



Contractors' Preferred Protection Plan

EXTENDED SERVICE AGREEMENT PROGRAM

*CPPP is the Only Authorized Program of Extended Warranties for
brands manufactured by NORDYNE.*

Our Service Solutions

AIG Warranty provides comprehensive suite of service solutions, tailored to specific client needs

S U I T E O F S E R V I C E S



Warranty Administration

- Underwriting
- Customer Service
- Logistics
- Total Management
- AIGwork Mgt.



Extended Service Plans

- Repair
- Replacement
- Accidental Damage Handling (ADH)
- Express Replacement
- Advanced Exchange
- Lost and Found



On Demand Services

- Installation
- Repair
- Troubleshooting
- Data Backup
- Peripheral Installation
- PC Tune-up
- Virus Removal



Aftermarket Programs

- Missed Point of Sale
- Expiring Warranty
- Renewal
- Parts
- Retention Marketing



Company Overview: AIG

Who is AIG Warranty?

- Represents the world's largest and most respected brands
- 450 MM service contracts written to date
- 80 MM active contracts in force in the US
- Chartis administrates warranty products in over 80 countries
- Recently acquired the most innovative and flexible warranty administrator in the industry - AIG Warranty
- AM Best "A" rated with over \$27B surplus

World's Largest and Most Innovative Warranty Provider



Company Overview: Client Diversification

Online/B2B

amazon.com.

newegg.com®

PC Connection

PC Mall

CDW

ZONES

Retail



Walmart
Save money. Live better.



MICRO CENTER



TRACONE

DirectBuy

Manufacturers (NON HVAC)



amazonkindle



SHARP.

Panasonic

TOMTOM®

MAGNAVOX

PHILIPS

SIRIUS
SATELLITE RADIO



ELITE

TOSHIBA

EPSON®

ASKO

Company Overview: HVAC Clients

Residential

Commercial Only

NORDYNE

COMPLETE COMFORT. GENUINE VALUE.

СОМЪГЕТЕ СОМЪОКЪ! ГЕИДИНЕ АУГЛЕ!

LENNOX

Rheem

Carrier

Goodman

TRANE

* Trane & Goodman Commercial. All other brands include residential ESAs. Carrier and Bryant residential announced plans to move program in 2013.

Why Offer Extended Warranties?

»» Research and Trends

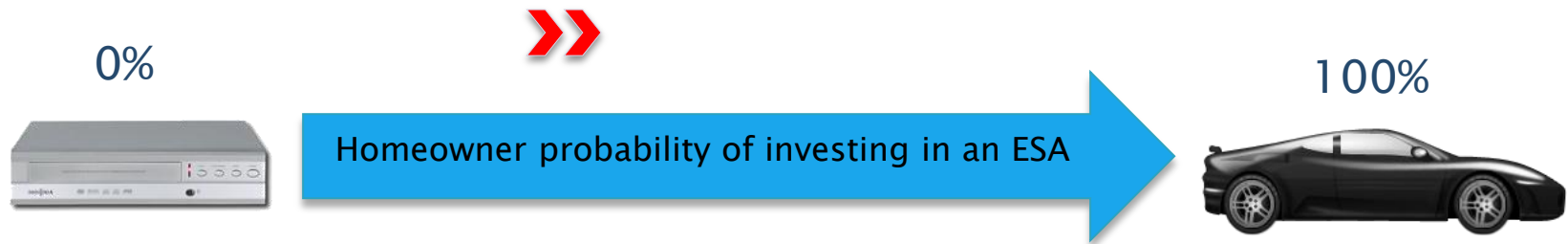
How about when you shop at...

- ✓ **Best Buy**
- ✓ **Home Depot**
- ✓ **Sears**
- ✓ **Wal-Mart**

Consumer awareness and understanding of an
ESA is extremely high through retailer efforts

