

SERFF Tracking Number: ACEH-125620640 State: Arkansas
 First Filing Company: ACE American Insurance Company, ... State Tracking Number: EFT \$100
 Company Tracking Number: 08-CP-2007651
 TOI: 01.0 Property Sub-TOI: 01.0001 Commercial Property (Fire and Allied Lines)
 Product Name: 08-CP-2007651
 Project Name/Number: Advantage Conversion Property/08-CP-2007651

Filing at a Glance

Companies: ACE American Insurance Company, ACE Fire Underwriters Insurance Company, ACE Indemnity Insurance Company, ACE Property & Casualty Insurance Company, Bankers Standard Insurance Company, Indemnity Insurance Company of North America, Insurance Company of North America, Pacific Employers Insurance Company

Product Name: 08-CP-2007651 SERFF Tr Num: ACEH-125620640 State: Arkansas
 TOI: 01.0 Property SERFF Status: Closed State Tr Num: EFT \$100
 Sub-TOI: 01.0001 Commercial Property (Fire and Allied Lines) Co Tr Num: 08-CP-2007651 State Status: Fees verified and received
 Filing Type: Rate/Rule Co Status: Reviewer(s): Betty Montesi, Llyweyia Rawlins, Brittany Yielding
 Authors: Connie McFarlane, Karen Schwabe, Renice Cox Disposition Date: 04/29/2008
 Date Submitted: 04/25/2008 Disposition Status: Exempt from Review
 Effective Date Requested (New): 03/01/2009 Effective Date (New): 03/01/2009
 Effective Date Requested (Renewal): 03/01/2009 Effective Date (Renewal): 03/01/2009

State Filing Description:

General Information

Project Name: Advantage Conversion Property Status of Filing in Domicile: Pending
 Project Number: 08-CP-2007651 Domicile Status Comments:
 Reference Organization: Reference Number:
 Reference Title: Advisory Org. Circular:
 Filing Status Changed: 04/29/2008 Deemer Date:
 State Status Changed: 04/29/2008
 Corresponding Filing Tracking Number:
 Filing Description:
 The purpose of this filing is to adopt the Insurance Services Office, Inc.'s Division Five – Fire and Allied Lines forms that ISO has filed on our behalf in place of our existing Advantage Commercial Package Product forms. To assist you with

SERFF Tracking Number: ACEH-125620640 State: Arkansas
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your review we are providing a comparison of the Advantage Commercial Property Form with the ISO Building and Personal Property Form as well as the more detailed Policyholder Notice that will be provided to our existing policyholders.

Company and Contact

Filing Contact Information

Renice Cox, Regulatory Specialist renice.cox@ace-ina.com
 436 Walnut Street, WB04G (215) 640-4876 [Phone]
 Philadelphia, PA 19106 (215) 640-4986[FAX]

Filing Company Information

ACE American Insurance Company	CoCode: 22667	State of Domicile: Pennsylvania
PO Box 1000	Group Code: 626	Company Type:
436 Walnut Street		
Philadelphia, PA 19106	Group Name:	State ID Number:
(215) 640-5123 ext. [Phone]	FEIN Number: 95-2371728	

ACE Fire Underwriters Insurance Company	CoCode: 20702	State of Domicile: Pennsylvania
PO Box 1000	Group Code: 626	Company Type:
436 Walnut Street		
Philadelphia, PA 19106	Group Name:	State ID Number:
(215) 640-5123 ext. [Phone]	FEIN Number: 06-6032187	

ACE Indemnity Insurance Company	CoCode: 10030	State of Domicile: Pennsylvania
PO Box 1000	Group Code: 626	Company Type:
436 Walnut Street		
Philadelphia, PA 19106	Group Name:	State ID Number:
(215) 640-5123 ext. [Phone]	FEIN Number: 92-0040526	

ACE Property & Casualty Insurance Company	CoCode: 20699	State of Domicile: Pennsylvania
PO Box 1000	Group Code: 626	Company Type:
436 Walnut Street		
Philadelphia, PA 19106	Group Name:	State ID Number:
(215) 640-5123 ext. [Phone]	FEIN Number: 06-0237820	

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Bankers Standard Insurance Company CoCode: 18279 State of Domicile: Pennsylvania
 PO Box 1000 Group Code: 626 Company Type:
 436 Walnut Street
 Philadelphia, PA 19106 Group Name: State ID Number:
 (215) 640-5123 ext. [Phone] FEIN Number: 59-1320184

Indemnity Insurance Company of North America CoCode: 43575 State of Domicile: Pennsylvania
 America Group Code: 626 Company Type:
 PO Box 1000
 436 Walnut Street Group Name: State ID Number:
 Philadelphia, PA 19106 FEIN Number: 06-1016108
 (215) 640-5123 ext. [Phone]

Insurance Company of North America CoCode: 22713 State of Domicile: Pennsylvania
 PO Box 1000 Group Code: 626 Company Type:
 436 Walnut Street
 Philadelphia, PA 19106 Group Name: State ID Number:
 (215) 640-5123 ext. [Phone] FEIN Number: 23-0723970

Pacific Employers Insurance Company CoCode: 22748 State of Domicile: Pennsylvania
 PO Box 1000 Group Code: 626 Company Type:
 436 Walnut Street
 Philadelphia, PA 19106 Group Name: State ID Number:
 (215) 640-5123 ext. [Phone] FEIN Number: 95-1077060

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 TOI: 01.0 Property Sub-TOI: 01.0001 Commercial Property (Fire and Allied Lines)
 Product Name: 08-CP-2007651
 Project Name/Number: Advantage Conversion Property/08-CP-2007651

Filing Fees

Fee Required? No
 Retaliatory? No
 Fee Explanation:
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
ACE American Insurance Company	\$100.00	04/25/2008	19903898
ACE Fire Underwriters Insurance Company	\$0.00	04/25/2008	
ACE Indemnity Insurance Company	\$0.00	04/25/2008	
ACE Property & Casualty Insurance Company	\$0.00	04/25/2008	
Bankers Standard Insurance Company	\$0.00	04/25/2008	
Indemnity Insurance Company of North America	\$0.00	04/25/2008	
Insurance Company of North America	\$0.00	04/25/2008	
Pacific Employers Insurance Company	\$0.00	04/25/2008	

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Exempt from Review	Llyweyia Rawlins	04/29/2008	04/29/2008

Amendments

Item	Schedule	Created By	Created On	Date Submitted
FILE MEMO	Supporting Document	Connie McFarlane	04/25/2008	04/25/2008

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Disposition

Disposition Date: 04/29/2008

Effective Date (New): 03/01/2009

Effective Date (Renewal): 03/01/2009

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/rules filing and review requirements.

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	POLICYHOLDERS NOTICE	Accepted for Informational Purposes	Yes
Supporting Document	EXPENSE PROVISION	Accepted for Informational Purposes	Yes
Supporting Document	PROPERTY RATE EFFECT SUMMARY	Accepted for Informational Purposes	Yes
Supporting Document	PROPERTY BUSINESS INDICATION	Accepted for Informational Purposes	Yes
Supporting Document	RATING SUPPORT	Accepted for Informational Purposes	Yes
Supporting Document	REFERENCE FILING ABSTRACT RF1 AND RF2	Accepted for Informational Purposes	Yes
Supporting Document	FILE MEMO	Accepted for Informational Purposes	Yes
Rate	Additional Rules-Program Buainess Equipment Breakdown Coverage	Accepted for Informational Purposes	Yes
Rate	Additional Rules-Westchester Programs	Accepted for Informational Purposes	Yes
Rate	Additional Rules-Medical Risk	Accepted for Informational Purposes	Yes
Rate	MULTISTATE FIRE & ALLIED LINES RULE PAGE	Accepted for Informational Purposes	Yes

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Amendment Letter

Amendment Date:

Submitted Date: 04/25/2008

Comments:

ATTACHED IS THE FILE MEMO WHICH I INADVERTANTLY OMITTED FROM THE FILING

Changed Items:

Supporting Document Schedule Item Changes:

User Added -Name: FILE MEMO

Comment:

AR Property Filing Memo.pdf

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TOI: *01.0 Property* *Sub-TOI:* *01.0001 Commercial Property (Fire and Allied Lines)*

Product Name: *08-CP-2007651*
Project Name/Number: *Advantage Conversion Property/08-CP-2007651*

Rate Information

Rate data does NOT apply to filing.

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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	Additional Rules- Program Buainess Equipment Breakdown Coverage	PG-EB-1-6	New	Westchester Programs Manual Rules - Equipment Breakdown.pdf
Accepted for Informational Purposes	Additional Rules- Westchester Programs	PG-1	New	Westchester Programs Manual Rules - Fire & Allied Lines.pdf
Accepted for Informational Purposes	Additional Rules- Medical Risk	MR-1 -2	New	Medical Risk Manual Rules - Fire & Allied Lines.pdf
Accepted for Informational Purposes	MULTISTATE FIRE & ALLIED LINES RULE PAGE	CF-E-1	New	Multistate Fire & Allied Lines Rule Page - AR.pdf

**COMMERCIAL LINES MANUAL
DIVISION FIVE
FIRE & ALLIED LINES
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**ADDITIONAL RULES – PROGRAM BUSINESS
EQUIPMENT BREAKDOWN COVERAGE**

1. Form And Description Of Coverage

Use Equipment Breakdown Coverage **FA-7Y32** to provide coverage for fortuitous mechanical breakdown of pressure, mechanical and electrical equipment.

2. Rules

In the Schedule of Endorsement **FA-8Y96** indicate the following:

- a. A Limit of Insurance for:
 - 1) Expediting Expense
 - 2) Hazardous Substances
 - 3) Spoilage
 - 4) Computer Equipment
 - 5) CFC Refrigerants
 - 6) Demolition and Increased Cost of Construction
 - 7) Data Restoration
- b. A Deductible amount for:
 - 1) Combined, All Coverages
 - 2) Property Damage Coverages
 - 3) Loss of Income and Extra Expense Coverages (\$ or time or ADV)
- c. Any other conditions that apply.

3. Premium Determination

- a. **All programs other than Recyclers and Waste Haulers**
 - 1) Determine the Final Modified Property Premium (F.M.P.P)

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- 2) Multiply the F.M.P.P. by the fixed percentage shown in the following table for the specified Program:

Program Name	% of Property Premium
Aviation Based Operators	4%
Camps	7%
Welding Supply Distributors	4%
Small Property	7%
Fairs	4%
Day Care	10%
Pre-kindergarten through sixth grade schools	10%
Golf Clubs	7%
Rodeos	7%
Fire Sprinkler Contractors	4%
Homeowner Associations	4%
Carnivals	7%
Municipalities	7%
Bowling Centers	7%
All Other Programs	7%

- 3) Equipment Breakdown coverage includes a sub-limit of \$25,000 for each coverage extension shown in the table below. To increase the sub-limit for one or more coverage extensions (subject to your authority) add the sum of the sub-limit factors to a base factor of 1.0. Apply the resultant factor to the premium developed in step 2) above.

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Sub-Limit Amount	Sub-Limit Factors					
	Spoilage	Expediting Expense	Hazardous Substance	Computer Equipment	CFC Refrigerants	Demolition/ I.C.C.
\$0-25,000	0	0	0	0	0	0
25,001-50,000	.036	0.010	0.009	0.020	0.021	0.009
50,001-75000	Referral	0.015	0.015	0.025	0.042	0.015
75001-100,000	Referral	0.020	0.019	0.029	0.064	0.019
100,001-250,000	Referral	0.025	Referral	Referral	0.075	0.023
250,001-500,000	Referral	0.03	Referral	Referral	0.080	0.027

Notes:

- i. Ammonia contamination is included with Spoilage.
 - ii. Sub limits greater than \$500,000 will be considered a Referral.
- 4) Multiply the premium from Step 3 by the applicable Deductible Factor in the following table to develop the final premium.

Deductible	Deductible Factor
\$250	1.05
\$500	1.00
\$1,000	0.993
\$2,500	0.973
\$10,000	0.905
\$25,000	0.780
\$75,000	0.758
\$100,000	0.735

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5) Rating Example

The Final Modified Property Premium (F.M.P.P.) is \$10,000. All Equipment Breakdown sub-limits are \$50,000. The Deductible amount is \$2,500. The Program is Day Care.

Multiply the F.M.P.P. by the percentage of Property Premium for the Program. Multiply the result by the Sub-limit factor and the Deductible Factor.

$$\text{F.M.P.P.} = \$10,000 \times 10\% = \$1,000.$$

$$\text{Sub-limit factors} = 1.0 + .036 + .01 + .009 + .02 + .021 + .009 = 1.105$$

$$\text{Deductible Factor} = .973$$

$$\$1,000 \times 1.105 \times .973 = \$1,075$$

b. Recyclers Program

- 1) Determine the base Property Damage (PD) rate based on the Total Insured Values (TIV) shown in the table below.

TIV	PD Only Rate per \$100 TIV	Additional Rate per \$100 TIV for Business Income
Less than or equal to \$5,000,000	.056	.038
Greater than \$5,000,000	.048	.032

- 2) Multiply the base Property Damage rate by the Deductible factor shown in the table below.

Deductible	Deductible Factor
\$5,000	1.00
\$2,500	1.15
\$10,000	0.93
\$25,000	0.88
\$50,000	0.85
\$100,000	0.80

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- 3) To increase the included base sub-limits of insurance to an amount shown in the table below apply the applicable sub-limit factor to the rate developed in step 2) above.

Sub-limit Amount	Sub-limit Factor
\$50,000	1.05
\$100,000	1.08

- 4) Multiply the resulting rate by the Total Insured Value in hundreds to determine the premium.

5) Rating Example

The Total Insured Value is \$5,000, 000. All Equipment Breakdown sub-limits are \$50,000. The Deductible amount is \$10,000.

Multiply the PD rate by Deductible Factor and the Sub-limit factor. Add the BI rate to the PD rate and multiply the combined rate by the TIV.

$$.056 \times .93 \times 1.05 = .055$$

$$.055 + .038 = .093$$

$$\$5,000,0(00) \times .093 = \$4,650$$

c. Waste Haulers Program

- 1) Determine the base Property Damage (PD) rate based on the Total Insured Values (TIV) shown in the table below.

TIV	PD Only Rate per \$100 TIV	Additional Rate per \$100 TIV for Business Income
Less than or equal to \$5,000,000	.045	.030
Greater than \$5,000,000	.038	.026

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- 2) Multiply the base Property Damage rate by the Deductible factor shown in the table below.

Deductible	Deductible Factor
\$5,000	1.00
\$2,500	1.15
\$10,000	0.93
\$25,000	0.88
\$50,000	0.85
\$100,000	0.80

- 3) To increase the included base sub-limits of insurance to an amount shown in the table below apply the applicable sub-limit factor to the rate developed in step 2) above.

