

SERFF Tracking Number: FFDC-125413967 State: Arkansas
First Filing Company: American Automobile Insurance Company, ... State Tracking Number: EFT \$100
Company Tracking Number: NARPL0207-R
TOI: 17.1 Other Liability - Claims Made Only Sub-TOI: 17.1019 Professional Errors & Omissions Liability
Product Name: Professional Liability for Insurance Agents Errors & Omissions Revision
Project Name/Number: Professional Liability for Insurance Agents Errors & Omissions Revision/NWPL0207

Filing at a Glance

Companies: American Automobile Insurance Company, Fireman's Fund Insurance Company
Product Name: Professional Liability for Insurance Agents Errors & Omissions Revision
SERFF Tr Num: FFDC-125413967 State: Arkansas
TOI: 17.1 Other Liability - Claims Made Only SERFF Status: Closed State Tr Num: EFT \$100
Sub-TOI: 17.1019 Professional Errors & Omissions Liability Co Tr Num: NARPL0207-R State Status: Fees verified and received
Filing Type: Rate/Rule Co Status: Pending Reviewer(s): Betty Montesi, Edith Roberts, Brittany Yielding
Authors: Michelle Davanzo, Gina Bondanza Disposition Date: 02/04/2008
Date Submitted: 01/04/2008 Disposition Status: Filed
Effective Date Requested (New): 03/01/2008 Effective Date (New):
Effective Date Requested (Renewal): 03/01/2008 Effective Date (Renewal):
State Filing Description:

General Information

Project Name: Professional Liability for Insurance Agents Errors & Omissions Revision Status of Filing in Domicile:
Project Number: NWPL0207 Domicile Status Comments:
Reference Organization: Reference Number:
Reference Title: Advisory Org. Circular:
Filing Status Changed: 02/04/2008
State Status Changed: 02/04/2008 Deemer Date:
Corresponding Filing Tracking Number:
Filing Description:
Dear Sir/Madam,

RATE/RULE PORTION ONLY:

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We are submitting revisions to the Insurance Agents Errors and Omissions [E&O] Liability Program as previously filed/approved under Company filing number NARPL0206 (DOI# 66201).

In this filing, we are revising the Independent Life and Property/Casualty forms to address the emerging industry need for additional coverage due to the expanding nature of insurance and financial products sold by insurance agents. In addition, we have revised or developed new endorsements for use with the revised forms. The enclosed "Forms Change Table" provides details of all the form changes being made with this filing.

In addition, we have made some revisions to previously filed rate/rule pages. Refer to the Actuarial Memorandum for complete details.

This is a form, rate and rule filing.

Enclosed in support of this filing are:

- "Forms Change Table" that summarizes the form changes being made in this filing;
- Copies of the new and revised forms, along with marked copies denoting the changes. For revised policy forms 144212 and 144213, we have included side-by-side comparisons showing changes between the new and prior edition policy forms.
- Actuarial Memorandum and supporting exhibit;
- Insurance Agents Errors and Omissions Liability rate/rule pages, PL-IAE&O-1-15, ed 06 07 to replace prior edition 03 06 pages; and
- State Checklists/Certifications if any.

Your approval/acknowledgement of this filing, which has a proposed effective date of March 1, 2008, would be appreciated

Company and Contact

Filing Contact Information

Michelle Davanzo, Regulatory Services Senior Analyst
mdavanzo@ffic.com

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777 San Marin Drive (415) 899-2660 [Phone]
Novato, CA 94998 (866) 290-0671[FAX]

Filing Company Information

American Automobile Insurance Company CoCode: 21849 State of Domicile: Missouri
777 San Marin Drive Group Code: 761 Company Type:
Novato, CA 94998 Group Name: State ID Number:
(415) 899-2817 ext. [Phone] FEIN Number: 22-1608585

Fireman's Fund Insurance Company CoCode: 21873 State of Domicile: California
777 San Marin Drive Group Code: 761 Company Type:
Novato, CA 94998 Group Name: State ID Number:
(415) 899-3290 ext. [Phone] FEIN Number: 94-1610280

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Filing Fees

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

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
American Automobile Insurance Company	\$100.00	01/04/2008	17347110
Fireman's Fund Insurance Company	\$0.00	01/04/2008	

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Edith Roberts	02/04/2008	02/04/2008

Amendments

Item	Schedule	Created By	Created On	Date Submitted
PL-IAE&O-1	Rate	Michelle Davanzo	01/28/2008	01/28/2008
PL-IAE&O-1	Rate	Michelle Davanzo	01/28/2008	01/28/2008
[AR]				

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Disposition

Disposition Date: 02/04/2008

Effective Date (New):

Effective Date (Renewal):

Status: Filed

Comment:

Rate data does NOT apply to filing.

Overall Rate Information for Multiple Company Filings

Overall Percentage Rate Indicated For This Filing	0.000%
Overall Percentage Rate Impact For This Filing	0.000%
Effect of Rate Filing-Written Premium Change For This Program	\$0
Effect of Rate Filing - Number of Policyholders Affected	0

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Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Filed	Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	Rate/Rule Filing Schedule	Filed	Yes
Supporting Document	Actuarial Memo	Filed	Yes
Rate (revised)	PL-IAE&O-1	Filed	Yes
Rate	PL-IAE&O-1	Filed	Yes
Rate	PL-IAE&O-1 [AR]	Filed	Yes

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Amendment Letter

Amendment Date:
 Submitted Date: 01/28/2008

Comments:

Attached are revised rate/rule pages that correct a typographical error in Table 7.A. to show the Commercial, Wet Marine, product Mix factor to read 1.075.

Changed Items:

Rate/Rule Schedule Item Changes:

Exhibit Name:	Rule # or Page #:	Rate Action:	Previous State Filing Numbers:	Attach Document:
PL-IAE&O-1	Pgs. 1-15; ed. 06-07	Replacement	Previous State Filing Num: 66201	
PL-IAE&O-1 [AR]	pges 1-15; ed 06-07 rev	Replacement	Previous State Filing Num: 66201	Ins Agts E&O Rate - Rules ed 06 07 AR rev.pdf

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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Number:	Attachments
Filed	PL-IAE&O-1	Pgs. 1-15; ed. 06-07	Replacement	66201	
Filed	PL-IAE&O-1 [AR]	pges 1-15; ed 06-07 rev	Replacement	66201	Ins Agts E&O Rate - Rules ed 06 07 AR rev.pdf

**MISCELLANEOUS PROFESSIONAL LIABILITY
INSURANCE AGENTS ERRORS AND OMISSIONS LIABILITY PROGRAM**

**Fireman's Fund Insurance Company
American Automobile Insurance Company**

ARKANSAS

Rates and Rules

A. Coverages

This program provides claims made errors and omissions coverage (E&O) for insurance agents who sell numerous products offered by the insurance industry. This program is designed specifically for all types of insurance agents (Independent Property & Casualty, Independent Life, Sponsored Property & Casualty and Sponsored Life) who are informed buyers of insurance products. This program contains the flexibility to match coverage needs with all insurance agency requirements.

Professional Liability Coverage provided on a claims made basis is limited to errors and omissions generated from the insurance revenues generated by the sales, service and support operations of Insurance Agencies.

This coverage is a stand-alone Policy. When providing this coverage one of the following coverage forms must be attached to the policy:

- 144212 Independent Life Insurance Agents Errors and Omissions Liability Insurance Coverage
- 144213 Independent Property & Casualty Insurance Agents Errors and Omissions Liability Insurance Coverage
- 144214 Sponsored Life Insurance Agents Errors and Omissions Liability Insurance Coverage
- 144215 Sponsored Property & Casualty Insurance Agents Errors and Omissions Liability Insurance Coverage

B. Rules

Eligible for this program are insurance agencies/agents that sell the following: life insurance, accident, health, property and casualty insurance and financial service products. These insurance agents can be independent agents, employees or independent contractors of Life, Accident, Health or Property & Casualty Insurance Companies.

Coverage is limited to errors and omissions generated from the insurance sales, servicing and support operations of professional Insurance Agencies

Independent Insurance Agents

- Independent Property & Casualty Agents must derive a minimum 51% of revenue from the sales of Property and Casualty Insurance products
- Independent Life Accident and Health Agents must derive a minimum of 51% of revenue from the sale of Life, Accident or Health Insurance products

Sponsored Insurance Agents have an employment or contractual relationship with an Insurance Company sponsoring an Agents Errors & Omissions program for their agents

- Sponsored Life Insurance Companies must predominantly sell Life, Accident or Health Insurance products
- Sponsored Property and Casualty Insurance Companies must predominantly sell Property & Casualty Insurance products
- Purchase of this coverage by the Agents associated with Sponsored Insurance Programs are contained in the specific contractual requirements of the sponsoring company

Insurance Agents of any size participating in a captive plan or arrangement are not eligible for this program.

C. Limits and Deductibles

Various limits and deductibles options are available. See D. 3 below.

D. Rating

1. The base premium for insurance agency E&O protection for agents selling Property & Casualty (P&C) or Life, Accident and Health (LA&H) products is derived from the total annual revenues of the agency and the number of employees.

Base Rate (\$1 MM/\$1 MM w, \$1,000 Deductible):

To develop the *base rate*, multiply the Average Annual Revenue Per Employee Factor by the applicable Base Rate shown in Table 1 below.

- The **Average Annual Revenue Per Employee Factor** is determined by dividing the agency's total annual revenue by the number of employees (i.e., active FTE Principals, Owners & Officers, Licensed Solicitors and administrative staff.)

<u>If the resulting average annual revenue amount is:</u>	<u>Use Adjustment Factor:</u>
\$76,000 or less	1.34
\$77, 000 to \$99,000	For each \$1,000 increase over \$76,000 subtract .01 from 1.34
\$100,000	1.00
\$101,000 to \$149,000	For each \$1,000 increase over \$100,000 subtract .0067 from 1.00
\$150,000	.67
\$151,000 to \$299,000	.62
\$300,000 or higher	.64

• **Table 1 – Exposure**

- | | |
|--|---------------------------------|
| a. Sponsored and Independent P&C Agents Only including Fixed Annuities (Excludes Life, A&H, Mutual Funds, Variable Annuities, Securities) | <u>Base Rate</u>
1.35 |
| b. Sponsored and Independent Life Agents Only including Fixed Annuities (Excludes P&C, Mutual Funds, Variable Annuities, Securities) | <u>Base Rate</u>
1.40 |

Base Premium

Compute the base premium by multiplying the *base rate* (as developed above) by per \$100 of total annual revenue.

As used herein, Sponsored implies that accounts within a Sponsored program will be underwritten as a group. Independent Agents implies that each account will be underwritten on an individual basis.

For staff greater than 70, or annual revenue greater than \$5,000,000, are ineligible.

2. Covered Product Adjustment Charge

To the base premium, add the Covered Product Adjustment Charge.

The Covered Product Adjustment charge is developed based upon the following additional operations applicable to the account. Compute each that applies by multiplying the number of insurance applicable professionals by the corresponding charge that relates to the percentage of total revenue for each such operation, and adding the results.

Table 2. Covered Product Adjustment

Covered Product Modification For:	Percentage of Total Revenue:			
	<15%	15% - 25%	26% - 49%	50%
a. <u>P&C Agents: Including ancillary Coverage for Life and A&H</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)	\$0	\$27	\$54	\$81
b. <u>Life Agents: Including ancillary Coverage of P&C –</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)	\$0	\$13	\$26	\$39
c. <u>TPA Benefit Plan Covered product Modification</u> Active, FTE Principals & Owners & Officers Licensed Solicitors (direct contact with client)	\$0	\$50	\$75	\$100
d. <u>Financial Products for Life Agents: Mutual Funds, Variable and Group Plans</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)	\$300			

3. Insurance Agents Errors and Omissions Limits and Deductible Tables

Multiply the premium developed in 1. & 2. above by factor for the selected deductible and occurrence/aggregate. Factors are distinguished as defense expense inside and outside the deductible and limits as follows:

- Table 3.A. – Defense expense outside of limits, deductible applies to ‘loss only’
- Table 3.B. – Defense expense outside of limit, deductible applies to loss and ALAE
- Table 3.C. – Defense expense within limits, deductible applies to loss only
- Table 3.D – Defense expense within limits, deductible applies to loss and ALAE.

The tables also contain the selected deductible for Financial Coverage Endorsements (Section 11.1) when a deductible of greater than \$2,500 applies.