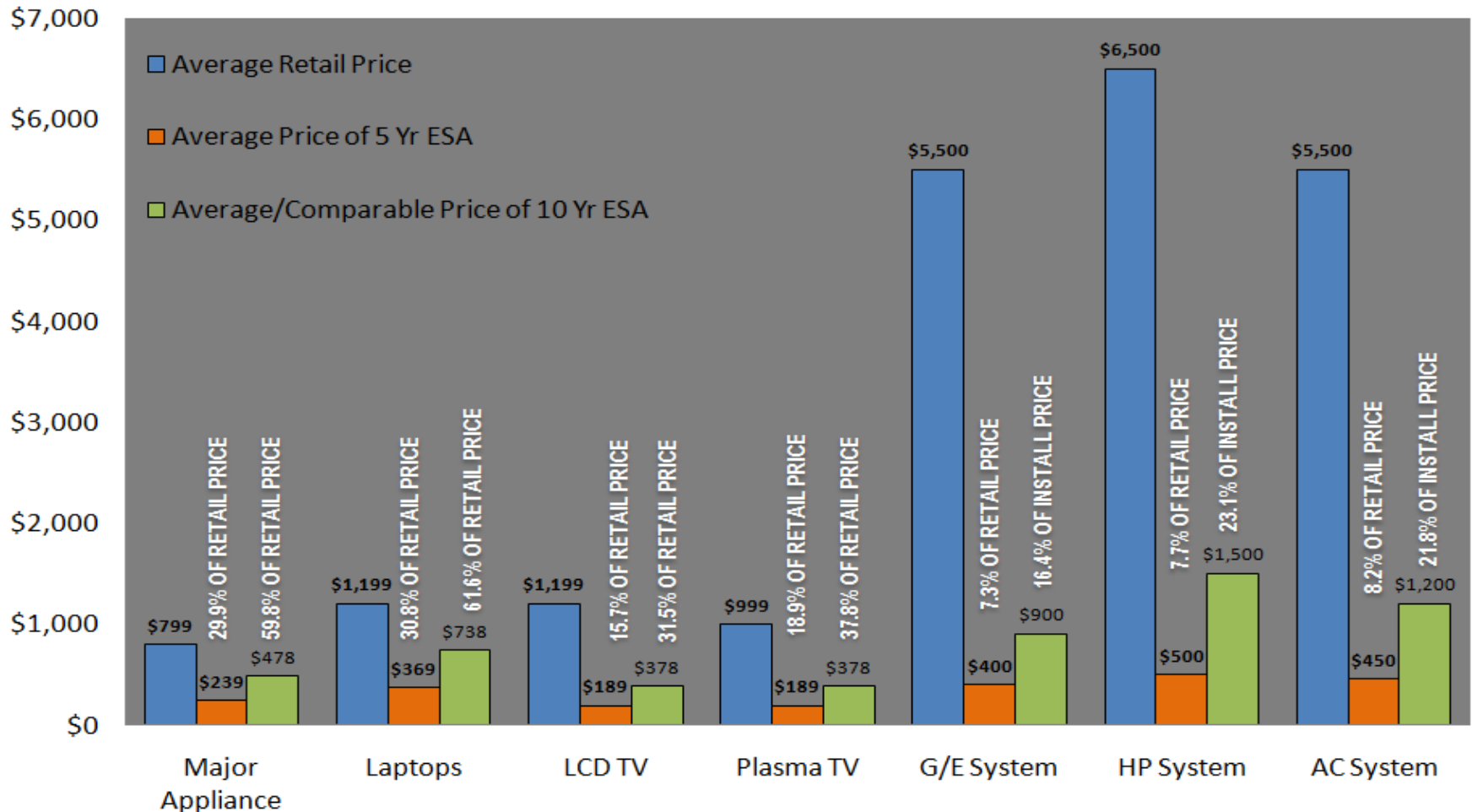
Consumers are conditioned to BUY!!

Consumers are willing to purchase an ESA on a \$200 iPod, wouldn't they want to protect their expensive HVAC system?



As the consumer investment increases, so does the probability of them investing in a ESA

Value Proposition



- Based on Plan 2, current pricing
- Retail = cost + 25%

Solutions

Value

Brand
Protection

Profitability

Peace Of
Mind



- Demonstrate the Value of an HVAC ESA in comparison with other products
- Educate the consumer that labor is not covered under the standard OEM parts warranty—Brand Protection
- ESAs promote profitability at POS and recurring revenue through service and add-on sales
- Continue to promote ESAs as a way to prevent unexpected future repair cost

ESA Trends



- ▶ Home warranty companies are growing and in a position to capture consumers who can't get extended protection

The screenshot shows the Home Warranty Reviews website. At the top, there is a navigation bar with links for HOME, TOP RATED COMPANIES, COVERAGE BY STATE, ARTICLES, and Q & A. Below this is a large blue banner with the text "Home Warranty FREE QUOTE!". The banner includes a ZIP code input field and a "Get Quote!" button. To the right of the banner is a smiling woman pointing towards the quote form. Below the banner, there is a section titled "Five Kinds of Warranties that Cover Home Appliances" with several sub-sections: "Colonial Home Warranty", "Top Home Warranty Plans", "Home Warranty Coverage", and "Home Warranty Programs". Each sub-section provides a brief description of the warranty type. To the right of the main content, there is a sidebar with a "Top Companies" section listing several warranty providers with star ratings, a "Download Home Maintenance Checklist" link, a "Before you Buy ..." section with links to guides and insurance information, and a "Home Warranty Coverage by Region" section.


- 73 Home Warranty providers that cover HVAC in USA
- Contractors performing HVAC repairs under these warranties are paid low deductible service calls
- Low quality contractors getting the repair business




Home Warranty Aggressive Marketing Tactics

IMPORTANT BIRTHDAY REMINDER FOR THE BAKER HOUSEHOLD
Birthdays Location:
1256 Clinton Hill Ct



Carolyn Baker
 Rodney Baker
 1256 Clinton Hill Ct
 O'Fallon, MO 63366-5936



Happy 13th Birthday

At TotalProtect we replace the covered system for water heater or cooling system for furnace. We reserve the possibility of diverting your budget. Plus, Finance Buyline® discount buying service, you'll get

Dear Carolyn,

Did you know that your home is turning 13 years old this year?
 It's true — 1256 Clinton Hill Ct. was actually built in 1999 — the same year "Shakespeare In Love" received the Academy Award for Best Picture. Believe it or not, that was 13 years ago.

