

SERFF Tracking Number: TWRG-125469526 State: Arkansas  
Filing Company: Tower Insurance Company of New York State Tracking Number: #117446 \$100  
Company Tracking Number: 08-AR-2-CF-13  
TOI: 01.0 Property Sub-TOI: 01.0001 Commercial Property (Fire and Allied Lines)  
Product Name: Commercial Property  
Project Name/Number: AR CP Independent Rules/08-AR-2-CF-13

## Filing at a Glance

Company: Tower Insurance Company of New York

Product Name: Commercial Property SERFF Tr Num: TWRG-125469526 State: Arkansas  
TOI: 01.0 Property SERFF Status: Closed State Tr Num: #117446 \$100  
Sub-TOI: 01.0001 Commercial Property (Fire and Allied Lines) Co Tr Num: 08-AR-2-CF-13 State Status: Fees verified and received  
Filing Type: Rule Co Status: Pending Reviewer(s): Betty Montesi, Llyweyia Rawlins, Brittany Yielding  
Author: Sheila Levine Disposition Date: 02/12/2008  
Date Submitted: 01/31/2008 Disposition Status: Exempt from Review  
Effective Date Requested (New): On Approval Effective Date (New): 02/12/2008  
Effective Date Requested (Renewal): On Approval Effective Date (Renewal): 02/12/2008

State Filing Description:

## General Information

Project Name: AR CP Independent Rules Status of Filing in Domicile: Authorized  
Project Number: 08-AR-2-CF-13 Domicile Status Comments:  
Reference Organization: N/A Reference Number: N/A  
Reference Title: N/A Advisory Org. Circular: N/A  
Filing Status Changed: 02/12/2008  
State Status Changed: 02/05/2008 Deemer Date:  
Corresponding Filing Tracking Number: 08-AR-3-CF-14

Filing Description:

Tower Insurance Company of New York (TICNY) is submitting for your approval our independent Commercial Property rules. We are proposing an effective date coincident with your date of approval.

Our independent forms filing is being filed simultaneously with your Department as found in 07-AR-3-CF-14.

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We have mailed check # 117446. Included are the transmittals, explanatory memorandums along with the rules.

## Company and Contact

### Filing Contact Information

Sheila Levine, Senior Business Analyst  
 120 Broadway, 31st Floor  
 New York, NY 10271-3199  
 slevine@twrgroup.com  
 (212) 655-2017 [Phone]  
 (646) 304-3378[FAX]

### Filing Company Information

Tower Insurance Company of New York  
 120 Broadway, 31st Floor  
 New York, NY 10271-3199  
 (212) 655-2000 ext. [Phone]

CoCode: 44300  
 Group Code: 3703  
 Group Name: Tower Group Companies  
 FEIN Number: 13-3548249  
 -----

State of Domicile: New York  
 Company Type: Property & Casualty  
 State ID Number:

## Filing Fees

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

| COMPANY                             | AMOUNT | DATE PROCESSED | TRANSACTION # |
|-------------------------------------|--------|----------------|---------------|
| Tower Insurance Company of New York | \$0.00 | 01/31/2008     |               |

| CHECK NUMBER | CHECK AMOUNT | CHECK DATE |
|--------------|--------------|------------|
| 117446       | \$100.00     | 11/08/2007 |

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## Correspondence Summary

### Dispositions

| Status             | Created By       | Created On | Date Submitted |
|--------------------|------------------|------------|----------------|
| Exempt from Review | Llyweyia Rawlins | 02/12/2008 | 02/12/2008     |

*SERFF Tracking Number:* TWRG-125469526      *State:* Arkansas  
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## **Disposition**

Disposition Date: 02/12/2008

Effective Date (New): 02/12/2008

Effective Date (Renewal): 02/12/2008

Status: Exempt from Review

Comment:

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

Rate data does NOT apply to filing.

SERFF Tracking Number: TWRG-125469526 State: Arkansas  
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 Product Name: Commercial Property  
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| Item Type           | Item Name                    | Item Status                         | Public Access |
|---------------------|------------------------------|-------------------------------------|---------------|
| Supporting Document | PC TD-1                      | Accepted for Informational Purposes | Yes           |
| Supporting Document | Explanatory Memorandums      | Accepted for Informational Purposes | Yes           |
| Rate                | Company Exception Pages      | Accepted for Informational Purposes | Yes           |
| Rate                | Equipment Breakdown Coverage | Accepted for Informational Purposes | Yes           |

*SERFF Tracking Number:*      *TWRG-125469526*                      *State:*                      *Arkansas*  
*Filing Company:*              *Tower Insurance Company of New York*              *State Tracking Number:*      *#117446 \$100*  
*Company Tracking Number:*      *08-AR-2-CF-13*  
*TOI:*                      *01.0 Property*                      *Sub-TOI:*                      *01.0001 Commercial Property (Fire and Allied Lines)*  
  
*Product Name:*                      *Commercial Property*  
*Project Name/Number:*              *AR CP Independent Rules/08-AR-2-CF-13*

## **Rate Information**

Rate data does NOT apply to filing.

SERFF Tracking Number: TWRG-125469526 State: Arkansas  
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## Rate/Rule Schedule

| Review Status:                      | Exhibit Name:                | Rule # or Page #:   | Rate Action | Previous State Filing Attachments Number: |
|-------------------------------------|------------------------------|---------------------|-------------|---|
| Accepted for Informational Purposes | Company Exception Pages      | CF-C-E-1 - CF-C-E-2 | New         | CF-C-E-1_AR.pdf                           |
| Accepted for Informational Purposes | Equipment Breakdown Coverage | EB-R-1 - EB-R-5     | New         | Equipment Breakdown Rates-Rules.pdf       |

**COMMERCIAL LINES MANUAL  
DIVISION FIVE  
COMMERCIAL FIRE AND ALLIED LINES  
COMPANY EXCEPTION PAGES**

**ARKANSAS (03)**

**ADDITIONAL RULE(S)**

**LOSS COST MULTIPLIER**

A loss cost multiplier of **1.538** is to be applied to the loss costs listed in the state pages and Tower's exception pages.

