

SERFF Tracking Number: VANL-125694060 State: Arkansas  
 Filing Company: Vanliner Insurance Company State Tracking Number: EFT #100  
 Company Tracking Number: AR BM RATE/RULE 0708  
 TOI: 27.0 Boiler & Machinery Sub-TOI: 27.0000 Boiler & Machinery  
 Product Name: AR Equipment Breakdown Rate/Rule Filing  
 Project Name/Number: AR Equipment Breakdown Rate/Rule Filing/AR BM Rate/Rule 0708

## Filing at a Glance

Company: Vanliner Insurance Company

Product Name: AR Equipment Breakdown Rate/Rule Filing

TOI: 27.0 Boiler & Machinery

Sub-TOI: 27.0000 Boiler & Machinery

Filing Type: Form

SERFF Tr Num: VANL-125694060 State: Arkansas

SERFF Status: Closed

Co Tr Num: AR BM RATE/RULE 0708

Co Status:

Author: Brian Hingst

Date Submitted: 06/13/2008

State Tr Num: EFT #100

State Status: Fees verified and received

Reviewer(s): Betty Montesi, Llyweyia Rawlins

Disposition Date: 06/13/2008

Disposition Status: Exempt from Review

Effective Date Requested (New): 07/01/2008

Effective Date Requested (Renewal): 07/01/2008

Effective Date (New): 07/01/2008

Effective Date (Renewal): 07/01/2008

State Filing Description:

RATE FILING

## General Information

Project Name: AR Equipment Breakdown Rate/Rule Filing

Project Number: AR BM Rate/Rule 0708

Reference Organization: ISO

Reference Title: ISO

Filing Status Changed: 06/13/2008

State Status Changed: 06/13/2008

Corresponding Filing Tracking Number:

Filing Description:

The Vanliner Insurance Company (Vanliner) hereby files rates and rules to support its entry into writing Equipment Breakdown (Boiler and Machinery) coverage for moving and storage companies. This filing is for Equipment Breakdown. Vanliner is an ISO subscriber for Equipment Breakdown and is adopting the entire ISO Equipment Breakdown program (rules and loss costs) with only minimal changes and additions. SERRF does not allow a rate rule filing for this line,

Status of Filing in Domicile: Pending

Domicile Status Comments:

Reference Number: See Exhibit V Page 1

Advisory Org. Circular: ISO

Deemer Date:

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however, we request approval on the rates and rules.

## Company and Contact

### Filing Contact Information

Nicholas Kohl, Bureau Specialist Nicholas\_Kohl@Vanliner.com  
 One Premier Drive (636) 305-4614 [Phone]  
 St. Louis, MO 63026 (636) 305-4270[FAX]

### Filing Company Information

Vanliner Insurance Company CoCode: 21172 State of Domicile: Arizona  
 One Premier Drive Group Code: -99 Company Type:  
 St Louis, MO 63026 Group Name: State ID Number:  
 (636) 343-9889 ext. [Phone] FEIN Number: 86-0114294  
 -----

## Filing Fees

Fee Required? Yes  
 Fee Amount: \$100.00  
 Retaliatory? No  
 Fee Explanation: AR - \$100 Filing Fee  
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Vanliner Insurance Company	\$100.00	06/13/2008	20846599

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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Exempt from Review	Llyweyia Rawlins	06/13/2008	06/13/2008

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## Disposition

Disposition Date: 06/13/2008

Effective Date (New): 07/01/2008

Effective Date (Renewal): 07/01/2008

Status: Exempt from Review

Comment:

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

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

*SERFF Tracking Number:* VANL-125694060      *State:* Arkansas  
*Filing Company:* Vanliner Insurance Company      *State Tracking Number:* EFT #100  
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<b>Item Type</b>	<b>Item Name</b>	<b>Item Status</b>	<b>Public Access</b>
<b>Supporting Document</b>	Uniform Transmittal Document-Property & Casualty	Accepted for Informational Purposes	Yes
<b>Supporting Document</b>	Supporting Documentation	Accepted for Informational Purposes	Yes
<b>Rate</b>	Vanliner Exception Pages	Accepted for Informational Purposes	Yes

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**Rate Information**

Rate data applies to filing.