Sub-limit Amount	Sub-limit Factor
\$50,000	1.05
\$100,000	1.08

- 4) Multiply the resulting rate by the Total Insured Value in hundreds to determine the premium.

5) Rating Example

The Total Insured Value is \$5,000, 000. All Equipment Breakdown sub-limits are \$50,000. The Deductible amount is \$10,000.

Multiply the PD rate by Deductible Factor and the Sub-limit factor. Add the BI rate to the PD rate and multiply the combined rate by the TIV.

$$.045 \times .93 \times 1.05 = .044$$

$$.044 + .03 = .074$$

$$\$5,000,0(00) \times .074 = \$3,700$$

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**ADDITIONAL RULES
WESTCHESTER PROGRAMS**

A. SPECIAL EXTENSIONS OF COVERAGE FORMS

1. Attach Special Extensions of Coverage **FA-23072** to all policies other than policies issued in Alaska, New York and Louisiana unless a specific program Special Extensions of Coverage form applies. For policies issued in Alaska and New York use **FA- 23071**; for policies issued in Louisiana use **FA-23081**.

Rating:

Apply a flat charge of \$50 per policy.

2. Attach Community Association Special Extensions of Property Coverage **FA-23070** to all homeowners association program policies issued in Texas.

Rating:

Apply a flat charge of \$316 per policy.

3. Attach Recycling Special Extensions of Property Coverage **FA-23074** to all recycling program policies other than policies issued in Alaska, New York and Louisiana. For policies issued in Alaska and New York use **FA-23075**; for policies issued in Louisiana use **FA-23068**.

Rating:

Apply a flat charge of \$500 per policy.

4. Attach Public Entity Special Extensions of Property Coverage **FA-23076** to all public entity program policies other than policies issued in Alaska, New York and Louisiana. For policies issued in Alaska and New York use **FA-23077**. This coverage is not available in Louisiana.

Rating:

Apply a flat charge of \$150 per policy.

**COMMERCIAL LINES MANUAL
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**ADDITIONAL RULES
MEDICAL RISK**

A. PROPERTY FORMS

1. Life Sciences Extensions of Property Coverage **FA-23317** is an optional endorsement that may be used to provide commonly requested extensions of property coverage on Life Science policies. Refer to the endorsement for the additional coverage provided.

Rating:

Apply the appropriate charge based on the number of insured locations in accordance with the following table:

# of locations	premium charge (per policy)
1	\$ 500
2	\$ 875
3	\$1,125
4	\$1,325
5	\$1,500

2. Long Term Care Property Extensions of Property Coverage **FA-23318** is an optional endorsement that may be used to provide commonly requested extensions of property coverage on Long Term Care policies. Refer to the endorsement for the additional coverage provided.

Rating:

Apply the appropriate charge based on the number of insured facilities in accordance with the following table:

# of facilities	premium charge (per policy)
1	\$ 500
2	\$ 875
3	\$1,125
4	\$1,325
5	\$1,500

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3. Research & Development Expenditures Special Extensions of Coverage **FA-23320** is mandatory for insureds with research and development exposures and is used to modify the Business Income and Extra Expense Coverage Form provisions to provide coverage for Research and Development Expenditures for Life Sciences policies. There is no charge associated with the use of this endorsement.
4. Small Business Preferred Extensions of Property Coverage **FA-23321** is an optional endorsement that may be used to provide commonly requested extensions of property coverage on policies other than for Life Sciences or Long Term Care. Refer to the endorsement for the additional coverage provided.

Rating:

Apply a flat charge of \$150 per policy.

5. Business Income and Extra Expense Actual Loss Sustained **FA-23314** is an optional endorsement used to provide coverage for Business Income and Extra Expense on small business policies. Coverage is provided for the actual loss of business income for up to one year from the date of loss to building or personal property in lieu of a dollar Limit of Insurance.

Rating:

- a. Multiply the 80% base property rate by the appropriate factor in the following table to obtain the Business Income rates, regardless of the coinsurance percentage at which the building is written.

Coinsurance Percentage	Percentage of 80% Building Rates		
	Rental Property	Tuition Fees	Other
50%	74%	105%	80%
75%	64%	92%	62%
100%	55%	80%	50%

- b. Apply the rate developed in paragraph 5.a. to 100% Limit of Insurance based on the insured's annual income.

6. Contamination Endorsement **FA-23316**

is an optional endorsement that may be used to provide coverage for radioactive contamination from accidental release or escape during the policy period up to a limit of \$250,000. A limit of liability must be shown on the endorsement.

Rating:

Use the Contents rate times the applicable expense multiplier per \$100 limit of liability.

COMMERCIAL LINES MANUAL

DIVISION FIVE – COMMERCIAL FIRE & ALLIED LINES

ISO GENERAL RULES

Rule 1. APPLICATION OF THIS DIVISION

The following is added to **Rule 1.D.4. Loss Cost Conversion**:

To convert the applicable ISO prospective loss costs in this Division to rates multiply the ISO prospective loss cost by a Company Loss Cost Multiplier of 1.500. To calculate the final rate multiply the resultant rates by the appropriate industry Loss Adjustment Factor from the following table:

Loss Adjustment Factors

<u>Industry</u>	Property		
	<u>Real Property</u>	<u>Personal Property</u>	<u>Time Element</u>
Amusements	1.000	1.000	1.000
Communications	1.000	1.650	1.000
Fairs	1.000	1.000	1.000
All Other	1.000	1.000	1.000

Rule 8. POLICY WRITING MINIMUM PREMIUM

- | | | |
|-----------|-----------------------------|-------|
| A. | Prepaid Policies | \$250 |
| B. | Annual premium payment plan | |
| | Of continuous policies | \$250 |

ACE American Insurance Company
ACE Fire Underwriters Insurance Company
ACE Indemnity Insurance Company
ACE Property and Casualty Insurance Company
Bankers Standard Insurance Company
Indemnity Insurance Company of North America
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Pacific Employers Insurance Company

Rule 9. Additional Premium Changes

Waive additional premium of \$50.00 or less. This waiver applies only to that portion of the premium due on the effective date of the policy change.

Rule 10. Return Premium Changes

Waive return premium of \$50.00 or less. Grant any return premium due if requested by the insured. The waiver applies only to that portion of the premium due on the effective date of the policy change.

Rule 31.C.9. Valuable Papers and Records – Cost of Research

Apply a rate of 0.13 to the amount of coverage (in 100's) in excess of \$2,500 per premises to determine the premium. If the deductible applicable to personal property is other than the base deductible contemplated in the property damage rates, multiply the premium by the appropriate deductible factor in accordance with Rule 33.

Rule 38.K. Newly Acquired Property – Increased Limit

Multiply the amount of coverage (in 100's) in excess of \$250,000 by .01 to determine the premium.

Rule 66.F.4. Legal Liability Coverage Form – Newly Acquired Property – Increased Limit Option

Multiply the amount of coverage (in 100's) in excess of \$250,000 by .01 to determine the premium.

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Supporting Document Schedules

Satisfied -Name: POLICYHOLDERS NOTICE **Review Status:** Accepted for Informational Purposes 04/29/2008

Comments:

Attachment:

Policyholder Notice - ISO Commerical Property 04-02 Edition (All other States).pdf

Satisfied -Name: EXPENSE PROVISION **Review Status:** Accepted for Informational Purposes 04/29/2008

Comments:

Attachment:

AR - Profit Template - ADV Prop.pdf

Satisfied -Name: PROPERTY RATE EFFECT SUMMARY **Review Status:** Accepted for Informational Purposes 04/29/2008

Comments:

Attachment:

AR Effect Mon Prop.pdf

Satisfied -Name: PROPERTY BUSINESS INDICATION **Review Status:** Accepted for Informational Purposes 04/29/2008

Comments:

Attachment:

AR Indication Mon Prop.pdf

Satisfied -Name: RATING SUPPORT **Review Status:** Accepted for Informational Purposes 04/29/2008

Comments:

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Attachments:

- Rating Support - Life Sciences Special Extensions FA-23317.pdf
- Rating Support - Long Term Care Special Extensions FA-23318.pdf
- Rating Support - Public Entity Special Extensions Form FA-23076 (All states ex. AK, NY & LA).pdf
- Rating Support - Recycling Special Extensions Form FA-23074 (All states ex. AK, NY & LA).pdf
- Rating Support - Small Business Preferred Extensions Form FA-23321.pdf
- Rating Support - Special Extensions Form FA-23072 (All Other States).pdf

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Product Name: 08-CP-2007651
Project Name/Number: Advantage Conversion Property/08-CP-2007651

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AR RFAF2 ISO ADV Prop Mono.pdf
AR RFARF1 ISO ADV Prop Mono.pdf

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ADVISORY NOTICE TO POLICYHOLDERS (04/02)

This Summary highlights certain changes in coverage resulting from the withdrawal of the Advantage Series Coverage Forms and adopting Insurance Services Office (ISO) Coverage Forms and Endorsements.

No coverage is provided by this summary nor can it be construed to replace any provisions in your policy. You should read your policy and review your declaration page for complete information on the coverage you are provided. If there is any conflict between the policy and this summary **THE POLICY PROVISIONS OF THIS POLICY SHALL PREVAIL.**

This Summary provides a detailed narrative identifying similarities and differences in coverage between the present Advantage Series Commercial Program and the ISO Commercial Property Program (Division Five.) This summary is limited to the Property Coverage Forms, Basic and Special Causes of Loss Forms, Business Income and Extra Expense Forms, Commercial Property Conditions and Common Policy Conditions. Not included in this summary are special conditions, optional forms or endorsements.

Building and Personal Property Coverage Form

Covered Property – Building

1. The definition of Real Property under Advantage is generally anything built on land. Under **Property Not Covered**, ISO excludes specific types of property such as:
 - Bridges, roadways, walks, patios and other paved surfaces
 - Foundations of buildings, structures, machinery or boilers if their foundations are below the lowest basement floor or the surface of the ground, if there is no basement
 - Bulkheads, pilings, piers, wharves or docks
 - Retaining walls that are not part of a building
 - Underground pipes, flues or drains

Coverage for these types of property may be available in ISO as a separate endorsement.

Covered Property – Business Personal Property/Property of Others

1. Under **Covered Property, Your Business Property**, unlike Advantage, ISO provides a separate Limit of Insurance category for **Personal Property of Others**. This Limit of Insurance provides coverage for property of others not defined as covered property under Your Business Personal Property e.g., leased personal property with no obligation to insure or personal property of others not leased. Also, note the following:
 - If the **Personal Effects and Property Of Others** extension applies, a limit of \$2,500 is provided for personal property of others in your care, custody or control.
 - If Business Personal Property is written on a **Replacement Cost** basis, the replacement cost provision will not apply to personal property of others unless the **Extension - Replacement Cost To Personal Property Of Others** is selected.
 - If an item is subject to a written contract which governs liability for loss or damage, the valuation will be based on the amount of which you are liable under such contract.

Property Not Covered

1. ISO excludes land (including land on which the property is located), water, growing crops or **lawns**. Advantage excludes land, water and growing crops only – lawns are covered as described under Extension 2. ISO also excludes while outside buildings:
 - Grain, hay, straw or other crops (Advantage excludes growing crops only)
 - Fences, radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers, except as provided under the Coverage Extensions. (These items are not excluded as covered property in Advantage.)
2. ISO excludes as covered property personal property while airborne or waterborne. Advantage covers Personal Property Off-Premises under Coverage E. There is no exclusion for property while airborne or waterborne.

3. ISO excludes vehicles (or self-propelled machines) including aircraft or watercraft if licensed for use on public roads; or operated principally away from the described premises. ISO covers:
 - vehicles, self-propelled machines or autos you manufacture, process or warehouse
 - vehicles or self-propelled machines other than autos, you hold for sale
 - rowboats or canoes out of water at the described premises
 - trailers to the extent coverage is provided under the Coverage Extension

There is similar language in Advantage.

Covered Causes of Loss

1. Under **Additional Coverage**, ISO provides a limit of **\$10,000** under **Debris Removal Coverage** if the 25% limitation is exceeded or if the total of the direct physical loss or damage plus debris removal expense exceeds the Limit of Insurance. Advantage provides a limit of \$5,000 as respects these conditions. Under Advantage, increased limits may be available as a separate endorsement.
2. There is different language in ISO and Advantage as respects pollution under **Debris Removal Coverage**: Under ISO, Debris Removal does not apply to costs to **extract** pollutants from land or water or remove, restore or replace polluted land or water.

Under Advantage, Debris Removal does not apply to expense to **clean up** of pollutants from covered property or land, air, or water.

The definition of pollutants under ISO includes **soot** and **smoke**.

While ISO excludes the costs to extract pollutants, coverage applies to the **cost to remove debris of covered property contaminated by a pollutant** as a result of a covered cause of loss under the Debris Removal provision.

3. Under **Additional Coverage - Preservation of Property**, ISO provides coverage for a period of **thirty** days after the covered property is moved. Equivalent coverage under Advantage is provided for a period of ten days.
4. Under **Additional Coverage - Pollutant Clean Up and Removal**, there are the following language differences:
 - Under Advantage, coverage applies to expense incurred for the **clean up** of pollutants from **covered property or land, air or water**. ISO covers the expense to **extract** pollutants from **land or water**. Under ISO, this additional coverage applies **regardless of whether covered property is damaged**. Because of this language difference, under ISO expenses must be reported within 180 days of the date of the **covered cause of loss**. Under Advantage, expenses must be reported within 180 days after the **direct physical loss**.
 - ISO covers the cost to **extract** pollutants from land or water and the **cost for testing** which is performed in the course of extracting the pollutants from the land or water. Coverage does not apply to the costs to test for, monitor or assess the existence, concentration or effects of pollutants.

Advantage covers the expense incurred for clean-up of pollutants from covered property or land, air or water. Clean-up is defined as: Testing, monitoring, removal, containment, treatment, detoxification or neutralization.

- Under ISO, the way pollutants may enter land or water is described as: Discharge, dispersal, seepage, migration, release or escape. Under Advantage, the description is: Presence, release, discharge or dispersal.
 - The definition of pollutants under ISO includes smoke and soot.
5. Under **Additional Coverage**, ISO provides **Increased Cost of Construction**. This extension is applicable to buildings written on a Replacement Cost basis. Coverage applies to the increased costs incurred to comply with enforcement of an ordinance or law in the course of repair, rebuilding or replacement of damaged parts of that property subject to the limitations in the form. The amount of additional insurance provided under this extension is **\$10,000 or 5% of the Limit of Insurance** applicable to the building, whichever is less. It should be noted that this is limited coverage and applies only to damaged parts of the property. Under Advantage, Ordinance or Law may be available as a separate endorsement.