**MINIMUM PREMIUM**

A minimum premium of \$100 shall be applied.

The following are added to Rule 38, Building and Personal Property Coverage Options:

**ENHANCEMENT ENDORSEMENTS**

Attach Commercial Property Enhancement Endorsement **CP9 04 02** to provide increased limits and additional coverages of the specified Subjects of Insurance. A flat charge of \$250 for the initial location and \$50 charge for each additional location shall apply.

Attach Commercial Property Deluxe Enhancement Endorsement **CP9 04 03** to provide increased limits and additional coverages including Employee Dishonesty and Forgery and Alteration of the specified Subjects of Insurance. A flat charge of \$275 for the initial location and \$50 charge for each additional location shall apply.

Attach Increased Limits for Commercial Property Enhancement Endorsement **CP9 19 01** if insured wants to increase standard limits of Enhancement Endorsement **CP9 04 02** or **CP9 04 03**.

To increase the coverage for Accounts Receivable, Electronic Data Processing, Extra Expense, Fine Arts, Fire Department Service Charge, Off Premises Power Failure Direct Damage, Ordinance or Law Coverage, Outdoor Property, Pollutant Clean Up and Removal, Property in Transit, Property Off Premises, Spoilage, Contamination, Change in Temperature or Humidity and Water Backup of Sewers and Drains, a charge of \$3 for each additional \$1,000 of coverage shall apply.

To increase the coverage of Money and Securities, Personal Property of Others, Fire Protection Device Recharge, Valuable Papers and Records, Employee Dishonesty and Forgery and Alteration, a charge of \$5 for each additional \$1,000 of coverage shall apply.

For Extended Business Income, a charge of \$5 for each additional 30 days shall apply.

For Newly Acquired or Constructed Property – Building and Personal Property, Personal Property of Guests, Property Off Premises, a charge of \$5 for each additional \$100,000 of coverage shall apply.

**SMALL BUSINESS COMMERCIAL PROPERTY  
ENHANCEMENT ENDORSEMENT CP9 04 06**

\$10 Flat Charge for Small Business Commercial Property Enhancement per location.

**BUSINESS INCOME COVERAGE PROVIDED ON AN  
ACTUAL LOSS SUSTAINED BASES – CP9 15 01**

BI Coverage provided ALS

In lieu of using the limit of insurance, use the following rating basis:

|   |               |
|---|---------------|
| Mercantile/Non-Manufacturing Operations | Gross Sales   |
| Manufacturing Operations                | Gross Sales   |
| Rental Properties                       | Rental Income |

General Liability Exposure Basis (Sales or Payroll) in the case of Real Estate we utilize the Rental Income.

While we rate the BI coverage similar to how it is rated replacing the limit of insurance with either the Gross Sales or the Rental Income, the BI factor which is utilized via Rule 50 will be replaced with a factor of .31 with Extra Expense, .28 without Extra Expense. This is lower than the normal BI factor because the Gross Sales or the Rental Income will generally be much higher than the BI limit which would be selected on the policy.

**FLOOD ENDORSEMENT**

At the insured's request, attach optional Flood Endorsement **CP9 10 01** to the Causes of Loss – Special Form in order to provide flood coverage. Apply a flat charge as follows to each location:

| Limit of Liability | Premium |
|--------------------|---------|
| \$ 25,000          | \$50.00 |
| 100,000            | 100.00  |
| 250,000            | 150.00  |
| 500,000            | 200.00  |
| 1,000,000          | 250.00  |

Charge an additional \$50.00 for each additional \$1,000,000 worth of flood coverage.

The basic deductible is \$5,000. To increase the deductible, apply the following credits to the above flat charge:

| Deductible | Factor |
|------------|--------|
| \$ 1,000   | 1.10   |
| 2,500      | 1.05   |
| 5,000      | 1.00   |
| 10,000     | 0.85   |
| 25,000     | 0.75   |

**COMMERCIAL LINES MANUAL  
DIVISION FIVE  
COMMERCIAL FIRE AND ALLIED LINES  
COMPANY EXCEPTION PAGES**

**ARKANSAS (03)**

**LIMITED WATER DAMAGE COVERAGE**

At the insured's request, attach optional Limited Water Damage Coverage Endorsement **CP9 10 02** to the Causes of Loss Form in order to provide limited water damage coverage as a COVERED CAUSE OF LOSS. Apply a flat charge as follows to each location:

| Limit of Liability | Premium |
|--------------------|---------|
| \$ 25,000          | \$50.00 |
| 100,000            | 100.00  |
| 250,000            | 150.00  |
| 500,000            | 200.00  |
| 1,000,000          | 250.00  |

The basic deductible is \$1,000. To increase the deductible, apply the following credits to the above flat charge:

| Deductible | Factor |
|------------|--------|
| \$ 2,500   | 0.95   |
| 5,000      | 0.90   |
| 10,000     | 0.85   |
| 25,000     | 0.80   |

**EARTHQUAKE ENDORSEMENT**

At the insured's request, attach optional Earthquake Endorsement **CP9 10 03** to the Causes of Loss – Special Form in order to provide earthquake coverage. Apply a flat charge as follows:

| Limit of Liability   | Premium  |
|----------------------|----------|
| \$ 250,000/1,000,000 | \$100.00 |
| 500,000/1,000,000    | 200.00   |
| 750,000/1,000,000    | 225.00   |
| 1,000,000/1,000,000  | 250.00   |

A deductible of \$25,000 will apply.

**INDIVIDUAL RISK PREMIUM MODIFICATION PLAN**

Rule 3. is replaced by the following:

**RULE 3.  
RATING MODIFICATION**

The company rates for the risk may be modified in accordance with the following rating table to recognize such special characteristics of the risk as are not fully reflected in the basic company premium or company rates. The total credits or debits under the following table shall not exceed 40%.