Now think about this: Since 1999, how much electricity has flowed through your home's electrical wiring system? How many gallons of water have worked their way through your plumbing system? And what about your air conditioning and heating systems... your refrigerator, dishwasher, and other appliances? The constant wear and tear on your most important systems and appliances could cause a breakdown at any moment — no matter how old (or new) they are. And that could cost you thousands of dollars in repair or replacement costs.

TotalProtect® helps protect your budget every single day.
 It doesn't matter the age of the systems and appliances in your home, a mechanical failure can happen when you least expect it. A pipe breaks... the dishwasher starts making a grinding noise... the furnace won't work on the coldest day of the year. These things are bound to happen with age.

To help you protect your budget from unexpected system and appliance breakdown costs, arrangements have been made so that you can now enjoy the 24/7 protection of TotalProtect® — the home warranty plan. That means you'll be covered for most repairs and replacements of your critical home systems and appliances so breakdowns should only cost as little as a \$75 service call fee per claim — even if the item needs to be replaced.* And your major systems and appliances are covered, regardless of their age, make or model.*

You're covered for the repair or replacement of your:

• Air Conditioning System	• Refrigerator	• Range Exhaust Fan	• Ceiling Fans
• Furnace/Heating System	• Clothes Washer	• Built-in Microwave	• Accessible Ductwork
• Plumbing System	• Clothes Dryer	• Garbage Disposal	• Trash Compactor
• Electrical System	• Dishwasher	• Heat Pump	
• Water Heater	• Range/Oven/Cooktop	• Garage Door Opener	

No matter where you live or when you need help, there's just one toll-free number to call.
 When something breaks at 1256 Clinton Hill Ct, simply call TotalProtect. Your call will be answered 24 hours a day, 365 days a year — because we know that system and appliance failures can occur at any time. A pre-qualified service professional will be sent to your home during a timeframe that works best for you. Plus, every covered repair is guaranteed for a full 6 months so you can be certain the job is always done right!

(Over, please)

* Please sign below, detach and return in the enclosed postage-paid envelope. *

Select your protection, sign and return this Invitation or call 1.866.245.7412 today!

YES! I'd like to see how this home warranty can help protect my budget.

Select Coverage to Review:

BEST PLAN COVERAGE
 All the protection of the Basic Plan PLUS more comprehensive coverage that includes unknown pre-existing conditions, rust and corrosion, plumbing stoppages, refrigerator water and ice dispensers and more for just \$44.95 per month. Also included: Up to \$20,000 in annual coverage and a low \$85 service call fee per claim — all for just \$5 more a month than Basic Plan Coverage.

BASIC PLAN COVERAGE
 Repair and replacement protection for 18 of your home's most critical systems and appliances for just \$39.95 per month (included: Up to \$15,000 in annual coverage and a low \$75 service call fee per claim). GMACT2B

I'm entitled to review the TotalProtect Home Warranty for 30 days at no cost. I understand that my home warranty FREE review will continue for 30 days. Unless I call the home warranty provider to cancel during my 30-day review, my plan will be automatically extended at the low monthly fee I selected above and all the components added to my GMAC Mortgage payment. (If returned with no box checked, a \$39.95 monthly fee will apply.) I may discontinue my plan at any time by calling 1.800.955.9995 and there is no obligation for me to continue.

Signature required for processing Date 77188-00-V002003695

Please Respond By: 12/31/12


Reservation # AGACIZZWEY
Covered Property:
 Carolyn Baker
 1256 Clinton Hill Ct
 O'Fallon, MO 63366-5936

Mailing Address:
 1256 Clinton Hill Ct
 O'Fallon, MO 63366-5936

TotalProtect® today
 245.7412
 24/7 invitation.

This program provides regarding any warranties they may provide you. Please see the terms and conditions of the service and/or products. This program may not be right for you — obtain information about them and any limits which is based by the identified entry in Atlanta, GA. (Cable, Dishwasher, South Carolina, Texas, Utah, Nevada, Oregon, California, Inc., Virginia and Oregon by residents of the state of Ohio County home warranty, Inc. 10/1/2010/12/12)

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 It doesn't matter the age of the systems and appliances in your home, a mechanical failure can happen when you least expect it. A pipe breaks... the dishwasher starts making a grinding noise... the furnace won't work on the coldest day of the year. These things are bound to happen with age.

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 When something breaks at 1256 Clinton Hill Ct, simply call TotalProtect. Your call will be answered 24 hours a day, 365 days a year — because we know that system and appliance failures can occur at any time. A pre-qualified service professional will be sent to your home during a timeframe that works best for you. Plus, every covered repair is guaranteed for a full 6 months so you can be certain the job is always done right!