**Filing Method:** File and Use  
**Rate Change Type:** Neutral  
**Overall Percentage of Last Rate Revision:** 0.000%  
**Effective Date of Last Rate Revision:** 07/01/2008  
**Filing Method of Last Filing:** New Program

**Company Rate Information**

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

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## Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Accepted for Informational Purposes	Vanliner Exception Pages	Vanliner Exception Pages	New	AL BM Exception.pdf

Vanliner Insurance Company  
Commercial Lines Manual  
Division Two - Equipment Breakdown - Multistate Rules

Rule 9: Policy Writing Minimum Premium

A	Prepaid Policies	\$100
B	Annual Premium Payment Plan Policies or Continuous Policies	\$100

Rule 11: Additional Premium Changes

B. Waiver of Premium

In the event of a policy change that generates a premium change Vanliner will bill the full additional premium or credit the insured with the full return premium no matter how small the premium difference is i.e., there is no size of change where Vanliner will waive the premium change amount.

Rule 12: Return Premium Changes

B. Waiver of Premium

In the event of a policy change that generates a premium change Vanliner will bill the full additional premium or credit the insured with the full return premium no matter how small the premium difference is i.e., there is no size of change where Vanliner will waive the premium change amount.

Rule A. Simplified Rating for Warehouses

- A. Premium calculation based on Total Insured Value ( Building plus Business Personal Property Value). Applies to business classified in SIC Codes 4225 General Warehouse and 4226 Special Warehousing and Storage.

Premium is calculated as Loss Cost Multiplied by the Lost Cost Multiplier ( by state )

Total Insured Value Per Location	Loss Cost
Less than and up to \$100,000	\$ 28
\$100,001 to \$250,000	\$ 72
\$250,001 to \$500,000	\$ 114
\$500,001 to \$750,000	\$ 155
\$750,001 to \$1,000,000	\$ 228
\$1,000,001 to \$1,500,000	\$ 299
\$1,500,001 to \$2,000,000	\$ 345
\$2,000,001 to \$3,000,000	\$ 395
Over \$3,000,000	Refer to Company

Total Insured Value is the sum of the Building and Business Personal Property Limit.

Any risk with a Total Insured Value in excess of \$3,000,000 at any one location shall be referred to company for quoting.

Any risk with Business Income value in excess of \$1,000,000 at any one location shall be referred to company for quoting.

Any risk with a Total Insured Value in excess of \$75,000,000 per policy across all locations shall be referred to company for quoting.

Any risk with Equipment Breakdown losses in the past three years shall be referred to company for quoting.

Any risk located outside the United States of America shall be referred to company for quoting.

- B. Deductibles - These Loss Costs contemplate a \$1,000 per location deductible. For other deductible options, refer to table below.

Deductible	Factor
\$500	1.05
\$1,000	1.00
\$2,500	0.93
\$5,000	0.81
\$10,000	0.76
\$25,000	0.70

**Vanliner Insurance Company**  
**Commercial Lines Manual**  
**Division Two- Equipment Breakdown - State Exceptions**

## Rule 2: Company Rates/ISO Loss Costs

## C. Loss Cost Conversion - Loss Cost Multiplier

Policies effective on or after	LCM
7/1/2008	<b>2.285</b>

Rounding Rule - Base rates are calculated by multiplying the ISO loss cost times the Vanliner loss cost multiplier and rounding to 3 places.

## 4 Expected Loss Ratio

Policies effective on or after	LCM
7/1/2008	0.438

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## Supporting Document Schedules

**Satisfied -Name:** Uniform Transmittal Document-  
Property & Casualty

**Review Status:** Accepted for Informational 06/13/2008  
Purposes

**Comments:**

AR Equipment Breakdown Rate/Rule Filing

**Attachment:**

AR BM P&C.pdf

**Satisfied -Name:** Supporting Documentation

**Review Status:** Accepted for Informational 06/13/2008  
Purposes

**Comments:**

**Attachments:**

AR BM ltr.pdf

AL BM RR.pdf

AL BM Adoption.pdf

AL BM XMemo.pdf

## Property & Casualty Transmittal Document

<b>1. Reserved for Insurance Dept. Use Only</b>	<b>2. Insurance Department Use only</b> a. Date the filing is received: b. Analyst: c. Disposition: d. Date of disposition of the filing: e. Effective date of filing: <table style="width: 100%; border: none;"> <tr> <td style="border: none;">New Business</td> <td style="border: none; width: 100px;"></td> </tr> <tr> <td style="border: none;">Renewal Business</td> <td style="border: none;"></td> </tr> </table> f. State Filing #: g. SERFF Filing #: h. Subject Codes	New Business		Renewal Business	
New Business					
Renewal Business					

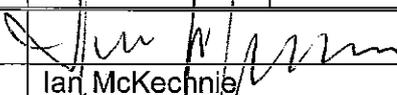
<b>3. Group Name</b>	<b>Group NAIC #</b>

