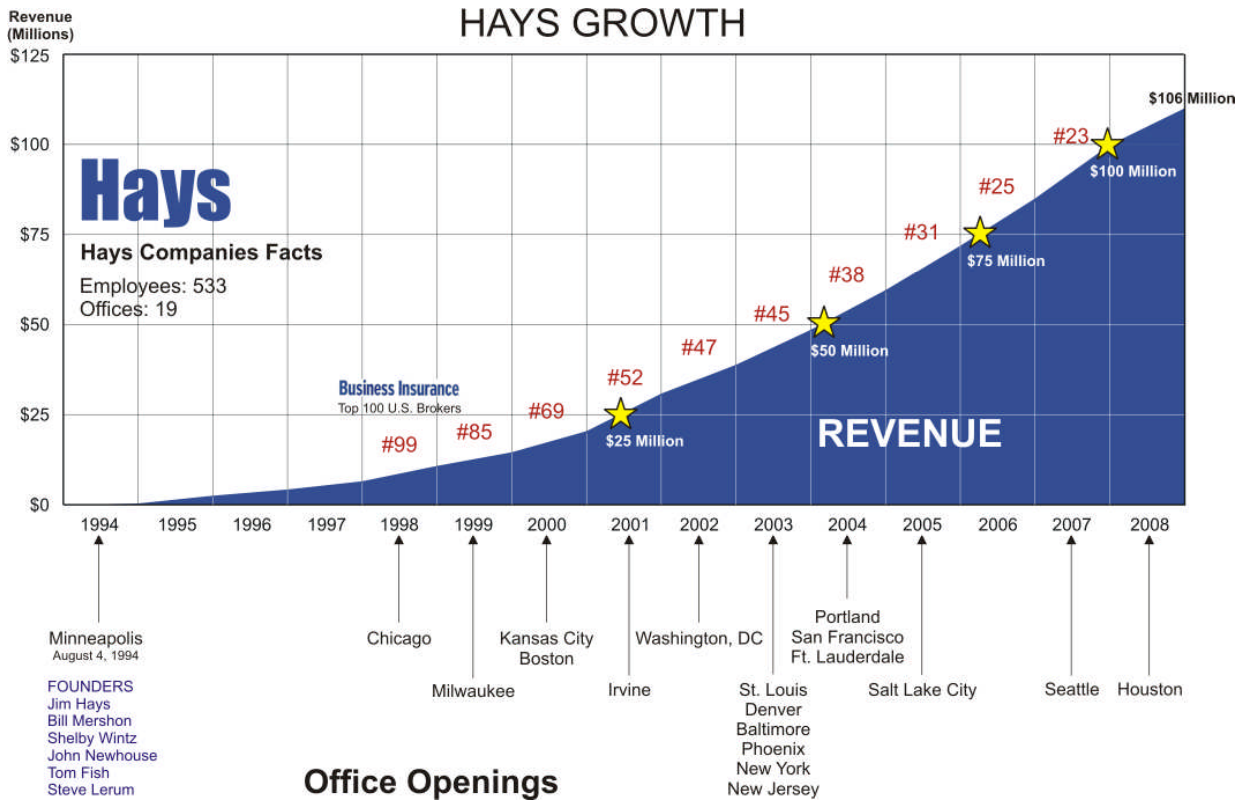
The foundation of our company is serving our clients' needs. We listen and learn from our clients, accepting their needs and concerns as our own. We demonstrate ethical behavior at all times.

People

Our professionals have extensive experience and expertise, are accessible and provide service team stability and customized services to each client.

Corporate Philosophies

- You are important – Your goals are our goals
- Proactive leadership yields better results
- Good consulting requires depth of expertise and experience through stable service professionals
- Strong relationships with clients and vendors permits greater focus on the necessity to select solutions that benefit all
- Success relies on exceptional communication
- Customized service plans create efficiencies
- Seasoned professionals, good planning and hard work minimize unwanted outcomes