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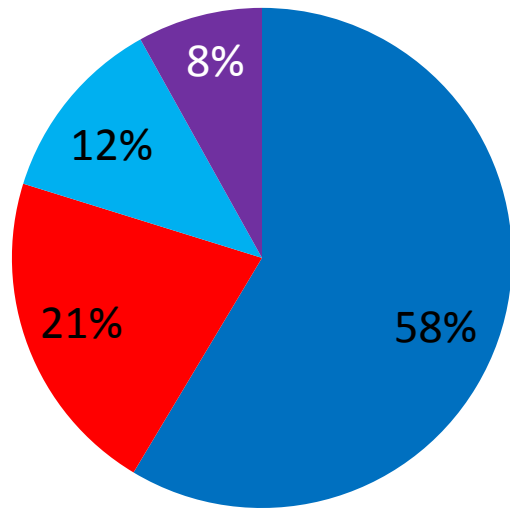
This program provides regarding any warranties they may provide you. Please see the terms and conditions of the service and/or products. This program may not be right for you — obtain information about them and any limits which is based by the identified entry in Atlanta, GA. (Cable, Dishwasher, South Carolina, Texas, Utah, Nevada, Oregon, California, Inc., Virginia and Oregon by residents of the state of Ohio County home warranty, Inc. 10/1/2010/12/12)

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© 2012, Ohio County Home Services, Inc. All Rights Reserved.
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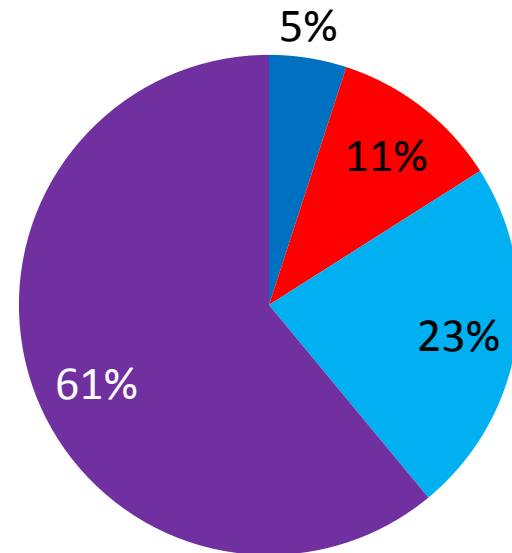
Does Contractor Size Matter with Ability to Sell an ESA?

Warranty Registrations by Contractor Size



■ 1- 4 Employees ■ 5-9 Employees
■ 10 - 19 Employees ■ 20+ Employees

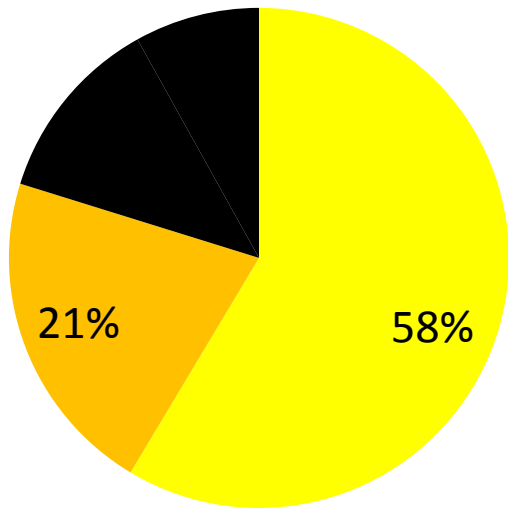
Contractor Representing ESA Contracts



■ 1-4 Employees ■ 5-9 Employees
■ 10-19 Employees ■ 20+ Employees

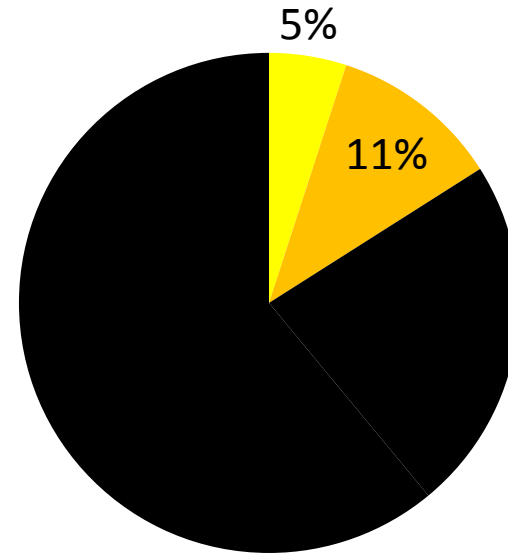
Opportunity for Labor Agreement

Warranty Registrations by Contractor Size



■ 1- 4 Employees ■ 5-9 Employees
■ 10 - 19 Employees ■ 20+ Employees

NORDYNE Contractor Representing ESA Contracts




■ 1-4 Employees ■ 5-9 Employees
■ 10-19 Employees ■ 20+ Employees

Contractors Preferred Protection Program

»» Overview of NORDYNE
Program

Extended Warranty – Consumer Benefits

- Labor Coverage
 - Protects the consumer against labor charges for parts replaced under warranty
 - Transferrable to Future Homeowners
 - Completion of Transfer Form, Copy of Closing Documents and \$25 Transfer Fee
 - Peace-of-mind knowing that they are fully protected
 - 35% of consumers falsely believe the product warranty includes labor, resulting in requests for labor recovery and/or plans during a warranty claim event
- 

Protection Plan Programs

All NORDYNE Enrolled Contractors

- **Traditional Program**

- Contractor purchases Contractors Preferred Protection ESA from AIG
- Contractor marks up & sells at time of installation of new equipment
- Short and long plans, up to the length of the registered manufacturer's warranty (2,5,10)*
- Parts and/or labor Plans
- Labor plans have no consumer co-pay
- Preferred method for contractors who offer product labor plans with every sale!

