

Filing at a Glance

Company: Austin Mutual Insurance Company
Product Name: Supermarket/Grocers Program SERFF Tr Num: MEDJ-125241170 State: Arkansas
TOI: 01.0 Property SERFF Status: Closed State Tr Num: AR-PC-07-025602
Sub-TOI: 01.0001 Commerical Property (Fire and Allied Lines) Co Tr Num: AMJ-AR-2007-CPR01 State Status:
Filing Type: Rule Co Status: Reviewer(s): Betty Montesi,
Llyweyia Rawlins, Brittany Yielding
Authors: Melanie French, John Spain, Terrel Madsen Disposition Date: 07-30-2007
Date Submitted: 07-26-2007 Disposition Status: Exempt from Review
Effective Date Requested (New): On Approval Effective Date (New): 07-30-2007
Effective Date Requested (Renewal): Effective Date (Renewal):

General Information

Project Name: Status of Filing in Domicile: Not Filed
Project Number: Domicile Status Comments: Minnesota is not in the trade area of this Supermarket/Grocery Store Program at this time. Filing is for AR, IL, KS, MO & OK.
Reference Organization: ISO Reference Number:
Reference Title: Advisory Org. Circular:
Filing Status Changed: 07-30-2007
State Status Changed: 07-27-2007 Deemer Date:
Corresponding Filing Tracking Number:

Filing Description:

Austin Mutual Insurance Company is entering the supermarket/grocers insurance market in several Midwestern states to aid retailers in securing property and liability coverages for their operations. Beginning in March of 2007, another insurer that wrote a significant block of business for grocery retailers began non-renewing its entire block of retail grocery/supermarket business coverage. In the absence of that insurer, only a few specialty carriers remain.

Austin Mutual is partnering with a Kansas City-area based general agency (Med James, Inc. MJJ) to underwrite and service this business. MJJ has employed several insurance professionals previously associated with the carrier that non-renewed its book of business. Accordingly, significant knowledge of coverage, underwriting and service can be replicated for Austin Mutual.

This submission represents the initial filing of Austin Mutual for this business segment. The coverage is designed to

closely recreate a product which the retailers desire and have purchased historically

Commercial Property forms and manuals are ISO-based. This filing contains the exceptions.

Company and Contact

Filing Contact Information

John Spain, spainj@medjames.com
8595 College Blvd, Ste. 200 (913) 663-5500 [Phone]
Overland Park, KS 66210 (913) 663-2014[FAX]

Filing Company Information

Austin Mutual Insurance Company	CoCode: 13412	State of Domicile: Minnesota
10 Second Street NE, Suite 300	Group Code:	Company Type: Property/Casualty
Minneapolis, MN 55413-2282	Group Name:	State ID Number:
(612) 378-8600 ext. [Phone]	FEIN Number: 41-0134100	

Filing Fees

Fee Required?	Yes
Fee Amount:	\$100.00
Retaliatory?	No
Fee Explanation:	\$100 for each filing

Make check payable to "The State Insurance Department Trust Fund".

Per Company: No

CHECK NUMBER	CHECK AMOUNT	CHECK DATE
28563	\$100.00	07-26-2007

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Exempt from Review	Llyweyia Rawlins	07-30-2007	07-30-2007

Disposition

Disposition Date: 07-30-2007

Effective Date (New): 07-30-2007

Effective Date (Renewal):

Status: Exempt from Review

Comment: Per Arkansas Code 23-67-206: Property and casualty insurance for commercial risk, excluding workers compensation, employers liability, and professional liability insurance are exempted from rate and rule filing and review. (see actual code site for details)

Rate data does NOT apply to filing.

Item Type	Item Name	Item Status	Public Access
Supporting Document	Authority Letter	Accepted for Informational Purposes	Yes
Supporting Document	Form RF2	Accepted for Informational Purposes	Yes
Supporting Document	Equipment Breakdown Filing Memorandum	Accepted for Informational Purposes	Yes
Rate	Manual Page	Accepted for Informational Purposes	Yes
Rate	Notice to Manual Holders	Accepted for Informational Purposes	Yes
Rate	EQUIPMENT BREAKDOWN	Accepted for Informational Purposes	Yes

Rate Information

Rate data does NOT apply to filing.

Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Accepted for Informational Purposes	Manual Page	AMJ-CP-LCM	New	AMJ-CP-LCM.pdf
Accepted for Informational Purposes	Notice to Manual Holders	AMJ-CP-EX1	New	AMJ CP EX1.pdf
Accepted for Informational Purposes	EQUIPMENT BREAKDOWN	EB RATE	New	EB Rule and Rate.pdf

AUSTIN MUTUAL INSURANCE COMPANY

ARKANSAS MANUAL PAGE

DIVISION FIVE – FIRE AND ALLIED LINES

LOSS COST MULTIPLIER: Multiply the classification loss costs found on the current ISO state pages by the company loss cost multiplier to obtain the desired classification rate.