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II. Marketing Summary

Line of Coverage	Market	Results
Package (Property, Inland Marine General Liability)	ResortGuard (AIG)	Quoting, excluding Protection & Indemnity, and Owned Watercrafts.
	Northern Assurance Company	Quoting, excluding Property. We are still waiting for Property quote from AmWINS.
	Philadelphia Insurance	Pending underwriting review, indications at \$50,000.00.
	Chubb Insurance	Pending underwriting review.
	Fireman's Fund	Declined, due to marina exposure.
	Travelers	Declined, due to marina exposure.
Automobile	ResortGuard (AIG)	Quoting.
	Northern Assurance Company	Quoting.
	Philadelphia Insurance	Pending underwriting review.
	Chubb Insurance	Pending underwriting review.
Umbrella	ResortGuard (AIG)	Quoting, excluding Marina.
	ResortGuard (Chubb)	Pending underwriting review, can include Marina.
	Northern Assurance Company	Quoting, excluding D&O.
	Philadelphia Insurance	Pending underwriting review, indications at \$14,000.00.
	Chubb Insurance	Pending underwriting review
Crime	C.N.A.	Quoting
	ResortGuard (AIG)	Quoting at lower deductible \$2,500 for \$1,401.00.
Protection & Indemnity, and Owned Watercrafts	Northern Assurance Company	Quoting

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III. Cost Summary

	2008 - 2009		2009 - 2010		2009 - 2010	
	Expiring		Option # 1		Option # 2	
	Company	Premium	Company	Premium	Company	Premium
Property	Empire Indemnity	\$30,516.00	ResortGuard AIG	\$12,305.00	TBD	TBD
Inland Marine	Empire Indemnity	\$1,804.00	ResortGuard AIG	\$9,082.00	Northern Assurance	\$3,998.00
Marina Operators Legal Liability	Empire Indemnity	\$5,154.00	ResortGuard AIG	Included	Northern Assurance	\$24,006.00
General Liability	Empire Indemnity	\$7,675.00	ResortGuard AIG	\$18,909.00	Northern Assurance	Included
Protection & Indemnity	Empire Indemnity	\$4,070.00	Northern Assurance	\$2,500.00	Northern Assurance	\$1,960.00
Marine Property	Empire Indemnity	\$6,285.00	Northern Assurance	\$3,269.00	Northern Assurance	\$12,449.00
SL Taxes and Fees	Empire Indemnity	\$1,734.50	N/A	N/A	N/A	N/A
Total	Empire Indemnity	\$57,238.50	Northern Assurance	\$46,065.00	Northern Assurance	\$42,413.00
Automobile	Delos Insurance	\$8,473.00	ResortGuard AIG	\$7,578.00	Northern Assurance	\$8,515.00
Umbrella	Navigators	\$25,000.00	ResortGuard AIG	\$19,756.00	Navigators	TBD
Crime	C.N.A.	\$1,389.75	C.N.A.	\$1,298.00	C.N.A.	\$1,298.00
TOTAL		\$92,101.25		\$74,697.00		\$52,226.00



IV. Coverage Summary

1. Property

Named Insured: Arrowhead Lake Association
Insurance Company: Granite State Insurance Company
A (Excellent) XV Rated by A.M. Best
Policy Term: October 15, 2009 to October 15, 2010

Coverage / Limits:

Blanket Limits Endorsement - Buildings & Contents:	\$5,172,900
Blanket Business Income with Extra Expense`	\$325,000
Equipment Breakdown	Included – Policy Limit

Deductibles:

All Coverages (unless listed below)	\$1,000
Business Income with Extra Expense	24 Hour

Coinsurance: 100%

Valuation: Agreed Value
Replacement Cost

Forms/Endorsements:

✚ Food Contamination Coverage Endorsement



Property – Statement of Values

Loc #	Bldg #	Address	Occupancy	Property Values			
				Building	Business Personal Property	Business Income/ Extra Expense	Total
1	1	27910 Lake Edge Road Lake Arrowhead, CA 92352	Burnt	\$1,667,500	\$10,000		\$1,677,500
1	2	27910 Lake Edge Road Lake Arrowhead, CA 92352	Pavillion	\$29,000			\$29,000
1	3	27910 Lake Edge Road Lake Arrowhead, CA 92352	Guard Shack	\$2,500			\$2,500
3	1	839 Hwy 173 Lake Arrowhead, CA 92352	Maintenance	\$400,000	\$40,000		\$440,000
4	1	870 Hwy 173 Lake Arrowhead, CA 92352	Main Office	\$1,267,200	\$90,000	\$325,000	\$1,682,200
5	1	850 Hwy 173 Lake Arrowhead, CA 92352	Patrol	\$232,200	\$40,000		\$272,200
6	1	28399 N. Shore Road Lake Arrowhead, CA 92352	Tavern Bay	\$192,000			\$192,000
6	2	28399 N. Shore Road Lake Arrowhead, CA 92352	Guard Shack	\$2,500			\$2,500
12	1	North Shore Marina Lake Arrowhead, CA 92352	Hardin	\$1,200,000			\$1,200,000
			Totals	\$4,992,900	\$180,000	\$325,000	\$5,497,900