Protection Plan Programs

12th Man Plan Tier 2 Option

▶ 12th Man Plan Co-Pay Program

- Access to traditional plans +
- Discounted 3/5 year co-pay labor plans
 - Labor plans have a \$65 consumer co-pay
 - 12th Man Tier 2 participants only
 - Plans are paid at the AIG Plan 2 rate, higher than average reimbursement plans purchased*

*99% of Plans purchased directly by contractors are at the Plan 1 Reimbursement rates. Plan 2 Reimbursement rates provide a higher rate for contractors.

Protection Plan Programs

All NORDYNE Enrolled Contractors

▶ Aftermarket Co-Pay Labor Program

- Offered to consumer after consumer warranty registration that did not buy a plan and indicated they want labor coverage
- No contractor investment; consumer pays AIG for protection plan via credit card/check
- Contractor of record is notified of consumer purchase and is the servicer of record for future calls
- Only 3 and 5 year labor plans available
- Labor plans have a \$65 co-pay
- Plans are paid at the AIG Plan 2 rate, higher than average reimbursement plans purchased*
- Great for contractors with no sales resources, limited credit or one more chance to close that ESA!

*99% of Plans purchased directly by contractors are at the Plan 1 Reimbursement rates. Plan 2 Reimbursement rates provide a higher rate for contractors.

Program Summary

	Traditional Plans	12th Man Plan	Aftermarket
Sales Channel	NORDYNE Contractor	12 th Man T2 Contractor	Registered Consumer
Lengths	2, 5, 10 (+ 12 Maytag)	3 & 5 Years Only	3 & 5 Years Only
Reimbursement Rate Plan	Plans 1, 2, 3	Plan 2	Plan 2
Terms	No Co-Pay	Consumer \$65 Co-Pay	Consumer \$65 Co-Pay
Servicer	Installing Contractor of Record	Installing Contractor of Record	Installing Contractor of Record
ESA Revenue	Mark-Up	Mark Up + Co-Pay	Co + Pay
Upfront cost to Contractor	Mid – High	Low	No Cost

Traditional Program

»» Overview on Traditional Plans
Available Since 2010.

Program Overview

Features	Plan 1	Plan 2	Plan 3
Hourly labor reimbursement	\$75	\$100	\$125
Trip & diagnosis reimbursement	\$40	\$85	\$95
Refrigerant covered?	Yes*	Yes*	Yes*
All NORDYNE brands covered?	Yes	Yes	Yes
Maximum time from install date to sell contracts?	60 months**	60 months**	60 months**
Coverage effective date?	Day 91	Day 91	Day 91
Contracts Transferrable?	Yes***	Yes***	Yes***

* Refrigerant cost included within SelecRate reimbursements


** Contracts sold beyond 1 year from install include 90 day wait period

*** Contracts are transferrable with a low \$25 fee



Program Overview

Easy to Understand Pricing (EXAMPLE Price Sheet)

		<u>Covered Products:</u> Furnace Thermostat				
Labor Only		Residential USA Furnace				
2 Year	Plan				SKU	Dealer Cost
91st Day - 2nd Year Labor	1				294207	\$56.60
	2				294208	\$74.01
	3				294209	\$89.34
5 Year	Plan				SKU	Dealer Cost
91st Day - 5th Year Labor	1				294210	\$100.63
	2				294211	\$137.87
	3				294212	\$165.70
10 Year	Plan				SKU	Dealer Cost
91st Day - 10th Year Labor	1	294193	\$154.54			
	2	294194	\$229.24			
	3	294195	\$286.74			
Parts & Labor						
10 Year	Plan	SKU	Dealer Cost			

* Please check program site for latest pricing and plan offers

Program Overview

Flat Rate Reimbursement Codes

		Plan 1	Plan 2	Plan 3
		Service Call		
		\$40.00	\$85.00	\$95.00
Repair Code	Type of Repair	Repair Rate		
A	Replacement of electrical or mechanical components such as all circuit boards, all relays, water relief valve, thermocouple, thermostat, condenser fan blade, fan limit switch, door switch, control transformer.	\$78.75	\$112.50	\$140.63
B	Replacement of electrical or mechanical components such as blower motor, blower wheel, condenser fan motor, condenser fan motor and blade, heater package and heat strips, gas valve, fuel pump, burner ignition transformer, oil burner motor.	\$122.50	\$175.00	\$218.75
C	Replacement of electrical or mechanical components such as shaft and bearings, gas burners, blower motor assembly, variable speed blower motor, variable speed module.	\$157.50	\$225.00	\$281.25
D	Minor repairs to sealed system such as TXV, factory joint leaks. (Repair code includes leak search, refrigerant recovery time, refrigerant replacement, and dryer).	\$245.00	\$350.00	\$437.50
E	Major repairs to sealed system such as heat exchanger, compressor, condenser/evaporator/hydronic coil replacement, accumulator or muffler reversing valve. (Repair code includes leak search, refrigerant recovery time, refrigerant replacement, and dryer)	\$385.00	\$550.00	\$687.50

Please see your latest CPPP Program Materials for the most recent Reimbursement Rates.

