

SERFF Tracking Number: PERR-125870237 State: Arkansas
 Filing Company: Liberty Mutual Insurance Company State Tracking Number: #? \$100
 Company Tracking Number: LMIC-IM-WCEC-AR-08-01-R
 TOI: 09.0 Inland Marine Sub-TOI: 09.0005 Other Commercial Inland Marine
 Product Name: Wireless Communications Equipment Coverage
 Project Name/Number: LMIC-IM-WCEC-AR-08-01-R/LMIC-IM-WCEC-AR-08-01-R

Filing at a Glance

Company: Liberty Mutual Insurance Company

Product Name: Wireless Communications Equipment Coverage SERFF Tr Num: PERR-125870237 State: Arkansas

TOI: 09.0 Inland Marine SERFF Status: Closed State Tr Num: #? \$100

Sub-TOI: 09.0005 Other Commercial Inland Marine Co Tr Num: LMIC-IM-WCEC-AR-08-01-R State Status: Fees verified

Filing Type: Rate/Rule Co Status: Reviewer(s): Betty Montesi, Llyweyia Rawlins

Authors: Neresa Torres, Olga E. Garcia Disposition Date: 11/26/2008

Date Submitted: 11/25/2008 Disposition Status: Exempt from Review

Effective Date Requested (New): 12/28/2008

Effective Date Requested (Renewal): 12/28/2008

Effective Date (New): 12/28/2008

Effective Date (Renewal): 12/28/2008

State Filing Description:

General Information

Project Name: LMIC-IM-WCEC-AR-08-01-R

Project Number: LMIC-IM-WCEC-AR-08-01-R

Reference Organization: N/A

Reference Title: N/A

Filing Status Changed: 11/26/2008

State Status Changed: 11/26/2008

Corresponding Filing Tracking Number: LMIC-IM-WCEC-AR-08-01-F

Filing Description:

Status of Filing in Domicile: Pending

Domicile Status Comments:

Reference Number: N/A

Advisory Org. Circular: N/A

Deemer Date:

On behalf of the Liberty Mutual Insurance Company., (the "Company"), we are submitting this filing, for your review and approval, a new coverage option to be made available under the Company's Wireless Communications Equipment program, "Account Based Coverage." The Company's Wireless Communications Equipment Coverage program, as currently filed, provides coverage to insured wireless subscribers on a line by line (i.e., mobile number) basis ("Line

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Based Coverage"). Please see enclosed filing memorandum for further details.

The Company is submitting a revised rating manual. Additionally, the Company is introducing new rating factors that apply to Line Based Coverage, which allow for a variable aggregate limit of replacements or repairs. The base aggregate limit of replacements or repairs per 12 month period continues to be two. Higher limits are available for a premium charge. There is no premium impact associated with the introduction of this new rating factor because the aggregate limit of replacements or repairs reflected in the current Line Based Coverage rates is two.

We respectfully request that rates and rules be implemented on December 28, 2008 or upon the earliest possible date upon approval/acknowledgement.

Enclosed is authorization for Perr&Knight to submit this filing on behalf of the Company. All correspondence related to this filing should be directed to Perr&Knight. The Company has prepared the rates and rules contained in this filing along with the filing memorandum. If there are any requests for additional information related to items prepared by the Company, we will forward the request immediately to the Company contact. The Company response will be submitted to your attention as soon as we receive it.

We trust you will find this submission acceptable and as such look forward to your approval.

Please do not hesitate to contact us with any questions or comments.

Company and Contact

Filing Contact Information

(This filing was made by a third party - perrandknightactuaryconsultants)

Neresa Torres, State Filings Project doi@perrknight.com
Coordinator
881 Alma Real Drive (888) 201-5123 [Phone]
Pacific Palisades, CA 90272 (310) 230-8529[FAX]

Filing Company Information

Liberty Mutual Insurance Company CoCode: 23043 State of Domicile: Massachusetts
175 Berkeley Street Group Code: 111 Company Type:

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Boston, MA 02117
(617) 357-9500 ext. [Phone]

Group Name: Liberty Mutual Group State ID Number:
FEIN Number: 04-1543470

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Filing Fees

Fee Required? Yes
Fee Amount: \$100.00
Retaliatory? No
Fee Explanation: \$100 for Rate/Rule filing
Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Liberty Mutual Insurance Company	\$0.00	11/25/2008	

CHECK NUMBER	CHECK AMOUNT	CHECK DATE
104332	\$100.00	11/24/2008

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Exempt from Review	Llyweyia Rawlins	11/26/2008	11/26/2008

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Disposition

Disposition Date: 11/26/2008

Effective Date (New): 12/28/2008

Effective Date (Renewal): 12/28/2008

Status: Exempt from Review

Comment:

This line is exempt from filing rates/rules in compliance with ACA 23-67-206 which states that P&C insurance for commercial risks, excluding workers' compensation, employers' liability and professional liability insurance, including but not limited to, medical malpractice insurance, are exempted from the rate/rule filing and review requirements.

Company Name:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):	Overall % Indicated Change:
Liberty Mutual Insurance Company	0.000%	\$0	3	\$379,220	0.000%	0.000%	0.000%

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Item Type	Item Name	Item Status	Public Access
Supporting Document	Filing Support	Accepted for Informational Purposes	Yes
Rate	Countrywide Rating Manual	Accepted for Informational Purposes	Yes
Rate	State Exception Page - Arkansas	Accepted for Informational Purposes	Yes

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Rate Information

Rate data applies to filing.

Filing Method: File & Use
Rate Change Type: Neutral
Overall Percentage of Last Rate Revision: 0.000%
Effective Date of Last Rate Revision: 05/27/2007
Filing Method of Last Filing: File & Use

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):
Liberty Mutual Insurance Company	0.000%	0.000%	\$0	3	\$379,220	0.000%	0.000%

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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:	Attachments
Accepted for Informational Purposes	Countrywide Rating Manual	LMIC-WCEC-CW-1 thru LMIC-WCEC-CW-8	Replacement	AR-PC-07-024242	LMIC WCEC CW RATE MANUAL 1008 FINAL.pdf
Accepted for Informational Purposes	State Exception Page - Arkansas	LMIC-WCEC-AR-1	Replacement	AR-PC-07-024242	LMIC WCEC AR SEP.pdf

Liberty Mutual Insurance Company
Wireless Communications Equipment Coverage
Countrywide Rating Manual

Section One – General Rules

I. Application of Manual

This manual provides the rates and rules that will be used by Liberty Mutual Insurance Company (“the Company”) in providing Wireless Communications Equipment Coverage to Communication Provider and their subscribers.

II. Eligibility Guidelines

A. Line Based Coverage

This coverage is available for Additional Insureds to cover one item of Communication Equipment associated with a specific mobile number. (“Communication Equipment” includes cell phone or similar equipment or devices where phone and pager capabilities are incorporated into other communication equipment or devices, such as personal digital assistants (PDA), wireless aircards, and associated devices or other unspecified communication equipment or devices.) Refer to Section Two – Line Based Coverage Rates and Rating Rules for rating details.

B. Account Based Coverage

This coverage is available for Additional Insureds where multiple mobile numbers, and multiple items of Communication Equipment associated with those mobile numbers, may be active under one subscriber account with the Communications Provider. There are two Account Based Coverage options available to the Communications Provider. Coverage extends either:

- (i) automatically to the Communication Equipment associated with all mobile numbers active on the Additional Insured’s wireless account; or
- (ii) to the Communications Equipment associated with each mobile number active on the Additional Insured’s wireless account for which the Additional Insured specifically elects coverage.

If the insurance policy provides only Account Based Coverage, one of the following endorsements will be attached: CLHI 007, CLHI 008, CLHI 009 or CLHI 010. If the insurance policy provides a combination of Account Based Coverage and Line Based Coverage, one of the following endorsements will be attached: CLHI 011, CLHI 012, CLHI 013 or CLHI 014. Refer to Section Three – Account Based Coverage Rates and Rating Rules for rating details.