Property – COPE Information

Loc #	Bldg #	Address	Occupancy	COPE Information						
				Year Built	Construction	# of Stories	Sq. Feet	Sprinklered?	Fire Alarms?	Burglar Alarms?
1	1	27910 Lake Edge Road Lake Arrowhead, CA 92352	Pavilion, Guard Shack	1960	Metal	1	3000	N	Y	Y
1	2	27910 Lake Edge Road Lake Arrowhead, CA 92352	Pavilion, Guard Shack	1975	Brick	1	100	N	N	N
1	3	27910 Lake Edge Road Lake Arrowhead, CA 92352	Pavilion, Guard Shack	1975	Brick	1	100	N	N	N
3	1	839 Hwy 173 Lake Arrowhead, CA 92352	Maintenance	1970	Metal	2	2,000	Y	Y	Y
4	1	870 Hwy 173 Lake Arrowhead, CA 92352	Main Office	1970	Masonry Non Combustible	2	3,500	N	Y	Y
5	1	850 Hwy 173 Lake Arrowhead, CA 92352	Patrol	1970	Frame	1	2,000	N	Y	Y
6	1	28399 N. Shore Road Lake Arrowhead, CA 92352	Tavern Bay, Guard Shack	1980	Brick	1	20	N	N	N
6	2	28399 N. Shore Road Lake Arrowhead, CA 92352	Tavern Bay, Guard Shack	1970	Brick	2	2,000	N	Y	Y
12	1	North Shore Marina Lake Arrowhead, CA 92352	Hardin	1975	Metal	3	6,000	Y	Y	Y



2. General Liability

Named Insured: Arrowhead Lake Association

Insurance Company: Granite State Insurance Company
A (Excellent) XV Rated by A.M. Best

Policy Term: October 15, 2009 to October 15, 2010

Coverage / Limits:

Aggregate Limits of Liability	\$2,000,000
Personal & Advertising Injury Liability	\$1,000,000
Each Occurrence Limit	\$1,000,000
Damage to Premises Rented to You Limit	\$300,000
Medical Expense Limit	\$5,000

Employee Benefits Liability:

Each Limit:	\$1,000,000
Aggregate:	\$1,000,000

Deductibles: None Bodily Injury/Property Damage
\$1,000 Employee Benefits Liability

Forms/Endorsements:

- ✚ Limited Liability Endorsement for Homeowners Association arising out of Watercraft owned or operated by Homeowners Association Members
- ✚ Additional Insured – Townhouses
- ✚ Additional Insured – Members of Clubs/Association
- ✚ Additional Insured – Where Required Under Contract or Agreement
- ✚ Additional Insured – Designated Person or Organization
- ✚ Additional Insured – Northern Leasing Systems
- ✚ Employee Benefits Liability
- ✚ Limited Pollution Coverage is Afforded for the Application of Herbicides/Pesticides to the Insured's Owned, Scheduled Locations
- ✚ Security Endorsements



General Liability Classification

Class Code	Exposure Base	Exposure Basis	2009-2010
13204	Fuel Oil Dealer	Sales	404,000
61212	Building or Premises	Area	10,000
46671	Parks or Playground	Number	4
	Dams	Number	2
48727	Streets, Roads, Highways	Each	14
41670	Clubs – Civic, Service, Or Social	Each	4,300



3. Inland Marine

Named Insured: Arrowhead Lake Association
Insurance Company: Granite State Insurance Company
A (Excellent) XV Rated by A.M. Best
Policy Term: October 15, 2009 to October 15, 2010

Coverage / Limits:
Scheduled Equipment \$199,900
Piers, Wharves & Docks \$510,000
EZ Go Utility Golfcart # 2273254 \$4,345

Deductibles:
Scheduled Equipment \$1,000
Piers, Wharves & Docks \$1,000
5% Wind Deductible

Coinsurance:
Scheduled Equipment 80%

Valuation: Actual Cash Value on Inland Marine Equipment

Forms/Endorsements:
Loss Payable Endorsement - Northern Leasing Systems, Inc.