Program Overview

Flat Rate Reimbursement Codes

Plan 1	
Repair Code B	
Failure Gas Valve	In Warranty
Service Call	\$40.00
Gas Valve Repl.	\$122.50
Total	\$162.50

Repair Code D	
Failure TXV	In Warranty
Service call	\$40.00
TXV Replacement	\$245.00
Total	\$285.00

Repair Code E	
Failure Compressor	In Warranty
Service call	\$40.00
Compressor Repl.	\$385.00
Total	\$425.00

Plan 2	
Repair Code B	
Failure Gas Valve	In Warranty
Service Call	\$85.00
Gas Valve Repl.	\$175.00
Total	\$260.00

Repair Code D	
Failure TXV	In Warranty
Service Call	\$85.00
TXV Replacement	\$350.00
Total	\$435.00

Repair Code E	
Failure Compressor	In Warranty
Service Call	\$85.00
Compressor Repl.	\$550.00
Total	\$635.00

Plan 3	
Repair Code B	
Failure Gas Valve	In Warranty
Service Call	\$95.00
Gas Valve Repl.	\$218.75
Total	\$313.75

Repair Code D	
Failure TXV	In Warranty
Service call	\$95.00
TXV Replacement	\$437.50
Total	\$532.50

Repair Code E	
Failure Compressor	In Warranty
Service call	\$95.00
Compressor Repl.	\$687.50
Total	\$782.50

Please see your latest CPPP Program Materials for the most recent Reimbursement Rates.

Co-Pay Program

»» Aftermarket & 12th Man Plan
Tier 2

Plan Overview

- ▶ 3 and 5-year co-pay plans
- ▶ A 90 -day wait period required for coverage to take place to assure there are no pending warranty claims against the system
- ▶ Contractor who services the customer with a plan will get:
 - \$65 payment directly from the consumer for each repair call
 - \$85 trip charge paid by the plan
 - \$100 labor rate paid by the plan



Program Overview

Features	
Hourly labor reimbursement	\$100
Trip & diagnosis reimbursement	\$85
Consumer co-pay to contractor	\$65
Refrigerant covered?	Yes*
Coverage effective date?	Day 91**
Contracts transferrable?	Yes***

* Refrigerant cost included within SelecRate reimbursements

** 90-Day wait period from purchase

*** Contracts are transferrable with a low \$25 fee

NOTE: Rate is equivalent of the traditional CPPP program, tier 2. Currently 95% of CPPP participants buy Tier 1 (a lower reimbursement rate) and about 5% of contractors (usually large contractors) use Tier 2 reimbursement rate.



Program Overview

Flat Rate Reimbursement Codes

Repair Code	Type of Repair	Service Call	Repair Rate
		\$85.00	
A	Replacement of electrical or mechanical components such as all circuit boards, all relays, water relief valve, thermocouple, thermostat, condenser fan blade, fan limit switch, door switch, control transformer.		\$112.50
B	Replacement of electrical or mechanical components such as blower motor, blower wheel, condenser fan motor, condenser fan motor and blade, heater package and heat strips, gas valve, fuel pump, burner ignition transformer, oil burner motor.		\$175.00
C	Replacement of electrical or mechanical components such as shaft and bearings, gas burners, blower motor assembly, variable speed blower motor, variable speed module.		\$225.00
D	Minor repairs to sealed system such as TXV, factory joint leaks. (Repair code includes leak search, refrigerant recovery time, refrigerant replacement, and dryer).		\$350.00
E	Major repairs to sealed system such as heat exchanger, compressor, condenser/evaporator/hydrionic coil replacement, accumulator or muffler reversing valve. (Repair code includes leak search, refrigerant recovery time, refrigerant replacement, and dryer)		\$550.00

Please see your latest CPPP Program materials for the most recent reimbursement rates.

Program Overview

EXAMPLE: Flat Rate Reimbursement Codes for Aftermarket Program

Repair Code B	
Failure Gas Valve	In Warranty
Service Call	\$85.00
Gas Valve Repl.	\$175.00
Total	\$260.00

$\$260 - \$65 \text{ Co-Pay} = \$195 \text{ AIG Reimbursement}$

Repair Code D	
Failure TXV	In Warranty
Service Call	\$85.00
TXV Replacement	\$350.00
Total	\$435.00

$\$435 - \$65 \text{ Co-Pay} = \$370 \text{ AIG Reimbursement}$

Repair Code E	
Failure Compressor	In Warranty
Service Call	\$85.00
Compressor Repl.	\$550.00
Total	\$635.00

$\$635 - \$65 \text{ Co-Pay} = \$570 \text{ AIG Reimbursement}$

*\$65 consumer - co-pay is deducted from the reimbursement schedule

Please see your latest CPPP Program materials for the most recent reimbursement rates.

