

Filing at a Glance

Company: Diamond State Insurance Company

Product Name: Manufacturers Output Policy - SERFF Tr Num: PENN-125216562 State: Arkansas

Surcharge For Equipment Breakdown
Coverage

TOI: 01.0 Property

SERFF Status: Closed

State Tr Num: AR-PC-07-025427

Sub-TOI: 01.0001 Commerical Property (Fire
and Allied Lines)

Co Tr Num: 07-1CF-025

State Status:

Filing Type: Rule

Co Status:

Reviewer(s): Betty Montesi,
Llyweyia Rawlins, Brittany Yielding

Author: Kathleen Reed

Disposition Date: 07-13-2007

Date Submitted: 07-11-2007

Disposition Status: Exempt from
Review

Effective Date Requested (New): 08-15-2007

Effective Date (New): 08-15-2007

Effective Date Requested (Renewal): 08-15-2007

Effective Date (Renewal): 08-15-
2007

General Information

Project Name:

Status of Filing in Domicile: Pending

Project Number: 07-1CF-025

Domicile Status Comments:

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 07-13-2007

State Status Changed: 07-12-2007

Deemer Date:

Corresponding Filing Tracking Number:

Filing Description:

Diamond State Insurance Company is filing for your review and approval, a surcharge for use with our currently approved Equipment Breakdown Endorsement that was approved under filing number: 00-1CF-145.

Company and Contact

Filing Contact Information

Kathleen Reed, State Filings Analyst

kreed@unitednat.com

Three Bala Plaza, East

(610) 660-5430 [Phone]

Bala Cynwyd, PA 19004

(610) 668-3399[FAX]

Filing Company Information

Diamond State Insurance Company

CoCode: 42048

State of Domicile: Indiana

Three Bala Plaza, East

Group Code: 920

Company Type:

Suite 300

Bala Cynwyd, PA 19004
(610) 660-6825 ext. [Phone]

Group Name:
FEIN Number: 51-0257823

State ID Number:

Filing Fees

Fee Required? Yes
Fee Amount: \$100.00
Retaliatory? No
Fee Explanation:
Per Company: No

CHECK NUMBER	CHECK AMOUNT	CHECK DATE
5500535 and 5500765	\$100.00	04-13-2007
	\$0.00	

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Exempt from Review	Llyweyia Rawlins	07-13-2007	07-13-2007

Disposition

Disposition Date: 07-13-2007

Effective Date (New): 08-15-2007

Effective Date (Renewal): 08-15-2007

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.

Created by SERFF on 07-13-2007 02:06 PM

Item Type	Item Name	Item Status	Public Access
Supporting Document	Manufacturers Output Policy - Equipment Breakdown Coverage	Accepted for Informational Purposes	Yes
Rate	Manufacturers Output Policy	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 Number:	Attachments
Accepted for Informational Purposes	Manufacturers Output Policy	See Attached	Replacement	Not Applicable	MOP-Health Clubs - Rule Pages - Equipment Breakdown.pdf

DIAMOND STATE INSURANCE COMPANY
EQUIPMENT BREAKDOWN COVERAGE
RATE DEVELOPMENT

This memorandum explains how the rate for the equipment breakdown coverage for the eligible business was developed. This exhibit details the calculation of the gross Diamond State Insurance Company rate for Equipment Breakdown coverage of 4.25% of the property premium. The Diamond State rate was developed based on the loss experience of its reinsurer for this coverage, The Hartford Steam Boiler Inspection and Insurance Company (HSB).

The frequency and severity of losses are based on HSB experience from 1/1/2001 through 12/31/2003. In order to project the loss components, HSB analyzed the information for each class of business and identified the types of equipment subject to loss and the applicable causes of loss. HSB's actual experience with these classes of business follows:

<i>HSB Experience</i>					
	a	b	c =(b/a)	d	e =(d/b)
Class	# of Exposures Units	# of claims	Annual Frequency of Losses	Total Loss dollars (trended to 2004)	average severity
Eligible Business Classes	622,972	1,931	0.31%	\$ 18,728,906	9,698

The frequency of losses (c) was derived by taking the number of claims (b) and dividing it by the number of exposure units (a). The average severity (e) was determined by dividing the total loss dollars (d) by the number of claims (b). In detail, we arrived at the frequency and severity as follows:

Class	<u>Frequency</u> b	(c) = (b) / (a)	/	a	=	c
Eligible Business Classes	claims 1,931			exposure units 622,972		annual frequency of losses 0.31%
	<u>Severity</u> d	(e) = (d) / (b)	/	b	=	e
	loss dollars \$ 18,728,906			claims 1,931		average severity \$ 9,698

Utilizing the above frequency and severity information, we calculated the Equipment Breakdown loss expectancies for Diamond State:

Diamond State Insurance Company					
	a	b	c =(a*b)	d	e =(c*d)
Class	# of locations	Frequency of losses	# of claims	Average Severity	Total Loss Dollars
Eligible Business Classes	4,491	0.31%	14	\$ 9,698	\$ 135,777

The number of claims (c) was derived by taking the number of locations (a) and multiplying it by the frequency of losses (b). The total loss dollars (e) were determined by multiplying the number of claims (c) by the average severity (d). In detail, we arrived at the total loss dollars as follows:

Eligible Business Classes	Number of claims (c) = (a) * (b)			
	a	b	=	c
	locations	frequency of losses		claims
	4,491	0.31%		14
	Total loss dollars (e) = (c) * (d)			
	c	d	=	e
	claims	average severity		total loss dollars
	14	\$ 9,698		\$ 135,777

We determined the Equipment Breakdown premium by taking the projected Equipment Breakdown losses and dividing them by the property premium. The following details how this was calculated.

All Eligible Classes	Total Equipment Breakdown Losses	Loss Cost Multiplier	Equipment Breakdown Premium <i>EB Losses * Adjusted LCM</i>	Property Premium	Equipment Breakdown Surcharge (EB premium / Property Premium)
Eligible Business Classes	\$ 135,777	3.030	\$ 411,404	\$ 9,680,076	0.0425

In detail, we arrived at the Equipment Breakdown Surcharge as follows:

Step one:	Total Equipment Breakdown Losses multiplied by the Loss Cost Multiplier = Equipment Breakdown Premium
Step two:	Equipment Breakdown Premium Divided by the Property Premium Equals the Equipment Breakdown Surcharge

The following expenses were used in the calculation of this rate:

Diamond State expenses	35.0%	
HSB Admin. & Inspection Expenses	32.0%	
Expense Total	67.0%	
Estimated Loss Ratio	33.0%	1-.670
Loss Cost Multiplier	3.030	1/ (.330)

Supporting Document Schedules

Satisfied -Name: Manufacturers Output Policy -
Equipment Breakdown Coverage

Review Status:

Accepted for Informational 07-13-2007
Purposes

Comments:

Requirement doe not apply.