6. ISO provides an extension of coverage for **Valuable Papers and Records (Other than Electronic Data)** and an **Additional Coverage** for **Electronic Data**. Advantage includes electronically produced data in the definition of Valuable Papers and Records. In addition, Advantage policies include the Data Processing Amendment Endorsement ALL-10754 which further amends coverage provided for Electronic Data and Media.

The significant differences resulting from this approach as respects Electronic Data are as follows:

- Advantage covers the cost to restore, research, replace or reproduce Electronic Data under the Valuable Papers and Records Extension up to \$5,000 in one occurrence, subject to specified causes of loss and no deductible applies. ISO provides a limit of \$2,500 for all losses in one policy year. Specified causes of loss and location deductible apply.
- Advantage covers Electronic Data for loss or damage caused by Flood and Earth Movement to the extent such causes of loss are covered under the policy. ISO does not cover these causes of loss or any causes of loss added by endorsement.
- Advantage excludes computer virus; ISO provides limited coverage.

Coverage Extensions

For **Coverage Extensions** to apply, ISO requires a coinsurance percentage of 80% or more or a value reporting period symbol. There is no such requirement in Advantage. Except as otherwise noted, extensions apply to property located in or on the building described in the Declarations or in the open (or in a vehicle) within 100 feet of the described premises. Also, note the policy must cover Building or Business Personal Property for the related Coverage Extensions to apply.

1. Under **Coverage Extensions - Newly Acquired Property**, ISO includes buildings **while being built** on the described premises in addition to building you acquire at other than the described premises. Advantage does not cover buildings while being built under Newly Acquired Property.
2. Under **Coverage Extensions - Newly-Acquired Real Property**, Advantage provides for 180 days after you acquire the property. Under ISO, the **Period of Coverage** is **30** days.
3. Under **Coverage Extensions - Newly-Acquired Business Personal Property**, ISO covers newly-acquired business personal property at a covered location, plus newly-acquired business personal property at a newly constructed or acquired building at the described premises plus business personal property at a newly-acquired location. Advantage provides coverage at a newly-acquired location only.
4. Under **Coverage Extensions - Newly-Acquired Business Personal Property**, ISO specifically excludes business personal property at any location you acquire at fairs, trade shows or exhibitions. No comparable exclusion exists in Advantage.
5. Under **Coverage Extensions - Newly Acquired Or Constructed Property**, ISO excludes personal property of others that is temporarily in your possession in the course of installing or performing work on such property; or personal property of others that is temporarily in your possession in the course of your manufacturing or wholesaling activities. No comparable exclusion exists in Advantage.
6. Under **Coverage Extensions – Personal Effects**, Advantage provides coverage for Personal Effects only for a limit of \$500 any one person; \$5,000 in any one occurrence. Theft is covered, if Comprehensive Protection applies. No deductible applies. Under ISO, similar coverage is provided under **Personal Effects and Property of Others**. The applicable limit is \$2,500 each premises covering both personal effects and personal property of others if in the insured's care, custody or control. For Personal Effects Coverage only, theft is excluded; location causes of loss apply to property of others. The location deductible applies.
7. ISO covers the cost to replace or restore **Valuable Papers and Records (Other than Electronic Data)** up to a limit of \$2,500 at each location. Coverage is provided for specified causes of loss and the location deductible applies. Under Advantage, the limit for the Valuable Papers and Records Extension is \$5,000, the location causes of loss apply and there is no deductible. (It should be noted that the Advantage extension also includes electronic produced data under the definition of Valuable Papers and Records.)

8. Advantage provides a limit of \$10,000 for Personal Property while in transit or temporarily located off your premises. The deductible is \$250. If Comprehensive Protection applies, Earth Movement and Flooding are covered for covered property in transit. If Basic Protection, vehicle collision is a covered cause of loss.

ISO provides two distinct coverages:

- Under **Coverage Extensions - Property Off Premises** for a limit of **\$10,000** if your covered property is temporarily at a location you do not own, lease or operate, in storage at a location you lease, provided the lease was executed after the beginning of the current policy or at a fair, trade show or exhibition. Coverage does not apply to property in or on a vehicle or to property in the care, custody or control of your salesperson unless at a fair, trade show or exhibition. The location deductible and covered causes of loss apply.
 - Under **Causes of Loss Special Form, Additional Coverage Extensions - Property in Transit**, ISO provides a limit of \$5,000. This extension covers your personal property (other than property in the care, custody or control of your salespersons) in transit more than 100 feet from the described premises. However, the property must be in or on a motor vehicle you own, lease or operate while between points in the coverage territory. (Coverage is provided only under Causes of Loss- Special Form and limited causes of loss apply.)
9. Advantage provides a limit of \$5,000 for Signs under Extension 9. The cause of loss covered is the highest level of protection on the policy and subject to a \$250 deductible. ISO covers signs attached to the building for a limit of **\$1,000**. The covered causes of loss are those applicable to the building and the location deductible applies. As respects free-standing signs, coverage is provided under **Coverage Extensions – Outdoor Property**. Coverage is provided for all outdoor property up to a limit of \$1,000 in one occurrence. Limited causes of loss apply and coverage is subject to the location deductible.
 10. Advantage covers Trees, Shrubs, Plants and Lawns under Extension 2. for a limit of \$500 per item; \$2,500 per occurrence subject to named causes of loss. No deductible applies. ISO coverage is provided with other Outdoor Property under **Coverage Extensions – Outdoor Property** subject to a limit of **\$250 per item; \$1,000** for all Outdoor Property in any one occurrence. Coverage is provided for limited causes of loss and the location deductible applies. In addition, unlike Advantage, ISO does not cover lawns.
 11. ISO covers other Outdoor Property such as fences, radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers only under the **Coverage Extensions - Outdoor Property Extension**. Coverage is for limited causes of loss up to a limit of **\$1,000** for all Outdoor Property in any one occurrence. This type of outdoor property is not excluded as covered property under Advantage.
 12. Under **Coverage Extensions**, ISO includes a coverage extension to provide limited coverage on **Non-owned Detached Trailers**. Coverage is based on contractual responsibility and is provided in the amount of **\$5,000**. The coverage extension is subject to the causes of loss form that applies to the insured's business personal property. Therefore, theft is covered only if the Special Causes of Loss Form applies. This is an additional amount of insurance. There is no comparable extension in Advantage.
 13. Advantage includes an extension to pay for a covered loss to **Accounts Receivable** while they are at a covered location up to a limit of \$5,000. – no deductible applies. ISO has no comparable extension.

Deductible

1. Under ISO **Deductible** provision, the applicable deductible is applied **after** the amount of the loss is reduced, if required by the co-insurance condition or the Agreed Value Optional Coverage. Under the Advantage provisions, the applicable deductible is applied **before** the amount of the loss is reduced, if required by the co-insurance condition.

Loss Conditions

1. Under **Duties in The Event Of Loss or Damage**, ISO requires that all reasonable steps be taken to protect covered property from further damage (not just damage from a covered cause of loss.) Advantage language is further damage by a covered cause of loss.
2. ISO complements the Ordinance or Law Exclusion by adding the following language under **Loss Condition – Loss Payment and Valuation and Optional Coverages -Replacement Cost**:

The cost to repair, rebuild or replace does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property.

3. Under ISO **Vacancy**, the definition of a vacant building has been added. Separate provisions apply to tenants of a building versus the owner/general lessee of a building. A building is vacant if the unit or suite rented or leased to the tenant does not contain enough business personal property to conduct customary operations. For policies issued to an owner/general lessee of the building, the building is vacant unless **at least 31% of the total square footage** is rented and used to conduct its customary operations and/or used by the building owner to conduct customary operations. ISO also states that buildings under construction or renovation are not considered vacant. Under Advantage, the building is considered vacant if the building doesn't contain the personal property used in the business that is ordinarily conducted there.

Note: Under ISO **Vacancy Provisions**, if the building has been vacant for more than 60 consecutive days before loss or damage occurs, coverage does not apply to loss or damage caused by:

Vandalism

Sprinkler Leakage (unless you have protected the system against freezing)

Building Glass Breakage

Water Damage

Theft or Attempted Theft

With respect to other covered causes of loss, the amount of the loss is reduced by **15%**.

Under Advantage Comprehensive Protection, the same provisions apply as respects the causes of loss Building Glass and Vandalism. The only other limitation to covered causes of loss is freezing, leakage or overflow from plumbing, heating, air conditioning or any other equipment or appliance are excluded if reasonable steps were not taken to maintain heat in the building or water was drained from the system and the water supply was shut-off.

4. Under **Loss Conditions – Valuation** provision in ISO, if the co-insurance clause is met and the cost to repair or replace is \$2,500 or less, replacement cost will apply even if coverage is actual cash value. ISO provides that specific property will be valued on an actual cash value basis even when attached to the building:
 - Awnings or floor coverings, appliances for refrigerating, ventilating, cooking, dishwashing or laundering or outdoor equipment or furniture.
5. Under Advantage, no co-insurance applies to losses under \$10,000.
6. Under **Loss Conditions – Valuation** provision in ISO, glass is valued at the cost of replacement with safety glazing material if required by law.

Optional Coverage

1. Under ISO **Optional Coverage – Inflation Guard**, if Inflation Guard applies, a percentage is selected to establish the annual increase. Under Advantage, Automatic Inflation Adjustment is included for Real Property; optional for Personal Property and the percentage increase is based on the building cost modifier normally used by the company as the method to establish the annual increase.
2. Under ISO **Optional Coverage – Replacement Cost**, if this option is selected, replacement cost does not apply to:
 - Personal property of others – (See Option - Extension of Replacement Cost To Personal Property of Others)
 - Contents of a residence
 - Works of art etc.
 - Stock, unless the Including Stock option is shown in the declarations

Under Advantage, the only limitation is that replacement cost will not apply to fine arts.

Causes of Loss- Special Form

The Advantage exclusions apply to any loss that involves the excluded cause of loss even if other unexcluded causes of loss were also involved. There is an exception for “resulting fire or explosion” for all excluded causes of loss except “war.” In addition, there are exceptions within some excluded causes of loss where certain resulting losses are covered.

ISO separates exclusions into four categories:

- Category 1. There is no coverage for any loss caused by one of the eight excluded causes of loss in this group even if a covered cause of loss contributed with the excluded cause of loss to produce the damage. Unless a specific exception is made within the text of the exclusion, resulting damage from an unexcluded cause of loss is also excluded. ISO further states that these exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.
- Category 2. The cause of loss only is excluded. If an unexcluded cause of loss results in one of these excluded causes of loss, coverage for loss from the unexcluded cause of loss remains. Where resulting loss from certain causes of loss is granted within the exclusion, coverage for resulting loss is limited to these causes of loss.
- Category 3. There is no coverage for loss or damage caused by or resulting from any of the excluded causes of loss in this category. However, if these excluded causes of loss results in a covered cause of loss, we will pay for the loss or damage caused by a covered cause of loss.

Special exclusions applicable to specific Coverage Forms.

In addition, throughout the coverage forms where Advantage covers **resulting loss or damage** for certain causes of loss, the ISO language is clarified to pay for the loss or damage caused by the **covered peril only** for which ensuing loss coverage is provided.

Category 1. Exclusions

Ordinance of Law

ISO excludes loss or damage caused by the enforcement of any ordinance or law regulating the construction, **use** or repair of any property or requiring the tearing down of any property. Advantage language references construction, repair or demolition only.

ISO adds language to clarify that the exclusion applies with respect to damaged or undamaged property. The exclusion applies whether the ordinance or law is enforced **in the absence of a physical loss** at the insured premises or **following a physical loss** to insured property and applies to **all property** in the event of a physical loss at the insured premises.

Earth Movement

ISO provides four separate categories under the definition of Earth Movement and expands the language to exclude soil conditions, defined in the form, which cause settling, cracking or other disarrangement of foundations or other parts of realty. ISO covers resulting fire or explosion. Under Volcanic eruption, ISO covers resulting fire, building glass breakage or Volcanic Action. Under Volcanic action coverage, all volcanic eruptions that occur within any 168 hour period will constitute a single occurrence. (Under Advantage, the time period is 72 hour period.)

Utility Services

ISO language is essentially the same, except ISO clarifies that failure includes lack of sufficient capacity and reduction in supply. ISO also clarifies that if the failure results in a covered cause of loss, coverage only applies to the loss or damage caused by that covered cause of loss. Note: Unlike Advantage, a more restrictive exclusion applies to Business Income/Extra Expense.

Water

ISO language clarifies the Flood exclusion to include tides and overflow of any body of water. Also, mudslide and mudflow are added to the ISO Flood exclusion. Mudslide is excluded in the Advantage Earthquake Exclusion. Further the following Exclusions, not in Advantage, are added:

- a) water that backs up or overflows from a sewer, drain or sump and

- b) water under the ground surface pressing on, or flowing or seeping through:
 - 1. Foundations, walls, floors or paved surfaces
 - 2. Basements, whether paved or not and
 - 3. Doors, windows or other openings

ISO covers loss or damage caused by resultant fire, explosion or sprinkler leakage.

Category 2 Exclusions

Artificially generated current

ISO language is the same as Advantage, except Advantage covers resulting fire and explosion; ISO covers resulting fire.

Smoke from industrial operations

This exclusion is not in Advantage.

Wear and tear

Rust or other corrosion, decay, deterioration

Advantage covers resulting damage from vehicles or aircraft, sprinkler leakage, water damage, freezing, collapse of a building or falling objects in addition to resulting fire or explosion.

ISO covers resulting damage from specified causes of loss or building glass breakage. Specified causes of loss are defined as: Fire; lightning; explosion, wind or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; falling objects; weight of snow, ice or sleet; water damage. Sinkhole collapse and water damage are defined and limitations apply to falling objects.

Hidden or latent defects

Advantage covers resulting fire or explosion.

ISO covers resulting damage from specified causes of loss or building glass breakage. Specified causes of loss are defined as: Fire; lightning; explosion, wind or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; falling objects; weight of snow, ice or sleet; water damage. Sinkhole collapse and water damage are defined and limitations apply to falling objects.

Smog

This exclusion is not in Advantage.

Settling, cracking, shrinking or expansion

This exclusion is in Advantage: however, Advantage only covers resulting fire or explosion. ISO covers resulting specified causes of loss and building glass breakage.

Nesting or infestation

Advantage excludes loss or damage caused by animals but covers resulting fire or explosion. ISO excludes nesting or infestation, or discharge or release of waste products or secretions only. This language is less restrictive than Advantage.

Mechanical Breakdown

Advantage excludes Mechanical Breakdown but covers resulting fire or explosion. ISO excludes Mechanical Breakdown, including rupture or bursting caused by centrifugal force. ISO covers resulting elevator collision, specified causes of loss and building glass breakage.