**Rating Modifications**

| Risk Characteristics          | Description   | Range Of Modifications |        |
|-------------------------------|---|------------------------|--------|
|                               |   | Credits                | Debits |
| <b>Management</b>             | Cooperation in matters of safeguarding and proper handling of the property covered. | 13%                    | 13%    |
| <b>Location</b>               | Accessibility, congestion and exposures.  | 11%                    | 11%    |
| <b>Building Features</b>      | Age, condition and unusual structural features.                                     | 8%                     | 8%     |
| <b>Premises And Equipment</b> | Care, condition and type.   | 8%                     | 8%     |
| <b>Employees</b>              | Selection, training, supervision and experience.                                    | 5%                     | 5%     |
| <b>Protection</b>             | Not otherwise recognized.   | 3%                     | 3%     |

**Table 3. Rating Modifications**

## Equipment Breakdown Coverage

### Independent rates and rules for rating Equipment Breakdown Coverage

**1. Description**

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

**2. Form**

Use Equipment Breakdown Endorsement CP9 04 05 for Commercial Property Coverage Form.

**3. Eligibility**

This optional coverage may be written on any risk eligible for commercial property coverage under Division Five of the ISO Commercial Lines Manual.

**4. Rules**

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

**5. Premium Determination**

A premium charge is required for each Location where coverage applies. Rate each location separately (See exceptions in rule f.).

**a. Property Damage (PD) Premium**

- (1) Determine the average 100% Insurable Value for the eligible occupancy where the Equipment Breakdown coverage will apply (Also see rule f.). Follow the definitions of TIV in the table below.

**Definitions of Insurable Value**

|  |
|--|
| <b>Owner, Owner Occupied</b>   |
| 100% Building + Contents (Excluding Stock) Replacement Value for all covered buildings & contents at a Location.   |
| <b>Owner, Not Owner Occupied</b>   |
| 100% Building Replacement Value for all covered buildings at a Location.   |
| <b>Tenant</b>  |
| 100% Contents (Excluding Stock) Replacement Value  |
| Note: A tenant renting an entire building and who is responsible for the building equipment (Heating, A/C, Electrical) is to be rated the same as an "Owner, Owner Occupied" |

- (2) (a) Determine the Rating Group ID (see below). Multiply the rate that corresponds with the value calculated above. Multiply the rate by the value in 00's. For values not shown, use the formula as illustrated below.

| Rating ID | Description   |
|-----------|---|
| A1        | Buildings, Offices, Retail Sales & Services                         |
| A2        | Places of Public Assembly, Hotels/Motels, Stores with Refrigeration |
| B         | Commercial Printing   |
| C1        | Healthcare (Not including Hospitals)                                |
| C2        | Healthcare (Including Hospitals and Diagnostic Services)            |
| D         | Food Processing and Storage   |
| E         | Metals & Electronics Manufacturing                                  |
| F         | Textiles  |
| G         | Rubber & Plastics   |
| H         | Light Manufacturing   |
| I         | General Utility Services  |

**Table A**

| Rating ID                | A1       |        | A2       |        | B        |         | C1       |         | C2       |         |
|--------------------------|----------|--------|----------|--------|----------|---------|----------|---------|----------|---------|
|                          | C        | e      | C        | e      | C        | e       | C        | e       | C        | e       |
| <b>Formula Constants</b> | 5.691    | 0.752  | 6.419    | 0.752  | 5.075    | 0.530   | 3.735    | 0.650   | 4.890    | 0.650   |
| <b>Insurable Value</b>   | Rate *   | Prem * | Rate *   | Prem * | Rate *   | Prem *  | Rate *   | Prem *  | Rate *   | Prem *  |
| 100,000                  | \$0.1780 | \$178  | \$0.2007 | \$201  | \$0.4420 | \$442   | \$0.1872 | \$187   | \$0.2451 | \$245   |
| 200,000                  | \$0.1056 | \$211  | \$0.1192 | \$238  | \$0.3061 | \$612   | \$0.1193 | \$239   | \$0.1562 | \$312   |
| 400,000                  | \$0.0627 | \$251  | \$0.0707 | \$283  | \$0.2120 | \$848   | \$0.0760 | \$304   | \$0.0995 | \$398   |
| 500,000                  | \$0.0530 | \$265  | \$0.0598 | \$299  | \$0.1884 | \$942   | \$0.0658 | \$329   | \$0.0861 | \$430   |
| 600,000                  | \$0.0462 | \$277  | \$0.0521 | \$313  | \$0.1710 | \$1,026 | \$0.0584 | \$350   | \$0.0765 | \$459   |
| 800,000                  | \$0.0372 | \$298  | \$0.0420 | \$336  | \$0.1468 | \$1,175 | \$0.0484 | \$388   | \$0.0634 | \$507   |
| 1,000,000                | \$0.0315 | \$315  | \$0.0355 | \$355  | \$0.1305 | \$1,305 | \$0.0419 | \$419   | \$0.0549 | \$549   |
| 2,000,000                | \$0.0187 | \$374  | \$0.0211 | \$421  | \$0.0903 | \$1,807 | \$0.0267 | \$534   | \$0.0350 | \$699   |
| 3,000,000                | \$0.0138 | \$413  | \$0.0155 | \$466  | \$0.0729 | \$2,186 | \$0.0205 | \$616   | \$0.0269 | \$806   |
| 4,000,000                | \$0.0111 | \$444  | \$0.0125 | \$500  | \$0.0626 | \$2,503 | \$0.0170 | \$681   | \$0.0223 | \$891   |
| 5,000,000                | \$0.0094 | \$469  | \$0.0106 | \$529  | \$0.0556 | \$2,779 | \$0.0147 | \$736   | \$0.0193 | \$964   |
| 10,000,000               | \$0.0056 | \$556  | \$0.0063 | \$628  | \$0.0385 | \$3,850 | \$0.0094 | \$938   | \$0.0123 | \$1,228 |
| 20,000,000               | \$0.0033 | \$661  | \$0.0037 | \$745  | \$0.0267 | \$5,333 | \$0.0060 | \$1,196 | \$0.0078 | \$1,566 |
| Greater than 20,000      | 0.0033   | -      | 0.0037   | -      | 0.0267   | -       | 0.0060   | -       | 0.0078   | -       |