**Insurance Agents E&O Professional Liability
Increased Limits Factors - Defense Expense Outside of Limits**

(1) Policy Limits	(2) Policy Aggregate	3.A Deductible Factors for Loss Only												
		1,000	1,500	2,000	2,500	5,000	7,500	10,000	15,000	20,000	25,000	50,000	75,000	100,000
Variable Products & Group Plans						0.970	0.960	0.950	0.930	0.900	0.880	0.740	0.560	0.360
Mutual Funds, Variable Products & Group Plans						0.980	0.970	0.960	0.940	0.920	0.900	0.770	0.600	0.410
Mutual Funds, Variable Products, Securities and Group Plans						0.990	0.980	0.970	0.955	0.940	0.920	0.800	0.640	0.460
		1.024237	1.0186											
500,000	1,000,000	0.991	0.986	0.978	0.968	0.938	0.902	0.874	0.825	0.783	0.747	0.630	0.585	0.559
1,000,000	1,000,000	1.000	0.994	0.986	0.976	0.946	0.911	0.883	0.833	0.792	0.755	0.638	0.594	0.568
1,000,000	2,000,000	1.145	1.140	1.132	1.121	1.091	1.056	1.028	0.978	0.937	0.900	0.783	0.739	0.713
1,000,000	3,000,000	1.256	1.251	1.242	1.232	1.202	1.167	1.139	1.089	1.048	1.011	0.894	0.850	0.824
2,000,000	2,000,000	1.333	1.327	1.319	1.309	1.279	1.244	1.215	1.166	1.125	1.088	0.971	0.927	0.901
2,000,000	3,000,000	1.376	1.370	1.362	1.352	1.322	1.286	1.258	1.209	1.167	1.131	1.014	0.970	0.943
2,000,000	4,000,000	1.418	1.413	1.405	1.395	1.364	1.329	1.301	1.251	1.210	1.174	1.057	1.012	0.986
2,000,000	5,000,000	1.452	1.447	1.439	1.429	1.398	1.363	1.335	1.285	1.244	1.208	1.091	1.046	1.020
3,000,000	3,000,000	1.546	1.541	1.533	1.523	1.492	1.457	1.429	1.379	1.338	1.302	1.185	1.140	1.114
3,000,000	4,000,000	1.580	1.575	1.567	1.557	1.526	1.491	1.463	1.413	1.372	1.336	1.219	1.174	1.148
3,000,000	5,000,000	1.623	1.618	1.609	1.599	1.569	1.534	1.506	1.456	1.415	1.378	1.261	1.217	1.191
3,000,000	6,000,000	1.649	1.643	1.635	1.625	1.595	1.559	1.531	1.482	1.440	1.404	1.287	1.243	1.216
4,000,000	4,000,000	1.751	1.746	1.738	1.727	1.697	1.662	1.634	1.584	1.543	1.506	1.389	1.345	1.319
4,000,000	5,000,000	1.785	1.780	1.772	1.762	1.731	1.696	1.668	1.618	1.577	1.541	1.424	1.379	1.353
4,000,000	6,000,000	1.815	1.809	1.802	1.792	1.761	1.726	1.698	1.647	1.607	1.571	1.454	1.409	1.383
4,000,000	8,000,000	1.841	1.835	1.828	1.818	1.787	1.751	1.723	1.673	1.633	1.596	1.480	1.434	1.408
5,000,000	5,000,000	1.819	1.814	1.806	1.796	1.765	1.730	1.702	1.652	1.611	1.575	1.458	1.413	1.387
5,000,000	10,000,000	1.902	1.897	1.889	1.878	1.849	1.814	1.785	1.735	1.695	1.659	1.542	1.497	1.470
6,000,000	6,000,000	1.871	1.865	1.857	1.847	1.817	1.781	1.753	1.704	1.662	1.626	1.509	1.465	1.438
7,000,000	7,000,000	1.922	1.916	1.908	1.898	1.868	1.833	1.804	1.755	1.713	1.677	1.560	1.516	1.490
8,000,000	8,000,000	1.973	1.967	1.959	1.949	1.919	1.884	1.856	1.806	1.765	1.728	1.611	1.567	1.541
9,000,000	9,000,000	2.024	2.019	2.011	2.001	1.970	1.935	1.907	1.857	1.816	1.780	1.663	1.618	1.592
10,000,000	10,000,000	2.075	2.070	2.062	2.052	2.021	1.986	1.958	1.908	1.867	1.831	1.714	1.669	1.643

(1) Policy Limits	(2) Policy Aggregate	3.B Deductible Factors for Loss & ALAE												
		1,000	1,500	2,000	2,500	5,000	7,500	10,000	15,000	20,000	25,000	50,000	75,000	100,000
Variable Products & Group Plans						0.950	0.940	0.930	0.900	0.880	0.860	0.720	0.540	0.340
Mutual Funds, Variable Products & Group Plans						0.960	0.950	0.940	0.920	0.900	0.880	0.750	0.580	0.390
Mutual Funds, Variable Products, Securities and Group Plans						0.970	0.960	0.950	0.935	0.920	0.900	0.780	0.620	0.440
500,000	1,000,000	0.988	0.984	0.977	0.967	0.930	0.898	0.871	0.823	0.782	0.745	0.628	0.582	0.556
1,000,000	1,000,000	0.997	0.992	0.985	0.975	0.939	0.907	0.879	0.831	0.791	0.753	0.636	0.591	0.565
1,000,000	2,000,000	1.142	1.138	1.131	1.120	1.084	1.052	1.025	0.976	0.936	0.898	0.781	0.736	0.710
1,000,000	3,000,000	1.253	1.249	1.241	1.231	1.195	1.163	1.136	1.087	1.047	1.009	0.892	0.847	0.821
2,000,000	2,000,000	1.329	1.325	1.318	1.308	1.272	1.240	1.212	1.164	1.124	1.086	0.969	0.924	0.898
2,000,000	3,000,000	1.372	1.368	1.361	1.351	1.315	1.282	1.255	1.207	1.166	1.129	1.012	0.966	0.940
2,000,000	4,000,000	1.415	1.411	1.404	1.394	1.357	1.325	1.298	1.249	1.209	1.172	1.055	1.009	0.983
2,000,000	5,000,000	1.449	1.445	1.438	1.428	1.391	1.359	1.332	1.283	1.243	1.206	1.089	1.043	1.017
3,000,000	3,000,000	1.543	1.539	1.532	1.522	1.485	1.453	1.426	1.377	1.337	1.300	1.183	1.137	1.111
3,000,000	4,000,000	1.577	1.573	1.566	1.556	1.519	1.487	1.460	1.411	1.371	1.334	1.217	1.171	1.145
3,000,000	5,000,000	1.620	1.616	1.608	1.598	1.562	1.530	1.503	1.454	1.414	1.376	1.259	1.214	1.188
3,000,000	6,000,000	1.645	1.641	1.634	1.624	1.588	1.555	1.528	1.480	1.439	1.402	1.285	1.240	1.213
4,000,000	4,000,000	1.748	1.744	1.737	1.726	1.690	1.658	1.631	1.582	1.542	1.504	1.387	1.342	1.316
4,000,000	5,000,000	1.782	1.778	1.771	1.761	1.724	1.692	1.665	1.616	1.576	1.539	1.422	1.376	1.350
4,000,000	6,000,000	1.812	1.808	1.801	1.791	1.754	1.721	1.695	1.646	1.606	1.568	1.452	1.406	1.379
4,000,000	8,000,000	1.838	1.832	1.826	1.816	1.779	1.747	1.721	1.671	1.631	1.594	1.477	1.431	1.405
5,000,000	5,000,000	1.816	1.812	1.805	1.795	1.758	1.726	1.699	1.650	1.610	1.573	1.456	1.410	1.384
5,000,000	10,000,000	1.900	1.893	1.886	1.876	1.840	1.808	1.781	1.733	1.692	1.655	1.538	1.493	1.467
6,000,000	6,000,000	1.867	1.863	1.856	1.846	1.810	1.777	1.750	1.702	1.661	1.624	1.507	1.462	1.435
7,000,000	7,000,000	1.918	1.914	1.907	1.897	1.861	1.829	1.801	1.753	1.712	1.675	1.558	1.513	1.487
8,000,000	8,000,000	1.970	1.965	1.958	1.948	1.912	1.880	1.852	1.804	1.764	1.726	1.609	1.564	1.538
9,000,000	9,000,000	2.021	2.017	2.010	2.000	1.963	1.931	1.904	1.855	1.815	1.778	1.661	1.615	1.589
10,000,000	10,000,000	2.072	2.068	2.061	2.051	2.014	1.982	1.955	1.906	1.866	1.829	1.712	1.666	1.640

**Insurance Agents E&O Professional Liability
Increased Limits Factors - Defense Expense Inside of Limits**

(1) Policy Limits	(2) Policy Aggregate	3.C Deductible Factors for Loss Only												
		1,000	1,500	2,000	2,500	5,000	7,500	10,000	15,000	20,000	25,000	50,000	75,000	100,000
Variable Products & Group Plans						0.970	0.960	0.950	0.930	0.900	0.880	0.740	0.560	0.360
Mutual Funds, Variable Products & Group Plans						0.980	0.970	0.960	0.940	0.920	0.900	0.770	0.600	0.410
Mutual Funds, Variable Products, Securities and Group Plans						0.990	0.980	0.970	0.955	0.940	0.920	0.800	0.640	0.460
500,000	1,000,000	0.954	0.948	0.940	0.930	0.900	0.865	0.836	0.787	0.745	0.709	0.592	0.548	0.522
1,000,000	1,000,000	0.970	0.965	0.957	0.947	0.916	0.881	0.853	0.803	0.762	0.726	0.609	0.564	0.538
1,000,000	2,000,000	1.069	1.064	1.056	1.045	1.015	0.980	0.952	0.902	0.861	0.824	0.707	0.663	0.637
1,000,000	3,000,000	1.201	1.195	1.187	1.177	1.147	1.112	1.083	1.034	0.993	0.956	0.839	0.795	0.769
2,000,000	2,000,000	1.217	1.212	1.204	1.194	1.163	1.128	1.100	1.050	1.009	0.973	0.856	0.811	0.785
2,000,000	3,000,000	1.292	1.286	1.278	1.268	1.238	1.202	1.174	1.125	1.083	1.047	0.930	0.885	0.859
2,000,000	4,000,000	1.374	1.368	1.360	1.350	1.320	1.285	1.256	1.207	1.166	1.129	1.012	0.968	0.942
2,000,000	5,000,000	1.464	1.459	1.451	1.441	1.411	1.375	1.347	1.298	1.256	1.220	1.103	1.058	1.032
3,000,000	3,000,000	1.423	1.418	1.410	1.400	1.369	1.334	1.306	1.256	1.215	1.179	1.062	1.017	0.991
3,000,000	4,000,000	1.481	1.475	1.467	1.457	1.427	1.392	1.363	1.314	1.273	1.236	1.119	1.075	1.049
3,000,000	5,000,000	1.547	1.541	1.533	1.523	1.493	1.458	1.429	1.380	1.339	1.302	1.185	1.141	1.115
3,000,000	6,000,000	1.605	1.599	1.591	1.581	1.551	1.515	1.487	1.438	1.396	1.360	1.243	1.199	1.172
4,000,000	4,000,000	1.637	1.632	1.624	1.614	1.584	1.548	1.520	1.471	1.429	1.393	1.276	1.231	1.205
4,000,000	5,000,000	1.687	1.681	1.673	1.663	1.633	1.598	1.569	1.520	1.479	1.442	1.325	1.281	1.255
4,000,000	6,000,000	1.728	1.722	1.714	1.704	1.674	1.639	1.611	1.561	1.520	1.483	1.366	1.322	1.296
4,000,000	8,000,000	1.765	1.760	1.751	1.741	1.711	1.676	1.648	1.598	1.557	1.520	1.403	1.359	1.333
5,000,000	5,000,000	1.736	1.731	1.723	1.713	1.682	1.647	1.619	1.569	1.528	1.492	1.375	1.330	1.304
5,000,000	10,000,000	1.816	1.810	1.802	1.792	1.762	1.726	1.698	1.649	1.607	1.571	1.454	1.410	1.383
6,000,000	6,000,000	1.810	1.805	1.797	1.787	1.757	1.721	1.693	1.644	1.602	1.566	1.449	1.404	1.378
7,000,000	7,000,000	1.860	1.854	1.846	1.836	1.806	1.771	1.742	1.693	1.652	1.615	1.498	1.454	1.428
8,000,000	8,000,000	1.909	1.904	1.896	1.886	1.855	1.820	1.792	1.742	1.701	1.665	1.548	1.503	1.477
9,000,000	9,000,000	1.959	1.953	1.945	1.935	1.905	1.869	1.841	1.792	1.750	1.714	1.597	1.553	1.526
10,000,000	10,000,000	2.008	2.003	1.995	1.984	1.954	1.919	1.891	1.841	1.800	1.764	1.647	1.602	1.576