Personal property causes of loss exclusions:

- a) **Dampness or dryness of atmosphere**
- b) **Changes in or extremes of temperature; or**
- c) **Marring or scratching.**

Advantage excludes change of temperature and humidity unless the loss or damage to covered property caused by a change in temperature or humidity results from physical damage to a building or equipment at a covered location.

As respects marring or scratching, Advantage covers resulting damage from vehicles or aircraft, sprinkler leakage, water damage, freezing, collapse of a building or falling objects in addition to resulting fire or explosion.

ISO covers resulting damage from specified causes of loss or building glass for the three excluded causes of loss.

Discharge caused by freezing

Under ISO water and other liquids that leak from plumbing, heating etc. caused by or resulting from freezing is excluded unless heat is maintained or you drain the equipment and shut off the supply if heat is not maintained.

Under Advantage this exclusion applies only in a vacant or unoccupied building. Advantage does, however, exclude damage to plumbing systems located underground outside the perimeter of building walls or off the premises that results from freezing under any condition.

Employee Dishonesty

ISO language is essentially the same as Advantage.

Under the Employee Dishonesty Exclusion, ISO excludes dishonest or criminal acts. ISO allows an exception for acts of destruction by your employees, excluding theft.

Advantage excludes dishonest acts or omissions. (Therefore, theft by an employee would be excluded; vandalism would be covered.)

Voluntary parting with property

ISO excludes voluntary parting of any property if induced to do so by any fraudulent scheme, trick device or false pretense. This language is not in Advantage.

Precipitation damage to personal property outdoors

ISO excludes rain, snow, ice or sleet to personal property in the open. This language is not in Advantage.

Collapse (except as provided under the collapse additional coverage)

ISO excludes Collapse, except as provided in Additional Coverage for Collapse. But if Collapse results in a Covered Cause of Loss at the described premises, coverage will apply to loss or damage caused by that Covered Cause of Loss.

This exclusion is not in Advantage.

Release of pollutants

- ISO excludes loss or damage caused by the discharge, dispersal, seepage, migration, release or escape of pollutants. Under Advantage, the description is presence, release, discharge or dispersal.
- The definition of pollutants under ISO includes smoke and soot.
- Under ISO, damage by pollutants is covered only if the release is caused by one of the specified causes of loss. Advantage contains similar language; however, the causes of loss differ. ISO covers additional causes of loss namely: falling objects, weight of snow, ice or sleet and water damage. Advantage covers sonic boom while ISO does not. Coverage is also different to the extent the causes of loss have different definitions.
- In addition, under ISO even if the damage by pollutants is not caused by a specified cause of loss and is therefore not covered, resulting damage from one of the specified causes of loss is covered. Advantage covers resulting loss but for fire and explosion only. ISO covers additional causes of loss namely: lightning, windstorm or hail,

smoke, aircraft or vehicles, riot or civil commotion, vandalism, leakage from fire extinguishing equipment, sinkhole collapse, volcanic action, falling objects, weight of snow, ice or sleet and water damage.

The Advantage Comprehensive Protection provides a separate exclusion for Asbestos.

Category 3 Exclusions

Weather Conditions

ISO explicitly excludes weather conditions but only if weather conditions contribute in any way with a cause or event excluded in the “concurrent causation” Group 1 Exclusions to produce the loss or damage. However, resulting loss or damage from any otherwise unexcluded cause of loss is covered.

There is no such language in Advantage although concurrent causation language is applicable to all exclusions.

Acts or decisions

ISO excludes acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.

There is no such language in Advantage although concurrent causation language is applicable to all exclusions.

Faulty, inadequate or defective

Advantage excludes faulty design, workmanship and material including the cost of correcting any faulty design, workmanship, material, manufacture or installation, alteration, repair or work but covers resulting loss or damage if it occurs in connection with a cause of loss not otherwise excluded.

ISO expands this definition to also exclude:

- 1) Planning, zoning, development surveying, siting;
- 2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
- 3) Materials used in repair, construction, renovation or remodeling or
- 4) Maintenance

of part or all of any property on or off the described premises.

Special Exclusions

ISO provisions applicable only to specified Coverage Forms:

BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM BUSINESS INCOME (WITHOUT EXTRA EXPENSE) COVERAGE FORM EXTRA EXPENSE COVERAGE FORM

ISO specifically excludes the following causes of loss:

1. Loss caused directly or indirectly by the failure of power or other utility service however caused if the failure occurs **outside** of a covered building. But if the failure of power or other utility service results in a covered cause of loss, coverage applies to the resulting loss. (With the reference to outside of a covered building, there is no coverage for business income or extra expense loss resulting from damage to transmission lines even if the damaged transmission lines are on the insured’s premises.) ISO further defines failure to include lack of sufficient capacity and reduction in supply.

Advantage excludes Utility Service under direct damage but does not contain the more restrictive exclusion for Business Income or Extra Expense.

2. Loss caused by or resulting from damage or destruction of finished stock or the time required to reproduce finished stock. This exclusion does not apply to Extra Expense. This language does not appear in Advantage.
3. Loss caused by or resulting from direct physical damage to radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers. This language does not appear in Advantage.

4. (b) Under Suspension, lapse or cancellation of any license, lease or contract, ISO clarifies that if the suspension, lapse or cancellation is directly caused by the suspension of operations, coverage will apply to such loss that affects your business income during the period of restoration.
5. ISO excludes any Extra Expense caused by or resulting from suspension, lapse or cancellation of any license, lease or contract beyond the period of restoration. Advantage excludes loss of income and extra expense that results from the expiration, suspension or cancellation of any contract, lease or order.

Limitations

Under ISO the following Limitations apply to **all policy forms** and endorsements, unless otherwise noted:

- ISO excludes loss or damage to the interior of any building or structure or to personal property in the building or structure caused by or resulting from rain, snow, sleet, ice, sand or dust, whether driven by wind or not unless:
 1. The building first sustains damages by a covered cause of loss to roof or walls through which the rain, snow, sleet, ice, sand or dust enters or
 2. The loss or damage is caused by or results from thawing of snow, sleet or ice on the building.

This exclusion is not in Advantage.

- ISO excludes loss or damage to building materials and supplies not attached as part of the building caused by or resulting from **theft**. This limitation does not apply to:
 1. Building materials and supplies held for sale by you unless they are insured under the Builders Risk Coverage Form or
 2. Business Income or Extra Expense Coverage.

This exclusion is not in Advantage.

- ISO excludes loss or damage to property that has been transferred to a person or to a place outside the described premises on the basis of unauthorized instructions.

This exclusion is not in Advantage.

- ISO limits coverage to loss or damage for certain types of property to specified causes of loss or building glass breakage:
 - a) Animals, and then only if they are killed or their destruction is made necessary.
 - b) Fragile articles such as statuary, marbles, chinaware and porcelains, if broken. This restriction does not apply to:
 1. Glass; or
 2. Containers of property held for sale.
 - c) Builders' machinery, tools and equipment owned by you or entrusted to you, provided such property is Covered Property.

This Limitation does not apply to Business Income or Extra Expense Coverage.

This exclusion is not in Advantage.

- ISO provides a sub-limit for certain types of property if the loss or damage is the result of any one occurrence of **theft**. The sub-limit represents the **total limit** for all property in that category in any one occurrence of theft regardless of the types or number of articles are lost or damaged:
 - a) \$2,500 for furs, fur garments and garments trimmed with fur.
 - b) \$2,500 for jewelry, watches, watch movements, jewels, pearls, precious and semi-precious stones, bullion, gold, silver, platinum and other precious alloys or metals. Not applicable to jewelry and watches worth \$100 or less per item.

- c) \$2,500 for patterns, dies, molds and forms.
- d) \$250 for stamps, tickets, including lottery tickets held for sale, and letters of credit.

This Limitation does not apply to Business Income or Extra Expense.

These limitations do not apply in Advantage.

- ISO excludes the cost to repair any defect to a system or appliance from which water or other liquid escapes. There is an exception for the cost to repair or replace damaged parts of fire extinguishing equipment if the damage results in discharge of any substance from an automatic fire protection system or is directly caused by freezing. (Not applicable to Business Income or Extra Expense.)

This limitation is not in Advantage.

- Under Comprehensive Protection in Advantage, building glass coverage is limited for certain causes of loss, notably theft, to \$100 per plate; \$500 per occurrence. Under Advantage, Building Glass Coverage does not apply to Exterior Signs.

These restrictions are not in ISO.

Additional Coverage

Collapse

ISO has introduced special provisions applicable to Buildings (or any part of a building), Outdoor Property and Personal Property as respects collapse.

- Due to various interpretations of the term collapse, there is now a specific definition as respect buildings (or any part of a building.) Except with respect to collapse from one of the form's covered causes of loss, coverage for collapse of a building or part of a building applies only to loss from a sudden falling down or caving in of the structure. A building in danger of falling down is not considered to have collapsed.
- Coverage for loss from the collapse of a building, a part of a building, or personal property in a building applies only if the collapse was the result of one of the specified caused of loss or one of the following:
 1. building glass breakage
 2. weight of people or personal property
 3. weight of rain on a roof
 4. hidden decay, insect or vermin damage of which the insured had no knowledge of prior to the collapse or
 5. faulty materials or workmanship during construction or renovation.
- Coverage for certain type of covered outdoor property, including retaining walls, walks, roadways etc. applies if the collapse is caused by one of the covered causes of loss listed above and such loss or damage is the direct result of collapse.
- If personal property abruptly falls down or caves in (not the result of a collapse of a building), coverage will apply if the collapse was caused by a covered cause of loss listed above and the personal property is inside a building. Coverage does not apply if marring and/or scratching is the only damage to that personal property caused by the collapse.

Advantage does not specifically address collapse as noted above.

Additional Coverage Extensions

Property in Transit

As noted in the comments under the Property Off Premises Extension, the ISO coverage for Property in Transit for a limit of \$5,000 is less coverage than that provided in Advantage:

Under ISO:

- Coverage only applies if the property is in or on a motor vehicle you own, lease or operate.
- Coverage does not apply to property in the care, custody or control of your salespersons.
- Coverage does not apply while airborne or waterborne.
- Limited causes of loss apply.
- Specific requirements apply to theft coverage e.g., there must be theft of an entire bale, case or package by forced entry into a securely locked body or compartment of the vehicle. There must be visible marks of the forced entry.
- Unlike Advantage, Earthquake and Flood are not covered

Water Damage etc.

ISO specifically states that for a covered water loss e.g., damage from leakage of a substance from a broken or cracked system or appliance, occurring over a period of less than 14 days, coverage will apply to the cost to tear out and replace any part of the building or structure (even if undamaged) to repair damage to the system or appliance from which the water or other substance escapes. Advantage does not specifically address this type of expense associated with repair or replacement.

Glass

ISO specifically states that coverage applies for expenses incurred to put up temporary plates or board up openings if repair or replacement of damaged glass is delayed. There is also coverage for expenses incurred to remove or replace obstructions when repairing or replacing glass that is part of a building but does not include removing or replacing window displays. Advantage does not specifically address this type of expense associated with repair or replacement.

Definitions

ISO further defines some causes of loss included in Specified Causes of Loss. Other than sinkhole collapse, these causes of loss are not specifically defined in Advantage:

a) Sinkhole Collapse

Under the cause of loss Sinkhole Collapse, ISO excludes under the definition sinkhole or collapse into **man-made underground cavities**. No comparable exclusionary language in Advantage.

b) Falling Objects

Under the cause of loss Falling Objects, ISO excludes loss or damage to personal property in the open or the interior of a building or structure, or property inside a building or structure, unless the roof or an outside wall of the building or structure is first damaged by a falling object. (There is no specific definition of falling objects in Advantage.)

c) Water Damage

Under the cause of loss Water Damage, ISO defines water damage as the accidental discharge or leakage of water or steam as the direct result of the breaking apart or cracking of a plumbing, heating, air conditioning or other system or appliance (other than a sump system including its related equipment and parts), that is located on the described premises and contains steam or water. (There is no specific definition of water damage in Advantage.)

Business Income/Extra Expense Coverage Forms

Coverage – Business Income

Under ISO **Business Income**, the type of income to be covered is selected e.g., Business Income including Rental Value; Business Income other than Rental Value and Rental Value. Depending on the type of income, different provisions, definitions apply. This approach provides more flexibility in selecting coverage options by type of income.

Like Advantage, ISO language does not require that the direct damage and the loss of income be incurred at the same location.

ISO adds language specific to insureds who only occupy a portion of the site at which the described premises are located. Described premises means the portion of the building which you rent, lease or occupy and any area within the building or on the site at which the described premises are located, if that area services, or is used to gain access to the described premises.

Coverage – Extra Expense

When insuring Extra Expense under the Business Income (And Extra Expense) Coverage Form, Extra Expense may only be provided at locations where Business Income also applies. Under the combined form, there is no separate limit for Extra Expense and a monthly limitation does not apply.

Advantage Coverage D. **Extra Expense** is covered up to a limit of \$10,000. There is no comparable extension under ISO.

Additional Limitations

Interruption Of Computer Operations

1. Coverage for suspension of operations (Business Income) or expense for action taken to avoid or minimize a suspension (Extra Expense) is excluded if caused by destruction or corruption of electronic data or any loss or damage to electronic data except as provided under Additional Coverages – Interruption Of Computer Operations.

Additional Coverage

Civil Authority

Under **Prohibited Access by Civil Authority**, ISO provides coverage for 3 consecutive weeks, subject to a 72 hour deductible. (The 72 hour Deductible does not apply to Extra Expense) Under Advantage, coverage is provided for 2 weeks, subject to the location deductible.

Extended Business Income

Under **Extended Business Income**, ISO specifically states that Extended Business Income does not apply to loss of Business Income incurred as a result of unfavorable business conditions caused by the impact of the loss in the area where the described premises are located. Language is added to describe when coverage begins and ends specific to Rental Value income.

Interruption of Computer Operations

Under Additional Coverage – Interruption Of Computer Operations, coverage is provided for business income loss and/or extra expense (depending on the Coverage Form on the policy) arising from a business interruption caused by destruction or corruption of electronic data subject to a limit of \$2,500 for all loss sustained in one policy year. Coverage is limited to specified causes of loss, including limited coverage for computer virus.

Coverage Extensions

Under ISO **Coverage Extensions**, if 50% or more coinsurance applies, coverage under Business Income and/or Extra Expense (depending on the Coverage Form on the policy) is extended to apply to property at any location you acquire other than fairs or exhibitions. An additional amount of insurance of \$100,000 at each location applies for 30 days. There is no comparable extension in Advantage.

Loss Determination

Under **Loss Determination – Business Income**, ISO specifically states that Net Income does not include any Net Income that would likely have been earned as a result of an increase in the volume of business due to favorable business conditions caused by the impact of the loss on customers or on other businesses.