## Equipment Breakdown Coverage

| Rating ID                | D        |         | E        |         | F        |         | G        |         | H        |         | I        |         |
|--------------------------|----------|---------|----------|---------|----------|---------|----------|---------|----------|---------|----------|---------|
|                          | C        | e       | C        | e       | C        | e       | C        | e       | C        | e       | C        | e       |
| <b>Formula Constants</b> | 4.603    | 0.607   | 3.668    | 0.571   | 1.340    | 0.462   | 16.135   | 0.664   | 2.472    | 0.534   | 3.357    | 0.550   |
| <b>Insurable Value</b>   | Rate *   | Prem *  |
| 100,000                  | \$0.2812 | \$281   | \$0.2645 | \$264   | \$0.1599 | \$160   | \$0.7582 | \$758   | \$0.2114 | \$211   | \$0.2667 | \$267   |
| 200,000                  | \$0.1846 | \$369   | \$0.1780 | \$356   | \$0.1161 | \$232   | \$0.4785 | \$957   | \$0.1460 | \$292   | \$0.1822 | \$364   |
| 400,000                  | \$0.1212 | \$485   | \$0.1198 | \$479   | \$0.0843 | \$337   | \$0.3020 | \$1,208 | \$0.1008 | \$403   | \$0.1244 | \$498   |
| 500,000                  | \$0.1059 | \$529   | \$0.1055 | \$528   | \$0.0761 | \$380   | \$0.2604 | \$1,302 | \$0.0895 | \$447   | \$0.1100 | \$550   |
| 600,000                  | \$0.0948 | \$569   | \$0.0951 | \$570   | \$0.0699 | \$420   | \$0.2307 | \$1,384 | \$0.0812 | \$487   | \$0.0995 | \$597   |
| 800,000                  | \$0.0796 | \$637   | \$0.0807 | \$645   | \$0.0612 | \$490   | \$0.1906 | \$1,525 | \$0.0696 | \$557   | \$0.0850 | \$680   |
| 1,000,000                | \$0.0695 | \$695   | \$0.0710 | \$710   | \$0.0552 | \$552   | \$0.1643 | \$1,643 | \$0.0618 | \$618   | \$0.0752 | \$752   |
| 2,000,000                | \$0.0456 | \$913   | \$0.0478 | \$956   | \$0.0401 | \$802   | \$0.1037 | \$2,074 | \$0.0427 | \$854   | \$0.0513 | \$1,027 |
| 3,000,000                | \$0.0357 | \$1,070 | \$0.0379 | \$1,138 | \$0.0333 | \$998   | \$0.0792 | \$2,377 | \$0.0344 | \$1,031 | \$0.0411 | \$1,232 |
| 4,000,000                | \$0.0300 | \$1,199 | \$0.0322 | \$1,287 | \$0.0291 | \$1,165 | \$0.0655 | \$2,618 | \$0.0295 | \$1,179 | \$0.0351 | \$1,403 |
| 5,000,000                | \$0.0262 | \$1,308 | \$0.0283 | \$1,417 | \$0.0263 | \$1,314 | \$0.0564 | \$2,822 | \$0.0262 | \$1,308 | \$0.0310 | \$1,551 |
| 10,000,000               | \$0.0172 | \$1,718 | \$0.0191 | \$1,907 | \$0.0191 | \$1,908 | \$0.0356 | \$3,563 | \$0.0181 | \$1,807 | \$0.0212 | \$2,118 |
| 20,000,000               | \$0.0113 | \$2,256 | \$0.0128 | \$2,568 | \$0.0139 | \$2,771 | \$0.0225 | \$4,497 | \$0.0125 | \$2,496 | \$0.0145 | \$2,894 |
| Greater than 20,000      | 0.0113   | -       | 0.0128   | -       | 0.0139   | -       | 0.0225   | -       | 0.0125   | -       | 0.0145   | 0       |

To determine the rate for intermediate values, apply the following calculation:

$$=C/(V/1000)^e \quad \text{Where V is the insurable value.}$$

|                              |              |          |                                       |
|------------------------------|--------------|----------|---------------------------------------|
| <b>Example: Rating ID A1</b> | V: \$400,000 | \$0.0627 | =5.691/(400000/1000) <sup>0.752</sup> |
|                              | C: 5.691     | \$251    | =400,000/100 x 0.0627                 |
|                              | e: 0.752     |          |                                       |

**(b) Actual Cash Value**

If the valuation of loss is on an Actual Cash Value basis, multiply the base premium from (2)(a) by a factor of 0.870.

**(3) Inspection and LAE Expense Modification**

The Base Premium determined in Step (2) includes average countrywide charges for Inspection and Loss Adjustment Expense (LAE). The amount charged for these activities may be adjusted using the following steps. If no adjustment is being made, use the Base Premium from Step (2) and proceed to Step (4).

- (a) Using the applicable state's rules governing certificate object inspections, calculate the annual average cost to inspect all policy locations for jurisdictional requirements. Add to this any annual cost expected for loss control activities and for Loss Adjustment Expense.
- (b) Divide the Base Premium from Step (2) by a factor of 4.772 to obtain the Loss Dollars to be used in the calculation of the adjusted Base Premium. Add the dollar amount determined in Step (a) above to those Loss Dollars. Multiply the total dollars by a factor of 1.911 to determine the Base Premium including the adjusted Inspection and LAE Expense.

**(4) Equipment Modification**

The Base Premium includes loss content for all general types of equipment used in building operating systems. The premium may be modified to reflect absence of certain types of equipment or additional equipment not contemplated in the rates.

- (a) Select the Equipment Modification (EM) factor(s) for all applicable items.

| EM Factors | Equipment / Conditions                               |
|------------|--|
| 0.150      | Risk has diagnostic equipment                        |
| (0.240)    | Risk does not have any steam or hot water boilers    |
| 0.200      | Risk uses steam for processing                       |
| 0.500      | Risk has printers with more than 3 color capability  |
| 0.100      | Risk has products in refrigerated storage            |
| (0.150)    | Risk does not have any A/C > 50 hp                   |
| (0.350)    | Risk does not have any A/C equipment                 |
| (0.050)    | Risk does not have any owned transformers            |
| 0.200      | Presses greater than 250 but no larger than 500 tons |
| 0.400      | Presses greater than 500 tons                        |

- (b) Add all EM Factors together and add to 1.000 to create a factor to modify the premium. Multiply the premium from Step (3) by this factor.