(1) Policy Limits	(2) Policy Aggregate	3.D Deductible Factors for Loss & ALAE												
		1,000	1,500	2,000	2,500	5,000	7,500	10,000	15,000	20,000	25,000	50,000	75,000	100,000
Variable Products & Group Plans						0.950	0.940	0.930	0.900	0.880	0.860	0.720	0.540	0.340
Mutual Funds, Variable Products & Group Plans						0.960	0.950	0.940	0.920	0.900	0.880	0.750	0.580	0.390
Mutual Funds, Variable Products, Securities and Group Plans						0.970	0.960	0.950	0.935	0.920	0.900	0.780	0.620	0.440
500,000	1,000,000	0.950	0.946	0.939	0.929	0.893	0.860	0.833	0.785	0.744	0.707	0.590	0.545	0.518
1,000,000	1,000,000	0.967	0.963	0.956	0.946	0.909	0.877	0.850	0.801	0.761	0.724	0.607	0.561	0.535
1,000,000	2,000,000	1.066	1.062	1.055	1.044	1.008	0.976	0.949	0.900	0.860	0.822	0.705	0.660	0.634
1,000,000	3,000,000	1.197	1.193	1.186	1.176	1.140	1.108	1.080	1.032	0.992	0.954	0.837	0.792	0.766
2,000,000	2,000,000	1.214	1.210	1.203	1.193	1.156	1.124	1.097	1.048	1.008	0.971	0.854	0.808	0.782
2,000,000	3,000,000	1.288	1.284	1.277	1.267	1.231	1.198	1.171	1.123	1.082	1.045	0.928	0.882	0.856
2,000,000	4,000,000	1.370	1.366	1.359	1.349	1.313	1.281	1.253	1.205	1.165	1.127	1.010	0.965	0.939
2,000,000	5,000,000	1.461	1.457	1.450	1.440	1.403	1.371	1.344	1.296	1.255	1.218	1.101	1.055	1.029
3,000,000	3,000,000	1.420	1.416	1.409	1.399	1.362	1.330	1.303	1.254	1.214	1.177	1.060	1.014	0.988
3,000,000	4,000,000	1.478	1.473	1.466	1.456	1.420	1.388	1.360	1.312	1.272	1.234	1.117	1.072	1.046
3,000,000	5,000,000	1.543	1.539	1.532	1.522	1.486	1.454	1.426	1.378	1.338	1.300	1.183	1.138	1.112
3,000,000	6,000,000	1.601	1.597	1.590	1.580	1.544	1.511	1.484	1.436	1.395	1.358	1.241	1.195	1.169
4,000,000	4,000,000	1.634	1.630	1.623	1.613	1.576	1.544	1.517	1.469	1.428	1.391	1.274	1.228	1.202
4,000,000	5,000,000	1.683	1.679	1.672	1.662	1.626	1.594	1.566	1.518	1.478	1.440	1.323	1.278	1.252
4,000,000	6,000,000	1.724	1.720	1.713	1.703	1.667	1.635	1.607	1.559	1.519	1.481	1.364	1.319	1.293
4,000,000	8,000,000	1.761	1.758	1.750	1.740	1.704	1.672	1.645	1.596	1.556	1.518	1.401	1.356	1.330
5,000,000	5,000,000	1.733	1.729	1.722	1.712	1.675	1.643	1.616	1.567	1.527	1.490	1.373	1.327	1.301
5,000,000	10,000,000	1.812	1.808	1.801	1.791	1.755	1.722	1.695	1.647	1.606	1.569	1.452	1.407	1.380
6,000,000	6,000,000	1.807	1.803	1.796	1.786	1.749	1.717	1.690	1.642	1.601	1.564	1.447	1.401	1.375
7,000,000	7,000,000	1.856	1.852	1.845	1.835	1.799	1.767	1.739	1.691	1.651	1.613	1.496	1.451	1.425
8,000,000	8,000,000	1.906	1.902	1.895	1.885	1.848	1.816	1.789	1.740	1.700	1.663	1.546	1.500	1.474
9,000,000	9,000,000	1.955	1.951	1.944	1.934	1.898	1.865	1.838	1.790	1.749	1.712	1.595	1.550	1.523
10,000,000	10,000,000	2.005	2.001	1.994	1.983	1.947	1.915	1.888	1.839	1.799	1.762	1.645	1.599	1.573

4. Claims Made Step Factors

Based on the Insurance Agents E&O Retroactive Date, determine and apply the Claims Made Step Factor.

Table 4 – Claims Made Step Factor

# of Years Prior Acts	Factor
0	.60
1	.70
2	.80
3	.90
4	1.00

5. Territorial Multipliers

The final territorial multiplier is determined by the factor for each state of operation, weighted by the percentage of annual revenue in each of those states. The table below shows the range of factors available for state categories 1-5.

Table 5 - Territorial Multipliers

1	2	3	4	5
.80	.90	1.00	1.10	1.30
AZ, CO, DE, ID, IN, IA, KS, ME, MN, NH, ND, UT, VA, WI, WY	CT, GA, MD, MI, NE, OH	DC, IL-ROS, MA-ROS, MO Metro, MO-ROS, NV, NM, NC, OK, OR, PA-ROS, SD, TN, VT, WA	AK, AR, HI, IL-Metro, KY, MA-Metro, MT, NJ ROS, NY ROS, RI, SC, TX-Noncoastal Counties	AL, CA-Metro, CA-ROS, FL Metro, FL ROS, LA Metro, LA ROS, MS, NJ Metro; NY Metro PA Metro, TX-Coastal Counties, WV

ROS = Remainder of state

6. Claims Experience Multiplier: (For Independent Agents underwritten on an individual basis. If Sponsored program or otherwise a Group, Refer to 12. Group Experience Modification Factor)

The Claims Experience Modifier as determined by the account’s claim count (includes reported claims but excludes claims closed with no pay) and historical revenue dollars over the past five years. If historical revenue dollars are not available, current annual revenue times number of claims is used.

Table 6. Claims Experience

Claims History	Factor
No prior claims	.90
Minimal Claims Activity (Defined as frequency less than 0.5 claims/\$1 M of Revenue)	1.05
Significant Claims Activity (Defined as frequency greater than 0.5 claims and 1.5 claims/\$1 M of Revenue)	1.25
Substantial Claims Activity (Frequency greater than 1.5 claims/\$1 M of Revenue)	Ineligible

7. Acquisitions – Multiplier
 Acquisition of assets & liabilities – Yes or No?
 If yes, apply 7.5% debit (1.075)

8. Association/State Program Loss Prevention Seminar annually

20% of management, including Office Manager attends State Program Seminar annually, Yes or No?
 If yes, apply up 7.5% credit (.925)

9. Covered Product Mix/Distribution – Pricing Variable

The total Covered Product Mix/Distribution - Pricing variable factor is determined by the factor for each pricing variable category applicable to account operations, weighted by the percentage of revenue in each such variable. The tables below show the range of factors available for each pricing variable categories below.

Table 7A. Covered Product Mix

1		2
Commercial Lines	Personal Lines	
Fire-Standard – .75	Auto – Standard - .75	Life, Individual - .75
Fire Non-std – 1.00	Auto-Non-std & Assigned Risk – 1.10	Life, Group - .75
SMP/BOP/Pkg - .75	Homeowners & Standard Fire - .85	A&H, Individual - .105
CGL - .85	Non-std fire – 1.10	A&H, Group - .80
Umbrella/Excess – 1.00	Pleasure Boats – 1.00	Annuities, Fixed – 1.15
Auto-Standard - .75	Umbrella – 1.05	Annuities, Variable – 1.20
Auto Non-Std - .85	Other (Specify_____)	HMO/PPO/DSP – 1.00
Long Haul Trucking – 1.10		Other (Specify_____)
Workers Comp - .75		
Livestock Mortality - .100		
Crop Coverage - .90		
Medical Malpractice – 1.10		
Prof Liability – 1.10		
Inland Marine - .90		
Wet Marine – 1.075		
Bonds-Surety – 1.20		
Bonds-All Other – 1.00		
Aviation – 1.25		
Other (Specify_____)		

Table 7B. Distribution

1	2	3
Managing General Agent – 1.10	Percent of agency business placed with: ➤ Admitted carriers - .85 ➤ Non-Admitted carriers – 1.15	% of policies written on a direct bill basis - .90
Surplus Lines Broker – 1.25		% of GPW placed through a Carrier Service Center – 1.05
Reinsurance Intermediary 1.05		% of GPW placed through a State Administration Fund – 1.10
Acting As a Wholesaler – 1.15 (Broker placing business on behalf of other agent/broker)		

10. Schedule Rating:

Table 8. Schedule Rating

Risk Characteristic	Available Credit or Debit
Number of years in business	+/-25%
Continuing Education/Training Program (Other than State Loss Prevention Program)	+/-25%
Binding Authority	+/-25%
Office Procedures	+/- 25%
Proper Control Over Branch Offices	+/-25%
Automation & Diary systems	+/- 25%
Quality of Management	+/- 25%

Total Maximum Modification +/-50%

11. Endorsements – Premium Charges associated with endorsements noted below

1. Financial Products Endorsements

An additional premium charge may apply to Financial Products Endorsements. From the table that follows (Table 9.), this additional premium is computed by multiplying the number of insurance professionals by the corresponding charge that relates to the percentage of total revenue for the Financial Coverage Endorsements to be used on the policy.

Table 9. Financial Product Endorsements (Minimum \$2,500 Deductible Applies)

Financial Product Endorsement Charge	Percentage of Total Revenue:	
	<50%	50% or More
I. <u>Financial Product Coverage: Variable Products & Group Plans (144238 or 144239)</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)	\$81	Ineligible
II. <u>Financial Product Coverage: Mutual Funds & Variable Products & Group Plans (144240 or 144241)</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)	\$300	Ineligible
III. <u>Financial Product Coverage: Mutual Funds, Variable Products, Securities & Group Plans (144242, 144243 Or 144237)</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)	\$475	Ineligible
IV. <u>Financial Product Coverage: Securities Extension (144477)</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)	\$175	Ineligible
V. <u>If Fully Funded MEWAS [144244] is used</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)	\$75	Ineligible

For Financial Coverage Endorsement with deductible greater than \$2,500, select and apply deductible factor from Table 3.A., B. C. or D.

2. Additional Insured: The additional premium for these endorsements is computed by multiplying the *Base Premium* (as developed under D.1.) by the percentage for applicable additional insured coverage endorsement by the number of additional insureds.

Table 10. Additional Insured

Type of Coverage	Charge per additional insured
Full Coverage [144217, 144311]	25%
Vicarious Liability [144218, 144312]	10%

3. Punitive Damages Exclusion = -6% (.94)
4. Independent Life Agents: Independent Contractors Endorsements
The additional premium for these endorsements is computed by multiplying the number of independent contractors for each coverage by the selected charge.

Table 11. Independent Life Agents: Independent Contractors Charge

Type of Coverage, (Subject to \$2,500 deductible)	Charge per Independent Contractor
Separate Limit (144317)	\$350
Shared Limit (144318)	\$200
Blanket Shared Limit (144319)	\$400

5. Limited EPL – Wrongful Supervision/Termination Liability Endorsement

The additional premium for this endorsement is computed by multiplying the number of employees by the corresponding rate applicable to limit/deductible for the endorsement.

Table 12. Limited EPL – Wrongful Supervision/Termination Liability Endorsement -Rates

Per Claim & Aggregate Limit	Deductibles						
	\$1,000	\$2,500	\$5,000	\$10,000	\$25,000	\$50,000	\$100,000
\$250,000/\$1,000,000	\$120	\$118	\$116	\$108	\$98	\$88	\$77
\$500,000/\$1,000,000	\$177	\$174	\$171	\$159	\$149	\$138	\$125
\$1,000,000/\$1,000,000	\$221	\$218	\$214	\$199	\$190	\$180	\$168
\$2,000,000/\$2,000,000	\$332	\$327	\$321	\$299	\$285	\$271	\$252

6. Full EPLI Endorsement Table

The additional premium for this endorsement is computed by multiplying the number of employees by the corresponding rate applicable to limit/deductible for the endorsement.

Table 13. Full EPL Endorsement – Rates

Per Claim & Aggregate Limit	Deductibles						
	\$1,000	\$2,500	\$5,000	\$10,000	\$25,000	\$50,000	\$100,000
\$250,000/\$1,000,000	\$221	\$218	\$214	\$199	\$181	\$163	\$142
\$500,000/\$1,000,000	\$326	\$321	\$315	\$293	\$274	\$254	\$230
\$1,000,000/\$1,000,000	\$408	\$402	\$394	\$366	\$349	\$332	\$308
\$2,000,000/\$2,000,000	\$612	\$603	\$591	\$549	\$524	\$498	\$463

7. Full EPLI including Third Party Liability = +30% of full EPLI charge calculated under 6. above.

12. Group Experience Modification Factor (For Group or Sponsored programs; Not applicable if step 6. Claims Experience Multiplier applies.)

The Experience Modification factor is determined based upon the overall experience of an Insurance Agents Errors and Omissions Group Program, Groups including Company sponsored programs, implies that all accounts within a program will be underwritten as a group, rather than an individual basis. 1.00 or the resulting experience modification factor will be applied to each account. Users will enter appropriate years, year-end dates, loss values, case reserves, etc into an Excel spreadsheet which then calculates the resulting experience modification. Following is a snapshot of the spreadsheet.

**Determination of the Experience Modification Factor
December 31, 2004**

Calendar/ Report Years	Age in Months	Earned Premium	Actual Unlimited Loss & ALAE Data as of December 31, 2004				Actual L&ALE Ratio
			Paid Loss	Paid ALE	Case Reserves	Incurred Loss & ALE	
2000	60						0.000
2001	48						0.000
2002	36						0.000
2003	24						0.000
2004	12						0.000
Total		\$0	\$0	\$0	\$0	\$0	0.000

Calendar/ Report Years	Earned Premium	Actual Loss & ALAE Limited to \$250,000 as of December 31, 2004				Actual L&ALE Ratio
		Paid Loss	Paid ALE	Case Reserves	Incurred Loss & ALE	
2000	0					0.000
2001	0					0.000
2002	0					0.000
2003	0					0.000
2004	0					0.000
Total	\$0	\$0	\$0	\$0	\$0	0.000

Calendar/ Report Years	On-level Earned Premium	Expected Limited L&ALE Ratio	Expected Limited L&ALE Dollars	Experience Modification Factor
2000		0.310	0	
2001		0.306	0	
2002		0.325	0	
2003		0.295	0	
2004		0.011	0	
Total	\$0		\$0	0

13. Policy Minimum Premium

A policy writing minimum premium of **\$2,000** applies only if the total premium for Insurance Agents Errors and Omissions coverage (as developed under preceding sections 1. through 12.) is less than \$2,000.