The company loss cost multiplier is **1.278**

ISO Filing Reference #s

Loss Costs – CF-2005-RLA1 and CF-2006-REQ1

Rules - CF-2004-OCT04, CF-2006-OVBER, CL-2006-OTR01 (Terrorism)

Forms - CF-2001-O01FR, CF-2006-OVBEF, CL-2006-OTF01 (Terrorism)

NOTICE TO MANUAL HOLDERS

COMMERCIAL LINES MANUAL

DIVISION FIVE – FIRE AND ALLIED LINES – COMPANY EXCEPTIONS

The following are exceptions to the Commercial Package program:

38. BUILDING AND PERSONAL PROPERTY COVERAGE OPTIONS

- C. Brands and Labels is deleted. Coverage is provided in Commercial Property PLUS Endorsement form.
- D. Ordinance or Law Coverage
 - 1. a. Loss to the Undamaged Portion of the Building – coverage is included in the Commercial Property PLUS Endorsement form.
 - 1. b. Coverage B – Demolition Cost and c. Coverage C – Increased Cost of Construction rules and rates are applicable for limits in excess of the limit provided in the Commercial Property PLUS Endorsement form.

- F. Debris Removal Additional Insurance
 - 3. Rules
 - c. Rates and Factors are changed:

The rates and factors apply to the amount of insurance in excess of \$50,000 at each location in any one occurrence.

- G. Inflation Guard
 - 4. Premium Determination
- Calculate the additional premium by multiplying the premium otherwise applicable by the appropriate factor in the following table:

Amount of Annual Increase	Factor	
	Annual Policy	3 Year Policy
2%	.00	.00
4%	.00	.00
6%	.00	.00
8%	.00	.00
10%	.05	.15
12%	.06	.18
each additional 2%	Add .01	Add .03

K. Newly Acquired Property – Increase Limit

1. Description of Coverage

The \$1,000,000 per location building limit contained in the Newly Acquired or constructed Property coverage Extension of the Commercial Property PLUS Endorsement form may be increased in accordance with these rules.

L. Utility Services

1. Description of Coverage

Add any references in Rule 54 B. 1. to this Coverage

2. Form

Use Utility Services – Direct Damage Endorsement CP 04 17 and
Off Premises Services Time Element CP 15 45

3. Rules

- a. For each described premises at which coverage applies, enter a Limit of Insurance. This Limit is the only Limit of insurance applicable to coverage.

4. Rate Modification

- a. Properties Providing Water, Communication and Power Supply Services
b. Overhead Power Transmission and Communication Lines
All Territories - \$3.00 per \$100 of Coverage
Earthquake - \$4.90 per \$100 of Coverage

5. Deductibles

a. Direct Damage

Deductible Amount	Deductible Factor
10,000	.70
5,000	.80
2,500	1.0
1,000	1.33
500	1.67
250	2.00

b. Business Income

24 hour waiting period

T. Spoilage Coverage

1. Description of coverage

Direct damage may be extended on the building and Personal Property Coverage form CP00 10 for spoilage of perishable stock caused by one or both of the following:

- a. Breakdown or Contamination, meaning change in temperature or humidity resulting from mechanical breakdown or failure of equipment, including contamination of stock by the refrigerant.
- b. Power Outage, meaning change in temperature or humidity resulting from on premises power failure.

2. Form

Use Spoilage coverage endorsement MJJ-CP-SPOIL-END.

3. Rules

a. Schedule

Indicate the following in the schedule of Endorsement MJJ-CP-SPOIL-END

c. Coinsurance

Coinsurance does not apply to form MJJ-CP-SPOIL-END

d. Deductibles

Deductible Amount	Deductible Factor
10,000	.70
5,000	.80
2,500	1.0
1,000	1.33
500	1.67
250	2.00

4. Premium Determination

a. Classification – All Types

b. Rates

All Territories - \$6.60 per \$100 of coverage

50. BUSINESS INCOME COVERAGE FORMS

B. Basic Forms

3. Use Business Income Coverage Form CP 00 30 and MJI-CP-BIALS-END to Provide Business Income (and Extra Expense) on an Actual Loss Sustained basis (No limit).