4. Company Name(s)	Domicile	NAIC #	FEIN #	State #
Vanliner Insurance Company	Missouri	21172	86-0114294	24

<b>5. Company Tracking Number</b>	<b>AR BM 0708</b>
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**Contact Info of Filer(s) or Corporate Officer(s)** [include toll-free number]

6.	Name and address	Title	Telephone #s	FAX #	e-mail
	Vanliner Insurance Company Ian McKechnie	Chief Actuary, Director of Industry Compliance	800-325-3619 ext. 4793	636-305-4270	Ian_McKechnie@unigr oupinc.com

7. Signature of authorized filer	
8. Please print name of authorized filer	Ian McKechnie

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

9.	Type of Insurance (TOI)	27
10.	Sub-Type of Insurance (Sub-TOI)	27.0001
11.	State Specific Product code(s)(if applicable)[See State Specific Requirements]	
12.	Company Program Title (Marketing title)	AR BM 0708
13.	Filing Type	<input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input checked="" type="checkbox"/> Rates/Rules <input checked="" type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)
14.	Effective Date(s) Requested	New: 07/01/2008                      Renewal: 07/01/2008





June 6, 2008

Honorable Julie Benefield Bowman  
Commissioner of Insurance  
Arkansas Insurance Department  
1200 West Third Street  
Little Rock, AR 72201-1904

RE: Vanliner Insurance Company  
Commercial Lines  
Division Two – Equipment Breakdown  
NAIC: 000-21172  
Federal Employer ID #86-0114294  
Proposed Effective Date: July 1, 2008

Dear Honorable Bowman:

Vanliner Insurance Company hereby files to adopt ISO Commercial Lines – Division Two – Equipment Breakdown as a new program. Vanliner is requesting an implementation date of July 1, 2008.

Should you have any questions or require additional information, please call me at 800-325-3619 extension 4793 or e-mail me at [Ian\\_McKechnie@unigroupinc.com](mailto:Ian_McKechnie@unigroupinc.com).

Sincerely,

Ian McKechnie  
Chief Actuary, Director of Industry Compliance

Enc.

IM/tk

Effective January 1, 2006

**RATE/RULE FILING SCHEDULE**

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

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

<b>1.</b>	<b>This filing transmittal is part of Company Tracking #</b>	AR BM 0708
<b>2.</b>	<b>This filing corresponds to form filing number</b> (Company tracking number of form filing, if applicable)	

Rate Increase     
  Rate Decrease     
  Rate Neutral (0%)

<b>3.</b>	<b>Filing Method (Prior Approval, File &amp; Use, Flex Band, etc.)</b>	No Filing
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4a. Rate Change by Company (As Proposed)						
Company Name	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
Vanliner Insurance Co	New Program	n/a	n/a	n/a		

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

Overall Rate Information (Complete for Multiple Company Filings only)			
		COMPANY USE	STATE USE
<b>5a.</b>	<b>Overall percentage rate impact for this filing</b>	n/a	
<b>5b.</b>	<b>Effect of Rate Filing – Written premium change for this program</b>	n/a	
<b>5c.</b>	<b>Effect of Rate Filing – Number of policyholders affected</b>	n/a	

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

9.	Rule # or Page # Submitted for Review	Replacement or Withdrawn?	Previous state filing number, if required by state
01	AR BM 0708	<input checked="" type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
02		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
03		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
04		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
05		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	

Date: June 10, 2008

Space Reserved for Insurance Department Use

INSURER RATE FILING  
ADOPTION OF ADVISORY ORGANIZATION  
PROSPECTIVE LOSS COSTS  
REFERENCE FILING ADOPTION FORM

1. INSURER NAME ADDRESS Vanliner Insurance Company  
One Premier Drive,  
St. Louis, MO 63026

PERSON RESPONSIBLE FOR FILING Ian McKechnie

TITLE Chief Actuary, Director Industry Compliance TELEPHONE # 800-325-3619, ext. 4793

2. INSURER NAIC # 21172

3. LINE OF INSURANCE Division Two - Equipment Breakdown

4. ADVISORY ORGANIZATION ISO

5. ADVISORY ORGANIZATION REFERENCE FILING # Please see Exhibit V for complete listing of ISO Filings

6. 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.

7. PROPOSED RATE LEVEL CHANGE 0 % EFFECTIVE DATE 7/1/2008

8. PRIOR RATE LEVEL CHANGE 0 % EFFECTIVE DATE n/a

9. ATTACH "SUMMARY OF SUPPORTING INFORMATION FORM"  
(Use a separate Summary for each insurer-selected loss cost multiplier.)