E. Rating Example:

To illustrate the rating, below is an example based on the rates and rules in this Insurance Agents Services Errors and Omissions Liability Exception pages:

1. Example Risk Information:

Independent P&C Agency with agents handling mainstream, standard commercial package and umbrella accounts. The Agency too sells some ancillary life and accident and health.

Rating exposures:

- 5 insurance professionals, 1 insurance professional handling life insurance
- 10 administrative support (including CSRs)
- Current annual revenue \$2,320,000; Revenue over prior past 5 years \$9,100,000
- Risk State: Colorado
- Deductible: \$5,000
- Limits of Insurance: Each Claim Limit \$1,000,000; Aggregate Limit \$1,000,000
- Defense expense outside limit & deductible
- Effective policy Year, 2006; Current Retro Active Date Year 2002
- 0 claims in the past five years
- Product Mix – 95% of revenue is Commercial Lines (of which 71% SMP/BOP/Package; 24% Umbrella); 5% of revenue is life insurance (100% individual life)
- 100% Coverage is placed only with admitted carriers; 90% is written on a direct bill basis.
- Risk characteristics:
 - Strong managerial controls and continuing education training programs (other than State Loss Prevention Program)
 - No planned acquisition and does not require annual participation in State Program Loss Prevention seminars
 - There has been low turnover on an experienced administrative staff.

2. Rating steps based on example information in section 1. above:

a. Determine the base premium:

First, compute the *base rate*: Multiply the Average Annual Revenue Per Employee Factor by the applicable base rate from Table 1.:

▪ **Average Annual Revenue Per Employee Factor**

If the resulting average annual revenue amount is:	Use Adjustment Factor:
\$76,000 or less	1.34
\$77, 000 to \$99,000	For each \$1,000 increase over \$76,000 subtract .01 from 1.34
\$100,000	1.00
\$101,000 to \$149,000	For each \$1,000 increase over \$100,000 subtract .0067 from 1.00
	.69
\$150,000	.67
\$151,000 to \$299,000	.62
\$300,000 or higher	.64

\$2,320,000 revenue/ 16 employees = \$145,000 average annual revenue per employee
 1.00 - (45 x .0067) = .69

• **Table 1 – Exposure**

<p>a. Sponsored and Independent P&C Agents Only including Fixed Annuities (Excludes Life, A&H, Mutual Funds, Variable Annuities, Securities) <u>Multiply the adjustment factor by this P&C base rate</u></p>	<p><u>Base Rate</u> 1.35 x.69 <u>.931</u></p>
<p>b. Sponsored and Independent Life Agents Only including Fixed Annuities (Excludes P&C, Mutual Funds, Variable Annuities, Securities)</p>	<p><u>Base Rate</u> 1.40</p>

Compute *Base Premium* – Multiply the *Base Rate* by per \$100 of total annual revenue
 $.931 \times 23,200.00 = \$21,600$

- b. Determine Covered Product Adjustment Charge by multiplying the number of insurance professionals by the corresponding charge that relates to the percentage of total revenue for each such operation, and add the results.

Table 2 – Covered Product Adjustment

Covered Product Modification For:	Percentage of Total Revenue:			
	<15%	15% - 25%	26% - 49%	50%
a. <u>P&C Agents: Including ancillary Coverage for Life and A&H</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)	+0			
b. <u>Life Agents: Including ancillary Coverage of P&C –</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)				
c. <u>TPA Benefit Plan Covered product Modification</u> Active, FTE Principals & Owners & Officers, Licensed Solicitors (direct contact with client)				
d. <u>Financial Products for Life Agents: Mutual Funds, Variable and Group Plans</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)				

Sub-total = \$21,600

- c. Enter the desired Per Claim, Aggregate and Deductible options. Distinguish between expense inside the deductible and limits and outside the deductible and limits.

In this example, defense expense is outside chosen limit of \$1,000,000/\$1,000,000 and deductible of \$5,000, therefore, resulting limit and deductible factor from **Table 3. A.** = .946;

Sub-total (21,600 x .946) = \$20,435

- d. Enter the Policy Retroactive Date to determine the appropriate claims made step factor.

Table 4. Claims Made Step Factor

# of Years Prior Acts	Factor
0	.60
1	.70
2	.80
3	.90
4	x 1.00

Sub-total = \$20,435

- e. Enter the percentage of annual revenue for each state of operation for its portion of the total account revenue:

Table 5. Territory Factors

1 (.80)		2 (.90)		3 (1.00)		4 (1.10)		5 (1.30)	
Arizona		Connecticut		DC		Alaska		Alabama	
Colorado	100%	Georgia		Illinois - ROS		Arkansas		CA - Metro	
Delaware		Maryland		MA - ROS		Hawaii		CA - ROS	
Idaho		Michigan		MO-Metro		IL - Metro		FL - Metro	
Indiana		Nebraska		MO - ROS		Kentucky		FL-ROS	
Iowa		Ohio		Nevada		MA - Metro		LA - Metro	
Kansas				New Mexico		Montana		LA - ROS	
Maine				N. Carolina		NJ - ROS		Mississippi	
Minnesota				Oklahoma		NY - ROS		NJ-Metro	
NH				Oregon		Rhode Island		NY-Metro	
N. Dakota				PA - ROS		SC		PA - Metro	
Utah				South Dakota		TX- Noncoastal Counties		TX-Coastal Counties	
Virginia				Tennessee				West Virginia	
Wisconsin				Vermont					
Wyoming				Washington					
Subtotal:	100%		0.0%		0.0%		0.0%		0.0%
Selected Factor(s):	0.80		0.00		0.00		0.00		0.00
Final Territorial Factor .80									
Comments:									

Subtotal: \$16,348

- f. Review the claims reported (excluding claims closed with no payment) relative to revenue over past 5 years, and select factor based on claims experience:

Table 6. Claims Experience

Claims History	Factor
No prior claims	x .90
Minimal Claims Activity (Defined as frequency less than 0.5 claims/\$1 M of Revenue)	1.05
Significant Claims Activity (Defined as frequency greater than 0.5 claims and 1.5 claims/\$1 M of Revenue)	1.25
Substantial Claims Activity (Frequency greater than 1.5 claims/\$1 M of Revenue)	Ineligible

Sub-total = \$14,713

- g. No planned acquisition or annual association/state loss prevention program for this example account.

Sub-total = \$14,713

h. Enter percentage of revenue in accordance with each product mix/distribution category.

Table 7A. Covered Product Mix

1				2	
Commercial Lines		Personal Lines			
Fire-Standard		Auto – Standard		Life, Individual Life, Group A&H, Individual A&H, Group Annuities, Fixed Annuities, Variable HM0/PPO/DSP Other (Specify_____)	5%
Fire Non-std		Auto-Non-std &			
SMP/BOP/Pkg	71%	Assigned Risk			
CGL		Homeowners &			
Umbrella/Excess	24%	Std Fire			
Auto-Standard		Non-std fire			
Auto Non-Std		Pleasure Boats			
Long Haul		Umbrella			
Trucking		Other			
Workers Comp		(Specify___)			
Livestock Mortality					
Crop Coverage					
Medical Malpractice					
Prof Liability					
Inland Marine					
Wet Marine					
Bonds-Surety					
Bonds-All Other					
Aviation					
Other (Specify - _____)					
Sub-total:	95%	Sub total: 0%	1.00%	Sub-Total:	5%
Selected Factor (s):		Sub total:	.95	Selected Factor(s):	1.00

Table 7B. Distribution

1		2		3	
Managing General Agent		Percent of agency business placed with:		% of policies written on a direct bill basis	90%
Surplus Lines Broker		➤ Admitted carriers	100%	% of GPW placed through a Carrier Service Center	
Reinsurance Intermediary		➤ Non-Admitted carriers		% of GPW placed through a State Administration Fund	
Acting As a Wholesaler					
Sub-Total:	---	Sub-Total:	100%	Sub-Total:	90%
Selected Factor(s)	---	Selected Factor(s)	.85	Selected Factor(s):	.90

Total Pricing Variable Factor = .729

Sub-total = \$ 10,721

- i. Enter applicable Schedule Rating modifications – credits or debits.

Table 8. Schedule Rating

Risk Characteristic	Maximum	Available Credit or Debit
Number of years in business	+/-25%	0%
Continuing Education/Training Program (Other than State Loss Prevention Program)	+/-25%	-5%
Binding Authority	+/-25%	0%
Office Procedures	+/-25%	0%
Proper Control Over Branch Offices	+/-25%	0%
Automation & Diary systems	+/-25%	0%
Quality of Management	+/-25%	-10%
Total Modification		-15%

Total Maximum Modification +/-50%

Sub-total = \$9,113

- j. Select requested endorsement/endorsement rated activities.

None apply to this example, **x 1.00**

- k. Group Experience Modification

Not applicable to this example, **x1.00**

Sub-Total = \$9,113

Total Insurance Agents Errors and Omissions Premium = \$9,113

SERFF Tracking Number: FFDC-125413967 State: Arkansas
 First Filing Company: American Automobile Insurance Company, ... State Tracking Number: EFT \$100
 Company Tracking Number: NARPL0207-R
 TOI: 17.1 Other Liability - Claims Made Only Sub-TOI: 17.1019 Professional Errors & Omissions Liability
 Product Name: Professional Liability for Insurance Agents Errors & Omissions Revision
 Project Name/Number: Professional Liability for Insurance Agents Errors & Omissions Revision/NWPL0207

Supporting Document Schedules

Satisfied -Name: Uniform Transmittal Document-Property & Casualty **Review Status:** Filed 02/04/2008

Comments:

Attachment:

NAIC Transmittal Form - Rate-Rule.pdf

Bypassed -Name: NAIC Loss Cost Filing Document for OTHER than Workers' Comp **Review Status:** Filed 02/04/2008

Bypass Reason: Not applicable to this filing

Comments:

Bypassed -Name: NAIC loss cost data entry document **Review Status:** Filed 02/04/2008

Bypass Reason: Not applicable to this filing

Comments:

Satisfied -Name: Rate/Rule Filing Schedule **Review Status:** Filed 02/04/2008

Comments:

Attachment:

Rate - Rule Filing Schedule.pdf

Satisfied -Name: Actuarial Memo **Review Status:** Filed 02/04/2008

Comments:

Attachment:

Ins Agts E&O Actuarial Memo 2 - Fixed.pdf

Property & Casualty Transmittal Document (Revised 1/1/06)

1. Reserved for Insurance Dept. Use Only

--

2. Insurance Department Use only

a. Date the filing is received:	
b. Analyst:	
c. Disposition:	
d. Date of disposition of the filing:	
e. Effective date of filing:	
New Business	
Renewal Business	
f. State Filing #:	
g. SERFF Filing #:	
h. Subject Codes	

3. Group Name	Group NAIC #
Fireman's Fund Insurance Companies	0761

4. Company Name(s)	Domicile	NAIC #	FEIN #
Fireman's Fund Insurance Company	California	21873	94-1610280
American Automobile Insurance Company	Missouri	21849	22-1608585

5. Company Tracking Number	NARPL0207-R
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Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6.	Name and address	Title	Telephone #s	Fax #	e-mail
	Michelle A. Davanzo 777 San Marin Drive Novato, California 94998	Regulatory Analyst	(415)899-2660	(866)290-0671	mdavanzo@ffic.com
7.	Signature of authorized filer		<i>Michelle A. Davanzo</i>		
8.	Please print name of authorized filer		Michelle A. Davanzo		

Filing information (see General Instructions for descriptions of these fields)

9.	Type of Insurance (TOI)	17.1 Other Liability – Claims Made Only
10.	Sub-Type of Insurance (Sub-TOI)	17.1019: Professional Errors and Omissions Liability
11.	State Specific Product code(s)(if applicable)[See State Specific Requirements]	
12.	Company Program Title (Marketing title)	
13.	Filing Type	<input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input checked="" type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other
14.	Effective Date(s) Requested	New: 3-01-08 Renewal: 3-01-08
15.	Reference Filing?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
16.	Reference Organization (if applicable)	
17.	Reference Organization # & Title	
18.	Company's Date of Filing	12-20-07
19.	Status of filing in domicile	<input type="checkbox"/> Not Filed <input checked="" type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