Additional Condition – Coinsurance

Under ISO **Additional Condition - Coinsurance**, there is a co-insurance provision under Business Income Coverage, unless one of the Business Income options is selected. There is no coinsurance penalty calculated at the time of the loss under Advantage.

Under **Additional Condition – Coinsurance**, ISO specifically identifies which operating expenses will be deducted from the total of all operating expenses for the purpose of applying the coinsurance condition under Business Income.

Optional Coverage

Under ISO **Business Income Option -Agreed Value**, to activate this option a Business Income Report/Work Sheet must be submitted to the company.

Definitions

Period of Restoration A 72 hour deductible applies specific to Business Income. Suspension is defined as the **slowdown** or cessation of your business activities. (This language clarifies that a complete shutdown is not required for coverage to apply.) Under Advantage, there is an occurrence deductible applicable to Real Property, Personal Property, Loss of Income and Extra Expense. Under Advantage, Loss of Income applies if your operations are interrupted.

Commercial Property Conditions/Common Policy Conditions

Cancellation

Under the cancellation conditions in the basic policy, if the insured cancels, under Advantage the cancellation is pro-rata. Under ISO the cancellation may be less than pro-rata. The cancellation notice requirement under Advantage for cancellations for other than non-pay is 45 days. Under ISO, the notice requirement is 30 days.

Advantage - Property
Development of Expense Provisions and Permissible Loss Ratio
ACE Consolidated

Direct IEE Data in (000) - ACE Consolidated				
	<u>2005</u>	<u>2006</u>	<u>2007*</u>	<u>Total</u>
<u>CMP Non Liability + Monoline Fire</u>				
(1) Written Premium	449,485	707,706	661,155	1,818,346
(2) Earned Premium	513,074	585,324	673,580	1,771,978
(3) Commission & Brokerage Fees	38,778	79,426	94,921	213,125
(4) Other Acquisition Expense	12,005	15,620	54,550	82,175
(5) General Expense	23,245	28,879	86,713	138,837
(6) Taxes, Licenses, and Fees	8,889	18,080	19,807	46,776
(7) Allocated LAE	5,336	7,142	39,839	52,317

<u>All Lines Combined</u>				
(8) Earned Premium	7,357,766	7,740,876	8,182,958	23,281,600
(9) Unallocated LAE	447,405	527,952	458,638	1,433,995

				<u>Average</u>	<u>Selected</u>
(3)/(1) Commission & Brokerage Fees	8.6%	11.2%	14.4%	11.7%	16.4%
(4)/(2) <u>Other Acquisition Expense</u>	2.3%	2.7%	8.1%	4.6%	<u>3.0%</u>
Total Production Expense					19.4%
(5)/(2) General Expense	4.5%	4.9%	12.9%	7.8%	5.5%
(6)/(1) Taxes, Licenses, and Fees	2.0%	2.6%	3.0%	2.6%	3.0%
(9)/(8) Unallocated LAE	6.1%	6.8%	5.6%	6.2%	N/A
(7)/(2) Allocated LAE	1.0%	1.2%	5.9%	3.0%	N/A

Expense Provision	27.89%		
Pre Tax Profit Provision - Target	11.4%	<u>Standard</u>	<u>Wshngtn</u>
<u>Investment Income Recognition</u>	<u>-6.0%</u>	5.0%	16.7%
Pre Tax Profit Provision - Net of Inv Inc	5.4%	<u>-4.4%</u>	<u>-9.8%</u>
		0.6%	6.9%

*preliminary

ACE
Advantage - Property
Estimated Investment Earnings

A. Unearned Premium Reserve				
A1.	Direct Earned Premium (for this line, from the IEE)	CY =	2006	585,324,000
A2.	Mean Unearned Premium Reserve		(Sheet 2)	234,615,861
A3.	Deduction for Prepaid Expenses		(Exhibit 1 Sheet 1)	
	a.) Commission and Brokerage Expense			16.4%
	b.) 50% of Other Acquisition Expense			1.5%
	c.) 50% of General Expense			2.8%
	d.) Taxes, Licenses, and Fees			3.0%
	e.) <u>Profit and Contingencies</u>			<u>5.0%</u>
	f.) Total Prepaid Expense			28.6%
A4.	Deduction for Federal Income Tax Payable		(Exhibit 2 Sheet 2)	7.0%
A5.	Net Subject to Investment		[A2 x (1.0 - A3f - A4)]	150,989,023
B. Delayed Remission of Premium (Agent's Balances)				
B1.	Direct Earned Premium (for this line, from the IEE)			585,324,000
B2.	Ratio, Agents Uncoll Prem Balances to Dir Earned Prem		(Exhibit 2 Sheet 2)	24.0%
B3.	Delayed Remission		[B1 x B2]	140,450,465
C. Loss Reserve				
C1.	Direct Earned Premium (for this line, from the IEE)			585,324,000
C2.	Expected Loss and LAE Incurred		[C1 x ELR on Exhibit 2 Sheet 3]	392,786,624
C3.	Expected Mean Loss Reserve		[C2 x After Tax Reserve Ratio on Exhibit 2 Sheet 3]	501,107,344
D.	Reserve Funds Subject to Investment		[A5 - B3 + C3]	511,645,901
E.	Average Rate of Return on Investments - After FIT		(Sheet 5)	3.3%
F.	Investment Earnings on Reserve Funds - After FIT		[D x E]	16,702,539
G.	Investment Earnings on Reserve Funds as a % of Premium - After FIT		[F / A1]	2.85%
H.	Investment Earnings on Reserve Funds as a % of Premium - Before FIT		[G / .65]	4.39%
I.	P/S - Premium to Surplus Ratio		(Sheet 6)	1.022
J.	E/S - Equity to Surplus Ratio		(Sheet 6)	1.110
K.	Surplus Funds Subject to Investment		[A1 / I]	572,631,559
L.	Equity Funds Subject to Investment		[K x J]	635,604,536
M.	Investment Earnings on Equity Funds - After FIT		[L x E]	20,749,135
N.	Investment Earnings on Equity Funds as % of Premium - After FIT		[M / A1]	3.5%
O.	Investment Earnings on Equity Funds as % of Premium - Before FIT		[N / .65]	5.5%
P.	Target Total Return as % of Equity - After FIT		(Sheet 7)	10.0%
Q.	Target Total Return as % of Premium - After FIT		[P x J / I]	10.9%
R.	Target Total Return as % of Premium - Before FIT		[Q / .65]	16.7%
S.	Target UW Profit as % Premium - Net of all II - After FIT		[Q - G - N]	4.5%
T.	Target UW Profit as % Premium - Net of all II - Before FIT		[S / .65]	6.9%

ACE
Advantage - Property
Explanatory Notes
Estimated Investment Earnings On Unearned
Premium Reserves And Loss Reserves

Line A2

The mean unearned premium reserve is determined by multiplying the direct earned premium in line A1 by the ratio of the mean unearned premium reserve to the direct earned premium for the above

			<u>IEE Amount For the Above Line</u>
1)	Direct Earned Premium	CY = 2006	585,324,000
2)	Direct Unearned Premium Reserve	as of 12 / 31 / 2006	295,952,000
3)	Direct Unearned Premium Reserve	as of 12 / 31 / 2005	173,279,721
4)	Mean Unearned Premium Reserve:	$.5 \times [(2) + (3)]$	234,615,861

Line A4

The Tax Reform Act of 1986 taxes 20% of the unearned premium reserve. The effective tax rate on UPR is calculated as follows:

Corporate Tax Rate	35.0%
Portion of Unearned Premium Taxable under TRA 1986	20.0%
Effective Tax Rate on Unearned Premium Reserve	7.0%

Line B2

Delayed remission of premium:

This deduction is necessary because of delay in collection and remission of premium to the companies beyond the effective dates of the policies. Funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus. The ratio of agents' uncollected premium balances to net earned premium is calculated as follows:

		<u>ACE Consolidated Ann Statement Amt</u>
1 Net Earned Premium - Total All Lines	CY = 2006	4,556,582,473
2 Net Agent's Balances (Net Admitted)	as of 12 / 31 / 2006	1,207,124,679
3 Net Agent's Balances (Net Admitted)	as of 12 / 31 / 2005	979,609,943
4 Ratio: [(2) + (3)] / [2.0 x (1)]		0.240

**ACE
Advantage - Property**

**Explanatory Notes
Estimated Investment Earnings On Unearned
Premium Reserves And Loss Reserves**

Line C2

The expected loss and loss adjustment expense incurred is determined by multiplying the direct earned premium by the expected loss and loss adjustment expense ratio determined below.

1 General Expenses	(Exhibit 1 Sheet 1)	5.50%
2 Commission and Brokerage Expenses		16.39%
3 Other Acquisition Expenses		3.00%
4 Taxes, Licenses, & Fees		3.00%
<u>5 Profit & Contingencies</u>		<u>5.00%</u>
6 Total Expense Ratio:		32.89%
7 Expected Loss and LAE Ratio: 1.00 - (6)		67.11%
8 Direct Earned Premium	Cal Yr 2006	585,324,000
9 Expected Loss and LAE Incurred (7) x (8)	Cal Yr 2006	392,786,624

Line C3

The expected mean loss reserve is determined by multiplying the expected incurred losses in line C2 by the IEE ratio of the mean loss and loss adjustment expense reserves to the loss and loss adjustment expense incurred in the last 2 calendar years for the above named line of business. This ratio, which includes an adjustment for the estimated Federal Income Tax payable due to discounting of loss reserves, as required by the Tax Reform Act of 1986, is based on the following:

		<u>IEE Amount for the Above Line</u>
1 Direct Loss and Loss Adjustment Expense Incurred	Cal Yr 2007	476,579,000
2 Direct Loss and Loss Adjustment Expense Incurred	Cal Yr 2006	295,121,000
3 Direct Loss and Loss Adjustment Expense Reserves	Year End 2007	548,710,000
4 Direct Loss and Loss Adjustment Expense Reserves	Year End 2006	481,958,000
5 Direct Loss and Loss Adjustment Expense Reserves	Year End 2005	416,888,250
6 Mean Loss and Loss Adjustment Expense Reserve	Cal Yr 2007	515,334,000
7 Mean Loss and Loss Adjustment Expense Reserve	Cal Yr 2006	449,423,125
8 Pre Tax Reserve Ratio: (6) / (1)		1.081
9 Pre Tax Reserve Ratio: (7) / (2)		1.523
10 Mean Pre Tax Reserve Ratio: 0.5 x [(8) + (9)]		1.302
11 Estimated Reserve Discount - Sheet 4		0.058
12 Federal Taxes (ratio to reserves): (11) x 0.35		0.020
13 After Tax Reserve Ratio (10) x [1.0 - (12)]		1.276

ACE Consolidated - Annual Statement - Schedule P
Advantage - Property
Calculation of Reserve Discount
Data in (000's)

<u>Year</u>	(1) Net Loss & Expense <u>Unpaid</u>	(2) Reserve Discount <u>Factor</u>
Prior	150,079	0.93850
1997	1,321	0.89019
1998	1,137	0.90659
1999	2,381	0.88731
2000	3,619	0.88624
2001	(3,521)	0.86134
2002	8,679	0.89308
2003	6,256	0.88877
2004	101,591	0.94501
2005	198,861	0.94947
2006	<u>342,839</u>	<u>0.94163</u>
	813,242	0.94228 = Average
		0.05772 = 1.00 - Average

(1) ACE Consolidated Annual Statement, Schedule P, Part 1, Column 24

(2) Internal Revenue Bulletin 2005-49, December 5, 2005

ACE Consolidated
Calculation of Average After Tax Rate of Return
2006

	(1) Average of Latest 2 Year Ends Asset Value	(2) Interest & Dividend Income	(3) Net Interest and Dividends (2) x (1 + a)	(4) Pre-Tax Return (3)/(1)	(5) Federal Tax Rate	(6) Federal Tax (3)x(5)	(7) After Tax Return ((3)-(6))/(1)
Cash & Short Term Invested Assets	852,508,376	37,128,871	35,838,706	4.2%	35.0%	12,543,547	2.7%
Bonds							
Tax Exempt		19,717,257	19,032,116		2.4% (b)	464,622	
Taxable		571,972,807	552,097,731		35.0%	193,234,206	
Total	11,732,825,810	591,690,064	571,129,848	4.9%		193,698,828	3.2%
Affiliated Stock at Fair Value							
Preferred	0	0	0		0.0%	0	
Common	88,656,145	0	0		0.0%	0	
Total	88,656,145	0	0	0.0%	0.0%	0	0.0%
Unaffiliated Stock at Fair Value							
Preferred	62,006,976	2,892,337	2,791,833		14.2% (c)	395,742	
Common	668,195,971	63,182,828	60,987,333		14.2%	8,644,954	
Total	730,202,947	66,075,165	63,779,166	8.7%		9,040,697	7.5%
Mortgage Loans on Real Estate	0	0	0	0	35.0%	0	0.0%
Real Estate	83,074,693	0	0	0.0%	35.0%	0	0.0%
Contract Loans	0	0	0	0	35.0%	0	0.0%
A/O Inv. Assets	464,899,224	0	0	0.0%	35.0%	0	0.0%
Total	13,952,167,193	694,894,100	670,747,720	4.8%	32.1%	215,283,072	3.3%

NOTES:

a. Investment Expenses and Write-ins for Investment Income of apply uniformly to all items of income.

	Total Interest and Dividend Income (excluding Write-ins & Expenses):	694,894,100
PLUS	Write-ins for Investment Income:	4,818,528
LESS	Investment Expenses & Real Estate Depreciation:	28,964,908
	Total Net Investment Income (incl. Write-ins, Net of Investment Expenses):	670,747,720
	Write-ins / Expense Multiplier:	(a) = -3.5%

b. 46.5% of the income on tax-exempt bonds is subject to proration; that is, 15% of that income is taxed at a full corporate rate of 35%.
The applicable tax rate is therefore: $2.4\% = [.465 \times .15 \times .35]$

c. For domestic corporations, 30% of dividend income from unaffiliated stocks is taxed as ordinary income at a full corporate rate of 35%.
and 100% is subject to proration, so that 15% of the remaining 70% is taxed as ordinary income at a full corporate rate of 35%.
The applicable tax rate is therefore: $14.2\% = [(0.30 \times 0.35) + (0.70 \times 0.15 \times 0.35) + (0.70 \times .85 \times 0.00)]$

**ACE Consolidated
EXPLANATORY NOTES
FOR RETURN ON EQUITY CALCULATION**

Line I Premium to Surplus Ratio

Surplus was determined by dividing the premium in Line A1 by a premium to surplus ratio.
The calculation of the premium to surplus ratio is as follows:

	2006 <u>All Lines</u>
A/S Net Written Premium	4,518,540,247
A/S Surplus as Regards Policyholders	4,420,558,091
A/S Premium to Surplus Ratio	1.022

Line J Equity to Surplus Ratio

Equity was determined by applying an equity to surplus ratio to the surplus in Line K.
The calculation of the equity to surplus is as follows:

	2006 <u>Year End</u>
ACE Consolidated	4,420,558,091
<u>ACE Ins. Co. Puerto Rico</u>	<u>15,038,362</u>
SAP Surplus: ACE Consolidated ex PR and International	4,405,519,729
GAP Equity: ACE Consolidated ex PR and International	4,890,000,000
Equity to Surplus Ratio	1.110

ACE
EXPLANATORY NOTES
FOR RETURN ON EQUITY CALCULATION

Line P.