III. Aggregate Limit

A. Line Based Coverage

Each subscriber is limited to a set number of replacements or repairs in any consecutive 12 month period. When this limit is exhausted, coverage will cease immediately and no further premiums will be due. Refer to Rule IV. Rate Modification Factors of Section Two – Line Based Coverage Rates and Rating Rules for rating details.

B. Account Based Coverage

The aggregate limit of replacements or repairs available in any consecutive 12 month time period is based on the number of mobile numbers on the Additional Insured’s wireless account and enrolled for Account Based Coverage. When the applicable Aggregate Limit is exhausted, coverage will cease immediately and no further premiums will be due. For rating details, refer to Rule IV. Rate Modification Factors of Section Three – Account Based Coverage Rates and Rating Rules.

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IV. Policy Term

Policies will be issued on a continuous until cancelled basis.

V. Factors or Multipliers

- A. Unless otherwise specified, factors or multipliers are to be applied consecutively and not added together.
- B. Rate Modifications listed as % credits or debits are applied multiplicatively as follows: rate x (1 – credit) or rate x (1 + debit %).

VI. Rounding Rule

The indicated monthly premium calculated, after the application of schedule rating, may be rounded up or down by up to \$0.10 to achieve the final monthly premium.

Section Two – Line Based Coverage Rates and Rating Rules

I. Coverage Levels

Five levels of named peril coverage are offered under this program. A table listing the coverage options is shown below:

Covered Cause of Loss	Physical Damage	Loss	Theft	Mechanical and Electrical Breakdown
Plan 1	X			
Plan 2		X	X	
Plan 3	X			X
Plan 4	X	X	X	
Plan 5	X	X	X	X

II. Rating Tiers

- A. When possible, the various models of Communication Equipment will be grouped into rating tiers based on their value and other technical considerations.
- B. Tier assignments of the current models of Communication Equipment will be listed in the brochure provided to subscribers upon enrollment.
- C. The value of Communication Equipment has the potential to decrease materially over time. As such, the valuation of the various models of Communication Equipment insured by the Company will be reviewed regularly, and tier assignment changes may result.
- D. The number of rating tiers and the maximum and minimum boundaries of the tiers will vary by insured Communications Provider based on the various models of equipment supported by the provider. The table below lists the minimum equipment value that will be assigned to each tier by any provider.

	Tier 1	Tier 2	Tier 3	Tier 4	Tiers 5+
Minimum Equipment Value	None	\$50	\$150	\$250	\$350

- E. When model information is not readily available or tier rating is not practical due to system constraints or other limitations, a “one-size” rate will be applied to all models of equipment.

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III. Monthly Base Rates per Subscriber

- A. The table below lists the base rates for each of five standard tiers, as well as the base one-size rate.

Plan	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	One-Size
1	\$1.92	\$2.62	\$3.52	\$4.02	\$5.12	\$3.72
2	\$2.02	\$2.72	\$3.62	\$4.12	\$5.12	\$3.72
3	\$2.02	\$2.82	\$3.72	\$4.32	\$5.42	\$3.92
4	\$2.72	\$3.92	\$5.42	\$6.32	\$8.12	\$5.72
5	\$2.82	\$4.12	\$5.62	\$6.62	\$8.52	\$6.02

- B. If additional tier breakdowns within the standard five listed above are desired, the base rates for the additional tiers should be calculated using straight line interpolation between the base rates and value midpoints of surrounding tiers. If the base deductibles of the surrounding tiers are not equal, apply the appropriate deductible factor from Rule IV.A.2 to the rate for the higher surrounding tier to convert it to the same deductible level as the lower surrounding tier, prior to interpolating the rates.
- C. If additional tiers, beyond the upper bound of the fifth tier listed above, are desired the base rates for the additional higher tiers should be calculated using the following extrapolation formula:

$$\text{Rate}_{\text{NEW TIER}} = (\text{Lower Bound}_{\text{NEW TIER}} / \text{Lower Bound}_{\text{TIER 5}}) \times \text{Rate}_{\text{TIER 5}} \times 0.90$$

IV. Rate Modification Factors

A. Deductibles

1. The deductible underlying the base rates differs by tier. The table below shows the base deductible for each tier.

	Tiers 1 and 2	Tiers 3 and One-Size	Tiers 4 and 5+
Base Deductible	\$50	\$50	\$75

2. Various optional deductibles are available for each tier. The optional deductibles and their associated premium factors are shown in the table below.

Optional Deductibles	Tiers 1 and 2		Tiers 3 and One-Size		Tiers 4 and 5+	
	Deductible	Factor	Deductible	Factor	Deductible	Factor
	\$10	1.200	\$35	1.075	\$50	1.130
	\$20	1.150	\$40	1.050	\$60	1.080
	\$30	1.100	\$45	1.025	\$70	1.025
	\$35	1.075	\$60	0.960	\$85	0.950
	\$40	1.050	\$70	0.920	\$100	0.880
	\$45	1.025	\$75	0.900	\$110	0.835
	\$60	0.960	\$85	0.855	\$120	0.800
	\$70	0.920	\$100	0.800	\$125	0.765
	\$75	0.900			\$130	0.740
					\$135	0.720
					\$140	0.700
					\$145	0.680
					\$150	0.660

3. For deductible options not shown, interpolate between surrounding options to determine deductible factor.

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4. For deductible options above the largest deductible option listed for a tier, multiply the deductible factor for the largest deductible in that tier by 0.95 for every \$10 increase in deductible, and round to the nearest 0.001, to determine the appropriate deductible factor. For example, a \$175 deductible has 2.5 \$10 increments above \$150. Therefore, the resulting Tier 3 \$175 deductible factor is 0.581 ($0.581 = 0.660 \times (0.95)^{2.5}$).

5. Deductibles by Peril

- a. Different deductibles by peril are available under the policy for Plans 3, 4 and 5.
- b. The applicable deductible factor will be a weighted average of the factors for the deductibles associated with each peril. The table below shows the weights that should be used, by plan.

Covered Peril	Physical Damage	Loss/Theft	Mechanical and Electrical Breakdown
Plan 3	0.917	N/A	0.083
Plan 4	0.579	0.421	N/A
Plan 5	0.550	0.400	0.050

- c. The following example illustrates the calculation for a Plan 5, Tier 2 risk with a \$50 deductible for Physical Damage and Breakdown and a \$70 deductible for Loss/Theft.
 $0.968 = 0.550 \times 1.000 + 0.400 \times 0.920 + 0.050 \times 1.000$

B. Accessory Coverage

- The base rates shown above contemplate coverage for basic accessories such as the standard battery, standard cigarette lighter adaptor, standard case and standard charger.
- Coverage for some accessories such as the standard cigarette lighter adaptor, standard case and other similar basic accessories may be excluded. If coverage for some basic accessories is not provided, apply a factor of 0.990 to the rate.

C. Tier Rating Expense Factor

The administration expenses associated with multi-tiered rated insureds are higher than the expenses of one-size rated insureds. To recognize this expense variance, apply the appropriate factor from the table below to the rate according to the number of tiers utilized for a given insured.

# of Tiers	Tier Rating Expense Factor
1 (One-Size)	0.950
2 – 3	1.000
4	1.025
5+	1.050

D. Aggregate Limit of Replacements or Repairs

The aggregate limit of replacements or repairs can be increased from the base of 2 using the table below.

Aggregate Limit of Replacements or Repairs	Factor
2	1.00
3	1.10
4	1.20
5	1.30

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E. Experience Rating

1. The Base Rate listed above is modified by an experience rating factor based on the insured's historical incurred loss ratio as described below.

Loss Ratio	Experience Rating Factor
< 54.6%	0.60 to 0.80
54.6% to 65.4%	0.80 to 1.00
65.5% to 78.5%	1.00 to 1.20
>= 78.6%	1.20 to 1.40

2. If an insured wireless provider does not have a history with this coverage, or historical experience is not available, apply an experience rating factor of 1.000.

F. Schedule Rating

1. The following modifications may be applied to the rate for each tier to better recognize specific characteristics affecting the exposure of the subscribers/models in that tier. The modifications are totaled on an additive basis and are limited to the applicable state maximum. Premium eligibility for schedule rating is \$500.