Property & Casualty Transmittal Document---

20.	This filing transmittal is part of Company Tracking # NARPL0207-R				
21.	Filing Description We are submitting revisions to the Insurance Agents Errors and Omissions [E&O] Liability Program as previously filed/approved under Company filing number NARPL0206. In this filing, we are revising the Independent Life and Property/Casualty forms to address the emerging industry need for additional coverage due to the expanding nature of insurance and financial products sold by insurance agents. In addition, we have revised or developed new endorsements for use with the revised forms. In addition, we have made some revisions to previously filed rate/rule pages. Refer to the Actuarial Memorandum for complete details. This is a rate and rule filing. Enclosed in support of this filing are: <ul style="list-style-type: none">• Actuarial Memorandum and supporting exhibit;• Insurance Agents Errors and Omissions Liability rate/rule pages, PL-IAE&O-1-15 [AR], ed 06 07 to replace prior edition 03 06 pages; and• State Checklists/Certifications if any. Your approval/acknowledgement of this filing, which has a proposed effective date of March 1, 2008, would be appreciated.				
22.	Filing Fees (Filer must provide check # and fee amount if applicable) [If a state requires you to show how you calculated your filing fees, place that calculation below] <table border="1" data-bbox="207 1255 667 1329"><tr><td data-bbox="207 1255 354 1287">Check #:</td><td data-bbox="354 1255 667 1287"></td></tr><tr><td data-bbox="207 1287 354 1329">Amount:</td><td data-bbox="354 1287 667 1329">\$</td></tr></table> <div data-bbox="212 1360 1503 1465" style="border: 1px solid black; height: 50px; width: 100%;"></div> Refer to each state's checklist for additional state specific requirements or instructions on calculating fees. ***Refer to each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)	Check #:		Amount:	\$
Check #:					
Amount:	\$				

Effective January 1, 2006

RATE/RULE FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)

1.	This filing transmittal is part of Company Tracking #	NARPL0207-R
2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	NARPL0207-F

Rate Increase
 Rate Decrease
 Rate Neutral (0%)

3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	
-----------	--	--

4a.	Rate Change by Company (As Proposed)						
	Company Name	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
	Fireman's Fund Insurance Company	0%	N/A	N/A	N/A	N/A	N/A
	American Automobile Insurance Company	0%	N/A	N/A	N/A	N/A	N/A

4b.	Rate Change by Company (As Accepted) For State Use Only						
	Company Name	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change	Minimum % Change

Overall Rate Information (Complete for Multiple Company Filings only)			
		COMPANY USE	STATE USE
5a.	Overall percentage rate impact for this filing	0	
5b.	Effect of Rate Filing – Written premium change for this program	0	
5c.	Effect of Rate Filing – Number of policyholders affected	0 - No Rate Impact	

6.	Overall percentage of last rate revision	
7.	Effective Date of last rate revision	
8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	

9.	Rule # or Page # Submitted for Review	Replacement or Withdrawn?	Previous state filing number, if required by state
01	Insurance Agents Errors and Omissions, Page 1-15 [AR], ed 06 07	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	66201
02		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
03		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
04		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
05		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	



**Insurance Agents Errors and Omissions Coverage
Actuarial Memorandum**

Fireman's Fund Insurance Companies®

The Insurance Agents Errors & Omission Coverage ACTUARIAL MEMORANDUM highlights the changes to the current rating plan and the proposed rate impact.

Covered Products:

Removed: Covered Product Modification for TPA Workers Compensation and the premium adjustment. Assumed coverage is part of the base rate.

Rate Impact: No rate impact.

Added: Covered Product Modification for Life Agents for Financial Products Coverage: Mutual Funds, Variable Products and Group Plans. Coverage was offered as an endorsement but now is offered as a standard coverage with the same premium charge.

Rate Impact: No rate impact.

Additional Increased Limits Factors:

Providing additional Per Claim & Aggregate Policy Limit:

\$4M / \$6M

\$4M / \$8M

\$5M / \$10M

Deductible Options

Policy Limit	1.0K	1.5K	2.0K	2.5K	5.0K	7.5K	10K	15K	20K	25K	50K	75K	100K
Policy	Limit	For	LOSS	ONLY	Ded	For	LOSS	ONLY					
4M/6M	1.815	1.809	1.802	1.792	1.761	1.726	1.698	1.647	1.607	1.571	1.454	1.409	1.383
4M/8M	1.841	1.835	1.828	1.818	1.787	1.751	1.723	1.673	1.633	1.596	1.480	1.434	1.408
5M/10M	1.902	1.897	1.889	1.887	1.849	1.814	1.785	1.735	1.695	1.659	1.542	1.497	1.470
Policy	Limit	For	LOSS	ONLY	Ded	For	LOSS	AND	ALE				
4M/6M	1.812	1.808	1.801	1.791	1.754	1.721	1.695	1.646	1.606	1.568	1.452	1.406	1.379
4M/8M	1.838	1.832	1.826	1.816	1.779	1.747	1.721	1.671	1.631	1.594	1.477	1.431	1.405
5M/10M	1.900	1.893	1.886	1.876	1.840	1.808	1.781	1.733	1.692	1.655	1.538	1.493	1.467
Policy	Limit	For	LOSS	AND	ALE	Ded	For	LOSS	ONLY				
4M/6M	1.728	1.722	1.714	1.704	1.674	1.639	1.611	1.561	1.520	1.483	1.366	1.322	1.296
4M/8M	1.765	1.760	1.751	1.741	1.711	1.676	1.648	1.598	1.557	1.520	1.403	1.359	1.333
5M/10M	1.816	1.810	1.802	1.792	1.762	1.726	1.698	1.649	1.607	1.571	1.454	1.410	1.383
Policy	Limit	For	LOSS	AND	ALE	Ded	For	LOSS	AND	ALE			
4M/6M	1.724	1.720	1.713	1.703	1.667	1.635	1.607	1.559	1.519	1.481	1.364	1.319	1.293
4M/8M	1.761	1.758	1.750	1.740	1.704	1.672	1.645	1.596	1.556	1.518	1.401	1.356	1.330
5M/10M	1.812	1.808	1.801	1.791	1.755	1.722	1.695	1.647	1.606	1.569	1.452	1.407	1.380

RATE IMPACT: No rate impact.

Step Factors:

Prior Acts Factors	Current Factors	Proposed Factors	Rate Impact	Competitor: Westport	Competitor: XL/Greenwich	Competitor: GeneralStar
0	0.300	0.600	100%	0600	0.600	0.600
1	0.600	0.700	16.7%	0.750	0.750	0.750
2	0.750	0.800	6.7%	0.900	0.900	0.900
3	0.900	0.900	0.0%	1.000	1.000	1.000
4	1.000	1.000	0.0%			

RATE IMPACT: Minimal impact since “0 Prior Acts Factors” is for insureds not currently written. The proposed Prior Acts factors are aligned with the competition.

Territory Factors:

Territory Definition	Current Territory	Current Territory Factor	Proposed Territory	Proposed Territory Factor	Rate Impact
New Jersey ROS	2	0.900	4	1.100	20%
New York ROS	2	0.900	4	1.100	20%
Florida ROS	4	1.100	5	1.300	20%
New Jersey Metro	4	1.100	5	1.300	20%
New York Metro	4	1.100	5	1.300	20%
Missouri Metro	4	1.100	3	1.000	-10%
Texas – Coastal Counties	4	1.100	5	1.300	20%
Texas – Noncoastal Counties	4	1.100	4	1.100	0%

RATE IMPACT: The rate impact will vary based upon the distribution of the business within and between states.

Product Mix Factors:

Change the Product Mix Factors for:

Product Mix	Current Factor	Proposed Factor	Rate Impact
COMMERCIAL LINES:			
Commercial Nonstandard Fire	0.750	1.000	25%
Commercial Umbrella/Excess	0.900	1.000	10%
Long Haul Trucking	0.900	1.100	20%
Livestock Mortality	0.900	1.000	10%
Professional Liability	1.025	1.100	7.5%
Commercial Wet Marine	0.900	1.075	17.5%
Bonds – All Other	1.200	1.000	-20%
PERSONAL LINES:			
Auto: Nonstandard & Assigned Risk	0.900	1.100	20%
Nonstandard Fire	0.850	1.100	25%
LIFE INSURANCE:			
A&H, Individual	0.800	1.050	25%
Annuities: Fixed	1.000	1.150	15%

No change to remaining products with the PRODUCT MIX table.

Total rate impact will vary based upon insured revenue distribution.

Endorsed Activities:**Financial Products Endorsement:**

For Property & Casualty Insurance Agents, there is no change.

For Life Insurance Agents, the coverage for Mutual Funds, Variable products, and Group Plans will become a covered product; not an endorsement. However, the pricing will be the same (based upon the dollars of revenue generated through the respective products.) Coverage for Securities will continue to be an endorsement with no change to the pricing for the incremental coverage.

RATE IMPACT: No rate impact.

Additional Insureds:

Removed charge for Additional Insureds coverage due to Acquisitions.

RATE IMPACT: Minimal decrease in rating.

Employment Practice Liability:

Revised the deductible and Per Claim and Aggregate Policy Limit offerings.

RATE IMPACT: No rate impact.

Third Party Liability:

Endorsed coverage for Full Employment Practices Liability coverage. Assumes policy limits and deductibles from Full Employment Practices Liability coverage. Pricing is 30% of the Full Employment Practice Liability Premium and is based upon competitor's rate filings. See COMPETITOR RATE COMPARISON.

RATE IMPACT: New coverage – no rate impact.

SERFF Tracking Number: FFDC-125413967 State: Arkansas
 First Filing Company: American Automobile Insurance Company, ... State Tracking Number: EFT \$100
 Company Tracking Number: NARPL0207-R
 TOI: 17.1 Other Liability - Claims Made Only Sub-TOI: 17.1019 Professional Errors & Omissions Liability
 Product Name: Professional Liability for Insurance Agents Errors & Omissions Revision
 Project Name/Number: Professional Liability for Insurance Agents Errors & Omissions Revision/NWPL0207

Superseded Attachments

Please note that all items on the following pages are items, which have been replaced by a newer version. The newest version is located with the appropriate schedule on previous pages. These items are in date order with most recent first.

Original Date:	Schedule	Document Name	Replaced Date	Attach Document
No original date	Rate and Rule	PL-IAE&O-1	01/04/2008	Ins Agts E&O Rate - Rules ed 06 07 AR.pdf

**MISCELLANEOUS PROFESSIONAL LIABILITY
INSURANCE AGENTS ERRORS AND OMISSIONS LIABILITY PROGRAM**

**Fireman's Fund Insurance Company
American Automobile Insurance Company**

ARKANSAS

Rates and Rules

A. Coverages

This program provides claims made errors and omissions coverage (E&O) for insurance agents who sell numerous products offered by the insurance industry. This program is designed specifically for all types of insurance agents (Independent Property & Casualty, Independent Life, Sponsored Property & Casualty and Sponsored Life) who are informed buyers of insurance products. This program contains the flexibility to match coverage needs with all insurance agency requirements.

Professional Liability Coverage provided on a claims made basis is limited to errors and omissions generated from the insurance revenues generated by the sales, service and support operations of Insurance Agencies.

This coverage is a stand-alone Policy. When providing this coverage one of the following coverage forms must be attached to the policy:

- 144212 Independent Life Insurance Agents Errors and Omissions Liability Insurance Coverage
- 144213 Independent Property & Casualty Insurance Agents Errors and Omissions Liability Insurance Coverage
- 144214 Sponsored Life Insurance Agents Errors and Omissions Liability Insurance Coverage
- 144215 Sponsored Property & Casualty Insurance Agents Errors and Omissions Liability Insurance Coverage

B. Rules

Eligible for this program are insurance agencies/agents that sell the following: life insurance, accident, health, property and casualty insurance and financial service products. These insurance agents can be independent agents, employees or independent contractors of Life, Accident, Health or Property & Casualty Insurance Companies.

Coverage is limited to errors and omissions generated from the insurance sales, servicing and support operations of professional Insurance Agencies

Independent Insurance Agents

- Independent Property & Casualty Agents must derive a minimum 51% of revenue from the sales of Property and Casualty Insurance products
- Independent Life Accident and Health Agents must derive a minimum of 51% of revenue from the sale of Life, Accident or Health Insurance products

Sponsored Insurance Agents have an employment or contractual relationship with an Insurance Company sponsoring an Agents Errors & Omissions program for their agents

- Sponsored Life Insurance Companies must predominantly sell Life, Accident or Health Insurance products
- Sponsored Property and Casualty Insurance Companies must predominantly sell Property & Casualty Insurance products
- Purchase of this coverage by the Agents associated with Sponsored Insurance Programs are contained in the specific contractual requirements of the sponsoring company

Insurance Agents of any size participating in a captive plan or arrangement are not eligible for this program.

C. Limits and Deductibles

Various limits and deductibles options are available. See D. 3 below.

D. Rating

1. The base premium for insurance agency E&O protection for agents selling Property & Casualty (P&C) or Life, Accident and Health (LA&H) products is derived from the total annual revenues of the agency and the number of employees.

Base Rate (\$1 MM/\$1 MM w, \$1,000 Deductible):

To develop the *base rate*, multiply the Average Annual Revenue Per Employee Factor by the applicable Base Rate shown in Table 1 below.

- The **Average Annual Revenue Per Employee Factor** is determined by dividing the agency's total annual revenue by the number of employees (i.e., active FTE Principals, Owners & Officers, Licensed Solicitors and administrative staff.)