10. CHECK ONE OF THE FOLLOWING:

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 Director, or amended or withdrawn by the insurer.

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.

11. Attach \$50 filing fee. Section 374.230(6), RSMo.

Insurer Name: Vanliner Insurance Company  
NAIC Number: 21172

Date: June 10, 2008

INSURER RATE FILING  
ADOPTION OF ADVISORY ORGANIZATION PROSPECTIVE LOSS COSTS  
SUMMARY OF SUPPORTING INFORMATION FORM

CALCULATION OF COMPANY LOSS COST MULTIPLIER

1. Line, Subline, Coverage, Territory, Class, etc. combination to which this page applies:  
Division Two - Equipment Breakdown
2. Loss Cost Modification:  
A. The insurer hereby files to adopt the prospective loss costs in the captioned reference filing:  
(CHECK ONE)  
 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.)  
\_\_\_\_\_  
\_\_\_\_\_
- B. Loss Cost Modification Expressed as a Factor:  
(See examples below.) 1.00

**NOTE: IF EXPENSE CONSTANTS ARE UTILIZED, ATTACH "EXPENSE CONSTANT SUPPLEMENT" OR OTHER SUPPORTING INFORMATION. DO NOT COMPLETE ITEMS 3 - 7 BELOW.**

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

Selected Provisions

A. Total Production Expense	<u>26.73</u>	%
B. General Expense	<u>10.01</u>	%
C. Taxes, Licenses & Fees	<u>3.44</u>	%
D. Underwriting Profit & Contingencies	<u>16.06</u>	%
E. Other (explain)	<u>0.00</u>	%
F. TOTAL	<u>56.24</u>	%
4A. Expected Loss Ratio: $ELR = 100\% - 3F =$	<u>43.76</u>	%
4B. ELR in decimal form =	<u>.438</u>	
5. Company Formula Loss Cost Multiplier: $(2B \div 4B) =$	<u>2.285</u>	
6. Company Selected Loss Cost Multiplier = Explain any differences between 5 and 6:	<u>2.285</u>	
7. Rate level change for the coverages to which this page applies	<u>0</u>	%

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.

## Explanatory Memorandum

The Vanliner Insurance Company (Vanliner) hereby files rates, rules and forms to support its entry into writing Equipment Breakdown (Boiler and Machinery) coverage for moving and storage companies. This filing is for Equipment Breakdown. Vanliner is an ISO subscriber for Equipment Breakdown and is adopting the entire ISO Equipment Breakdown program (rules, loss costs and forms) with only minimal changes and additions.

### **Proposed Effective Date**

The following effective date rule is proposed:

“These rates, rules and forms will be used for policies effective on or after July 1, 2008.”

If approval is not received by the proposed effective date, these changes will become effective upon approval.

### **Vanliner Insurance Company**

The Vanliner Insurance Company (NAIC # 21172) is a commercial lines insurer specializing in the moving and storage industry, Vanliner's state of domicile is Missouri. Vanliner has received an A- rating with a Stable outlook from A.M. Best.

### **Expense Experience**

The Vanliner Insurance Company has never written Equipment Breakdown coverage in the past. As such we have no historical expense experience for this line of business. After review, we believe the industry expense experience for Boiler & Machinery line of business is the best proxy we can find for our expected expense provisions.

Exhibit 1 is a summary of the entire US P&C industry's expense experience for this line of business. This is direct data is taken from Part III of the prior three years' Insurance Expense Exhibits. The bottom half of Exhibit 1 displays a number of direct expense ratios. This data was drawn from A.M. Best's Aggregates and Averages – Property/Casualty.

### **Investment Income**

The Vanliner Insurance Company has not written Equipment Breakdown coverage in past. As such we have no historical investment income experience for this line of business. After review, we believe the industry investment income experience for Boiler & Machinery line of business is the best proxy we can find for our expected investment income results. This data was drawn from A.M. Best's Aggregates and Averages – Property/Casualty.

Exhibit II Page 1 is a summary of the entire US P&C industry's investment income experience for this line of business. This exhibit displays an allocation of policyholder's

## Explanatory Memorandum

surplus to line of business calculation, calculates an investment gain ratio, a prepaid expense ratio and eventually develops an expected investment income by line of business attributable to insurance transactions provision.