Equipment Schedule

Item #	Make/Description	Limit/Value
1	1995 John Deere Lawnmower	\$1,500
2	Lincoln Welder	\$6,000
3	Amphious Dredger	\$99,500
4	Melroe Bobcat Loader	\$19,000
5	Backhoe Loader	\$73,900
	Total	\$199,900



4. Commercial Automobile

Named Insured: Arrowhead Lake Association
Insurance Company: Granite State Insurance Company
A (Excellent) XV Rated by A.M. Best
Policy Term: October 15, 2009 to October 15, 2010

Coverage / Limits:

Coverage	Limits
Liability	\$1,000,000 Each Accident (Combined Single Limit Bodily Injury & Property Damage)
Auto Medical Payments	\$5,000 Each Person
Uninsured Motorist/ Underinsured Motorist	\$1,000,000 Each Accident
Physical Damage	Comprehensive \$1,000 deductible Collision \$1,000 deductible
Hired Auto Liability	\$1,000,000 Each Accident
Non Owned Auto Liability	\$1,000,000 Each Accident



Automobile Schedule

Veh #	Year	Make & Model	VIN #	Cost New	Garage City	Use
1	1994	Ford Dump Truck	1FDLF47GOREA19343	\$7,000	Lake Arrowhead	Maintenance
2	2000	Ford Pickup	1FTNF21LBYED95052	\$6,700	Lake Arrowhead	Maintenance
3	2001	Chevrolet 3500	4KBB4B1R11JB01073	\$9,995	Lake Arrowhead	Maintenance
4	2008	Ford F350	1FDWF345585B08138	\$23,504	Lake Arrowhead	Maintenance
5	2008	Ford F150	1FTVX14598KB43798	\$26,496	Lake Arrowhead	Maintenance
6	2001	Equipment trailers	4HXHD182812027935		Lake Arrowhead	Maintenance
7	2000	Equipment trailers	CAL165568		Lake Arrowhead	

Driver's Schedule

Name	Date of Birth	Drivers License #	State Licensed In
Roger Riley	9/27/56	N3077591	CA
Terry Wolfe	2/16/63	A7201803	CA
Scott McMichael	3/22/62	N9870461	CA
Miguel Andrade	9/29/43	A4223725	CA
Stephan Johnson	1/24/61	N7100581	CA
Heraclio Ortiz	1/5/35	B5693914	CA
Colleen Dennison-Jovine	6/22/60	N6970829	CA



5. Umbrella

Named Insured: Arrowhead Lake Association
Insurance Company: New Hampshire Insurance Company
A (Excellent) XV Rated by A.M. Best
Policy Term: October 15, 2009 to October 15, 2010

Coverage / Limits:

Coverage	Limits
Single Limit ay one occurrence Personal Injury or Property Damage or Advertising Liability or any combination thereof	\$14,000,000
Aggregate	\$14,000,000
Retention	\$10,000

Underlying Coverages: General Liability
Automobile Liability
Employee Benefits Liability
Directors' and Officers' Liability

Exclusions:

- ✦ Cross Suits Exclusion
- ✦ Sexual Abuse or Molestation
- ✦ Total Pollution
- ✦ Fungus
- ✦ Aircraft Liability
- ✦ Pre-Existing Damages and/or Defects



6. Crime

Named Insured: Arrowhead Lake Association

Insurance Company: Continental Casualty Company
A (Excellent) XV Rated by A.M. Best

Policy Term: October 15, 2009 to October 15, 2010

Coverage / Limits:

Employee Dishonesty	\$1,000,000
Forgery or Alteration	\$25,000
Theft of Money & Securities (Inside the Premises)	\$25,000
Computer Fraud / Wire Transfer	\$1,000,000

Deductibles:

Employee Dishonesty	\$10,000
Forgery or Alteration	\$250
Theft of Money & Securities (Inside the Premises)	\$0
Computer Fraud / Wire Transfer	\$10,000



7. Marina

Named Insured: Arrowhead Lake Association

Insurance Company: The Northern Assurance Company of America
A (Excellent) XV Rated by A.M. Best