<u>Year</u>	<u>Return on Equity</u>
1996	13.0%
1997	13.0%
1998	9.6%
1999	6.6%
2000	6.3%
2001	-2.2%
2002	3.1%
2003	9.7%
2004	10.7%
2005	11.6%
Average	8.2%
Selected	10.0%

Note: The source for the historical industry Returns on Equity is
Net Income / Average Policyholder Surplus from:

1995 - 2000	Standard & Poor's Industry Surveys
2001 - 2005	Best's Aggregates and Averages - QAR

**ACE Companies
Arkansas
Monoline Property
Rate Effect Summary, LAFs and LCMs**

<u>Program / Industry Group</u>	Estimated Annual <u>Premium</u>	Proposed <u>% Change</u>
Communications	696	0.8%
Marinas	0	0.0%
Reverse Flow	0	0.0%
Fairs	177	12.8%
Long Term Care	0	0.0%
Childcare	0	0.0%
Early Education	0	0.0%
Rodeos	0	0.0%
Amusements	145	56.7%
Warehouses	0	0.0%
<u>All Other</u>	<u>0</u>	<u>0.0%</u>
Total	1,018	10.9%

Proposed LAFs (Loss Adjustment Factors)

<u>Program / Industry Group</u>	Property		
	<u>Real Property</u>	<u>Personal Property</u>	<u>Time Element</u>
Communications	1.00	1.65	1.00
Marinas	1.00	1.00	1.00
Reverse Flow	1.00	1.00	1.00
Fairs	1.00	1.00	1.00
Long Term Care	1.00	1.00	1.00
Childcare	1.00	1.00	1.00
Early Education	1.00	1.00	1.00
Rodeos	1.00	1.00	1.00
Amusements	1.00	1.00	1.00
Warehouses	1.00	1.00	1.00
All Other	1.00	1.00	1.00

LCMs - Property

<u>Company</u>	<u>Current</u>	<u>Proposed</u>
ACE American	1.704	1.500
ACE Fire Underwriters	1.278	1.500
ACE Property & Casualty	2.129	1.500
Bankers Standard	1.278	1.500
Ins. Co of N. America	1.129	1.500
Indemnity Ins Co. N. America	1.704	1.500
Pacific Employers	1.705	1.500

**ACE
Arkansas
Property Business - Conversion from Advantage to ISO**

Actuarial Support

Index of Exhibits

<u>Exhibit</u>	<u>Exhibit #</u>	<u>Sheet #</u>
Rate Level Indication	1	1
Historical Expenses	1	2
Permissible Loss Ratio	1	3
On Level Factors	1	4
Loss Development	1	5
Trend	1	6

**ACE
Arkansas
Property Business - Conversion from Advantage to ISO**

Indicated Rate Change

Accident Year	Written Premium	Earned Premium	On Level Factor	Premium Trend Factor	Adjusted Earned Premium	Incurred Loss & ALAE	Incurred LDF	Loss Trend Factor	Ultimate Loss & ALAE	Incurred Claim Count	Ultimate Loss & ALAE Ratio
2003	-37,489	29,654	0.782	1.203	27,904	62,815	1.000	1.190	74,749	1	267.9%
2004	93,490	28,001	0.801	1.168	26,194	0	1.000	1.159	0	0	0.0%
2005	19,110	56,300	0.869	1.134	55,459	0	1.000	1.130	0	0	0.0%
2006	49,891	34,501	0.932	1.100	35,377	0	1.030	1.101	0	0	0.0%
2007	102,635	76,263	0.952	1.068	77,530	0	1.339	1.073	0	0	0.0%
Total		224,718			222,465	62,815			74,749	1	33.6%

	<u>Credibility</u>	
a) Selected Loss & ALAE Ratio		33.6%
b) Permissible Loss & Alae Ratio		60.7%
c) Raw Indication	0.00	-44.6%
d) Complement of Credibility Trended Loss & ALAE Ratio		60.3%
e) Permissible Loss & Alae Ratio		60.7%
f) Complement of Credibility Indication	1.00	-0.5%
g) Credibility Weighted Indication		-0.7%

Credibility Standard

<u>Subline</u>	<u>Claim Count</u>
Real Property	17,848
Personal Property	30,000
<u>Time Element</u>	<u>25,000</u>
Total	72,848

ACE
Arkansas
Property Business - Conversion from Advantage to ISO

Development of Expense Provisions

Direct IEE Data in (000) - ACE Consolidated

	<u>2005</u>	<u>2006</u>	<u>2007*</u>	<u>Total</u>	
<u>CMP Non Liability + Monoline Fire</u>					
(1) Written Premium	449,485	707,706	661,155	1,818,346	
(2) Earned Premium	513,074	585,324	673,580	1,771,978	
(3) Other Acquisition Expense	12,005	15,620	54,550	82,175	
(4) General Expense	23,245	28,879	86,713	138,837	
(5) Commission and Brokerage Fees	38,778	79,426	94,921	213,125	
(6) Taxes, Licenses, and Fees	8,889	18,080	19,807	46,776	
<u>All Lines Combined</u>					
(7) Earned Premium	7,357,766	7,740,876	8,182,958	23,281,600	
(8) Adjusting & Other Expense	447,405	527,952	458,638	1,433,995	
	<u>2005</u>	<u>2006</u>	<u>2007*</u>	<u>Average</u>	<u>Selected</u>
(9) Other Acquisition Expense (3)/(2)	2.34%	2.67%	8.10%	4.37%	3.00%
(10) Commission and Brokerage Fees (5)/(1)	8.63%	11.22%	14.36%	11.40%	16.39%
(11) Total Production Expense (9)+(10)	10.97%	13.89%	22.46%	15.77%	19.39%
(12) General Expense (4)/(2)	4.53%	4.93%	12.87%	7.45%	5.50%
(13) Taxes, Licenses, and Fees** (6)/(1)	1.98%	2.55%	3.00%	2.51%	3.00%
(14) Adjusting & Other Expense (8)/(7)	6.08%	6.82%	5.60%	6.17%	6.00%

* Preliminary

**ACE
 Arkansas
 Property Business - Conversion from Advantage to ISO**

Calculation of Permissible Loss and ALAE Ratio

<u>Expenses</u>	<u>% of Premium</u>
Commissions	16.39%
Other Acquisition	3.00%
General Expenses	5.50%
Taxes, Licenses, Fees	3.00%
Unallocated LAE	6.00%
<u>Other Expense</u>	<u>0.00%</u>
Subtotal Expenses	33.89%
Profit & Contingencies	11.44%
<u>Offset for Investment Income</u>	<u>-6.00%</u>
Profit Net of Inv Income	5.44%
(1) Expense Ratio incl ULAE	39.33%
(2) Permissible Loss & ALAE Ratio	60.67%
1.0 - [(1)]	

Calculation of Trended Permissible Loss and ALAE Ratio

Annual Prem Trend Rate (Exhibit 7)	3.0%
<u>Annual Loss Trend Rate (Exhibit 8)</u>	<u>2.6%</u>
(3) Annual Net Trend Rate	-0.4%
Effective date of current rates	10/1/2007
Effective date of proposed rates	3/1/2009
(4) Number of Years	1.4
(5) <u>Trended</u> Permissible Loss & ALAE Ratio*	60.3%
[(2) x ((3) ^ (4))]	

* for Complement of Credibility

ACE
Arkansas
Property Business - Conversion from Advantage to ISO

Rate Change History

<u>Effective Date</u>	<u>Company</u>	<u>Rate Change</u>
9/1/2002	ACE USA Companies	7.0%
10/1/2003	ACE USA Companies	-3.4%
6/1/2004	ACE USA Companies	-8.6%
9/1/2005	ACE USA Companies	-8.2%
10/1/2007	ACE USA Companies	-5.0%

Premium On Level Factor

<u>Year</u>	<u>Rate On Level Factor</u>
2003	0.782
2004	0.801
2005	0.869
2006	0.932
2007	0.952

**ACE
Arkansas
Property Business - Conversion from Advantage to ISO**

Trend

ISO Property Trend

ISO CF-2008-RLA1

<u>Subline</u>	<u>Weight</u>	<u>Exposure Trend</u>	<u>Loss Trend</u>		
			<u>Current Cost Factor</u>	<u>Loss Trend Adjustment</u>	<u>Loss Trend</u>
Real Property	0.55	4.0%	5.3%	-2.5%	2.8%
Personal Property	0.25	2.2%	2.0%	-1.0%	1.0%
<u>Time Element</u>	<u>0.20</u>	<u>1.4%</u>	1.0%	3.2%	<u>4.2%</u>
Total	1.00	3.0%			2.6%

Annual Trend - ISO 3.0% 2.6%

Annual Trend - Selected 3.0% 2.6%

Calculation of Trend Factors

Proposed Effective Date 3/1/2009
 Effective Period Avg. Written Date 9/1/2009
 Effective Period Avg. Accident Date 3/1/2010

<u>Year</u>	<u>Experience Period Average Written / Accid. Date</u>	<u>Projection Period Average Written Date</u>	<u>Projection Period Average Accident Date</u>	<u>Premium Trend Period</u>	<u>Loss Trend Period</u>	<u>Prem Trend Factor</u>	<u>Loss Trend Factor</u>
2003	7/1/2003	9/1/2009	3/1/2010	6.2	6.7	1.203	1.190
2004	7/1/2004	9/1/2009	3/1/2010	5.2	5.7	1.168	1.159
2005	7/1/2005	9/1/2009	3/1/2010	4.2	4.7	1.134	1.130
2006	7/1/2006	9/1/2009	3/1/2010	3.2	3.7	1.100	1.101
2007	7/1/2007	9/1/2009	3/1/2010	2.2	2.7	1.068	1.073

RATING SUPPORT

EXTENSIONS OF LIFE SCIENCES PROPERTY COVERAGE – FA-23317

- ✚ Newly-Acquired or newly Constructed Real & Personal Property
 - \$1,000,000– Real Property / 90 days
 - \$500,000 – Personal Property / 90 days
 - \$250,000 – Business Income & Extra Expense/ 90 days

No additional charge. Minimal exposure.

- ✚ Personal Property off premises
 - \$25,000

 - $.122 \times 1.512 \times 250(00) \times .83 = \38
Ave. loss cost x Ave. Property LCM x limit x Ave. institutional package factor

- ✚ Valuable Papers and Records
 - \$25,000

 - $.122 \times 1.512 \times .8 \times 250(00) \times .89 = \33
Ave. contents loss cost x Ave LCM x 1 hour file cabinet x limit x Ave. package factor

- ✚ Personal effects and property of others
 - \$5,000 at each described premises

 - $.122 \times 1.512 \times 50(00) \times .89 = \8
Ave. personal property loss cost x Ave. LCM x limit x Ave. package factor

- ✚ Ordinance or Law – Loss in value, demolition cost & increased cost to repair (actual cost) – average exposure estimated at \$50,000 each part.
 - \$148

- ✚ Outdoor signs
 - \$5,000 at each described premises

 - $.513 \times 1.512 \times 50(00) \times .89 = \35
Ave. contents loss cost x Ave LCM x limit x Ave. package factor

- ✚ Back-up of Sewers and Drains
 - \$25,000

 - Flat charge of \$10

✚ Fine Arts Coverage
\$25,000

$.495 \times 1.512 \times 250(00) \times .83 = \155
Ave. ISO loss cost x Ave. Property LCM x limit x Ave. institutional package factor

✚ Recharge of Fire Extinguisher Systems
\$1,000 no deductible

Flat Charge - \$10

✚ Research & development expenditures.

Flat charge of \$10

✚ Addition of \$2,000 for loss data preparation on any one loss occurrence

Minimal additional premium impact. Underwriting control only.

✚ Reward Reimbursement
\$25,000

$25,000 \times .005 = \$125$

✚ Fire Department Service Charge
\$10,000 per occurrence

$.094 \times 1.512 \times 100(00) \times .90 = \13
Ave. real property loss cost x Ave. LCM x limit x Ave. mercantile package factor

✚ Money and Securities – On and Off Premises
\$10,000 per occurrence provided with \$500 deductible

On premises

$4.495 \times 1.479 \times 1.00 \times .54 \times 10(000) \times 5 \times .89 = \160
Ave. crime coverage loss cost x Crime LCM x deductible x Ave. Terr. factor x limit x Ave.
number of employees x Ave. package factor

Off premises

$.451 \times 1.479 \times 1.00 \times .54 \times 10(000) \times 5 \times .89 = \16
Ave. crime coverage loss cost x Crime LCM x deductible x Ave. Terr. factor x limit x Ave.
number of employees x Ave. package factor

✚ Accounts Receivable
\$25,000 at each described premises

$.122 \times 1.600 \times 250(00) \times .83 = \41
Ave. contents loss cost x IM LCM x limit x Ave. institutional package factor

Total of all coverages = \$802.

1. Average applicability of all coverages to any one risk for one location <65%.
Discounted flat charge - \$500
2. Average applicability of all coverages to any one risk for two locations <55%.

Discounted flat charge - \$875

3. Average applicability of all coverages to any one risk for three locations <50%.
Discounted flat charge - \$1,125
4. Average applicability of all coverages to any one risk for four locations <45%.
Discounted flat charge - \$1,325

RATING SUPPORT

LONG TERM CARE PROPERTY EXTENSIONS – FA-23318

- ✚ Newly-Acquired or newly Constructed Real & Personal Property
\$1,000,000– Real Property / 90 days
\$500,000 – Personal Property / 90 days
\$250,000 – Business Income & Extra Expense

No charge. Minimal exposure.
- ✚ Personal Property off premises
\$25,000

.122 x 1.512 x 250(00) x .83 = \$38
Ave. loss cost x Ave. Property LCM x limit x Ave. institutional package factor
- ✚ Valuable Papers and Records
\$25,000

.122 x 1.512 x .8 x 250(00) x .89 = \$33
Ave. contents loss cost x Ave LCM x 1 hour file cabinet x limit x Ave. package factor
- ✚ Personal effects and property of others
\$5,000 at each described premises

.122 x 1.512 x 50(00) x .89 = \$8
Ave. personal property loss cost x Ave. LCM x limit x Ave. package factor
- ✚ Ordinance or Law – Loss in value, demolition cost & increased cost to repair (actual cost)
– average exposure estimated at \$50,000 each part.