## Equipment Breakdown Coverage

### (5) Optional PD Deductibles

The base rates contemplate a deductible of \$500.

- (a) If a deductible other than \$500 is desired, select the applicable Deductible Factor from Table C.

**Table C**

| Deductible Factors |        |
|--------------------|--------|
| Deductible         | Factor |
| 250                | 1.100  |
| 500                | 1.000  |
| 1,000              | 0.940  |
| 2,500              | 0.860  |
| 5,000              | 0.800  |
| 10,000             | 0.730  |
| 25,000             | 0.700  |
| 50,000             | 0.640  |
| 75,000             | 0.610  |

For intermediate values, use next lower deductible for table entry.

- (b) Multiply the adjusted premium from Step (4) above by the Deductible Factor.

### (6) Optional Sublimits

The base rates contemplate up to \$25,000 of coverage at no charge for the following sublimited coverages. The sublimit(s) may be increased to one of the optional limits shown. Only the sublimit values shown may be used.

| Sublimit * | Expediting<br>Expense | Spotage |      | DICC | Hazardous<br>Substance | Computer<br>Equipment | CFCs | Data<br>Restoration |
|------------|-----------------------|---------|------|------|------------------------|-----------------------|------|---------------------|
|            |                       | A       | B    |      |                        |                       |      |                     |
| \$ 50,000  | 0.9                   | 0.6     | 3.2  | 0.9  | 0.9                    | 0.6                   | 0.6  | 2.5                 |
| 75,000     | 1.5                   | 1.0     | 5.0  | 1.5  | 1.5                    | 1.0                   | 1.0  | 4.0                 |
| 100,000    | 1.9                   | 1.2     | 6.2  | 1.9  | 1.9                    | 1.3                   | 1.3  | 5.0                 |
| 250,000    | 3.1                   | 2.0     | 10.4 | 3.1  | 3.1                    | 2.1                   | 2.1  | 8.4                 |
| 500,000    | 4.1                   | 2.8     | 13.6 | 4.1  | 4.1                    | 2.7                   | 2.7  | 10.9                |
| 1,000,000  | 5.0                   | 3.4     | 16.6 | 5.0  | 5.0                    | 3.3                   | 3.3  | 13.4                |

A - Risks that have minimal amount of perishable goods in storage but desire higher sublimit anyway.

B - Risks that have perishable goods in storage, process, or being manufactured with value usually equal to or greater than the sublimit.

CFC - Chlorofluorocarbons, a refrigerant used in A/C or refrigeration systems.

DICC - Demolition and Increased Cost of Construction

\* If limit is indicated as "Included" or "Policy Limit", rate using the \$1,000,000 sublimit factors.

If a PD deductible for a sublimited coverage is different than the policy PD deductible, multiply the applicable sublimit coverage percentage from the table above by a Factor equal to (Table C factor for the optional sublimit deductible / Table C policy deductible factor). If the deductible is being specified as a % of loss subject to a minimum, use the minimum to adjust the factor as described above. Use that adjusted percentage in the creation of the final sublimit factor below.

If a sublimit higher than \$25,000 applies for a sublimited coverage, determine the percentage charge for the applicable coverage and sublimit from the table above. Add all such percentages together, convert to decimal form and add to 1.000 to create a factor to modify the premium. Multiply the premium from Step (5) by this factor.

### b. Business Income (BI), Extra Expense (EE) and Service Interruption (SI) Coverages

#### (1) Both Business Income and Extra Expense Coverages Being Provided

- (a) Determine the 100% Annual BI value for the Locations rated for PD above.

#### (b) Base Rate

The base rates contemplate both BI, EE and SI coverages. Determine the Base Rate from the following table. Use the same "Eligibility Table" used to enter Table A in Rule 5.b..

| Rating Group ID | A1 & A2 | B     | C1 & C2 | D     | E     | F     | G     | H     | I     |
|-----------------|---------|-------|---------|-------|-------|-------|-------|-------|-------|
| Base Rate       | 0.029   | 0.049 | 0.022   | 0.062 | 0.048 | 0.072 | 0.088 | 0.057 | 0.075 |

#### (c) Base Premium

Multiply the 100% Annual BI Value, in 00s, times the Base Rate selected in Step (b) above to obtain the Base Premium.

#### (d) Equipment Modification

Multiply the Base Premium from Step (c) by the Equipment Modification Factor used in Step a.(4) (b).

## Equipment Breakdown Coverage

**(e) Deductible**

The Base Premium contemplates a deductible of 12 Hours (1/2 Day). If an optional deductible applies, multiply the premium from Step (d) by the applicable factor from Table D below.

**Table D**

**BI/EE Deductible Factors**

| Days | Factor | Days | Factor |
|------|--------|------|--------|
| 1    | 0.968  | 6    | 0.817  |
| 2    | 0.920  | 7    | 0.801  |
| 3    | 0.885  | 8    | 0.788  |
| 4    | 0.857  | 9    | 0.776  |
| 5    | 0.835  | 10   | 0.765  |

**(2) Business Income Coverage Only**

Calculate the premium using Rule b.(1). Multiply the premium obtained by a factor of 0.909 to remove the 10% charge included for Extra Expense.

**(3) Service Interruption (SI)**

SI coverage is included. If it does not apply, multiply the premium from Steps (1) or (2) respectively by a factor of 0.870. This is the final BI plus EE or BI Only Premium.

**(4) Extra Expense (EE) Coverage Only**

(a) Determine the Extra Expense Limit that applies.

(b) Calculate a BI plus EE premium using Rule b.(1). Use the EE Limit in 00s in Step b.(1)(c) instead of the 100% Annual BI Value. Multiply the premium obtained by a factor of 0.909 to remove the 10% incremental charge for the EE coverage contained in the combined coverage.