<u>If the resulting average annual revenue amount is:</u>	<u>Use Adjustment Factor:</u>
\$76,000 or less	1.34
\$77, 000 to \$99,000	For each \$1,000 increase over \$76,000 subtract .01 from 1.34
\$100,000	1.00
\$101,000 to \$149,000	For each \$1,000 increase over \$100,000 subtract .0067 from 1.00
\$150,000	.67
\$151,000 to \$299,000	.62
\$300,000 or higher	.64

• **Table 1 – Exposure**

- | | |
|--|---------------------------------|
| a. Sponsored and Independent P&C Agents Only including Fixed Annuities (Excludes Life, A&H, Mutual Funds, Variable Annuities, Securities) | <u>Base Rate</u>
1.35 |
| b. Sponsored and Independent Life Agents Only including Fixed Annuities (Excludes P&C, Mutual Funds, Variable Annuities, Securities) | <u>Base Rate</u>
1.40 |

Base Premium

Compute the base premium by multiplying the *base rate* (as developed above) by per \$100 of total annual revenue.

As used herein, Sponsored implies that accounts within a Sponsored program will be underwritten as a group. Independent Agents implies that each account will be underwritten on an individual basis.

For staff greater than 70, or annual revenue greater than \$5,000,000, are ineligible.

2. Covered Product Adjustment Charge

To the base premium, add the Covered Product Adjustment Charge.

The Covered Product Adjustment charge is developed based upon the following additional operations applicable to the account. Compute each that applies by multiplying the number of insurance applicable professionals by the corresponding charge that relates to the percentage of total revenue for each such operation, and adding the results.

Table 2. Covered Product Adjustment

Covered Product Modification For:	Percentage of Total Revenue:			
	<15%	15% - 25%	26% - 49%	50%
a. <u>P&C Agents: Including ancillary Coverage for Life and A&H</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)	\$0	\$27	\$54	\$81
b. <u>Life Agents: Including ancillary Coverage of P&C –</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)	\$0	\$13	\$26	\$39
c. <u>TPA Benefit Plan Covered product Modification</u> Active, FTE Principals & Owners & Officers Licensed Solicitors (direct contact with client)	\$0	\$50	\$75	\$100
d. <u>Financial Products for Life Agents: Mutual Funds, Variable and Group Plans</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)	\$300			

3. Insurance Agents Errors and Omissions Limits and Deductible Tables

Multiply the premium developed in 1. & 2. above by factor for the selected deductible and occurrence/aggregate. Factors are distinguished as defense expense inside and outside the deductible and limits as follows:

- Table 3.A. – Defense expense outside of limits, deductible applies to ‘loss only’
- Table 3.B. – Defense expense outside of limit, deductible applies to loss and ALAE
- Table 3.C. – Defense expense within limits, deductible applies to loss only
- Table 3.D – Defense expense within limits, deductible applies to loss and ALAE.

The tables also contain the selected deductible for Financial Coverage Endorsements (Section 11.1) when a deductible of greater than \$2,500 applies.

**Insurance Agents E&O Professional Liability
Increased Limits Factors - Defense Expense Outside of Limits**

(1) Policy Limits	(2) Policy Aggregate	3.A Deductible Factors for Loss Only												
		1,000	1,500	2,000	2,500	5,000	7,500	10,000	15,000	20,000	25,000	50,000	75,000	100,000
Variable Products & Group Plans						0.970	0.960	0.950	0.930	0.900	0.880	0.740	0.560	0.360
Mutual Funds, Variable Products & Group Plans						0.980	0.970	0.960	0.940	0.920	0.900	0.770	0.600	0.410
Mutual Funds, Variable Products, Securities and Group Plans						0.990	0.980	0.970	0.955	0.940	0.920	0.800	0.640	0.460
		1.024237	1.0186											
500,000	1,000,000	0.991	0.986	0.978	0.968	0.938	0.902	0.874	0.825	0.783	0.747	0.630	0.585	0.559
1,000,000	1,000,000	1.000	0.994	0.986	0.976	0.946	0.911	0.883	0.833	0.792	0.755	0.638	0.594	0.568
1,000,000	2,000,000	1.145	1.140	1.132	1.121	1.091	1.056	1.028	0.978	0.937	0.900	0.783	0.739	0.713
1,000,000	3,000,000	1.256	1.251	1.242	1.232	1.202	1.167	1.139	1.089	1.048	1.011	0.894	0.850	0.824
2,000,000	2,000,000	1.333	1.327	1.319	1.309	1.279	1.244	1.215	1.166	1.125	1.088	0.971	0.927	0.901
2,000,000	3,000,000	1.376	1.370	1.362	1.352	1.322	1.286	1.258	1.209	1.167	1.131	1.014	0.970	0.943
2,000,000	4,000,000	1.418	1.413	1.405	1.395	1.364	1.329	1.301	1.251	1.210	1.174	1.057	1.012	0.986
2,000,000	5,000,000	1.452	1.447	1.439	1.429	1.398	1.363	1.335	1.285	1.244	1.208	1.091	1.046	1.020
3,000,000	3,000,000	1.546	1.541	1.533	1.523	1.492	1.457	1.429	1.379	1.338	1.302	1.185	1.140	1.114
3,000,000	4,000,000	1.580	1.575	1.567	1.557	1.526	1.491	1.463	1.413	1.372	1.336	1.219	1.174	1.148
3,000,000	5,000,000	1.623	1.618	1.609	1.599	1.569	1.534	1.506	1.456	1.415	1.378	1.261	1.217	1.191
3,000,000	6,000,000	1.649	1.643	1.635	1.625	1.595	1.559	1.531	1.482	1.440	1.404	1.287	1.243	1.216
4,000,000	4,000,000	1.751	1.746	1.738	1.727	1.697	1.662	1.634	1.584	1.543	1.506	1.389	1.345	1.319
4,000,000	5,000,000	1.785	1.780	1.772	1.762	1.731	1.696	1.668	1.618	1.577	1.541	1.424	1.379	1.353
4,000,000	6,000,000	1.815	1.809	1.802	1.792	1.761	1.726	1.698	1.647	1.607	1.571	1.454	1.409	1.383
4,000,000	8,000,000	1.841	1.835	1.828	1.818	1.787	1.751	1.723	1.673	1.633	1.596	1.480	1.434	1.408
5,000,000	5,000,000	1.819	1.814	1.806	1.796	1.765	1.730	1.702	1.652	1.611	1.575	1.458	1.413	1.387
5,000,000	10,000,000	1.902	1.897	1.889	1.878	1.849	1.814	1.785	1.735	1.695	1.659	1.542	1.497	1.470
6,000,000	6,000,000	1.871	1.865	1.857	1.847	1.817	1.781	1.753	1.704	1.662	1.626	1.509	1.465	1.438
7,000,000	7,000,000	1.922	1.916	1.908	1.898	1.868	1.833	1.804	1.755	1.713	1.677	1.560	1.516	1.490
8,000,000	8,000,000	1.973	1.967	1.959	1.949	1.919	1.884	1.856	1.806	1.765	1.728	1.611	1.567	1.541
9,000,000	9,000,000	2.024	2.019	2.011	2.001	1.970	1.935	1.907	1.857	1.816	1.780	1.663	1.618	1.592
10,000,000	10,000,000	2.075	2.070	2.062	2.052	2.021	1.986	1.958	1.908	1.867	1.831	1.714	1.669	1.643

(1) Policy Limits	(2) Policy Aggregate	3.B Deductible Factors for Loss & ALAE												
		1,000	1,500	2,000	2,500	5,000	7,500	10,000	15,000	20,000	25,000	50,000	75,000	100,000
Variable Products & Group Plans						0.950	0.940	0.930	0.900	0.880	0.860	0.720	0.540	0.340
Mutual Funds, Variable Products & Group Plans						0.960	0.950	0.940	0.920	0.900	0.880	0.750	0.580	0.390
Mutual Funds, Variable Products, Securities and Group Plans						0.970	0.960	0.950	0.935	0.920	0.900	0.780	0.620	0.440
500,000	1,000,000	0.988	0.984	0.977	0.967	0.930	0.898	0.871	0.823	0.782	0.745	0.628	0.582	0.556
1,000,000	1,000,000	0.997	0.992	0.985	0.975	0.939	0.907	0.879	0.831	0.791	0.753	0.636	0.591	0.565
1,000,000	2,000,000	1.142	1.138	1.131	1.120	1.084	1.052	1.025	0.976	0.936	0.898	0.781	0.736	0.710
1,000,000	3,000,000	1.253	1.249	1.241	1.231	1.195	1.163	1.136	1.087	1.047	1.009	0.892	0.847	0.821
2,000,000	2,000,000	1.329	1.325	1.318	1.308	1.272	1.240	1.212	1.164	1.124	1.086	0.969	0.924	0.898
2,000,000	3,000,000	1.372	1.368	1.361	1.351	1.315	1.282	1.255	1.207	1.166	1.129	1.012	0.966	0.940
2,000,000	4,000,000	1.415	1.411	1.404	1.394	1.357	1.325	1.298	1.249	1.209	1.172	1.055	1.009	0.983
2,000,000	5,000,000	1.449	1.445	1.438	1.428	1.391	1.359	1.332	1.283	1.243	1.206	1.089	1.043	1.017
3,000,000	3,000,000	1.543	1.539	1.532	1.522	1.485	1.453	1.426	1.377	1.337	1.300	1.183	1.137	1.111
3,000,000	4,000,000	1.577	1.573	1.566	1.556	1.519	1.487	1.460	1.411	1.371	1.334	1.217	1.171	1.145
3,000,000	5,000,000	1.620	1.616	1.608	1.598	1.562	1.530	1.503	1.454	1.414	1.376	1.259	1.214	1.188
3,000,000	6,000,000	1.645	1.641	1.634	1.624	1.588	1.555	1.528	1.480	1.439	1.402	1.285	1.240	1.213
4,000,000	4,000,000	1.748	1.744	1.737	1.726	1.690	1.658	1.631	1.582	1.542	1.504	1.387	1.342	1.316
4,000,000	5,000,000	1.782	1.778	1.771	1.761	1.724	1.692	1.665	1.616	1.576	1.539	1.422	1.376	1.350
4,000,000	6,000,000	1.812	1.808	1.801	1.791	1.754	1.721	1.695	1.646	1.606	1.568	1.452	1.406	1.379
4,000,000	8,000,000	1.838	1.832	1.826	1.816	1.779	1.747	1.721	1.671	1.631	1.594	1.477	1.431	1.405
5,000,000	5,000,000	1.816	1.812	1.805	1.795	1.758	1.726	1.699	1.650	1.610	1.573	1.456	1.410	1.384
5,000,000	10,000,000	1.900	1.893	1.886	1.876	1.840	1.808	1.781	1.733	1.692	1.655	1.538	1.493	1.467
6,000,000	6,000,000	1.867	1.863	1.856	1.846	1.810	1.777	1.750	1.702	1.661	1.624	1.507	1.462	1.435
7,000,000	7,000,000	1.918	1.914	1.907	1.897	1.861	1.829	1.801	1.753	1.712	1.675	1.558	1.513	1.487
8,000,000	8,000,000	1.970	1.965	1.958	1.948	1.912	1.880	1.852	1.804	1.764	1.726	1.609	1.564	1.538
9,000,000	9,000,000	2.021	2.017	2.010	2.000	1.963	1.931	1.904	1.855	1.815	1.778	1.661	1.615	1.589
10,000,000	10,000,000	2.072	2.068	2.061	2.051	2.014	1.982	1.955	1.906	1.866	1.829	1.712	1.666	1.640