Program Enrollment

»» FAQ for All Programs

Program Summary

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Servicer	Installing Contractor of Record	Installing Contractor of Record	Installing Contractor of Record
ESA Revenue	Mark-Up	Mark Up + Co-Pay	Co + Pay
Upfront Cost to Contractor	Mid – High	Low	No Cost

*Aftermarket not currently offered for NuTone and Broan registrations.

Benefits to Contractor

Contractors' Preferred Protection Website

- Seamless online contract entry process (For Traditional and 12th Man Plans)
- Claims submission center for your convenience



Just Login and Access!

NEW SALES

CONTRACT NUMBER	DEALER PO #	CONTRACT STATUS	ENTRY DATE
34284100		Pending	7/2/2012
34284130		Pending	7/2/2012
33459729		Pending	6/6/2012
33015704		Pending	5/21/2012
33015708		Pending	5/21/2012

CONTRACT NUMBER	DEALER PO #	CONTRACT STATUS	CANCELLATION DATE
32761044		Cancelled	5/11/2012
32597885	test 32597885	Cancelled	5/9/2012

SUBMIT CLAIMS

Claim Home

Incomplete Claim Entry
There are no incomplete claims.

Recently Approved Claims
No recent approved claims were found

Recently Partially Paid Claims
No recent denied claims were found

Contractor Enrollment Process

- Contractor must complete and provide the following information to **AIG**:
 - Enrollment Form
 - W 9
 - Certificate of Insurance
- Once contractor has completed and submitted required documentation, their contractor record becomes active and can begin selling and servicing ESA's immediately
- Contractor can access **Contractors Preferred Program** via OEM branded sites
 - Branded consumer web site
 - Contractor Log-in at footer of page

Frequently Asked Questions

- **What is covered?**
 - Mechanical and electrical failures contained within the equipment
- **What is not covered?**
 - Repairs due to damage or incorrect installation of equipment
 - Non-electrical/mechanical items (duct work, drain lines, etc.)
 - Maintenance of equipment
 - Overtime charges for a covered mechanical failure
- **Are there any coverage limits?**
 - No limit to quantity of claims, but limit of liability is replacement cost of like and kind equipment during the term of agreement

Frequently Asked Questions

- **Can the agreement be transferred?**
 - Yes, for a minimal charge of \$25
- **When will coverage begin?**
 - Coverage starts the 91st day from install date on traditional and 91st day from purchase on aftermarket plans
- **What if homeowner is not satisfied?**
 - Agreement can be cancelled for full refund of purchase price in the first thirty (30) days the ESA is issued
 - After thirty (30) days, agreement can be cancelled and homeowner will receive a pro rated refund based on the time remaining on the plan, administrative fee, and less the value of any services or claims that had been provided or paid

Frequently Asked Questions

- **Will contractor be charged for the Aftermarket plan a consumer purchases?**
 - No. This is the benefit of the program. No out-of-pocket-money to purchase and all of the upfront paperwork is handled by AIG.
- **What if I don't want to be the contractor of record on an aftermarket purchase?**
 - You may decline if desired. The consumer's plan will remain in tact and another servicer will be provided in the event of a repair. You can still participate with other consumers.
- **Can contractors purchase the co-pay aftermarket plans and sell them?**
 - Only 12th Man Plan Tier 2 contractors. They will see this option when they login to the portal to buy a plan.

Frequently Asked Questions

- **What is the difference between the Co-Pay program for 12th Man Contractors and the Aftermarket Program for consumers?**
 - The aftermarket plan is offered only to a consumer after they have registered their warranty and indicated they have no labor plan, but are interested in labor. The consumer pays AIG list price directly. The contractor is contacted by AIG about the purchase and the contractor can verify they are the contractor of record.
 - The 12th Man Plan Co-Pay option allows the contractor to offer these same co-pay plans directly to the homeowner. The contractor purchases the plan directly from AIG for less and sells them to the consumer at a mark-up of his own discretion (or can build it in to cost of unit). This is only available to 12th Man Plan Tier 2 contractors.

Frequently Asked Questions

- **What if I don't want to sell labor protection plans and I don't want my consumer to have them either?**
 - Contractor does not have to offer labor. However, consumers have a legal right to add labor coverage on their systems. And if they want one, they can get them from a competitor or a whole-home warranty company if desired. By offering them coverage it keeps the consumer tied to the original installer and satisfies their desire for labor protection.
- **What is the minimum insurance coverage and where do I go to get coverage?**
 - Minimum insurance coverage is \$500,000, you can go to any large insurance provider to obtain this coverage. You must submit a certificate of insurance to AIG, with AIG listed as the certificate holder.


Frequently Asked Questions

- **Can I participate in all programs?**
 - Once enrolled you can offer the traditional program to the consumer. Any plan sold through the warranty registration process will be part of the aftermarket sales process, but the consumer will be registered to you if desired. You must participate in Tier 2 of the 12th Man Plan to be able to purchase and sell 3/5 year co-pay plans.
- **My brands were not listed in the Aftermarket program, how can I participate?**
 - If you want to participate please call AIG/AIG at 1-866-845-4718, Option 3. You will need to provide your NORDYNE dealer ID. If not known, provide business name and contact name along with the brand carried.