Policy Term: October 15, 2009 to October 15, 2010

Protection & Indemnity:
Any One Accident or Occurrence \$1,000,000
Deductible None

Owned Watercraft:
Per schedule



Watercraft Schedule

Item #	Description	Serial #	Use	Value
1	1995 Work Barge	Please provide	Work Boat	\$14,000
2	1992 Barge	Please provide	Work Boat	\$20,000
3	1990 Landau Pontoon 20'	LB0535130090	Work Boat	\$6,200
4	2001 Jetcraft	455JDTB2775B101	Patrol Boat	\$32,000
5	1991 21' Mako	D191	Work Boat	\$6,400
6	1993 21' Mako	F383	Patrol Boat	\$6,860
7	1995 20' Mako	F595	Patrol Boat	\$9,430
8	2000 19' Boston Whaler	C000	Patrol Boat	\$23,570
9	2006 Boulton 22' Patrol Boat	EV101035G506	Patrol Boat	\$45,000
			Total	\$163,460



V. Binding Conditions

The quote provided by ResortGuard are subject to the following conditions:

1. Signed Automobile Uninsured/Underinsured Motorist Form
2. Signed Property Statement of Values
3. FEIN #
4. Return of GL Deductible Form# 73187 signed by insured as acknowledged
5. Automobile quote is subject to favorable MVRs on all drivers
6. Quotes subject to favorable loss control inspections and compliance with recommendation is expected
7. Currently audited financial statements
8. Signed ACORD Applications
9. Current certificate of insurance from Hardin and all subcontracted exposures; including but not limited to any Security Guard or Pest Control companies
10. Signed ResortGuard Supplemental Application



VI. ARROWHEAD LAKE ASSOCIATION SERVICE TEAM

ACCOUNT EXECUTIVE

Tim Troester
Vice President
(503) 624-4770
ttroester@hayscompanies.com

ACCOUNT EXECUTIVE

Randy Hughes ,
Executive Vice President
(503) 624-4784
rhughes@hayscompanies.com

PROPERTY & CASUALTY

Emily Manke
Account Manager
(503) 624-4790
emanke@hayscompanies.com

Evelyn Widjaja
Account Manager
(503) 624-4764
ewidjaja@hayscompanies.com

Luanne Frazier
Account Assistant
(503) 624-4754
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TECHNICAL SERVICES

Bruce Hollcroft
Director of Risk Control
(503) 624-4752
bhollcroft@hayscompanies.com

Kevin Eukel
Claims Manager
(612) 373-7292
keukel@hayscompanies.com

Deon Stark
**Workers' Compensation
Coordinator**
(612) 486-4753
dstark@hayscompanies.com

EMPLOYEE BENEFITS

Melissa Kemp
(503) 624-4772
Fax: (503) 624-4751
mkemp@hayscompanies.com



VII. Disclosure of Sources of Compensation

Hays Companies may be compensated for our work in a variety of ways, including the following:

1. **Client Fees.** In some cases, our clients pay us negotiated fees for handling their insurance needs. Any such fees to be paid by the client are set forth in the written agreement between the Hays Companies and our client.
2. **Regular Commissions:** Insurance companies with which we place business generally pay us commissions for the placement or renewal of policies. In most cases, such commissions are calculated as a percentage of the premium paid to the insurance company for the specific policy and are included in our client's premium cost. Occasionally the commission may be a fixed amount negotiated between us and the insurer. In some cases where clients pay us fees in connection with the placement and servicing of their insurance business, commissions may be credited against any fee to be paid by the client; if so, this will be set forth in our written client agreement.
3. **Contingent Commissions and Other Incentive Payments:** Most of the insurers that the Hays Companies represent grant us the opportunity to receive contingent commissions or supplemental income. Unlike regular commissions, contingent commissions and supplemental income are not tied to a specific policy, but rather are generally tied to various criteria relating to the overall business we place with those insurers, typically measured on an annual basis. These contingent commissions and supplemental income may be based on a number of factors relating to the business placed by our agency with the insurance company, including growth in premium, loss ratios, total written premium, premium volume, retention of business, profitability, and/or other criteria. Further, in connection with the placement of insurance, we may also receive compensation from intermediaries, such as wholesalers, other agencies and brokers, or re-insurers. In addition, some insurance companies may offer our agency other incentives or payments, such as marketing or administrative support, promotional fees, educational costs, and/or prizes, gifts, or awards (e.g. meals, trips, etc). In some cases, we may enter into relationships with an insurance company whereby we provide the insurer with additional services for which we receive a fee, such as premium finance contracts, policy or claims administration, or loss control services. In some cases, we may own stock in a particular insurance company or reinsurance company
4. **Interest Income:** In some cases where our clients pay for insurance policies through the agency (instead of by direct payment to the insurer which issued the policy), the agency may receive income from interest accruing on amounts held for payment to insurers.