Criteria	Description	Maximum Credit	Maximum Debit
Geographic Mix	Distribution of business between urban and rural areas	15%	15%
Subscriber Base	Local, regional or national scope of Communication Provider	15%	15%
Program Administration Expenses	Actual vs. budgeted expenses associated with the maintenance and administration of the program	10%	10%
Equipment Mix	Deviation of covered equipment from industry standard	15%	15%
Management/Underwriting Experience	Communication Provider's business history; loss control procedures	10%	10%
Persistency	Actual vs. average persistency of subscribers	15%	15%
Part Availability	Availability of repair parts and replacement equipment (new and refurbished)	25%	25%
Manufacturer's Warranty	Length/Degree of Coverage provided by underlying manufacturer's warranty	15%	15%

2. The maximum total schedule rating modification is +/-50%.

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Section Three – Account Based Coverage Rates and Rating Rules

I. Coverage Levels

Five levels of named peril coverage are offered under this program. A table listing the coverage options is shown below:

Covered Cause of Loss	Physical Damage	Loss	Theft	Mechanical and Electrical Breakdown
Plan 1	X			
Plan 2		X	X	
Plan 3	X			X
Plan 4	X	X	X	
Plan 5	X	X	X	X

II. Rating Tiers

- A. When possible, the various models of Communication Equipment will be grouped into rating tiers based on their value and other technical considerations.
- B. Tier assignments of the current models of Communication Equipment will be listed in the brochure provided to subscribers upon enrollment. When an insured Communications Provider offers both Line Based and Account Based Coverage, the same equipment tiering assignments will apply to both coverage options.
- C. The value of Communication Equipment has the potential to decrease materially over time. As such, the valuation of the various models of Communication Equipment insured by the Company will be reviewed regularly, and tier assignment changes may result.
- D. The number of rating tiers and the maximum and minimum boundaries of the tiers will vary by insured Communications Provider based on the various models of equipment supported by the provider. The table below lists the minimum equipment value that will be assigned to each tier by any provider.

	Tier 1	Tier 2	Tier 3	Tier 4	Tiers 5+
Minimum Equipment Value	None	\$50	\$150	\$250	\$350

- E. Tiering assignments will be used for determining the applicable deductible only. (See Rule IV. A. Deductibles of Section Two – Line Based Coverage Rates and Rating Rules) Rates will not vary by tier for subscribers electing Account Based Coverage.

III. Account Based Coverage – Monthly Rates

- A. Calculate a monthly rate by tier by following Rule III. through Rule IV.C of Section Two – Line Based Coverage Rates and Rating Rules.
- B. Calculate an average rate across all tiers. The average should be calculated using a projected distribution of equipment by tier for the insured Communication Provider.

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- C. Determine the aggregate rate per account by applying the applicable percentage from the table below to the average rate across all tiers based on the number of mobile numbers under the account.

Number of Mobile Numbers	% of rate
2	130% - 190%
3	180% - 255%
4	220% - 300%
5	265% - 375%
6	330% - 420%
7	385% - 455%
8	440% - 520%
9	495% - 585%
10	550% - 650%

IV. Rate Modification Factors

A. Aggregate Limit of Replacements or Repairs

1. The aggregate limit of replacements or repairs factor is based on the maximum number of wireless numbers on an Additional Insured's wireless account and enrolled for coverage hereunder (number of mobile numbers). The base rate listed previously is modified to reflect the aggregate limit of replacements or repairs per 12 month period.

Number of Mobile Numbers	Aggregate Limit of Replacements or Repairs													
	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2	1.00	1.30	1.50	1.70	1.85	1.95	2.00	2.05	2.10	2.15	2.17	2.21	2.24	2.28
3	N/A	1.00	1.15	1.35	1.45	1.55	1.60	1.65	1.70	1.75	1.77	1.81	1.84	1.88
4	N/A	N/A	1.00	1.10	1.25	1.30	1.40	1.45	1.50	1.53	1.56	1.59	1.62	1.65
5	N/A	N/A	N/A	1.00	1.10	1.15	1.25	1.30	1.35	1.40	1.42	1.46	1.49	1.53
6	N/A	N/A	N/A	N/A	1.00	1.08	1.15	1.20	1.25	1.29	1.32	1.36	1.39	1.43
7	N/A	N/A	N/A	N/A	N/A	1.00	1.07	1.10	1.15	1.20	1.25	1.30	1.36	1.42
8	N/A	N/A	N/A	N/A	N/A	N/A	1.00	1.06	1.10	1.15	1.19	1.24	1.29	1.34
9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.00	1.05	1.10	1.14	1.19	1.23	1.28
10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.00	1.05	1.09	1.14	1.19	1.24

2. The rate factors listed above assume that the Communications Equipment associated with all active mobile numbers on an enrolled account will be covered. A Communications Provider may elect to offer Additional Insured's the option of insuring only the Communications Equipment associated with select mobile numbers under an enrolled account. If this option is selected, a rating factor of 1.10 will be applied to the factors in Rule IV.A.1 above to reflect the increased underwriting risk.
3. If an Additional Insured removes a mobile number from their account with the Communications Provider and the aggregate limit of replacements or repairs is realized, the rate factors listed above assume that coverage ceases immediately and no further premiums are due. If the aggregate limit of replacements or repairs is automatically adjusted after completion of each covered claim based on the total number of mobile numbers on the Additional Insured's account immediately after completion of the claim, a rating factor of 1.05 will be applied to the factors in Rule IV.A.1 above to reflect the increased underwriting risk.

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B. Experience Rating

1. The account rate listed above is modified by an experience rating factor based on the insured's historical incurred loss ratio as described below.

Loss Ratio	Experience Rating Factor
< 54.6%	0.60 to 0.80
54.6% to 65.4%	0.80 to 1.00
65.5% to 78.5%	1.00 to 1.20
>= 78.6%	1.20 to 1.40

2. If an insured wireless provider does not have a history with this coverage, or historical experience is not available, apply an experience rating factor of 1.000.

C. Schedule Rating

1. The following modifications may be applied to the account rate to better recognize specific characteristics affecting the exposure. The modifications are totaled on an additive basis and are limited to the applicable state maximum. Premium eligibility for schedule rating is \$500.

Criteria	Description	Maximum Credit	Maximum Debit
Geographic Mix	Distribution of business between urban and rural areas	15%	15%
Subscriber Base	Local, regional or national scope of Communication Provider	15%	15%
Program Administration Expenses	Actual vs. budgeted expenses associated with the maintenance and administration of the program	10%	10%
Equipment Mix	Deviation of covered equipment from industry standard	15%	15%
Management/Underwriting Experience	Communication Provider's business history; loss control procedures	10%	10%
Persistency	Actual vs. average persistency of subscribers	15%	15%
Part Availability	Availability of repair parts and replacement equipment (new and refurbished)	25%	25%
Manufacturer's Warranty	Length/Degree of Coverage provided by underlying manufacturer's warranty	15%	15%

2. The maximum total schedule rating modification is +/-50%.

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State Exception Page – Arkansas

The following exceptions to the Countrywide Rating Plan apply in this state:

- I. Item F.2 of Rule IV. Rate Modification Factors of Section Two – Line Based Coverage Rates and Rating Rules is replaced by the following:
 2. The maximum total schedule rating modification is +/-40%.

- II. Item C.2 of Rule IV. Rate Modification Factors of Section Three – Account Based Coverage Rates and Rating Rules is replaced by the following:
 2. The maximum total schedule rating modification is +/-40%.