**Insurance Agents E&O Professional Liability
Increased Limits Factors - Defense Expense Inside of Limits**

(1) Policy Limits	(2) Policy Aggregate	3.C Deductible Factors for Loss Only												
		1,000	1,500	2,000	2,500	5,000	7,500	10,000	15,000	20,000	25,000	50,000	75,000	100,000
Variable Products & Group Plans						0.970	0.960	0.950	0.930	0.900	0.880	0.740	0.560	0.360
Mutual Funds, Variable Products & Group Plans						0.980	0.970	0.960	0.940	0.920	0.900	0.770	0.600	0.410
Mutual Funds, Variable Products, Securities and Group Plans						0.990	0.980	0.970	0.955	0.940	0.920	0.800	0.640	0.460
500,000	1,000,000	0.954	0.948	0.940	0.930	0.900	0.865	0.836	0.787	0.745	0.709	0.592	0.548	0.522
1,000,000	1,000,000	0.970	0.965	0.957	0.947	0.916	0.881	0.853	0.803	0.762	0.726	0.609	0.564	0.538
1,000,000	2,000,000	1.069	1.064	1.056	1.045	1.015	0.980	0.952	0.902	0.861	0.824	0.707	0.663	0.637
1,000,000	3,000,000	1.201	1.195	1.187	1.177	1.147	1.112	1.083	1.034	0.993	0.956	0.839	0.795	0.769
2,000,000	2,000,000	1.217	1.212	1.204	1.194	1.163	1.128	1.100	1.050	1.009	0.973	0.856	0.811	0.785
2,000,000	3,000,000	1.292	1.286	1.278	1.268	1.238	1.202	1.174	1.125	1.083	1.047	0.930	0.885	0.859
2,000,000	4,000,000	1.374	1.368	1.360	1.350	1.320	1.285	1.256	1.207	1.166	1.129	1.012	0.968	0.942
2,000,000	5,000,000	1.464	1.459	1.451	1.441	1.411	1.375	1.347	1.298	1.256	1.220	1.103	1.058	1.032
3,000,000	3,000,000	1.423	1.418	1.410	1.400	1.369	1.334	1.306	1.256	1.215	1.179	1.062	1.017	0.991
3,000,000	4,000,000	1.481	1.475	1.467	1.457	1.427	1.392	1.363	1.314	1.273	1.236	1.119	1.075	1.049
3,000,000	5,000,000	1.547	1.541	1.533	1.523	1.493	1.458	1.429	1.380	1.339	1.302	1.185	1.141	1.115
3,000,000	6,000,000	1.605	1.599	1.591	1.581	1.551	1.515	1.487	1.438	1.396	1.360	1.243	1.199	1.172
4,000,000	4,000,000	1.637	1.632	1.624	1.614	1.584	1.548	1.520	1.471	1.429	1.393	1.276	1.231	1.205
4,000,000	5,000,000	1.687	1.681	1.673	1.663	1.633	1.598	1.569	1.520	1.479	1.442	1.325	1.281	1.255
4,000,000	6,000,000	1.728	1.722	1.714	1.704	1.674	1.639	1.611	1.561	1.520	1.483	1.366	1.322	1.296
4,000,000	8,000,000	1.765	1.760	1.751	1.741	1.711	1.676	1.648	1.598	1.557	1.520	1.403	1.359	1.333
5,000,000	5,000,000	1.736	1.731	1.723	1.713	1.682	1.647	1.619	1.569	1.528	1.492	1.375	1.330	1.304
5,000,000	10,000,000	1.816	1.810	1.802	1.792	1.762	1.726	1.698	1.649	1.607	1.571	1.454	1.410	1.383
6,000,000	6,000,000	1.810	1.805	1.797	1.787	1.757	1.721	1.693	1.644	1.602	1.566	1.449	1.404	1.378
7,000,000	7,000,000	1.860	1.854	1.846	1.836	1.806	1.771	1.742	1.693	1.652	1.615	1.498	1.454	1.428
8,000,000	8,000,000	1.909	1.904	1.896	1.886	1.855	1.820	1.792	1.742	1.701	1.665	1.548	1.503	1.477
9,000,000	9,000,000	1.959	1.953	1.945	1.935	1.905	1.869	1.841	1.792	1.750	1.714	1.597	1.553	1.526
10,000,000	10,000,000	2.008	2.003	1.995	1.984	1.954	1.919	1.891	1.841	1.800	1.764	1.647	1.602	1.576

(1) Policy Limits	(2) Policy Aggregate	3.D Deductible Factors for Loss & ALAE												
		1,000	1,500	2,000	2,500	5,000	7,500	10,000	15,000	20,000	25,000	50,000	75,000	100,000
Variable Products & Group Plans						0.950	0.940	0.930	0.900	0.880	0.860	0.720	0.540	0.340
Mutual Funds, Variable Products & Group Plans						0.960	0.950	0.940	0.920	0.900	0.880	0.750	0.580	0.390
Mutual Funds, Variable Products, Securities and Group Plans						0.970	0.960	0.950	0.935	0.920	0.900	0.780	0.620	0.440
500,000	1,000,000	0.950	0.946	0.939	0.929	0.893	0.860	0.833	0.785	0.744	0.707	0.590	0.545	0.518
1,000,000	1,000,000	0.967	0.963	0.956	0.946	0.909	0.877	0.850	0.801	0.761	0.724	0.607	0.561	0.535
1,000,000	2,000,000	1.066	1.062	1.055	1.044	1.008	0.976	0.949	0.900	0.860	0.822	0.705	0.660	0.634
1,000,000	3,000,000	1.197	1.193	1.186	1.176	1.140	1.108	1.080	1.032	0.992	0.954	0.837	0.792	0.766
2,000,000	2,000,000	1.214	1.210	1.203	1.193	1.156	1.124	1.097	1.048	1.008	0.971	0.854	0.808	0.782
2,000,000	3,000,000	1.288	1.284	1.277	1.267	1.231	1.198	1.171	1.123	1.082	1.045	0.928	0.882	0.856
2,000,000	4,000,000	1.370	1.366	1.359	1.349	1.313	1.281	1.253	1.205	1.165	1.127	1.010	0.965	0.939
2,000,000	5,000,000	1.461	1.457	1.450	1.440	1.403	1.371	1.344	1.296	1.255	1.218	1.101	1.055	1.029
3,000,000	3,000,000	1.420	1.416	1.409	1.399	1.362	1.330	1.303	1.254	1.214	1.177	1.060	1.014	0.988
3,000,000	4,000,000	1.478	1.473	1.466	1.456	1.420	1.388	1.360	1.312	1.272	1.234	1.117	1.072	1.046
3,000,000	5,000,000	1.543	1.539	1.532	1.522	1.486	1.454	1.426	1.378	1.338	1.300	1.183	1.138	1.112
3,000,000	6,000,000	1.601	1.597	1.590	1.580	1.544	1.511	1.484	1.436	1.395	1.358	1.241	1.195	1.169
4,000,000	4,000,000	1.634	1.630	1.623	1.613	1.576	1.544	1.517	1.469	1.428	1.391	1.274	1.228	1.202
4,000,000	5,000,000	1.683	1.679	1.672	1.662	1.626	1.594	1.566	1.518	1.478	1.440	1.323	1.278	1.252
4,000,000	6,000,000	1.724	1.720	1.713	1.703	1.667	1.635	1.607	1.559	1.519	1.481	1.364	1.319	1.293
4,000,000	8,000,000	1.761	1.758	1.750	1.740	1.704	1.672	1.645	1.596	1.556	1.518	1.401	1.356	1.330
5,000,000	5,000,000	1.733	1.729	1.722	1.712	1.675	1.643	1.616	1.567	1.527	1.490	1.373	1.327	1.301
5,000,000	10,000,000	1.812	1.808	1.801	1.791	1.755	1.722	1.695	1.647	1.606	1.569	1.452	1.407	1.380
6,000,000	6,000,000	1.807	1.803	1.796	1.786	1.749	1.717	1.690	1.642	1.601	1.564	1.447	1.401	1.375
7,000,000	7,000,000	1.856	1.852	1.845	1.835	1.799	1.767	1.739	1.691	1.651	1.613	1.496	1.451	1.425
8,000,000	8,000,000	1.906	1.902	1.895	1.885	1.848	1.816	1.789	1.740	1.700	1.663	1.546	1.500	1.474
9,000,000	9,000,000	1.955	1.951	1.944	1.934	1.898	1.865	1.838	1.790	1.749	1.712	1.595	1.550	1.523
10,000,000	10,000,000	2.005	2.001	1.994	1.983	1.947	1.915	1.888	1.839	1.799	1.762	1.645	1.599	1.573

4. Claims Made Step Factors

Based on the Insurance Agents E&O Retroactive Date, determine and apply the Claims Made Step Factor.

Table 4 – Claims Made Step Factor

# of Years Prior Acts	Factor
0	.60
1	.70
2	.80
3	.90
4	1.00

5. Territorial Multipliers

The final territorial multiplier is determined by the factor for each state of operation, weighted by the percentage of annual revenue in each of those states. The table below shows the range of factors available for state categories 1-5.

Table 5 - Territorial Multipliers

1	2	3	4	5
.80	.90	1.00	1.10	1.30
AZ, CO, DE, ID, IN, IA, KS, ME, MN, NH, ND, UT, VA, WI, WY	CT, GA, MD, MI, NE, OH	DC, IL-ROS, MA-ROS, MO Metro, MO-ROS, NV, NM, NC, OK, OR, PA-ROS, SD, TN, VT, WA	AK, AR, HI, IL-Metro, KY, MA-Metro, MT, NJ ROS, NY ROS, RI, SC, TX-Noncoastal Counties	AL, CA-Metro, CA-ROS, FL Metro, FL ROS, LA Metro, LA ROS, MS, NJ Metro; NY Metro PA Metro, TX-Coastal Counties, WV

ROS = Remainder of state

6. Claims Experience Multiplier: (For Independent Agents underwritten on an individual basis. If Sponsored program or otherwise a Group, Refer to 12. Group Experience Modification Factor)

The Claims Experience Modifier as determined by the account's claim count (includes reported claims but excludes claims closed with no pay) and historical revenue dollars over the past five years. If historical revenue dollars are not available, current annual revenue times number of claims is used.

Table 6. Claims Experience

Claims History	Factor
No prior claims	.90
Minimal Claims Activity (Defined as frequency less than 0.5 claims/\$1 M of Revenue)	1.05
Significant Claims Activity (Defined as frequency greater than 0.5 claims and 1.5 claims/\$1 M of Revenue)	1.25
Substantial Claims Activity (Frequency greater than 1.5 claims/\$1 M of Revenue)	Ineligible

7. Acquisitions – Multiplier
 Acquisition of assets & liabilities – Yes or No?
 If yes, apply 7.5% debit (1.075)

8. Association/State Program Loss Prevention Seminar annually

20% of management, including Office Manager attends State Program Seminar annually, Yes or No?
 If yes, apply up 7.5% credit (.925)

9. Covered Product Mix/Distribution – Pricing Variable

The total Covered Product Mix/Distribution - Pricing variable factor is determined by the factor for each pricing variable category applicable to account operations, weighted by the percentage of revenue in each such variable. The tables below show the range of factors available for each pricing variable categories below.

Table 7A. Covered Product Mix

1		2
Commercial Lines	Personal Lines	
Fire-Standard – .75	Auto – Standard - .75	Life, Individual - .75
Fire Non-std – 1.00	Auto-Non-std & Assigned Risk – 1.10	Life, Group - .75
SMP/BOP/Pkg - .75	Homeowners & Standard Fire - .85	A&H, Individual - .105
CGL - .85	Non-std fire – 1.10	A&H, Group - .80
Umbrella/Excess – 1.00	Pleasure Boats – 1.00	Annuities, Fixed – 1.15
Auto-Standard - .75	Umbrella – 1.05	Annuities, Variable – 1.20
Auto Non-Std - .85	Other (Specify_____)	HMO/PPO/DSP – 1.00
Long Haul Trucking – 1.10		Other (Specify_____)
Workers Comp - .75		
Livestock Mortality - 1.00		
Crop Coverage - .90		
Medical Malpractice – 1.10		
Prof Liability – 1.10		
Inland Marine - .90		
Wet Marine - .90		
Bonds-Surety – 1.20		
Bonds-All Other – 1.00		
Aviation – 1.25		
Other (Specify_____)		

Table 7B. Distribution

1	2	3
Managing General Agent – 1.10	Percent of agency business placed with: ➤ Admitted carriers - .85 ➤ Non-Admitted carriers – 1.15	% of policies written on a direct bill basis - .90
Surplus Lines Broker – 1.25		% of GPW placed through a Carrier Service Center – 1.05
Reinsurance Intermediary 1.05		% of GPW placed through a State Administration Fund – 1.10
Acting As a Wholesaler – 1.15 (Broker placing business on behalf of other agent/broker)		

10. Schedule Rating:

Table 8. Schedule Rating

Risk Characteristic	Available Credit or Debit
Number of years in business	+/-25%
Continuing Education/Training Program (Other than State Loss Prevention Program)	+/-25%
Binding Authority	+/-25%
Office Procedures	+/- 25%
Proper Control Over Branch Offices	+/-25%
Automation & Diary systems	+/- 25%
Quality of Management	+/- 25%

Total Maximum Modification +/-50%

11. Endorsements – Premium Charges associated with endorsements noted below

1. Financial Products Endorsements

An additional premium charge may apply to Financial Products Endorsements. From the table that follows (Table 9.), this additional premium is computed by multiplying the number of insurance professionals by the corresponding charge that relates to the percentage of total revenue for the Financial Coverage Endorsements to be used on the policy.

Table 9. Financial Product Endorsements (Minimum \$2,500 Deductible Applies)

Financial Product Endorsement Charge	Percentage of Total Revenue:	
	<50%	50% or More
I. <u>Financial Product Coverage: Variable Products & Group Plans (144238 or 144239)</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)	\$81	Ineligible
II. <u>Financial Product Coverage: Mutual Funds & Variable Products & Group Plans (144240 or 144241)</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)	\$300	Ineligible
III. <u>Financial Product Coverage: Mutual Funds, Variable Products, Securities & Group Plans (144242, 144243 Or 144237)</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)	\$475	Ineligible
IV. <u>Financial Product Coverage: Securities Extension (144477)</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)	\$175	Ineligible
V. <u>If Fully Funded MEWAS [144244] is used</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)	\$75	Ineligible

For Financial Coverage Endorsement with deductible greater than \$2,500, select and apply deductible factor from Table 3.A., B. C. or D.

2. Additional Insured: The additional premium for these endorsements is computed by multiplying the *Base Premium* (as developed under D.1.) by the percentage for applicable additional insured coverage endorsement by the number of additional insureds.