\$148
- ✚ Outdoor signs
\$5,000 at each described premises

.513 x 1.512 x 50(00) x .89 = \$35
Ave. contents loss cost x Ave LCM x limit x Ave. package factor
- ✚ Back-up of Sewers and Drains
\$25,000

Flat charge of \$10
- ✚ Fine Arts Coverage
\$25,000

.495 x 1.512 x 250(00) x .83 = \$155
Ave. ISO loss cost x Ave. Property LCM x limit x Ave. institutional package factor
- ✚ Recharge of Fire Extinguisher Systems

Flat Charge - \$10

✚ Emergency Vacating Expense.
\$25,000

Flat charge of \$10

✚ Addition of \$2,000 for loss data preparation on any one loss occurrence

Minimal additional premium impact. Underwriting control only.

✚ Reward Reimbursement
\$25,000

$25,000 \times .005 = \$125$

Refer to Co. Minimum premium flat charge

✚ Fire Department Service Charge
\$10,000 per occurrence

$.094 \times 1.512 \times 100(00) \times .90 = \13

Ave. real property loss cost x Ave. LCM x limit x Ave. mercantile package factor

✚ Money and Securities – On and Off Premises
\$10,000 per occurrence provided with \$500 deductible

On premises

$4.495 \times 1.479 \times 1.00 \times .54 \times 10(000) \times 5 \times .89 = \160

Ave. crime coverage loss cost x Crime LCM x deductible x Ave. Terr. factor x limit x Ave. no. employees x Ave. package factor

Off premises

$.451 \times 1.479 \times 1.00 \times .54 \times 10(000) \times 5 \times .89 = \16

Ave. crime coverage loss cost x Crime LCM x deductible x Ave. Terr. factor x limit x Ave. no. employees x Ave. package factor

✚ Accounts Receivable
\$25,000 at each described premises

$.122 \times 1.600 \times 250(00) \times .83 = \41

Ave. contents loss cost x IM LCM x limit x Ave. institutional package factor

Total of all coverages = \$802.

Tempering Factors:

1. Average applicability of all coverages to any one risk for one location <65%.
Discounted flat charge - \$500
2. Average applicability of all coverages to any one risk for two locations <55%.
Discounted flat charge - \$875
3. Average applicability of all coverages to any one risk for three locations <50%.
Discounted flat charge - \$1,125
4. Average applicability of all coverages to any one risk for four locations <45%.
Discounted flat charge - \$1,325

RATING SUPPORT

PUBLIC ENTITY SPECIAL EXTENSIONS OF COVERAGE – FA-23076

- ✚ Commandeered Property
\$25,000 - \$1,000 deductible

 $.122 \times 1.512 \times .96 \times 25,0(00) \times .83 = \37
Ave. contents loss cost x Ave LCM x deductible x limit x Ave. institutional package factor
- ✚ Impounded Property
\$10,000 - \$500 deductible

 $.122 \times 1.512 \times 1.00 \times 10,0(00) \times .83 = \15
Ave. contents loss cost x Ave LCM x deductible x limit x Ave. institutional package factor
- ✚ Rewards Reimbursement
\$5,000 per occurrence

Minimal exposure for this class. No charge
- ✚ Newly-Acquired or newly Constructed Real & Personal Property
\$1,000,000– Real Property / 180 days
\$500,000 – Personal Property / 180 days

Direct Charge made back to the effective date of change when we are notified.
- ✚ Valuable Papers and Records
\$15,000 included (\$2,500 is already provided)

 $.122 \times 1.512 \times .8 \times 12,5(00) \times .83 = \15
Ave. contents loss cost x Ave LCM x 1 hour file cabinet x limit x Ave. mercantile package factor
- ✚ Personal effects of others
\$10,000 at each described premises (\$2,500 is provided)

 $.122 \times 1.512 \times 7,5(00) \times .83 = \11
Ave. personal property loss cost x Ave. LCM x limit x Ave. institutional package factor
- ✚ Outdoor signs
\$15,000 at each described premises (\$1,000 is provided)

 $.513 \times 1.512 \times 14,0(00) \times .83 = \90
Ave. contents loss cost x Ave LCM x limit x Ave. institutional package factor
- ✚ Back-up of Sewers and Drains
\$10,000

Flat charge of \$10
This is developed using a \$.10 rate

- ✚ Computer Equipment Coverage
\$10,000 at each premises

$.122 \times 1.600 \times 10,0(00) \times .90 = \18
Ave. contents loss cost x IM LCM x limit x inland package factor

- ✚ Loss payment expenses
\$5,000 each occurrence

$.122 \times 1.512 \times 5,0(00) \times .83 = \8
Ave. contents loss cost x Ave LCM x limit x Ave. institutional package factor

- ✚ Extra Expense
\$10,000

$.094 \times 1.512 \times 2.00 \times 10,0(00) \times .83 = \24
Ave. real property loss cost x Ave. LCM x extra expense factor x limit x Ave. institutional package factor

- ✚ Money and Securities – On and Off Premises
\$5,000 per occurrence provided with \$500 deductible

On premises
 $4.495 \times 1.479 \times 1.00 \times .54 \times 5,(000) \times 5 \times .83 = \74
Ave. crime coverage loss cost x Crime LCM x deductible x Ave. Terr. factor x limit x Ave. number of employees x Ave. institutional package factor

Off premises
 $.451 \times 1.479 \times 1.00 \times .54 \times 5,(000) \times 5 \times .83 = \7
Ave. crime coverage loss cost x Crime LCM x deductible x Ave. Terr. factor x limit x Ave. number of employees x Ave. institutional package factor

- ✚ Accounts Receivable
\$15,000 at each described premises

$.122 \times 1.600 \times 15,0(00) \times .83 = \24
Ave. contents loss cost x IM LCM x limit x Ave. institutional package factor

Total of all coverage extensions \$333. Average applicability of all coverage extensions to any one risk <50%.

Discounted flat charge - \$150

RATING SUPPORT

RECYCLING SPECIAL EXTENSIONS OF COVERAGE – FA-23074

- ✚ Fire Department Service Charge
\$25,000 per occurrence – (\$1,000 is already provided)

.094 x 1.512 x 24,0(00) x .90 = \$31
Ave. real property loss cost x Ave. LCM x limit x Ave. mercantile package factor
- ✚ Pollutant Cleanup and Removal
\$25,000 per occurrence – (\$10,000 is already provided)

.006 x 1.512 x 15,0(00) x .90 = \$1
Ave ISO loss cost x Ave. LCM x limit x Ave. mercantile package factor
- ✚ Ordinance or Law – Loss in value, demolition cost & increased cost to repair (actual cost) – average exposure estimated at \$50,000 each part.

Coverage A – Loss of Undamaged Portion

$$.094 \times 1.512 \times .90 \times .150 \times .98 \times .90 \times 50,0(00) = \$9.$$

$$35 \times .98 \times .150 \times .83 = \$5 \quad \$8 + \$4 = \$14$$

Ave. property 80% coinsurance loss cost x Ave. property LCM x Coins. Factor x bldg ord. Factor x Ded. factor x Ave. institutional package factor x Bldg limit = Base Premium.
Comp perils 1st \$50,000 Premium x Ded. factor x Bldg ord. factor x Ave. institutional package factor = Comp Premium. Base Premium + Comp Premium = Coverage A Premium

Coverage B – Demolition

$$.094 \times 1.512 \times .98 \times .90 \times 50,0(00) = \$63.$$

$$35 \times .98 \times .150 \times .83 = \$31 \quad \$63 + \$31 = \$94$$

Ave. property 80% coinsurance loss cost x Ave. property LCM x Ded. factor x Ave. institutional package factor x Demo limit = Base Premium. Comp perils 1st \$50,000 Premium x Ded. factor x Ave. institutional package factor = Comp Premium. Base Premium + Comp Premium = Coverage B Premium

Coverage C – Increased Cost of Construction

$$.094 \times 1.512 \times .98 \times .90 \times 50,0(00) = \$63.$$

$$35 \times .98 \times .150 \times .83 = \$31 \quad \$63 + \$31 = \$94$$

Ave. property 80% coinsurance loss cost x Ave. property LCM x Ded. factor x Ave. institutional package factor x Incr. Cost limit = Base Premium. Comp perils 1st \$50,000 Premium x Ded. factor x Ave. institutional package factor = Comp Premium. Base Premium + Comp Premium = Coverage C Premium

$$\$114 + \$94 + \$94 = \$202$$

Final Premium for A, B and C = A + B + C

- ✚ Recharge of Fire Extinguisher Systems
\$5,000 no deductible

Flat Charge - \$25

- ✚ Newly-Acquired or newly Constructed Real & Personal Property
 - \$1,000,000– Real Property / 180 days
 - \$500,000 – Personal Property / 180 days

Direct Charge made back to the effective date of change when we are notified
- ✚ Personal effects and property of others
 - \$25,000 at each described premises (\$2,500 is provided)

$.122 \times 1.512 \times 22,5(00) \times .90 = \37
 Ave. personal property loss cost x Ave. LCM x limit x Ave. mercantile package factor
- ✚ Valuable Papers and Records
 - \$25,000 included (\$2,500 is already provided)

$.122 \times 1.512 \times .80 \times 22,5(00) \times .90 = \30
 Ave. contents loss cost x Ave. LCM x 1 hour file cabinet x limit x Ave. mercantile package factor
- ✚ Property Off- Premises
 - \$25,000 per occurrence (\$10,000 provided)

$.122 \times 1.512 \times 15,0(00) \times .90 = \25
 Ave. personal property loss cost x Ave. LCM x limit x Ave. mercantile package factor
- ✚ Outdoor Property
 - Trees, shrubs & plants
 - \$25,000 per occurrence (\$1,000 is provided)

$.412 \times 1.512 \times 24,0(00) \times .90 = \135
 Ave. ISO loss cost x Ave. Property LCM x limit x Ave. mercantile package factor
- ✚ Outdoor signs
 - \$25,000 at each described premises (\$1,000 is provided)

$.513 \times 1.512 \times 24,0(00) \times .90 = \167
 Ave. contents loss cost x Ave LCM x limit x Ave. mercantile package factor
- ✚ Fine Arts
 - \$25,000 at each described premises

$.495 \times 1.600 \times 25,0(00) \times .90 = \178
 Ave. ISO loss cost x IM LCM x limit x Ave. inland package factor
- ✚ Computer Equipment Coverage
 - \$25,000 at each premises

$.122 \times 1.600 \times 25,0(00) \times .90 = \44
 Ave. contents loss cost x IM LCM x limit x inland package factor
- ✚ Installation Coverage
 - \$10,000 per loss

$.045 \times 1.512 \times 10,0(00) \times .90 = \6
 Ave. ISO loss cost x Ave. LCM x limit x Ave. mercantile package factor

- ✚ Brands and Labels
Difference between salvage value and value of brands and labels – per loss

Flat Charge - \$10 (low exposure to class)
- ✚ Cost of Inventories
\$10,000 per loss

 $.122 \times 1.512 \times 10,0(00) \times .90 = \17
Ave. contents loss cost x Ave LCM x limit x Ave. mercantile package factor
- ✚ Earth Movement
\$25,000 per event within 168 period

 $.026 \times 1.512 \times 25,0(00) \times .90 = \9
Ave. ISO loss cost x Ave. LCM x limit x Ave. mercantile package factor
- ✚ Off-Premises Utility Failure
\$25,000 per occurrence

 $.022 \times 1.512 \times 25,0(00) \times .90 = \7
Ave. ISO loss cost x Ave. LCM x limit x Ave. mercantile package factor
- ✚ Flood
\$25,000 per event

 $.010 \times 1.512 \times 25,0(00) \times .90 = \3
Ave. ISO loss cost x Ave. LCM x limit x Ave. mercantile package factor
- ✚ Changes or Extremes in Temperature or Humidity
\$25,000 per event

Flat Charge - \$70
- ✚ Loss Limitations Changes

Furs, fur garments and garments trimmed with fur
\$10,000 (\$2,500 provided)

 $.500 \times 1.600 \times 7,5(00) \times .90 = \54
estimated inland rate x IM LCM x limit x inland package factor

Jewelry, watches, precious stones, bullion, precious metals
\$10,000 (\$2,500 provided)

 $1.500 \times 1.600 \times 7,5(00) \times .90 = \162
estimated inland rate x IM LCM x limit x inland package factor
- ✚ Extra Expense
\$10,000 per occurrence

 $.094 \times 1.512 \times 2.00 \times 10,0(00) \times .90 = \26
Ave. real property loss cost x Ave. LCM x extra expense factor x limit x Ave. mercantile package factor

- ✚ Money and Securities – On and Off Premises
\$10,000 per occurrence provided with \$500 deductible

On premises

$$4.495 \times 1.479 \times 1.00 \times .54 \times 10,000 \times 5 \times .90 = \$162$$

Ave. crime coverage loss cost x Crime LCM x deductible x Ave. Terr. factor x limit x Ave. number of employees x Ave. mercantile package factor

Off premises

$$.451 \times 1.479 \times 1.00 \times .54 \times 5,000 \times 5 \times .90 = \$8$$

Ave. crime coverage loss cost x Crime LCM x deductible x Ave. Terr. factor x limit x Ave. number of employees x Ave. mercantile package factor

- ✚ Accounts Receivable
\$25,000 at each described premises

$$.122 \times 1.600 \times 25,000 \times .90 = \$44$$

Ave. contents loss cost x IM LCM x limit x Ave. mercantile package factor

Total of all coverage extensions \$1,453. Average applicability of all coverage extensions to any one risk <35%.

Discounted flat charge - \$500

RATING SUPPORT

SMALL BUSINESS PROPERTY EXTENSIONS – FA-23321

- ✚ Newly-Acquired or newly Constructed Real & Personal Property
 - \$1,000,000– Real Property / 90 days
 - \$500,000 – Personal Property / 90 days
 - \$250,000 – Business Income & Extra Expense

No charge. Minimal exposure.