(c) Multiply the Premium from Step (b) by a factor of 0.870 to remove the charge for SI.

(d) Multiply the premium from Step (c) by a factor of 0.750 to obtain the final EE premium .

**c. Risk Modification**

**Range of Modifications**

Evaluate the risk being rated in accordance with the following criteria:

|   | Credits | Debits |
|---|---------|--------|
| a. Age of equipment   | 10%     | 10%    |
| b. Protection (Sheltering and Protective devices)                                     | 10%     | 10%    |
| c. Maintenance of Equipment (preventive, testing, record keeping)                     | 10%     | 10%    |
| d. Accessibility (location of) and ease of repairing / replacing equipment            | 10%     | 10%    |
| e. Condition of equipment (environment, housekeeping)                                 | 10%     | 10%    |
| f. Unique situations (prototype, obsolete, foreign mfg., local availability of parts) | 10%     | 10%    |

**Total debit or credit cannot exceed 25%.**

Note: DO NOT apply any other IRPM or schedule rating plan factors to premiums developed under these rules.

Risk Modification Premium Factor = 1.000 + Total Debit or Credit in decimal form

Add the PD Premium from Step a. and the BI/EE, BI only or EE only Premium from Step b. together. Multiply that total premium by the Risk Modification Factor determined above.

**d. Multi-Location Discount Factors**

Multiply the premium from Step c. above by the applicable multi-location discount factor from the table below. "No. Locations" means number of Locations on an individual policy. This is the final **Equipment Breakdown Premium**.

| No. Locations to be rated | Factor |
|---------------------------|--------|
| 1-3                       | 1.000  |
| 4-10                      | 0.920  |
| 11-20                     | 0.850  |
| >20                       | 0.750  |

**e. Package Policy Credit Included**

Do not include these premiums when applying package credits for other coverage parts.

## Equipment Breakdown Coverage

### f. Optional Methods for Simplified Rating

The rating for a single risk with multiple locations or multiple risks that have the same rating group, coverage and risk exposure characteristics may be simplified by one of the following methods.

#### (1) Average Rate per \$100 of Value

Use one of the representative locations and calculate the premium using Steps a. through e. above. Divide that premium by the location TIV plus the BI value, if applicable, both in 100s. Round the rate / \$100 of value to four decimal places. Use this average rate times the applicable value for other locations to determine their Equipment Breakdown premium.

#### (2) Factor of Property Premium

Use one of the representative locations and calculate the premium using Steps a. through e. above. Divide that premium by the corresponding Commercial Property coverage premium. Round the factor to four decimal places. Use that factor times the Property premium for other locations to determine their Equipment Breakdown premium.

#### (3) Flat Charge

Use one of the representative locations to calculate the premium using Steps a. through e. above. Use the premium calculated to determine the Equipment Breakdown premium for each location.

Any premiums calculated using rule f. must be recalculated annually and applied uniformly to all locations. Multiply the premiums resulting from this rule by a factor of .65 as the last step prior to rounding.

SERFF Tracking Number: TWRG-125469526 State: Arkansas  
Filing Company: Tower Insurance Company of New York State Tracking Number: #117446 \$100  
Company Tracking Number: 08-AR-2-CF-13  
TOI: 01.0 Property Sub-TOI: 01.0001 Commercial Property (Fire and Allied Lines)  
Product Name: Commercial Property  
Project Name/Number: AR CP Independent Rules/08-AR-2-CF-13

## Supporting Document Schedules

**Satisfied -Name:** PC TD-1 **Review Status:** Accepted for Informational Purposes 02/12/2008  
**Comments:** See attached.  
**Attachment:** PC TD-1.pdf

**Satisfied -Name:** Explanatory Memorandums **Review Status:** Accepted for Informational Purposes 02/12/2008  
**Comments:** See attached.  
**Attachments:** CF Rating Rules Explanatory Memorandum.pdf  
Equipment Breakdown Memorandum.pdf

## Property & Casualty Transmittal Document

|   |  |              |  |                  |  |
|---|--|--------------|--|------------------|--|
| <b>1. Reserved for Insurance Dept. Use Only</b> | <b>2. Insurance Department Use only</b><br>a. Date the filing is received:<br>b. Analyst:<br>c. Disposition:<br>d. Date of disposition of the filing:<br>e. Effective date of filing:<br><table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%; border-bottom: 1px solid black;">New Business</td> <td style="border-bottom: 1px solid black;"></td> </tr> <tr> <td style="border-bottom: 1px solid black;">Renewal Business</td> <td style="border-bottom: 1px solid black;"></td> </tr> </table> f. State Filing #:<br>g. SERFF Filing #:<br>h. Subject Codes | New Business |  | Renewal Business |  |
| New Business                                    |  |              |  |                  |  |
| Renewal Business                                |  |              |  |                  |  |

|                      |                     |
|----------------------|---------------------|
| <b>3. Group Name</b> | <b>Group NAIC #</b> |
|                      |                     |

| 4. Company Name(s) | Domicile | NAIC # | FEIN # | State # |
|--------------------|----------|--------|--------|---------|
|                    |          |        |        |         |
|                    |          |        |        |         |
|                    |          |        |        |         |
|                    |          |        |        |         |
|                    |          |        |        |         |
|                    |          |        |        |         |

|                                   |  |
|-----------------------------------|--|
| <b>5. Company Tracking Number</b> |  |
|-----------------------------------|--|

**Contact Info of Filer(s) or Corporate Officer(s)** [include toll-free number]

| 6. | Name and address | Title | Telephone #s | FAX # | e-mail |
|----|------------------|-------|--------------|-------|--------|
|    |                  |       |              |       |        |
|    |                  |       |              |       |        |

|  |  |
|--|--|
| 7. Signature of authorized filer         |  |
| 8. Please print name of authorized filer |  |

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

|  |   |
|--|---|
| 9. Type of Insurance (TOI)   |   |
| 10. Sub-Type of Insurance (Sub-TOI)  |   |
| 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 type="checkbox"/> Rates/Rules<br><input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms<br><input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description) |
| 14. Effective Date(s) Requested  | New: <input style="width: 100px;" type="text"/> Renewal: <input style="width: 100px;" type="text"/>   |
| 15. Reference Filing?  | <input type="checkbox"/> Yes <input type="checkbox"/> No  |
| 16. Reference Organization (if applicable)   |   |
| 17. Reference Organization # & Title   |   |
| 18. Company's Date of Filing   |   |
| 19. Status of filing in domicile   | <input type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved  |

## Property & Casualty Transmittal Document—

20. This filing transmittal is part of Company Tracking #

21. Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]

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]

Check #:  
Amount:

Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.