E. Rate Modification

1. Completed Buildings

- a. Rate Factor Table

Multiply the base rates by the appropriate factor in Table 50.E.3.b.#1 Business Income (And Extra Expense) Rate Factors or Table 50.E.3.b.#2 Business Income (Without Extra Expense) rate Factors to obtain the business income rates.

If Business Income (And Extra Expense are written on an Actual Loss Sustained basis with No Limit: Multiply the base rate by the 100% Coinsurance Percentage Factor in Table 50.E.3.b.#1 and then by the appropriate limit (15%) or Table 50.E.3.b.#2 and by the appropriate limit (15%).

To determine the appropriate limit (for rating purposes on an Actual Loss Sustained basis only) Multiply the Annual Sales by 13%.

81. DEDUCTIBLE INSURANCE PLAN

- A. Description of Plan. This plan provides a method of determining rates for writing direct property damage coverages with higher deductibles (\$1,000 – 25,000) on eligible covered Property.

E. Rate Modification

4. Table of Factors for Deductible Coverage

Deductible	Factor
1,000	.98
2,500	.90
5,000	.80
10,000	.70
25,000	.60

Austin Mutual Insurance Company

Independent rates and rules for rating Equipment Breakdown Coverage

1. Description

The Equipment Breakdown Endorsement provides coverage for fortuitous mechanical breakdown of pressure, mechanical and electrical equipment.

2. Form

Refer to the Company to determine the applicable Equipment Breakdown Coverage Part or Endorsement to be used with various Property forms.

3. Eligibility

Any risk eligible for Commercial Property is eligible for Equipment Breakdown coverage.

4. Rules

If this coverage applies, attach the endorsement to the policy and charge an additional premium as determined in Step 5. below.

5. Premium Determination

The following rate will apply:

<u>Rate</u>	<u>Program</u>
.064% / 100% TIV (Definition Below)	Grocery Program - Form # MJ1 - CP - EB - END

Deductibles

<u>Property Damage</u>	<u>BI/EE</u>
\$5,000 PD - No additional charge	24 hours BI/EE - No additional charge
\$2,500 PD - Debit rate 6.25%	48 hours BI/EE - Credit rate 3.00%
	72 hours BI/EE - Credit rate 5.00%

Sublimits

\$50,000 - No additional charge
\$100,000 - Debit rate 4.50%

Definitions of Insurable Value (TIV)

Owner, Owner Occupied

100% Building + Contents (Excluding Stock) Replacement Value for all covered buildings & contents at a Location.

Owner, Not Owner Occupied

100% Building Replacement Value for all covered buildings at a Location.

Tenant

100% Contents (Excluding Stock) Replacement Value
Note: A tenant renting an entire building and who is responsible for the building equipment (Heating, A/C, Electrical) is to be rated the same as an "Owner, Owner Occupied"

Supporting Document Schedules

Satisfied -Name: Authority Letter	Review Status: Accepted for Informational Purposes	07-30-2007
Comments:		
Attachment: AR Filing Letter.pdf		
Satisfied -Name: Form RF2	Review Status: Accepted for Informational Purposes	07-30-2007
Comments: Reference filing abstract NAIC Loss Cost Filing Document		
Attachment: ARRFAF2.pdf		
Satisfied -Name: Equipment Breakdown Filing Memorandum	Review Status: Accepted for Informational Purposes	07-30-2007
Comments:		
Attachment: EB Memorandum.pdf		



AUSTIN MUTUAL INSURANCE COMPANY

Street Address: 10 Second Street NE, Suite 300, Minneapolis, MN 55413-2282

Mailing Address: PO Box 401, Minneapolis, MN 55440-0401

612-378-8600 Fax: 612-378-8653

May 14, 2007

HONORABLE JULIE BENAFIELD BOWMAN
COMMISSIONER OF INSURANCE
ARKANSAS INSURANCE DEPARTMENT
1200 WEST THIRD STREET
LITTLE ROCK AR 72201-1904

Re: Filing Authority
Grocer's Program

With this letter, Austin Mutual Insurance Company authorizes Med James, Inc. to prepare and submit on its behalf rate, rule and form filings for use with its Grocer's Program.

This authorization remains in effect until amended or terminated.

Please contact me should you have any questions at 612-378-8613 or
tmadsen@autinmutual.com.

Thank you.