Underwriting & Pricing

» Drivers Behind Pricing of ESAs

Overview

- AIG continually monitors all HVAC programs to look at current and future trending
 - The program must be properly funded with adequate reserves to ensure future viability
 - Price adjustments are necessary to protect dealers and consumers that trust in our product to be sustainable for the life of the agreement
 - AIG is the only ESA provider with historical data supplied by the major HVAC OEMs which is vital to establish accurate pricing
- 

2 Key Underwriting Metrics

Frequency

- Defined as the number of claims submitted by a contractor vs. the number of agreements purchased.

Severity

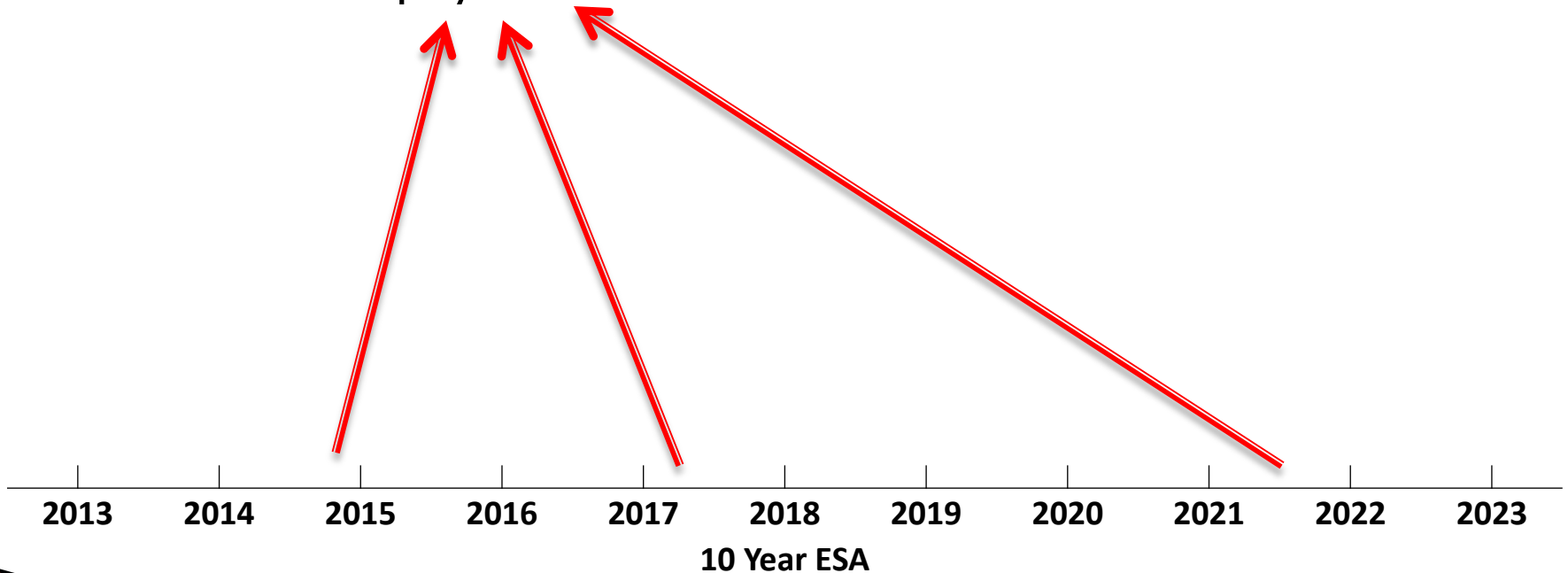
- Defined as the average reimbursement per claim.

Statistical Drivers

- CPPP pricing reflects ACTUAL severity and FREQUENCY.
- AIG uses REAL performance data and adjusts prices accordingly to cover program costs.
 - When performance is above expected severity or frequency, program pricing is adjusted upwards.
- Why have all other HVAC ESA companies failed?
 - They do not have real performance data, therefore pricing is typically well below the required amount to cover the term of the warranty period.
 - ESAs are priced to sell, not necessarily protect for the long term.
 - The administrator and the underwriter are separate companies. (AIG is both.)
 - Many focus on HVAC only (AIG has a diversified Portfolio)

10 Year Coverage

- A typical policy with just 3 service calls over 10 years could see payouts over **\$825**



Statistical Drivers

- What causes FREQUENCY and SEVERITY to rise?
 - Manufacturer defects
 - Poor installation
 - Changing out components or making repair claims on routine maintenance calls where there have been no failure.
 - Prescriptive change outs drive up costs of claims. While some contractors believe this is good practice, it actually is considered fraudulent because no failure took place. (It would be like filing an auto accident claim before you had an accident.) This practice has a significant impact on rising costs of plans across all manufacturers.
 - Fraudulent claims.
 - About 25% of labor claims show no part claim filed with the manufacturer for high dollar components. (This % does not include parts claims not filed on less expensive components, nor does it account for potential oversight to file the part claim.)
 - AIG will look at trends and take action to stop fraudulent claims. Actions may include closer monitoring of contractor claims, change in service process or remove a contractor from the program.
 - Poor claim practices drive up ESA costs for everyone in the program.

Thank you!