SERFF Tracking Number: PERR-125870237 State: Arkansas
Filing Company: Liberty Mutual Insurance Company State Tracking Number: #? \$100
Company Tracking Number: LMIC-IM-WCEC-AR-08-01-R
TOI: 09.0 Inland Marine Sub-TOI: 09.0005 Other Commercial Inland Marine
Product Name: Wireless Communications Equipment Coverage
Project Name/Number: LMIC-IM-WCEC-AR-08-01-R/LMIC-IM-WCEC-AR-08-01-R

Supporting Document Schedules

Satisfied -Name: Filing Support

Review Status:

Accepted for Informational 11/26/2008
Purposes

Comments:

1. Standard Support (Mark-ups & Exhibit)
2. Memo
3. Letter of Authorization

Attachments:

Standard Support - Rate,Rule.pdf
Explanatory Memo - Rate,Rule.pdf
PK Filing Authorization for LMIC021508.pdf

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Section One – General Rules

I. Application of Manual

This manual provides the rates and rules that will be used by Liberty Mutual Insurance Company (“the Company”) in providing Wireless Communications Equipment Coverage to Communication Provider~~wireless service providers~~ and their subscribers.

II. Eligibility Guidelines

A. Line Based Coverage

~~II. Eligible Property~~

This coverage is available for Additional Insureds to cover one item of Communication Equipment associated with a specific mobile number. (“Communication Equipment” includes ~~on-cell phone or similar equipment or devices where phone~~phones and pager capabilities are incorporated into other ~~mobile devices with wireless communication equipment or devices, such as personal digital assistants (PDA), wireless aircards, and associated devices or other unspecified communication equipment or devices.~~) Refer to Section Two – Line Based Coverage Rates and Rating Rules for rating details.~~capability.~~

B. Account Based Coverage

This coverage is available for Additional Insureds where multiple mobile numbers, and multiple items of Communication Equipment associated with those mobile numbers, may be active under one subscriber account with the Communications Provider. There are two Account Based Coverage options available to the Communications Provider. Coverage extends either:

(i) automatically to the Communication Equipment associated with all mobile numbers active on the Additional Insured’s wireless account; or

(ii) to the Communications Equipment associated with each mobile number active on the Additional Insured’s wireless account for which the Additional Insured specifically elects coverage.

If the insurance policy provides only Account Based Coverage, one of the following endorsements will be attached: CLHI 007, CLHI 008, CLHI 009 or CLHI 010. If the insurance policy provides a combination of Account Based Coverage and Line Based Coverage, one of the following endorsements will be attached: CLHI 011, CLHI 012, CLHI 013 or CLHI 014. Refer to Section Three – Account Based Coverage Rates and Rating Rules for rating details.

III. Aggregate Limit

a. Line Based Coverage

Each subscriber is limited to a set number of replacements or repairs in any consecutive 12 month period. When this limit is exhausted, coverage will cease immediately and no further premiums will be due. Refer to Rule IV. Rate Modification Factors of Section Two – Line Based Coverage Rates and Rating Rules for rating details.

b. Account Based Coverage

The aggregate limit of replacements or repairs available in any consecutive 12 month time period is based on the number of mobile numbers on the Additional Insured’s wireless account and enrolled for Account Based Coverage. When the applicable Aggregate Limit is exhausted, coverage will cease immediately and no further premiums will be due. For rating details, refer to

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Rule IV. Rate Modification Factors of Section Three – Account Based Coverage Rates and Rating Rules.

III-IV. Policy Term

Policies will be issued on a continuous until cancelled basis.

IV-V. Factors or Multipliers

- A. Unless otherwise specified, factors or multipliers are to be applied consecutively and not added together.
- B. Rate Modifications listed as % credits or debits are applied multiplicatively as follows: rate x (1 – credit) or rate x (1 + debit %).

VI. Rounding Rule

The indicated monthly premium calculated ~~for each tier~~, after the application of schedule rating, may be rounded up or down by up to \$0.10 to achieve the final monthly premium.

Section Two – Line Based Coverage Rates and Rating Rules

I. Coverage Levels

Five levels of named peril coverage are offered under this program. A table listing the coverage options is shown below:

Covered Cause of Loss	Physical Damage	Loss	Theft	<u>Mechanical and Electrical Breakdown</u>
Plan 1	X			
Plan 2		X	X	
Plan 3	X			X
Plan 4	X	X	X	
Plan 5	X	X	X	X

II. Rating Tiers

- A. When possible, the various models of Communication Equipment wireless communication equipment will be grouped into rating tiers based on their value and other technical considerations.
- B. Tier assignments of the current models of Communication Equipment wireless equipment will be listed in the brochure provided to subscribers upon enrollment.
- C. The value of Communication Equipment wireless equipment has the potential to decrease materially over time. As such, the valuation of the various models of Communication Equipment wireless equipment insured by the Company will be reviewed regularly, and tier assignment changes may result.
- D. The number of rating tiers and the maximum and minimum boundaries of the tiers will vary by insured Communications Provider wireless service provider based on the various models of equipment supported by the provider. The table below lists the minimum equipment value that will be assigned to each tier by any provider.

	Tier 1	Tier 2	Tier 3	Tier 4	Tiers 5+
Minimum Equipment Value	None	\$50	\$150	\$250	\$350

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- E. When model information is not readily available or tier rating is not practical due to system constraints or other limitations, a “one-size” rate will be applied to all models of equipment.

III. Monthly Base Rates per Subscriber

- A. The table below lists the base rates for each of five standard tiers, as well as the base one-size rate.

Plan	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	One-Size
1	\$1.92	\$2.62	\$3.52	\$4.02	\$5.12	\$3.72
2	\$2.02	\$2.72	\$3.62	\$4.12	\$5.12	\$3.72
3	\$2.02	\$2.82	\$3.72	\$4.32	\$5.42	\$3.92
4	\$2.72	\$3.92	\$5.42	\$6.32	\$8.12	\$5.72
5	\$2.82	\$4.12	\$5.62	\$6.62	\$8.52	\$6.02

- B. If additional tier breakdowns, within the standard five listed above, are desired, the base rates for the additional tiers should be calculated using straight line interpolation between the base rates and value midpoints of surrounding tiers. If the base deductibles of the surrounding tiers are not equal, apply the appropriate deductible factor from Rule IV.A.2 to the rate for the higher surrounding tier to convert it to the same deductible level as the lower surrounding tier, prior to interpolating the rates.
- C. If additional tiers, beyond the upper bound of the fifth tier listed above, are desired the base rates for the additional higher tiers should be calculated using the following extrapolation formula:

$$\text{Rate}_{\text{NEW TIER}} = (\text{Lower Bound}_{\text{NEW TIER}} / \text{Lower Bound}_{\text{TIER 5}}) \times \text{Rate}_{\text{TIER 5}} \times 0.90$$

IV. Rate Modification Factors

A. Deductibles

1. The deductible underlying the base rates differs by tier. The table below shows the base deductible for each tier.

	Tiers 1 and 2	Tiers 3 and One-Size	Tiers 4 and 5+
Base Deductible	\$50	\$50	\$75

2. Various optional deductibles are available for each tier. The optional deductibles and their associated premium factors are shown in the table below.

Optional Deductibles	Tiers 1 and 2		Tiers 3 and One-Size		Tiers 4 and 5+	
	Deductible	Factor	Deductible	Factor	Deductible	Factor
	\$10	1.200	\$35	1.075	\$50	1.130
	\$20	1.150	\$40	1.050	\$60	1.080
	\$30	1.100	\$45	1.025	\$70	1.025
	\$35	1.075	\$60	0.960	\$85	0.950
	\$40	1.050	\$70	0.920	\$100	0.880
	\$45	1.025	\$75	0.900	\$110	0.835
	\$60	0.960	\$85	0.855	\$120	0.800
	\$70	0.920	\$100	0.800	\$125	0.765
	\$75	0.900			\$130	0.740
					\$135	0.720
					\$140	0.700
					\$145	0.680
					\$150	0.660

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3. For deductible options not shown, interpolate between surrounding options to determine deductible factor.
4. For deductible options above the largest deductible option listed for a tier, multiply the deductible factor for the largest deductible in that tier by 0.95 for every \$10 increase in deductible, and round to the nearest 0.001, to determine the appropriate deductible factor. For example, a \$175 deductible has 2.5 \$10 increments above \$150. Therefore, the resulting Tier 3 \$175 deductible factor is 0.581 ($0.581 = 0.660 \times (0.95)^{2.5}$).
5. Deductibles by Peril
 - a. Different deductibles by peril are available under the policy for Plans 3, 4 and 5.
 - b. The applicable deductible factor will be a weighted average of the factors for the deductibles associated with each peril. The table below shows the weights that should be used, by plan.