Sincerely,

Terrel Madsen, CPCU, ARe
VP – Compliance and Product Development

**FORM RF2-Reference filing abstract NAIC LOSS COST FILING DOCUMENT—OTHER THAN
WORKERS' COMPENSATION**

CALCULATION OF COMPANY LOSS COST MULTIPLIER

This filing transmittal is part of Company Tracking # <u>AMJ-2007-CPR01</u>	
This filing corresponds to form filing number (Company tracking number of form filing, if applicable) <u>AMJ-2007-CPF01</u>	

(X) Loss Cost Reference Filing ISO - CF-2004-RLA1 () **Independent Rate Filing**
(Advisory Org, & Reference filing #)

If this is a loss cost filing adopting an advisory organization's loss costs the above insurer hereby declares that it is a member, subscriber or service purchaser of the named advisory organization for this line of insurance. The insurer hereby files (to be deemed to have independently submitted as its own filing) the prospective loss costs in the captioned Reference Filing. The insurer's rates will be the combination of the prospective loss costs and the loss cost multipliers and, if utilized, the expense constants specified in the attachments.

1. Check one of the following:

<input type="checkbox"/>	The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable to future revisions of the advisory organization's prospective loss costs for this line of insurance. The insurer's rates will be the combination of the advisory organization's prospective loss costs and the insurer's loss cost multipliers and if utilized, expense constants specified in the attachments. The rates will apply to policies written on or after the effective date of the advisory organization's prospective loss costs. This authorization is effective until disapproved by the Commissioner, or until amended or withdrawn by the insurer. Note: Some states have statutes that prohibit this option for some lines of business.
<input checked="" type="checkbox"/>	The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable only to the above Advisory Organization Reference Filing.

2. Line, Subline, Coverage, Territory, Class, etc. combination to which this page applies: Commercial Property

3. Loss cost modification:

A. The insurer hereby files to adopt the prospective loss costs in the captioned reference filing (Check One):

() Without Modification (factor = 1.000)

(X) With the following modification(s). (Cite the nature and percent modification, and attach supporting data and/or rationale for the modification.) -15%

B. Loss Cost Modification Expressed as a Factor: (See Examples Below) .85

Example 1: Loss cost Modification Factor: If your company's loss cost modification is -10%, a factor of .90 (1.000 - .100) should be used.

Example 2: Loss cost Modification Factor: If your company's loss cost modification is =15%, a factor of 1.15 (1.000 + .150) should be used.

NOTE: IF EXPENSE CONSTANTS ARE UTILIZED ATTACH "EXPENSE CONSTANT SUPPLEMENT" OR OTHER SUPPORTING INFORMATION. DO NOT COMPLETE ITEMS 4-8 BELOW.

4. Development of Expected Loss Ratio. (Attach exhibit detailing insurer expense data and/or other supporting information.)

		Selected Provisions	
A.	Total Production Expense	22.5	%
B.	General Expense	1.0	%
C.	Taxes, Licenses & Fees	2.0	%
D.	Underwriting Profit & Contingencies (explain how investment income is taken into account)	3.0	%
E.	Other (explain)	5.0	%
F.	Total	33.5	%

5.	A. Expected Loss Ratio: ELR = 100% - 4F = A	66.5	%
	B. ELR in Decimal Form =	.665	
6.	Company Formula Loss Cost Multiplier (3B/5B)	1.278	
7.	Company Selected Loss Cost Multiplier = (Attach explanation for any differences between 6 and 7)	1.278	
8.	Rate Level Change for the coverage(s) to which this page applies		

EXPLANATORY MEMORANDUM-- RATES

AUSTIN MUTUAL INSURANCE COMPANY EQUIPMENT BREAKDOWN COVERAGE

Austin Mutual Insurance Group is filing the following rate that will be used to write Equipment Breakdown coverage. This rate will be used to support the Grocery Program, a program that writes primarily grocery stores. Equipment Breakdown Coverage is a form of Boiler and Machinery coverage, and will be written as part of our Commercial Package Policy.

This rate will be applied multiplicatively to the account's Total Insurable Value (expressed in 100s), after all credits and modifications:

.064% / 100%

The rate includes a Property Damage deductible of \$5,000, and an Indirect deductible (Business Income and Extra Expense) of 24 hours. This rate also includes \$50,000 of coverage for the following:

- Expediting Expenses
- Hazardous Substances
- Computer Equipment
- Data Restoration

In order to determine the appropriate charge for this coverage, our reinsurer for Equipment Breakdown coverage, the Hartford Steam Boiler Inspection and Insurance Company (HSB) analyzed the grocery business that will be written on the Commercial Package policy. HSB projected its loss frequency and severity, based on experience, and developed a loss cost per location. We also compared the equipment profile with the jurisdictional inspection laws for the states and other jurisdictions where this coverage will be written to determine the anticipated inspection frequency. The final component was our corporate expenses.

The three components: losses, inspections, and expenses were added together to develop an Equipment Breakdown cost per location. These are countrywide rates. Our proposed manual page follows this memo.