\*\*\*Refer to the each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)

PC TD-1 pg 2 of 2

## 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.)**

|           |  |  |
|-----------|--|--|
| <b>1.</b> | <b>This filing transmittal is part of Company Tracking #</b> |  |
|-----------|--|--|

|           |   |  |
|-----------|---|--|
| <b>2.</b> | <b>This filing corresponds to form filing number</b><br>(Company tracking number of form filing, if applicable) |  |
|-----------|---|--|

Rate Increase     
  Rate Decrease     
  Rate Neutral (0%)

|           |  |  |
|-----------|--|--|
| <b>3.</b> | <b>Filing Method (Prior Approval, File &amp; Use, Flex Band, etc.)</b> |  |
|-----------|--|--|

|            |   |
|------------|---|
| <b>4a.</b> | <b>Rate Change by Company (As Proposed)</b> |
|------------|---|

| Company Name | Overall % Indicated Change (when applicable) | 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) |
|--------------|--|-----------------------|---|--|----------------------------------|-----------------------------------|-----------------------------------|
|              |  |                       |   |  |                                  |                                   |                                   |
|              |  |                       |   |  |                                  |                                   |                                   |

|            |  |
|------------|--|
| <b>4b.</b> | <b>Rate Change by Company (As Accepted) For State Use Only</b> |
|------------|--|

| Company Name | Overall % Indicated Change (when applicable) | Overall % Rate Impact | Written premium change for this program | # of policyholders affected for this program | Written premium for this program | Maximum % Change | Minimum % Change |
|--------------|--|-----------------------|---|--|----------------------------------|------------------|------------------|
|              |  |                       |   |  |                                  |                  |                  |
|              |  |                       |   |  |                                  |                  |                  |

|           |  |
|-----------|--|
| <b>5.</b> | <b>Overall Rate Information (Complete for Multiple Company Filings only)</b> |
|-----------|--|

|           |  | COMPANY USE | STATE USE |
|-----------|--|-------------|-----------|
| <b>5a</b> | <b>Overall percentage rate indication (when applicable)</b>            |             |           |
| <b>5b</b> | <b>Overall percentage rate impact for this filing</b>                  |             |           |
| <b>5c</b> | <b>Effect of Rate Filing – Written premium change for this program</b> |             |           |
| <b>5d</b> | <b>Effect of Rate Filing – Number of policyholders affected</b>        |             |           |

|           |   |  |
|-----------|---|--|
| <b>6.</b> | <b>Overall percentage of last rate revision</b> |  |
|-----------|---|--|

|           |   |  |
|-----------|---|--|
| <b>7.</b> | <b>Effective Date of last rate revision</b> |  |
|-----------|---|--|

|           |   |  |
|-----------|---|--|
| <b>8.</b> | <b>Filing Method of Last filing (Prior Approval, File &amp; Use, Flex Band, etc.)</b> |  |
|-----------|---|--|

| 9. | Rule # or Page # Submitted for Review | Replacement or withdrawn?  | Previous state filing number, if required by state |
|----|---------------------------------------|--|--|
| 01 |                                       | <input type="checkbox"/> New<br><input type="checkbox"/> Replacement<br><input type="checkbox"/> Withdrawn |  |
| 02 |                                       | <input type="checkbox"/> New<br><input type="checkbox"/> Replacement<br><input type="checkbox"/> Withdrawn |  |
| 03 |                                       | <input type="checkbox"/> New<br><input type="checkbox"/> Replacement<br><input type="checkbox"/> Withdrawn |  |

**COMMERCIAL PROPERTY RATING RULES  
EXPLANATORY MEMORANDUM**

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1. **Commercial Property Enhancement Endorsement, # CP9 04 02 11 06**

2. **Commercial Property Deluxe Enhancement Endorsement, # CP9 04 03 11 06**

These rating rules, an additional charge of \$250 or \$275, complement the optional endorsements providing increased limits of insurance and additional coverages to the ISO Commercial Property forms. The Deluxe Enhancement Endorsement CP9 04 03 contains the same increased limits and additional coverages as the Enhancement Endorsement CP9 04 02 with additional options of Employee Dishonesty and Forgery and Alteration. The Deluxe Enhancement Endorsement will only be offered to insureds purchasing the Commercial Property coverage with the Special Cause of Loss form and Business Income coverage.

3. **Increased Limits for Commercial Property Enhancement Endorsement, # CP9 19 01 05 06**

This rating rule complements the optional endorsement providing increased limits of insurance on the enhancement endorsements. For example, on our proposed Enhancement Endorsement, we are providing \$25,000 worth of Account Receivable coverage; if the insured wishes to increase this coverage to \$30,000 we will provide this additional coverage utilizing the Increased Limits for Commercial Property endorsement. In lieu of charging a flat charge of \$250 we will charge \$265 (flat charge of \$250 plus \$3 for each additional \$1,000 worth of coverage requested).

4. **Equipment Breakdown Coverage, # CP9 04 05 07 06**

5. **Commercial Property Coverage Part Equipment Breakdown Coverage Schedule, # CP9 19 02 07 06**

These rating rules complement the optional endorsements providing Equipment Breakdown Coverage (Boiler and Machinery Coverage) for our Commercial Property.

The rates and rules attached were developed in conjunction with the Hartford Steam Boiler Inspection and Insurance Company (HSB) that reinsures our Equipment Breakdown Exposures 100%. As HSB reinsures our Company 100% for this exposure, we do not have the loss data in sufficient detail necessary to develop rates. For this reason, HSB has provided us with the Loss and LAE components, and related inspection and administrative expenses. The complete details are included in the attached Rate and Rule Filing Memorandum.