Covered Peril	Physical Damage	Loss/Theft	Mechanical and Electrical Breakdown
Plan 3	0.917	N/A	0.083
Plan 4	0.579	0.421	N/A
Plan 5	0.550	0.400	0.050

- c. The following example illustrates the calculation for a Plan 5, Tier 2 risk with a \$50 deductible for Physical Damage and Breakdown and a \$70 deductible for Loss/Theft.
 $0.968 = 0.550 \times 1.000 + 0.400 \times 0.920 + 0.050 \times 1.000$

B. [Accessory Coverage](#)

1. The base rates shown above contemplate coverage for basic accessories such as the standard battery, standard cigarette lighter adaptor, standard case and standard charger.
2. Coverage for some accessories such as the standard cigarette lighter adaptor, standard case and other similar basic accessories may be excluded. If coverage for some basic accessories is not provided, apply a factor of 0.990 to the rate.

C. Tier Rating Expense Factor

The administration expenses associated with multi-tiered [rated](#) insureds are higher than the expenses of one-size ~~rated rate~~ insureds. To recognize this expense variance, apply the appropriate factor from the table below to the rate according to the number of tiers utilized for a given insured.

# of Tiers	Tier Rating Expense Factor
1 (One-Size)	0.950
2 – 3	1.000
4	1.025
5+	1.050

D. [Aggregate Limit of Replacements or Repairs](#)

The aggregate limit of replacements or repairs can be increased from the base of 2 using the table below.

Aggregate Limit of Replacements or Repairs	Factor

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2	1.00
3	1.10
4	1.20
5	1.30

E. Experience Rating

- The Base Rate listed above is modified by an experience rating factor based on the insured's historical incurred loss ratio as described below.

Loss Ratio	Experience Rating Factor
< 54.6%	0.60 to 0.80
54.6% to 65.4%	0.80 to 1.00
65.5% to 78.5% 69%	1.00 to 1.20
>= 78.6%	1.20 to 1.40

- If an insured wireless provider does not have a history with this coverage, or historical experience is not available, apply an experience rating factor of 1.000.

F. Schedule Rating

- The following modifications may be applied to the rate for each tier to better recognize specific characteristics affecting the exposure of the subscribers/models in that tier. The modifications are totaled on an additive basis and are limited to the applicable state maximum. Premium eligibility for schedule rating is \$500.

Criteria	Description	Maximum Credit	Maximum Debit
Geographic Mix	Distribution of business between urban and rural areas	15%	15%
Subscriber Base	Local, regional or national scope of Communication Provider wireless carrier	15%	15%
Program Administration Expenses	Actual vs. budgeted expenses associated with the maintenance and administration of the program	10%	10%
Equipment Mix	Deviation of covered equipment from industry standard	15%	15%
Management/Underwriting Experience	Communication Provider's Wireless carriers business history; loss control procedures	10%	10%
Persistency	Actual vs. average persistency of subscribers	15%	15%
Part Availability	Availability of repair parts and replacement equipment (new and refurbished)	25%	25%
Manufacturer's Warranty	Length/Degree of Coverage provided by underlying manufacturer's warranty	15%	15%

- The maximum total schedule rating modification is +/-50%.

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Section Three – Account Based Coverage Rates and Rating Rules

I. Coverage Levels

Five levels of named peril coverage are offered under this program. A table listing the coverage options is shown below:

<u>Covered Cause of Loss</u>	<u>Physical Damage</u>	<u>Loss</u>	<u>Theft</u>	<u>Mechanical and Electrical Breakdown</u>
<u>Plan 1</u>	X			
<u>Plan 2</u>		X	X	
<u>Plan 3</u>	X			X
<u>Plan 4</u>	X	X	X	
<u>Plan 5</u>	X	X	X	X

II. Rating Tiers

- A. When possible, the various models of Communication Equipment will be grouped into rating tiers based on their value and other technical considerations.
- B. Tier assignments of the current models of Communication Equipment will be listed in the brochure provided to subscribers upon enrollment. When an insured Communications Provider offers both Line Based and Account Based Coverage, the same equipment tiering assignments will apply to both coverage options.
- C. The value of Communication Equipment has the potential to decrease materially over time. As such, the valuation of the various models of Communication Equipment insured by the Company will be reviewed regularly, and tier assignment changes may result.
- D. The number of rating tiers and the maximum and minimum boundaries of the tiers will vary by insured Communications Provider based on the various models of equipment supported by the provider. The table below lists the minimum equipment value that will be assigned to each tier by any provider.

	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Tier 4</u>	<u>Tiers 5+</u>
<u>Minimum Equipment Value</u>	None	\$50	\$150	\$250	\$350

- E. Tiering assignments will be used for determining the applicable deductible only. (See Rule IV. A. Deductibles of Section Two – Line Based Coverage Rates and Rating Rules) Rates will not vary by tier for subscribers electing Account Based Coverage.

III. Account Based Coverage – Monthly Rates

- A. Calculate a monthly rate by tier by following Rule III. through Rule IV.C of Section Two – Line Based Coverage Rates and Rating Rules.
- B. Calculate an average rate across all tiers. The average should be calculated using a projected distribution of equipment by tier for the insured Communication Provider.

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- C. Determine the aggregate rate per account by applying the applicable percentage from the table below to the average rate across all tiers based on the number of mobile numbers under the account.

<u>Number of Mobile Numbers</u>	<u>% of rate</u>
<u>2</u>	<u>130% - 190%</u>
<u>3</u>	<u>180% - 255%</u>
<u>4</u>	<u>220% - 300%</u>
<u>5</u>	<u>265% - 375%</u>
<u>6</u>	<u>330% - 420%</u>
<u>7</u>	<u>385% - 455%</u>
<u>8</u>	<u>440% - 520%</u>
<u>9</u>	<u>495% - 585%</u>
<u>10</u>	<u>550% - 650%</u>

IV. Rate Modification Factors

A. Aggregate Limit of Replacements or Repairs

1. The aggregate limit of replacements or repairs factor is based on the maximum number of wireless numbers on an Additional Insured's wireless account and enrolled for coverage hereunder (number of mobile numbers). The base rate listed previously is modified to reflect the aggregate limit of replacements or repairs per 12 month period.

<u>Number of Mobile Numbers</u>	<u>Aggregate Limit of Replacements or Repairs</u>													
	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>13</u>	<u>14</u>	<u>15</u>
<u>2</u>	<u>1.00</u>	<u>1.30</u>	<u>1.50</u>	<u>1.70</u>	<u>1.85</u>	<u>1.95</u>	<u>2.00</u>	<u>2.05</u>	<u>2.10</u>	<u>2.15</u>	<u>2.17</u>	<u>2.21</u>	<u>2.24</u>	<u>2.28</u>
<u>3</u>	<u>N/A</u>	<u>1.00</u>	<u>1.15</u>	<u>1.35</u>	<u>1.45</u>	<u>1.55</u>	<u>1.60</u>	<u>1.65</u>	<u>1.70</u>	<u>1.75</u>	<u>1.77</u>	<u>1.81</u>	<u>1.84</u>	<u>1.88</u>
<u>4</u>	<u>N/A</u>	<u>N/A</u>	<u>1.00</u>	<u>1.10</u>	<u>1.25</u>	<u>1.30</u>	<u>1.40</u>	<u>1.45</u>	<u>1.50</u>	<u>1.53</u>	<u>1.56</u>	<u>1.59</u>	<u>1.62</u>	<u>1.65</u>
<u>5</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>1.00</u>	<u>1.10</u>	<u>1.15</u>	<u>1.25</u>	<u>1.30</u>	<u>1.35</u>	<u>1.40</u>	<u>1.42</u>	<u>1.46</u>	<u>1.49</u>	<u>1.53</u>
<u>6</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>1.00</u>	<u>1.08</u>	<u>1.15</u>	<u>1.20</u>	<u>1.25</u>	<u>1.29</u>	<u>1.32</u>	<u>1.36</u>	<u>1.39</u>	<u>1.43</u>
<u>7</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>1.00</u>	<u>1.07</u>	<u>1.10</u>	<u>1.15</u>	<u>1.20</u>	<u>1.25</u>	<u>1.30</u>	<u>1.36</u>	<u>1.42</u>
<u>8</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>1.00</u>	<u>1.06</u>	<u>1.10</u>	<u>1.15</u>	<u>1.19</u>	<u>1.24</u>	<u>1.29</u>	<u>1.34</u>
<u>9</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>1.00</u>	<u>1.05</u>	<u>1.10</u>	<u>1.14</u>	<u>1.19</u>	<u>1.23</u>	<u>1.28</u>
<u>10</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>1.00</u>	<u>1.05</u>	<u>1.09</u>	<u>1.14</u>	<u>1.19</u>	<u>1.24</u>