This synopsis provides an overview of our general compensation practices. Because it is only a general overview, there may be exceptions not addressed above. The Hays Companies will disclose to our clients at their request the actual or anticipated compensation we receive in connection with the issuance or placement of insurance business and will upon request provide more information about our contingency fee and supplemental income arrangements with particular insurers.



VIII. Appendices

A.M Best Rating

Granite State Insurance Company

(a member of [American International Group](#))

A.M. Best #: 02360 NAIC #: 23809 FEIN #: 020140690

Address:
70 Pine Street
New York, NY 10270
UNITED STATES

Phone: 212-770-7000
Web: www.aig.com



This rating is assigned to companies that have, in our opinion, an excellent ability to meet their ongoing obligations to policyholders.

Best's Ratings

Financial Strength Ratings

Rating: **A (Excellent)**
Affiliation Code: **p (Pooled)**
Financial Size Category: **XV** (\$2 Billion or greater)
Outlook: **Negative**
Action: **Affirmed**
Effective Date: **November 10, 2008**

Issuer Credit Ratings

Long-Term: **a**
Outlook: **Negative**
Action: **Affirmed**
Date: **November 10, 2008**



New Hampshire Insurance Company

(a member of [American International Group](#))

A.M. Best #: 02363 NAIC #: 23841 FEIN #: 020172170

Address:
70 Pine Street
New York, NY 10270
UNITED STATES

Phone: 212-770-7000
Web: www.aig.com



This rating is assigned to companies that have, in our opinion, an excellent ability to meet their ongoing obligations to policyholders.

Best's Ratings

Financial Strength Ratings

Rating: **A (Excellent)**
Affiliation Code: **p (Pooled)**
Financial Size Category: **XV** (\$2 Billion or greater)
Outlook: **Negative**
Action: **Affirmed**
Effective Date: **November 10, 2008**

Issuer Credit Ratings

Long-Term: **a**
Outlook: **Negative**
Action: **Affirmed**
Date: **November 10, 2008**

Northern Assurance Co of America

(a member of [White Mountains Insurance Group](#))

A.M. Best #: 02155 NAIC #: 38369 FEIN #: 042974375

Address:
One Beacon Lane
Canton, MA 02021-1030
[UNITED STATES](#)

Phone: 781-332-7000
Fax: 781-332-7969
Web: www.onebeacon.com



This rating is assigned to companies that have, in our opinion, an excellent ability to meet their ongoing obligations to policyholders.

Best's Ratings

Financial Strength Ratings

Rating: **A (Excellent)**
Affiliation Code: **p (Pooled)**
Financial Size Category: **XIII** (\$1.25 Billion to \$1.5 Billion)
Outlook: **Stable**
Action: **Affirmed**
Effective Date: **July 31, 2009**

Issuer Credit Ratings

Long-Term: **a**
Outlook: **Stable**
Action: **Affirmed**
Date: **July 31, 2009**



Continental Casualty Company

(a member of [CNA Insurance Companies](#))

A.M. Best #: 02128 NAIC #: 20443 FEIN #: 362114545

Address:
333 South Wabash Avenue
Chicago, IL 60604
[UNITED STATES](#)

Phone: 312-822-5000
Fax: 312-822-6419
Web: www.cna.com



This rating is assigned to companies that have, in our opinion, an excellent ability to meet their ongoing obligations to policyholders.

Best's Ratings

Financial Strength Ratings

Rating: **A (Excellent)**
Affiliation Code: **g (Group)**
Financial Size Category: **XV** (\$2 Billion or greater)
Outlook: **Negative**
Action: **Affirmed**
Effective Date: **February 13, 2009**

Issuer Credit Ratings

Long-Term: **a**
Outlook: **Negative**
Action: **Affirmed**
Date: **February 13, 2009**