- ✚ Personal Property off premises
 - \$10,000

 - $.122 \times 1.512 \times 100(00) \times .83 = \15
 - Ave. loss cost x Ave. Property LCM x limit x Ave. institutional package factor

- ✚ Valuable Papers and Records
 - \$25,000

 - $.122 \times 1.512 \times .8 \times 250(00) \times .89 = \33
 - Ave. contents loss cost x Ave LCM x 1 hour file cabinet x limit x Ave. package factor

- ✚ Personal effects and property of others
 - \$5,000 at each described premises

 - $.122 \times 1.512 \times 50(00) \times .89 = \8
 - Ave. personal property loss cost x Ave. LCM x limit x Ave. package factor

- ✚ Ordinance or Law – Loss in value, demolition cost & increased cost to repair (actual cost) – average exposure estimated at \$50,000 each part.
 - \$148

- ✚ Outdoor signs
 - \$5,000 at each described premises

 - $.513 \times 1.512 \times 50(00) \times .89 = \35
 - Ave. contents loss cost x Ave LCM x limit x Ave. package factor

- ✚ Back-up of Sewers and Drains
 - \$25,000

 - Flat charge of \$10

- ✚ Recharge of Fire Extinguisher Systems
 - Flat Charge - \$10

- ✚ Addition of \$2,000 for loss data preparation on any one loss occurrence
 - Minimal additional premium impact. Underwriting control only.

✚ Reward Reimbursement
\$5,000

$$5,000 \times .005 = \$25$$

✚ Fire Department Service Charge
\$25,000 per occurrence

$$.094 \times 1.512 \times 250(00) \times .90 = \$32$$

Ave. real property loss cost x Ave. LCM x limit x Ave. mercantile package factor

✚ Money and Securities – On and Off Premises
\$10,000 per occurrence provided with \$500 deductible

On premises
 $4.495 \times 1.479 \times 1.00 \times .54 \times 10(000) \times 5 \times .89 = \160
Ave. crime coverage loss cost x Crime LCM x deductible x Ave. terr factor x limit x ave
no. employees x Ave. package factor

Off premises
 $.451 \times 1.479 \times 1.00 \times .54 \times 10(000) \times 5 \times .89 = \16
Ave. crime coverage loss cost x Crime LCM x deductible x Ave. Terr. factor x limit x Ave.
number of employees x Ave. package factor

✚ Accounts Receivable
\$25,000 at each described premises

$$.122 \times 1.600 \times 250(00) \times .83 = \$41$$

Ave. contents loss cost x IM LCM x limit x Ave. institutional package factor

✚ Extra Expense
\$25,000

$$.094 \times 1.512 \times 2.00 \times 250(00) \times .89 = \$63$$

Ave. real property loss cost x Ave LCM x extra expense factor x limit x Ave. package
factor

Total of all coverages = \$596.

Average applicability of all coverages to any one risk for one location <30%.

Discounted flat charge - \$150

RATING SUPPORT

SPECIAL EXTENSIONS OF COVERAGE – FA-23072

- Newly-Acquired or newly Constructed Real & Personal Property
\$500,000– Real Property / 90 days
\$250,000 – Personal Property / 90 days

Direct Charge made back to the effective date of change when we are notified.

- Valuable Papers and Records
\$10,000 included (\$2,500 is already provided)

$.122 \times 1.512 \times .8 \times 7,5(00) \times .89 = \10
Ave. contents loss cost x Ave LCM x 1 hour file cabinet x limit x Ave. package factor

- Personal effects and property of others
\$10,000 at each described premises (\$2,500 is provided)

$.122 \times 1.512 \times 7,5(00) \times .89 = \12
Ave. personal property loss cost x Ave. LCM x limit x Ave. package factor

- Outdoor signs
\$5,000 at each described premises (\$1,000 is provided)

$.513 \times 1.512 \times 4,0(00) \times .89 = \28
Ave. contents loss cost x Ave LCM x limit x Ave. package factor

- Back-up of Sewers and Drains
\$10,000

Flat charge of \$10
This is developed using a \$.10 rate.

- Computer Equipment Coverage
\$10,000 at each premises

$.122 \times 1.600 \times 10,0(00) \times .80 = \16
Ave. contents loss cost x IM LCM x limit x inland package factor

- Extra Expense
\$10,000

$.094 \times 1.512 \times 2.00 \times 10,0(00) \times .89 = \25
Ave. real property loss cost x Ave LCM x extra expense factor x limit x Ave. package factor

- ✚ Money and Securities – On and Off Premises
\$5,000 per occurrence provided with \$500 deductible

On premises

$$4.495 \times 1.479 \times 1.00 \times .54 \times 5,000 \times 5 \times .89 = \$80$$

Ave. crime coverage loss cost x Crime LCM x deductible x Ave. Terr. factor x limit x ave number of employees x Ave. package factor

Off premises

$$.451 \times 1.479 \times 1.00 \times .54 \times 5,000 \times 5 \times .89 = \$8$$

Ave. crime coverage loss cost x Crime LCM x deductible x Ave. Terr. factor x limit x ave number of employees x Ave. package factor

- ✚ Accounts Receivable
\$10,000 at each described premises

$$.122 \times 1.600 \times 1,000 \times .90 = \$18$$

Ave. contents loss cost x IM LCM x limit x IM package factor

Total of all coverage extensions \$207. Average applicability of all coverage extensions to any one risk <25%.

Discounted flat charge - \$50

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

CALCULATION OF COMPANY LOSS COST MULTIPLIER

This filing transmittal is part of Company Tracking # 08-CP-2007651	
This filing corresponds to form filing number 08-CP-2007651 (Company tracking number of form filing, if applicable)	

(X) Loss Cost Reference Filing ISO () Independent Rate Filing
(Advisory Org, & Reference filing #) ISO – CF-2007-RLA1

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

1. Check one of the following:

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

2. Line, Subline, Coverage, Territory, Class, etc. combination to which this page applies: Property
Mortgage Bankers / Brokers nationwide LCM revision

3. Loss cost modification:

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

- (x) Without Modification (factor = 1.000)
- () With the following modification(s). (Cite the nature and percent modification, and attach supporting data and/or rationale for the modification.) 1.000

B. Loss Cost Modification Expressed as a Factor: (See Examples Below) 1.000

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

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

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

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

		Selected Provisions	
A.	Total Production Expense	19.4	%
B.	General Expense	5.5	%
C.	Taxes, Licenses & Fees	3.0	%
D.	Underwriting Profit & Contingencies (explain how investment income is taken into account)	5.4	%
E.	Other (explain)	0.0	%
F.	Total	33.3	%

5.	A. Expected Loss Ratio: ELR = 100% - 4F = A	66.7	%
	B. ELR in Decimal Form =	0.667	
6.	Company Formula Loss Cost Multiplier (3B/5B)	1.500	
7.	Company Selected Loss Cost Multiplier = (Attach explanation for any differences between 6 and 7)	1.500	
8.	Rate Level Change for the coverage(s) to which this page applies	10.9%	

FORM RF-1 Rate Filing Abstract NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	08-CP-2007651
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/Item Filing Number	CF-2007-RLA1
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Company Name		Company NAIC Number	
3.	A. AAI, AFU, AII, APC, BSI, IND, INA, PEI	B.	22667, 20702, 10030, 20699, 18279, 43575, 22713, 22748

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Business (i.e., Sub-type of Insurance)	
4.	A. 1.0 Property	B.	1.001 Commercial Property (Fire & Allied Lines)

5.

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	FOR LOSS COSTS ONLY			
				(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
Property	-0.7%	10.9%	0.667	1.000	1.500		1.704
TOTAL OVERALL EFFECT	-0.7%	10.9%	0.667	1.000	1.500		1.704

6. 5 Year History Rate Change History

Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
N/A	New Program		No	Experience	Available		
2003		+7.0%	09/1/02	27,904	74,749	267.9	
2004		-3.4%	10/1/03	26,194	0	0	
2005		-8.6%	06/1/04	55,459	0	0	
2006		-8.2%	09/1/05	35,377	0	0	
2007		-5.0%	10/1/07	77,530	0	0	
Total				222,465	74,749	33.6	

7.

Expense Constants	Selected Provisions
A. Total Production Expense	19.4%
B. General Expense	5.5%
C. Taxes, Licenses & Fees	3.0%
D. Underwriting Profit & Contingencies	5.4%
E. Other (explain)	
F. TOTAL	33.3%

8. Y Apply Loss Cost Factors to Future filings? (Y or N)

9. 12.8% Estimated Maximum Rate Increase for any Insured (%) Territory (if applicable): _____

10. None Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): _____

FILING MEMORANDUM

Background

In two companion Commercial Multi-peril filings (08-CML-2007546 & 08-CML-2007672) we are proposing to withdraw our existing Advantage Commercial Package Program and simultaneously adopt the Insurance Services Office, Inc.'s (ISO) Portfolio Program.

Forms

The purpose of this filing is to adopt the Insurance Services Office, Inc.'s Division Five – Fire and Allied Lines forms that ISO has filed on our behalf in place of our existing Advantage Commercial Package Product forms. To assist you with your review we are providing a comparison of the Advantage Commercial Property Form with the ISO Building and Personal Property Form as well as the more detailed Policyholder Notice that will be provided to our existing policyholders.

In addition, we are introducing the following supplementary independent property forms which contain commonly requested extensions of coverage:

- ✦ Special Extensions of Coverage, **FA-23072**, which will be attached to all policies unless a specific program Special Extensions of Coverage form applies. A flat charge of \$50 applies per policy.
- ✦ Recycling Special Extensions of Property Coverage, **FA-23074**, which will be attached to all recycling program policies. A flat charge of \$500 applies per policy.
- ✦ Public Entity Special Extensions of Property Coverage, **FA-23076**, which will be attached to all public entity program policies. A flat charge of \$150 applies per policy.
- ✦ Life Sciences Extensions of Property Coverage, **FA-23317**, an optional endorsement that may be used with Life Science policies. A flat charge applies per policy depending on the number of locations.
- ✦ Long Term Care Property Extensions of Property Coverage, **FA-23318**, an optional endorsement that may be used with Long Term Care policies. A flat charge applies per policy depending on the number of locations.
- ✦ Research & Development Expenditures Special Extensions of Coverage, **FA-23320**, which will be attached all policies issued to insureds with research and development exposures. There is no charge associated with the use of this endorsement.
- ✦ Small Business Preferred Extensions of Property Coverage, **FA-23321**, an optional endorsement that may be used Medical Risk policies other than for Life Sciences or Long Term Care. A flat charge of \$150 applies per policy.
- ✦ Business Income and Extra Expense Actual Loss Sustained, **FA-23314**, an optional endorsement used to provide coverage for Business Income and Extra Expense on Small Business policies. Please see the manual rule page for rating details.
- ✦ Contamination Endorsement, **FA-23316**, an optional endorsement that may be used to provide coverage for radioactive contamination from accidental release or escape during the policy period up to a limit of \$250,000. Please see the manual rule page for rating details.

We are also introducing the following optional forms, which will be available for all property insureds:

- ✚ Equipment Breakdown Coverage Endorsement, **FA-7Y32**, an endorsement that provides coverage for the breakdown of equipment and related exposures to loss for covered equipment.
- ✚ Equipment Breakdown Coverage Endorsement Schedule, **FA-8Y96**, which shows the applicable limits for each coverage, special deductibles and other conditions of coverage, if any, when Equipment Breakdown Coverage is purchased.

Equivalent versions of each of these forms are currently on file for our Advantage Commercial Package Program. However, due to the differences that exist between the structure, included coverage, and nomenclature of the Advantage Commercial Property Coverage Form and the ISO Building and Personal Property Coverage Form it was necessary for us to revise each form to the extent that it references and modifies the relevant sections of the ISO Building and Personal Property Coverage Form to maintain, as much as possible, the existing coverage provided to our customers. The accompanying form usage rules are included in the rate portion of this filing.

Loss Costs and Rules

The Advantage Commercial Package Program utilizes ISO Division Five – Fire & Allied Lines loss costs, rules and rating plans with company exceptions to certain ISO rules, most notably all other perils rating rules, time element rating factors, deductible factors, and schedule rating. In converting to ISO we will now utilize the ISO Division Five rules and loss costs without exception. Please note that the state reference loss costs shown on the Reference Loss Cost Adoption form are those effective as of the date of this filing. However, it is our intent to apply the LCM and Loss Adjustment Factor's contained in this filing to all revisions to ISO's prospective loss costs for this line of insurance that are filed on our behalf with effective dates subsequent to the date of this filing without deviation.

Currently our Loss Cost Multiplier's (LCM) are structured to provide three rate levels with some companies at a standard or manual rate level and others with either a + or – 25% rate deviation. We are now proposing a single LCM that will be utilized by all companies.

The withdrawal of the Advantage exceptions to the ISO Division Five rating rules and the change in the structure of our LCM has a significant impact on the Property rating algorithm. To mitigate this premium impact to our customers, we are introducing a Loss Adjustment Factor (LAF) in the rating algorithm. The rate effect of converting to the ISO rating algorithm and of revising the LCM's was estimated for each coverage and industry group. The LAF factor was calculated to offset this rate impact, and achieve overall revenue neutrality by coverage for each industry group.

Please see the attached actuarial exhibits in support of this change:

Rate Effect Exhibit

- Estimated annual premium
- Proposed LAF's
- Current and Proposed LCM's

Rate Level Indication Package

- Property experience review
- GL experience review

Profit Provision Support

- Property IEE data and Profit Provision calculations

- GL IEE data and Profit Provision calculations

LAF Definitions

The SIC codes associated with each LAF are as follows:

Amusements

Amusement Parks

7996 Amusement Parks

Communications

Communication Services, Not Elsewhere Classified

4899 Communications Services, nec

Motion Picture Production and Allied Services

7812 Motion Picture and Video Tape Production

Fairs

Miscellaneous Amusement and Recreation Services

7999 Amusement and recreation services, nec. Limited to Fairs and Festivals.

Supplemental Rules

We are introducing the enclosed the manual rules for the Extensions of Coverage forms contained in the form portion of this filing. Supporting data has been provided for the charges associated with each of those forms.

Finally, we are introducing the enclosed manual rules for the Equipment Breakdown Coverage that will be utilized to rate this coverage for our Program business. The rating structure developed for the optional Equipment Breakdown coverage develops the premium charge based on the modified property premium for each Program other than Recyclers and Waste Haulers, which will be rated on Total Insured Values (TIV) instead. The relationship of premium charge to modified property premium or TIV was determined in conjunction with Travelers, who reinsures our Equipment Breakdown exposures 100%.

Travelers first examined our in-force book of property accounts with this coverage and evaluated it alongside a common Equipment Breakdown rating plan. Travelers used Equipment Breakdown loss content information based on ISO's 2005 loss costs and used expense assumptions to determine possible Equipment Breakdown premiums.

As previously mentioned, Equipment Breakdown Coverage is a modification to the coverage provided under the Building and Personal Property Coverage Form. Because Commercial Property and Equipment Breakdown are rated considering the same exposure bases (property and business income total values) and because the rating for both is determined at the location level, we believe it is logical to set the Equipment Breakdown additional premium charge in relation to the modified property premium charge. Therefore, Travelers used a typical commercial property premium distribution to analyze the relationship of Equipment Breakdown

premium to the Commercial Property premium within each account-size group. These rates are identical to the rates Travelers is charging us for reinsurance coverage.