2. The rate factors listed above assume that the Communications Equipment associated with all active mobile numbers on an enrolled account will be covered. A Communications Provider may elect to offer Additional Insured's the option of insuring only the Communications Equipment associated with select mobile numbers under an enrolled account. If this option is selected, a rating factor of 1.10 will be applied to the factors in Rule IV.A.1 above to reflect the increased underwriting risk.
3. If an Additional Insured removes a mobile number from their account with the Communications Provider and the aggregate limit of replacements or repairs is realized, the rate factors listed above assume that coverage ceases immediately and no further premiums are due. If the aggregate limit of replacements or repairs is automatically adjusted after completion of each covered claim based on the total number of mobile numbers on the Additional Insured's

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account immediately after completion of the claim, a rating factor of 1.05 will be applied to the factors in Rule IV.A.1 above to reflect the increased underwriting risk.

B. Experience Rating

1. The account rate listed above is modified by an experience rating factor based on the insured's historical incurred loss ratio as described below.

<u>Loss Ratio</u>	<u>Experience Rating Factor</u>
<u>< 54.6%</u>	<u>0.60 to 0.80</u>
<u>54.6% to 65.4%</u>	<u>0.80 to 1.00</u>
<u>65.5% to 78.5%</u>	<u>1.00 to 1.20</u>
<u>>= 78.6%</u>	<u>1.20 to 1.40</u>

2. If an insured wireless provider does not have a history with this coverage, or historical experience is not available, apply an experience rating factor of 1.000.

C. Schedule Rating

1. The following modifications may be applied to the account rate to better recognize specific characteristics affecting the exposure. The modifications are totaled on an additive basis and are limited to the applicable state maximum. Premium eligibility for schedule rating is \$500.

<u>Criteria</u>	<u>Description</u>	<u>Maximum Credit</u>	<u>Maximum Debit</u>
<u>Geographic Mix</u>	<u>Distribution of business between urban and rural areas</u>	<u>15%</u>	<u>15%</u>
<u>Subscriber Base</u>	<u>Local, regional or national scope of Communication Provider</u>	<u>15%</u>	<u>15%</u>
<u>Program Administration Expenses</u>	<u>Actual vs. budgeted expenses associated with the maintenance and administration of the program</u>	<u>10%</u>	<u>10%</u>
<u>Equipment Mix</u>	<u>Deviation of covered equipment from industry standard</u>	<u>15%</u>	<u>15%</u>
<u>Management/Underwriting Experience</u>	<u>Communication Provider's business history; loss control procedures</u>	<u>10%</u>	<u>10%</u>
<u>Persistency</u>	<u>Actual vs. average persistency of subscribers</u>	<u>15%</u>	<u>15%</u>
<u>Part Availability</u>	<u>Availability of repair parts and replacement equipment (new and refurbished)</u>	<u>25%</u>	<u>25%</u>
<u>Manufacturer's Warranty</u>	<u>Length/Degree of Coverage provided by underlying manufacturer's warranty</u>	<u>15%</u>	<u>15%</u>

2. The maximum total schedule rating modification is +/-50%.

Derivation of Maximum Replacement Factors - Account Based Coverage

Distribution of
Subscribers by Annual

#claims	% of subscribers
0	78.00%
1	8.00%
2	3.66%
3	2.72%
4	2.03%
5	1.52%
6	1.13%
7	0.85%
8	0.64%
9	0.48%
10	0.36%
11	0.27%
12	0.20%
13	0.15%
Total	100.0%

Distribution of Expected Annual Claims by # of Phones

Max # of Claims	2	3	4	5	6	7	8	9	10
0	60.8%	47.5%	37.0%	28.9%	22.5%	17.6%	13.7%	10.7%	8.3%
1	12.5%	14.6%	15.2%	14.8%	13.9%	12.6%	11.2%	9.9%	8.5%
2	6.3%	8.2%	9.3%	9.8%	9.9%	9.6%	9.2%	8.6%	7.9%
3	4.8%	6.4%	7.5%	8.1%	8.5%	8.5%	8.3%	8.0%	7.6%
4	3.7%	5.1%	6.2%	6.8%	7.3%	7.6%	7.6%	7.5%	7.3%
5	2.9%	4.0%	5.1%	5.7%	6.3%	6.7%	6.9%	6.9%	6.8%
6	2.2%	3.2%	4.1%	4.8%	5.5%	5.9%	6.1%	6.2%	6.3%
7	1.7%	2.6%	3.4%	4.0%	4.7%	5.1%	5.3%	5.5%	5.6%
8	1.3%	2.0%	2.7%	3.4%	4.0%	4.4%	4.7%	4.9%	5.0%
9	1.0%	1.6%	2.2%	2.7%	3.3%	3.6%	3.9%	4.1%	4.2%
10	0.8%	1.3%	1.7%	2.4%	2.9%	3.3%	3.5%	3.7%	3.9%
11	0.6%	1.0%	1.4%	1.9%	2.4%	2.7%	2.9%	3.1%	3.2%
12	0.5%	0.8%	1.1%	1.5%	2.0%	2.2%	2.4%	2.6%	2.7%
13+	0.7%	1.6%	3.3%	5.1%	6.9%	10.4%	14.2%	18.3%	22.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Indicated Replacement Factors by # of Phones

Maximum # of Claims	2	3	4	5	6	7	8	9	10
0									
1									
2	1.00								
3	1.31	1.00							
4	1.54	1.19	1.00						
5	1.72	1.35	1.14	1.00					
6	1.86	1.46	1.25	1.11	1.00				
7	1.96	1.56	1.34	1.19	1.08	1.00			
8	2.03	1.63	1.40	1.26	1.15	1.07	1.00		
9	2.09	1.68	1.46	1.32	1.21	1.13	1.06	1.00	
10	2.13	1.72	1.50	1.36	1.26	1.18	1.11	1.05	1.00
11	2.15	1.75	1.53	1.40	1.29	1.22	1.16	1.10	1.05
12	2.17	1.77	1.56	1.42	1.32	1.25	1.19	1.14	1.09

Selected Replacement Factors by # of Phones

Maximum # of Claims	2	3	4	5	6	7	8	9	10
0									
1									
2	1.00								
3	1.30	1.00							
4	1.50	1.15	1.00						
5	1.70	1.35	1.10	1.00					
6	1.85	1.45	1.25	1.10	1.00				
7	1.95	1.55	1.30	1.15	1.08	1.00			
8	2.00	1.60	1.40	1.25	1.15	1.07	1.00		
9	2.05	1.65	1.45	1.30	1.20	1.10	1.06	1.00	
10	2.10	1.70	1.50	1.35	1.25	1.15	1.10	1.05	1.00
11	2.15	1.75	1.53	1.40	1.29	1.20	1.15	1.10	1.05
12	2.17	1.77	1.56	1.42	1.32	1.25	1.19	1.14	1.09
13	2.21	1.81	1.59	1.46	1.36	1.30	1.24	1.19	1.14
14	2.24	1.84	1.62	1.49	1.39	1.36	1.29	1.23	1.19
15	2.28	1.88	1.65	1.53	1.43	1.42	1.34	1.28	1.24