6. **Flood Endorsement, # CP9 10 01 10 06**

This rating rule complement the optional endorsement providing direct physical loss of or damage to Covered Property from loss due to flood.

This coverage shall be excess of the maximum amount available under the National Flood Insurance Program (NFIP) whether collectible or not, regardless of whether any of the National Flood Insurance Program coverage(s) are purchased. It is not our intention to offer this additional coverage where the flood exposure is high. We anticipate its use only in area where there is negligible flood exposure. Consequently, our flat charge is based on minimal flood exposure.

The proposed rating structure will be based upon the amount of insurance requested and applying a flat charge. In addition, the basis deductible is \$5,000, which can be increased or decreased with the application of deductible relativity factors.

7. **Limited Water Damage Coverage, # CP9 10 02 10 06**

This rating rule complements the optional endorsement providing direct physical loss of or damage to Covered Property from loss due to water back up from a sewer, drain or sump.

The proposed rating structure will be based upon the amount of insurance requested and applying a flat charge. In addition, the basis deductible is \$1,000, which can be increased with the application of deductible credits.

**8. Earthquake Endorsement, # CP9 10 03 10 06**

This rating rule complements the optional endorsement providing direct physical loss of or damage to Covered Property from loss due to earthquake. The proposed rating structure will be based upon the amount of insurance requested and applying a flat charge.

**9. Business Income Coverage Provided on an Actual Loss Sustained Basis, # CP9 15 01 10 06**

**10. Small Business Commercial Property Enhancement, # CP9 04 06 10 06**

These rating rules complement the optional endorsements providing similar coverage “advantages” of the BOP Coverage Program. For example, the definition regarding Business Personal Property, automatic seasonal increase, modified coinsurance, etc. are included in our proposed form CP9 04 06. We propose a flat charge of \$10.00 per location for this endorsement. This proposal is based on our underwriting judgment.

In addition, the rating rules complement the optional endorsement providing Business Income Coverage on an Actual Loss Sustained basis up to twelve (12) months.

## **Equipment Breakdown Rate and Rule Filing Memorandum**

These rates and rules were developed in conjunction with The Hartford Steam Boiler Inspection and Insurance Company (HSB) that reinsures our Equipment Breakdown exposures 100%. As HSB reinsures our company 100% for this exposure, we do not have the loss data in sufficient detail necessary to develop rates. For this reason, HSB has provided us with the Loss and LAE components, and related Inspection and administrative expenses. This net cost is then grossed up to full rates by using a multiplier that which covers Agents Commission, Taxes, and Tower Group Companies expenses and profit.

### **Property Damage Base Rates**

The Loss information (exclusive of LAE) was derived by HSB using their extensive Boiler and Machinery claims database and relating their claim information to corresponding exposure value (Building and Contents). Unlike ISO's Loss Costs that do not vary by exposure size, HSB has determined that as exposure values increase, the needed loss content decreases, but not on a linear basis. The formula fitted to the data for loss content is of the type:

**Loss Dollars = C1 / (RV<sup>e</sup>)**, where C1 = a constant and e = rating formula exponent to which the Rating (exposure) Value (RV) is raised.

Class codes that share similar risk characteristics and exposure to loss events were grouped (Exposure Groups) and analyzed together. The values for "C" and "e" vary by Exposure Group. Losses were aged and projected forward using appropriate Marshall and Swift Equipment Cost indices.

HSB Inspection percentages, by Exposure Group, were used in conjunction with an LAE and administrative loading derived from HSB data to create the loading applied to the losses to arrive at the net cost given to Tower Group Companies.

Tower Group Companies' multiplier was developed using the agents' commission, tax, company expenses and profit (including NII) components that total 30%.

The Tower Group Companies' multiplier used to create Gross Rates in Table A equals  $1/(1.000-.30) = 1.429$ .

Dividing the Base PD Premium by the 4.772 factor removes everything (including LAE) except the pure loss content that's used in the next step. After determining and adding specific dollar costs for Inspection, LAE and expected loss control activities, that dollar total is multiplied by the 1.911 factor to build back the other HSB and Tower Insurance Company's expenses. The 1.911 is a composite of a factor supplied by HSB and Tower Group Companies' 1.429 factor.

### **Equipment Modification**

These factors were developed by HSB as part of their overall study of loss events. The concept is similar to ISO's "Coverage Modifiers" but provides more categories to allow a better match of price to true exposure.

**Optional Deductibles**

The deductible table is based upon many similar tables currently filed and used in the marketplace. We have added additional categories for use with larger risks.

**Optional Sublimits**

The base rates contemplate a \$25,000 sublimit for the various types of coverage noted. (Note: "Spoilage" coverage is a combination of ISO standard B&M coverages called Ammonia Contamination and Consequential Damage.) Instead of separate, more complex, algorithms, the charge for increasing these sublimited coverages are all factors of the Property Damage premium. The charge for increasing each of the sublimits has typically been kept small because most insureds request that all sublimits be increased to the same level, even if the exposure for some is minimal. This keeps the total charge for the increased sublimits more affordable.

**Business Income (BI) and Extra Expense (EE) Coverage**

This coverage is optional. The base rates are based upon ISO 1997 Loss Costs for representative groups. The BI/EE deductibles are based upon ISO except a single representative group is being used.

**Service Interruption (SI) Coverage**

This coverage is optional. The factor to include it is based upon a representative loading from the ISO Division Two rule for this coverage.

**Risk Modification Factors**

These are similar to the Risk Modifications in the ISO Division Two CLM except some individual categories are capped at a lower level (10% instead of ISO's 20%).

Note that IRPM or Schedule Rating Plans otherwise applicable to Division Five premiums DO NOT apply to the Equipment Breakdown premium.

**Multi-Location Discount Factors**

This table contains factors to recognize that there are progressive economies of scale for procuring, processing and servicing multi-location risks.

**Package Credits**

Equipment Breakdown premiums are not subject to any other CPP/BOP modification.