Table 10. Additional Insured

Type of Coverage	Charge per additional insured
Full Coverage [144217, 144311]	25%
Vicarious Liability [144218, 144312]	10%

3. Punitive Damages Exclusion = -6% (.94)
4. Independent Life Agents: Independent Contractors Endorsements
The additional premium for these endorsements is computed by multiplying the number of independent contractors for each coverage by the selected charge.

Table 11. Independent Life Agents: Independent Contractors Charge

Type of Coverage, (Subject to \$2,500 deductible)	Charge per Independent Contractor
Separate Limit (144317)	\$350
Shared Limit (144318)	\$200
Blanket Shared Limit (144319)	\$400

5. Limited EPL – Wrongful Supervision/Termination Liability Endorsement

The additional premium for this endorsement is computed by multiplying the number of employees by the corresponding rate applicable to limit/deductible for the endorsement.

Table 12. Limited EPL – Wrongful Supervision/Termination Liability Endorsement -Rates

Per Claim & Aggregate Limit	Deductibles						
	\$1,000	\$2,500	\$5,000	\$10,000	\$25,000	\$50,000	\$100,000
\$250,000/\$1,000,000	\$120	\$118	\$116	\$108	\$98	\$88	\$77
\$500,000/\$1,000,000	\$177	\$174	\$171	\$159	\$149	\$138	\$125
\$1,000,000/\$1,000,000	\$221	\$218	\$214	\$199	\$190	\$180	\$168
\$2,000,000/\$2,000,000	\$332	\$327	\$321	\$299	\$285	\$271	\$252

6. Full EPLI Endorsement Table

The additional premium for this endorsement is computed by multiplying the number of employees by the corresponding rate applicable to limit/deductible for the endorsement.

Table 13. Full EPL Endorsement – Rates

Per Claim & Aggregate Limit	Deductibles						
	\$1,000	\$2,500	\$5,000	\$10,000	\$25,000	\$50,000	\$100,000
\$250,000/\$1,000,000	\$221	\$218	\$214	\$199	\$181	\$163	\$142
\$500,000/\$1,000,000	\$326	\$321	\$315	\$293	\$274	\$254	\$230
\$1,000,000/\$1,000,000	\$408	\$402	\$394	\$366	\$349	\$332	\$308
\$2,000,000/\$2,000,000	\$612	\$603	\$591	\$549	\$524	\$498	\$463

7. Full EPLI including Third Party Liability = +30% of full EPLI charge calculated under 6. above.

12. Group Experience Modification Factor (For Group or Sponsored programs; Not applicable if step 6. Claims Experience Multiplier applies.)

The Experience Modification factor is determined based upon the overall experience of an Insurance Agents Errors and Omissions Group Program, Groups including Company sponsored programs, implies that all accounts within a program will be underwritten as a group, rather than an individual basis. 1.00 or the resulting experience modification factor will be applied to each account. Users will enter appropriate years, year-end dates, loss values, case reserves, etc into an Excel spreadsheet which then calculates the resulting experience modification. Following is a snapshot of the spreadsheet.

**Determination of the Experience Modification Factor
December 31, 2004**

Calendar/ Report Years	Age in Months	Earned Premium	Actual Unlimited Loss & ALAE Data as of December 31, 2004				Actual L&ALE Ratio
			Paid Loss	Paid ALE	Case Reserves	Incurred Loss & ALE	
2000	60						0.000
2001	48						0.000
2002	36						0.000
2003	24						0.000
2004	12						0.000
Total		\$0	\$0	\$0	\$0	\$0	0.000

Calendar/ Report Years	Earned Premium	Actual Loss & ALAE Limited to \$250,000 as of December 31, 2004				Actual L&ALE Ratio
		Paid Loss	Paid ALE	Case Reserves	Incurred Loss & ALE	
2000	0					0.000
2001	0					0.000
2002	0					0.000
2003	0					0.000
2004	0					0.000
Total	\$0	\$0	\$0	\$0	\$0	0.000

Calendar/ Report Years	On-level Earned Premium	Expected Limited L&ALE Ratio	Expected Limited L&ALE Dollars	Experience Modification Factor
2000		0.310	0	
2001		0.306	0	
2002		0.325	0	
2003		0.295	0	
2004		0.011	0	
Total	\$0		\$0	0

13. Policy Minimum Premium

A policy writing minimum premium of **\$2,000** applies only if the total premium for Insurance Agents Errors and Omissions coverage (as developed under preceding sections 1. through 12.) is less than \$2,000.

E. Rating Example:

To illustrate the rating, below is an example based on the rates and rules in this Insurance Agents Services Errors and Omissions Liability Exception pages:

1. Example Risk Information:

Independent P&C Agency with agents handling mainstream, standard commercial package and umbrella accounts. The Agency too sells some ancillary life and accident and health.

Rating exposures:

- 5 insurance professionals, 1 insurance professional handling life insurance
- 10 administrative support (including CSRs)
- Current annual revenue \$2,320,000; Revenue over prior past 5 years \$9,100,000
- Risk State: Colorado
- Deductible: \$5,000
- Limits of Insurance: Each Claim Limit \$1,000,000; Aggregate Limit \$1,000,000
- Defense expense outside limit & deductible
- Effective policy Year, 2006; Current Retro Active Date Year 2002
- 0 claims in the past five years
- Product Mix – 95% of revenue is Commercial Lines (of which 71% SMP/BOP/Package; 24% Umbrella); 5% of revenue is life insurance (100% individual life)
- 100% Coverage is placed only with admitted carriers; 90% is written on a direct bill basis.
- Risk characteristics:
 - Strong managerial controls and continuing education training programs (other than State Loss Prevention Program)
 - No planned acquisition and does not require annual participation in State Program Loss Prevention seminars
 - There has been low turnover on an experienced administrative staff.

2. Rating steps based on example information in section 1. above:

a. Determine the base premium:

First, compute the *base rate*: Multiply the Average Annual Revenue Per Employee Factor by the applicable base rate from Table 1.:

▪ **Average Annual Revenue Per Employee Factor**

<u>If the resulting average annual revenue amount is:</u>	<u>Use Adjustment Factor:</u>
\$76,000 or less	1.34
\$77, 000 to \$99,000	For each \$1,000 increase over \$76,000 subtract .01 from 1.34
\$100,000	1.00
\$101,000 to \$149,000	For each \$1,000 increase over \$100,000 subtract .0067 from 1.00
	.69
\$150,000	.67
\$151,000 to \$299,000	.62
\$300,000 or higher	.64

\$2,320,000 revenue/ 16 employees = \$145,000 average annual revenue per employee
 1.00 - (45 x .0067) = .69

• **Table 1 – Exposure**

<p>a. Sponsored and Independent P&C Agents Only including Fixed Annuities (Excludes Life, A&H, Mutual Funds, Variable Annuities, Securities) <u>Multiply the adjustment factor by this P&C base rate</u></p>	<p><u>Base Rate</u> 1.35 x.69 <u>.931</u></p>
<p>b. Sponsored and Independent Life Agents Only including Fixed Annuities (Excludes P&C, Mutual Funds, Variable Annuities, Securities)</p>	<p><u>Base Rate</u> 1.40</p>

Compute *Base Premium* – Multiply the *Base Rate* by per \$100 of total annual revenue

$$.931 \times 23,200.00 = \$21,600$$

- b. Determine Covered Product Adjustment Charge by multiplying the number of insurance professionals by the corresponding charge that relates to the percentage of total revenue for each such operation, and add the results.

Table 2 – Covered Product Adjustment

Covered Product Modification For:	Percentage of Total Revenue:			
	<15%	15% - 25%	26% - 49%	50%
a. <u>P&C Agents: Including ancillary Coverage for Life and A&H</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)	+0			
b. <u>Life Agents: Including ancillary Coverage of P&C –</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)				
c. <u>TPA Benefit Plan Covered product Modification</u> Active, FTE Principals & Owners & Officers, Licensed Solicitors (direct contact with client)				
d. <u>Financial Products for Life Agents: Mutual Funds, Variable and Group Plans</u> Active, FTE Principals, Owners & Officers, Licensed Solicitors (direct contact with client)				

Sub-total = \$21,600

- c. Enter the desired Per Claim, Aggregate and Deductible options. Distinguish between expense inside the deductible and limits and outside the deductible and limits.

In this example, defense expense is outside chosen limit of \$1,000,000/\$1,000,000 and deductible of \$5,000, therefore, resulting limit and deductible factor from **Table 3. A.** = .946;

$$\text{Sub-total } (21,600 \times .946) = \$20,435$$

- d. Enter the Policy Retroactive Date to determine the appropriate claims made step factor.

Table 4. Claims Made Step Factor

# of Years Prior Acts	Factor
0	.60
1	.70
2	.80
3	.90
4	x 1.00

Sub-total = \$20,435

- e. Enter the percentage of annual revenue for each state of operation for its portion of the total account revenue:

Table 5. Territory Factors

1 (.80)		2 (.90)		3 (1.00)		4 (1.10)		5 (1.30)	
Arizona		Connecticut		DC		Alaska		Alabama	
Colorado	100%	Georgia		Illinois - ROS		Arkansas		CA - Metro	
Delaware		Maryland		MA - ROS		Hawaii		CA - ROS	
Idaho		Michigan		MO-Metro		IL - Metro		FL - Metro	
Indiana		Nebraska		MO - ROS		Kentucky		FL-ROS	
Iowa		Ohio		Nevada		MA - Metro		LA - Metro	
Kansas				New Mexico		Montana		LA - ROS	
Maine				N. Carolina		NJ - ROS		Mississippi	
Minnesota				Oklahoma		NY - ROS		NJ-Metro	
NH				Oregon		Rhode Island		NY-Metro	
N. Dakota				PA - ROS		SC		PA - Metro	
Utah				South Dakota		TX- Noncoastal Counties		TX-Coastal Counties	
Virginia				Tennessee				West Virginia	
Wisconsin				Vermont					
Wyoming				Washington					
Subtotal:	100%		0.0%		0.0%		0.0%		0.0%
Selected Factor(s):	0.80		0.00		0.00		0.00		0.00
Final Territorial Factor .80									
Comments:									

Subtotal: \$16,348

- f. Review the claims reported (excluding claims closed with no payment) relative to revenue over past 5 years, and select factor based on claims experience:

Table 6. Claims Experience

Claims History	Factor
No prior claims	x .90
Minimal Claims Activity (Defined as frequency less than 0.5 claims/\$1 M of Revenue)	1.05
Significant Claims Activity (Defined as frequency greater than 0.5 claims and 1.5 claims/\$1 M of Revenue)	1.25
Substantial Claims Activity (Frequency greater than 1.5 claims/\$1 M of Revenue)	Ineligible

Sub-total = \$14,713

- g. No planned acquisition or annual association/state loss prevention program for this example account.

Sub-total = \$14,713

h. Enter percentage of revenue in accordance with each product mix/distribution category.

Table 7A. Covered Product Mix

1				2	
Commercial Lines		Personal Lines			
Fire-Standard		Auto – Standard		Life, Individual Life, Group A&H, Individual A&H, Group Annuities, Fixed Annuities, Variable HM0/PPO/DSP Other (Specify_____)	5%
Fire Non-std		Auto-Non-std &			
SMP/BOP/Pkg	71%	Assigned Risk			
CGL		Homeowners &			
Umbrella/Excess	24%	Std Fire			
Auto-Standard		Non-std fire			
Auto Non-Std		Pleasure Boats			
Long Haul		Umbrella			
Trucking		Other			
Workers Comp		(Specify___)			
Livestock Mortality					
Crop Coverage					
Medical Malpractice					
Prof Liability					
Inland Marine					
Wet Marine					
Bonds-Surety					
Bonds-All Other					
Aviation					
Other (Specify - _____)					
Sub-total:	95%	Sub total: 0%	1.00%	Sub-Total:	5%
Selected Factor (s):		.95		Selected Factor(s):	1.00

Table 7B. Distribution

1		2		3	
Managing General Agent		Percent of agency business placed with:		% of policies written on a direct bill basis	90%
Surplus Lines Broker		➤ Admitted carriers	100%	% of GPW placed through a Carrier Service Center	
Reinsurance Intermediary		➤ Non-Admitted carriers		% of GPW placed through a State Administration Fund	
Acting As a Wholesaler					
Sub-Total:	---	Sub-Total:	100%	Sub-Total:	90%
Selected Factor(s)	---	Selected Factor(s)	.85	Selected Factor(s):	.90

Total Pricing Variable Factor = .729

Sub-total = \$ 10,721

- i. Enter applicable Schedule Rating modifications – credits or debits.

Table 8. Schedule Rating

Risk Characteristic	Maximum	Available Credit or Debit
Number of years in business	+/-25%	0%
Continuing Education/Training Program (Other than State Loss Prevention Program)	+/-25%	-5%
Binding Authority	+/-25%	0%
Office Procedures	+/-25%	0%
Proper Control Over Branch Offices	+/-25%	0%
Automation & Diary systems	+/-25%	0%
Quality of Management	+/-25%	-10%
Total Modification		-15%

Total Maximum Modification +/-50%

Sub-total = \$9,113

- j. Select requested endorsement/endorsement rated activities.

None apply to this example, **x 1.00**

- k. Group Experience Modification

Not applicable to this example, **x1.00**

Sub-Total = \$9,113

Total Insurance Agents Errors and Omissions Premium = \$9,113