Liberty Mutual Insurance Company
 Wireless Communications Equipment Coverage

Derivation of Maximum Replacement Factors - Line Based Coverage

Distribution of Subscribers by Annual Claims

#claims	% of subscribers
0	78.00%
1	18.00%
2	1.06%
3	0.78%
4	0.58%
5	0.43%
6	0.32%
7	0.24%
8	0.18%
9	0.13%
10	0.10%
11	0.08%
12	0.06%
13	0.04%
Total	100.0%

Maximum # of Claims	Indicated Replacement Factor	Selected Replacement Factor
0		
1		
2	1.00	1.00
3	1.11	1.10
4	1.20	1.20
5	1.26	1.30

Liberty Mutual Insurance Company
Wireless Communication Equipment Coverage

Index of Exhibits

- Exhibit R1: Projected After-Tax Rate of Return
- Exhibit R2: Estimated Investment Earnings on Policyholder Supplied Funds
- Exhibit R3: Premium to Surplus Ratio
- Exhibit R4: Derivation of After-Tax Target Rate of Return of Statutory Surplus
- Exhibit R5: Projected Expense Ratios

Liberty Mutual Insurance Company
Wireless Communication Equipment Coverage

Projected After-Tax Rate of Return

Operating Return

(1) Earned Premium	100.0%
(2) Expected Loss & Loss Adjustment Expenses	65.5%
(3) Production Expenses (Exhibit R5)	5.0%
(4) General Expenses (Exhibit R5)	22.0%
(5) Taxes, Licenses & Fees (Exhibit R5)	2.5%
(6) Underwriting Profit Before Federal Income Tax (1) - (2) - (3) - (4) - (5)	5.0%
(7) Federal Income Tax on Underwriting Profit = (6) x 35%	1.8%
(8) Underwriting Profit After Federal Income Tax = (6) - (7)	3.3%
(9) After-Tax Inv. Income on Policyholder Supplied Funds (Exhibit R2.1)	0.5%
(10) After-Tax Return from Insurance Operations = (8) + (9)	3.8%

Total Rate of Return

(11) Premium to Surplus Ratio (Exhibit R3)	1.25:1
(12) After-Tax Investment Income on a Dollar of Surplus (Exhibit R2.3)	3.7%
(13) Total After-Tax Rate of Return on Statutory Surplus = (10)x(11)+(12)	8.4%

Liberty Mutual Insurance Company
Wireless Communication Equipment Coverage

Estimated Investment Earnings on Policyholder Supplied Funds
(\$000)

(A) Unearned Premium Reserve		
(1) Projected Earned Premium		933,097
(2) Mean Unearned Premium Reserve		26,173
(3) Percentage Pre-Paid Expense		18.5%
(a) Production Expenses (Exhibit R5)	5.0%	
(b) 50% General Expenses (Exhibit R5)	11.0%	
(c) Taxes, Licenses & Fees (Exhibit R5)	2.5%	
(4) Deduction for Federal Income Taxes Payable		7.0%
(5) Total Prepaid Expense = (A.2) x [(A.3) + (A.4)]		6,674
(6) Portion Subject to Investment Income = (A.2) - (A.5)		19,499
 (B) Delayed Remission of Premiums		
(1) Average Agents' Balance as % of Premium		2.3%
(2) Total Delayed Remission = (A.1) x (B.1)		21,155
 (C) Loss & LAE Reserve		
(1) Expected Loss & LAE Ratio (Exhibit R1)		65.5%
(2) Expected Loss & LAE = (A.1) x (C.1)		611,179
(3) Reserve to Incurred Ratio		21.8%
(4) Expected Loss & LAE Reserves = (C.2) x (C.3)		133,237
 (D) Policyholder Funds Subject to Investment Income = (A.6)-(B.2)+(C.4)		131,581
 (E) 2007 After Tax Rate of Return		3.7%
 (F) Investment Earnings on Policyholder Supplied Funds = (D) x (E)		4,879
 (G) After-Tax Investment Income on Policyholder Supplied Funds = (F)/(A.1)		0.5%

Liberty Mutual Insurance Company
Wireless Communication Equipment Coverage

Source Notes for Exhibit R2.1
(\$000)

<u>Line</u>		
(A.1)	Projected Earned Premium 2007 IEE, Part III, Line(s) 9, Column 3	933,097
(A.2)	(1) Calendar Year 2007 Inland Marine UPR 2007 IEE, Part III, Line(s) 9, Column 19	25,382
	(2) Calendar Year 2006 Inland Marine UPR 2006 IEE, Part III, Line(s) 9, Column 19	26,964
	(3) Mean Unearned Premium Reserve = [(1)+(2)]/2	26,173
	(4) Selected Mean Unearned Premium Reserve	26,173
(A.4)	The Tax Reform Act of 1986 taxes 20% of the unearned premium reserve. At a corporate rate of 35%, this tax equals 7% (=20% x 35%).	
(B.1)	Selected Agents' Balances	2.3%
	Calendar Year 2007 Inland Marine Agents' Balances	21.8%
	Calendar Year 2006 Inland Marine Agents' Balances 2006, 2007 IEEs, Part III, Line(s) 9, Column 22	-17.3%
(C.3)	(1) CY 2007 Countrywide Inland Marine Unpaid Loss & LAE 2007 IEE, Part III, Line(s) 9, Columns 13, 15, 17	164,089
	(2) CY 2006 Countrywide Inland Marine Unpaid Loss & LAE 2006 IEE, Part III, Line(s) 9, Columns 13, 15, 17	115,373
	(3) Average Unpaid Loss & LAE = [(1)+(2)]/2	139,731
	(4) CY 2007 Countrywide Inland Marine Incurred Loss & LAE 2007 IEE, Part III, Line(s) 9, Columns 7, 9, 11	641,606
	(5) Reserve to Incurred Ratio = (3) / (4)	21.8%
	(6) Selected Reserve to Incurred Ratio (5)x(6)	21.8%

Notes:

Figures are from Company 2007 Insurance Expense Exhibit

Liberty Mutual Insurance Company
Wireless Communication Equipment Coverage

Source Notes for Exhibit R2.1 (Continued)
(\$000)

Line E

Investment Category	2007 Investment Income Earned	Tax Rate	After-Tax Portion	2007 After-Tax Investment Income	
Taxable Bonds	620,363	35.00%	65.00%	403,236	
Non-Taxable Bonds	165,507	5.25%	94.75%	156,818	
Preferred Stocks	16,934	35.00%	65.00%	11,007	
Common Stocks	36,563	35.00%	65.00%	23,766	
Common Stocks in Affiliates	1	14.18%	85.83%	0	
Cash	52,228	35.00%	65.00%	33,948	
All Other Investments	474,763	35.00%	65.00%	308,596	
Total	1,366,359			937,372	
Total Investment Expense	144,469	35.00%	65.00%	93,905	
Net Investment Income Earned	1,221,890			843,467	
Invested Assets as of 12/31/2006 2007 Annual Statement, Page 2, Line 10, Column 4				24,912,332	
Invested Assets as of 12/31/2007 2007 Annual Statement, Page 2, Line 10, Column 3				29,368,315	
Average Invested Assets				27,140,324	
Calendar Year	Beginning Invested Assets	Ending Invested Assets	Average Invested Assets	Net Realized Capital Gains	Net Realized Capital Gains Ratio
2005	19,987,788	21,500,664	20,744,226	303,689	1.5%
2006	21,500,664	24,912,332	23,206,498	134,660	0.6%
2007	24,912,332	29,368,315	27,140,324	199,081	0.7%
Total	66,400,783	75,781,311	71,091,047	637,430	0.9%
Tax Rate on Realized Capital Gains					35.0%
After-Tax Realized Capital Gains					0.6%
After-Tax Rate of Return					3.1%
After-Tax Total Rate of Return					3.7%

Notes:

Figures are from Company 2007 Annual Statement

Liberty Mutual Insurance Company
Wireless Communication Equipment Coverage

Premium to Surplus Ratio
(\$000)

	Calendar Year 2006	Calendar Year 2007
(1) Beginning Surplus As Regards Policyholders Annual Statement, Page 3, Line 35, Column 2	7,924,697	9,952,129
(2) Ending Surplus As Regards Policyholders Annual Statement, Page 3, Line 35, Column 1	9,952,129	11,823,300
(3) Average Surplus Level = [(1)+(2)]/2	8,938,413	10,887,714
(4) Net Written Premiums IEE, Part II, Line 34, Column 1	7,889,648	9,589,192
(5) Net Premium to Surplus Ratio = (4) / (3)	0.88	0.88
(6) Selected Premium to Surplus Ratio		1.25

Notes:

Premium and Surplus figures from Company 2007 and 2006 Annual Statements

Liberty Mutual Insurance Company
Wireless Communication Equipment Coverage

Derivation of After-Tax Target Rate of Return of Statutory Surplus
(\$000)

After Tax Rate of Return on Net Worth

Year	(1) Property/ Casualty	(2) Industry Total	(3) =[(1)+(2)]/2 Average
1997	11.4%	13.9%	12.7%
1998	9.2%	13.4%	11.3%
1999	6.5%	15.2%	10.9%
2000	6.6%	14.6%	10.6%
2001	0.3%	10.4%	5.4%
2002	1.7%	10.2%	6.0%
2003	8.2%	12.6%	10.4%
2004	8.0%	13.9%	11.0%
2005	8.3%	14.9%	11.6%
2006	12.2%	15.4%	13.8%
1997-2006	7.2%	13.5%	10.3%
Avg x-2001/2	8.8%	14.2%	11.5%

(4)	Selected After-Tax Return on GAAP Equity	11.5%
(5)	2007 Statutory Surplus	11,823,300
(6)	2007 Net Unearned Premium Reserve	3,239,918
(7)	GAAP Equity in Unearned Premium Reserve	426,152
(8)	2007 GAAP Equity = (5) + (7)	12,249,452
(9)	GAAP to Statutory Adjustment Factor = (8) / (5)	1.04
(10)	Target After-Tax Return on Stat. Surplus = (4) x (9)	12.0%

Notes:

(1), (2) from 2007 NAIC Profitability Analysis

(4) excludes 2001 and 2002 because September 11th cause them to be an outliers.

(5) from Company 2007 Annual Statement, Page 3, Line 35, Column 1

(6) from Company 2007 Insurance Expense Exhibit, Line 34, Column 19

(7) = (6) x Company Average Commissions and Other Acquisition Costs

Liberty Mutual Insurance Company
Wireless Communication Equipment Coverage

Projected Expense Ratios

	Selected %
Premiums Written	
Premiums Earned	
Commissions & Brokerage Fees	5.0%
Other Acquisition	17.0%
General Expenses	5.0%
Taxes, Licenses, & Fees	2.5%
Total Expenses	29.5%
Profit Load	5.0%
Total Expenses & Profit	34.5%
Permissible Loss & LAE Ratio	65.5%

Liberty Mutual Insurance Company
Wireless Communications Equipment Coverage

Explanatory Memorandum – Rate/Rule Filing

Liberty Mutual Insurance Company (“the Company”) is filing, for your review and approval, a new coverage option to be made available under the Company’s Wireless Communications Equipment program, “Account Based Coverage.” The Company’s Wireless Communications Equipment Coverage program, as currently filed, provides coverage to insured wireless subscribers on a line by line (i.e., mobile number) basis (“Line Based Coverage”). Account Based Coverage is designed to provide coverage for subscribers on an account basis where multiple mobile numbers, and multiple items of Communication Equipment associated with those mobile numbers, may be active under one subscriber account with the Communications Provider. (“Communication Equipment” includes cell phone or similar equipment or devices where phone and pager capabilities are incorporated into other communication equipment or devices, such as personal digital assistants (PDA), wireless aircards, and associated devices or other unspecified communication equipment or devices.) Line Based Coverage will continue to be available for subscribers with a single mobile number and its one associated item of Communication Equipment

The Company is submitting a revised rating manual. Additionally, the Company is introducing new rating factors that apply to Line Based Coverage, which allow for a variable aggregate limit of replacements or repairs. The base aggregate limit of replacements or repairs per 12 month period continues to be two. Higher limits are available for a premium charge. There is no premium impact associated with the introduction of this new rating factor because the aggregate limit of replacements or repairs reflected in the current Line Based Coverage rates is two.

Background

This program is a commercial inland marine policy principally designed to cover loss, theft, damage and/or mechanical or electrical breakdown to Communication Equipment, thus allowing the insured communication service provider (“Communication Provider”) to reduce or mitigate any interruption of services to its customers. Because insureds frequently change the Communication Equipment associated with their mobile number, coverage has been designed to flexibly follow the mobile number and the Communication Equipment associated with that number at any given time.

The program is marketed and administered by an exclusive licensed agent (“Program Administrator”) of the Company. The Program Administrator works with the Company and the Communication Provider to select specific plan options for each policy issued to insured Communication Providers. In addition, the Program Administrator administers the policy, responds to insurance inquiries from the subscribers, collects premiums from the Communication Providers, and services claims.

Communication Providers provide Communication Equipment and related voice or messaging services to their customers. When customers purchase equipment or activate their voice, data and/or messaging service, the Communication Providers’ personnel offer them the opportunity to request enrollment for insurance coverage. Brochures containing the coverage terms and summaries of significant program components are available. If the customer requests enrollment under the insurance program, the request is transmitted electronically to the Program Administrator. If eligible, the customer becomes an enrolled subscriber under the program, and the customer’s account with the insured Communication Provider is periodically billed (generally monthly).

Rate Development

Aside from the introduction of the aggregate limit of replacement or repair factors, the rates and rules for Line Based Coverage have not changed. As previously stated, there is no premium impact associated

with the introduction of these new rating factors because the base number of replacements or repairs reflected in the Line Based Coverage rates included in this filing is the same as the base number of replacements or repairs in the current Line Based Coverage rates. New rates and rules associated with Account Based Coverage are being added to the current approved Wireless Communications Equipment Coverage rating manual. A redlined version of the countrywide rating manual, highlighting the exact changes being made, is included as Exhibit 1.

Monthly premiums for Account Based Coverage are calculated in the same manner as Line Based Coverage premiums up to the point of calculating the applicable rate(s) by tier. Then, the applicable rate by tier is used to calculate the monthly premium per account on the expected number of mobile numbers and selected aggregate limit of covered replacements or repairs per 12 month period. The aggregate limit of replacements or repairs may vary by policy to meet the unique needs of each Communication Provider. The aggregate limit may also vary to correspond to the number of mobile numbers active on the Additional Insured's account with the Communications Provider and how many of those mobile numbers are insured under each account. The rating manual contains factors that are applied to the rates to adjust for the applicable aggregate limits of replacements or repairs. Exhibit 2 shows the derivation of these factors based on an expected distribution of insured lines by the aggregate limit of covered claims.

Exhibits R1 through R5 display the derivation of the expected return on equity for the program. The expenses provisions and permissible loss ratio underlying this program have not changed from the prior filing.



February 15, 2008

To Whom It May Concern:

Perr&Knight, Inc. is hereby authorized to submit rate, rule, and form filings on behalf of Liberty Mutual Insurance Company. This authorization includes providing additional information and responding to questions regarding the filings on our behalf as necessary. This authorization is deemed in be in effect until rescinded in writing.

Please direct all correspondences and inquiries related to this filing to Perr&Knight, Inc. at the following address:

State Filings Department
Perr&Knight, Inc.
881 Alma Real Drive, Suite 205
Pacific Palisades, CA 90272
Tel: (888) 201-5123
Fax: (310) 230-1061

Please contact me at 212.208.2802 if you have any questions regarding this authorization.

Sincerely,

Theresa Morgan
Assistant Secretary
55 Water Street, 18th Floor
New York NY 10041
212.208.2802
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