Exhibit II Page 2 develops Vanliner's selected Profit and Contingency provision. The figures shown reflect our approach to developing the profit provision which is intended to generate the same average return the entire US P&C industry has experienced in the latest three period (2004-2006) for which data is available. See the notes for details about data sources and calculations. We are subtracting Investment Income Attributable to Insurance Transactions (Exhibit 2 page 1) from our Target Return as % of Direct Written Premium to get Vanliner's selected Profit & Contingency Provision. Normally we would express our target return as a % of GAAP equity. However since we are supporting our filing by citing returns industry statutory surplus, the surplus/equity ratio on line 4 of Exhibit II Page 2 has been set to 1.00.

Exhibit II Page 3 develops the three average industry after tax return on surplus based upon figures drawn from A.M. Best's Aggregates and Averages – Property/Casualty.

### **Loss Cost Multiplier Calculations**

Vanliner's Loss Cost Multiplier calculations are displayed in Exhibit III Page 1.

Our selected Commission and Brokerage expense provision is based upon our agency commission schedule. The selected Other Acquisition and General Expense provisions three year averages taken from Exhibit 1. The Tax provisions listed are a state premium tax plus a miscellaneous taxes, licenses and fees provision to cover various miscellaneous and payroll taxes. See Exhibit III Page 2 for the development of the state premium tax and the miscellaneous and payroll taxes provision. The provisions used are displayed in Exhibit III page 3. The final provision is the selected Profit and Contingency provision developed in Exhibit II Page 2.

### **Loss Cost Modification**

We have no historical experience for this line of business so our selected Loss Cost Modification will be 1.00 for this filing.

### **ISO Filings Being Adopted**

With this filing Vanliner is adopting the entire ISO Equipment Breakdown Manual as currently filed and approved in this state. This includes the:

State Insurance Manual  
Terrorism Supplement to the CLM

## Explanatory Memorandum

Exhibit V contains a list of all the manual holder notices, ISO's reference filing numbers and the state filing reference numbers (if any) for various manual pages we are adopting with this filing.

### **Vanliner Exception Pages**

Vanliner's proposed CLM exception pages are attached as Exhibit VI. These are built to work with ISO's Commercial Lines Manual. There is a company multistate exception page that displays the rules we intend to use in all states. The Vanliner state exception pages display the Loss Cost Multiplier developed and supported in this filing.

### **Simplified Rating Plan**

We have secured reinsurance for Warehouse risks that enables us to offer a special simplified rating plan for these types of risks. Premium will be calculated based on Total Insured Value per Location. The rates provided in Exhibit VI on Vanliner's Exception Pages apply only to locations which are classified under SIC codes 4225 General Warehouse and Storage and 4226 Special Warehousing and Storage.

If a Location has a Total Insured Value of greater than \$3,000,000 or a Business Income value greater than \$1,000,000, it must be referred to the Company for quoting. If the Total Insured Value on the policy across all locations is greater than \$75,000,000, it must be referred to the Company for quoting. These rates contemplate a \$1,000 deductible per location. A deductible factor table is provided in Exhibit VI which supplies factors for other deductible options.

### **State Filing Forms**

A complete set of state filing forms is attached.

### **Person to Contact**

If there any questions about this filing please contact the following:

Ian McKechnie  
Chief Actuary and Director of Industry Compliance  
(636) 305-4793 or (800) 325-3619 ext 4793  
Ian\_McKechnie@unigroupinc.com

Explanatory Memorandum

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**Exhibit I Insurance Expense Exhibit Summary**

**Page 1 – Industry Boiler & Machinery**

**Exhibit II Investment Income**

**Page 1 – Allocation of Investment Income by Line of Business**

**Page 2 – Profit and Contingency Exhibit**

**Page 3 – Industry Return on Policyholder Surplus**

**Exhibit III Loss Cost Multiplier Development**

**Page 1 – Selected Expense Provisions**

**Page 2 – Miscellaneous Taxes and Payroll Taxes**

**Page 3 – 2007 Tax Rates by State**

**Exhibit IV Not Applicable to this Filing**

**Exhibit V ISO / Bureau Reference Filings**

**Page 1 – ISO/Bureau Reference Filing Numbers**

**Page 2 – Vanliner Insurance Company Forms**

**Exhibit VI Vanliner's State Exception Pages**

**State Filing Forms**

**Total US PC Industry**  
Insurance Expense Exhibit (000) Omitted  
**Boiler and Machinery**  
As reported in Best's Aggregates & Averages - Property/Casualty

Col.	Item	2003	2004	2005	2006	Latest 3 yr 2004-06
<b>Part III - Allocation to Lines of Direct Business Written</b>						
1	Premiums Written	1,277,729	1,196,346	1,187,325	1,232,360	3,616,031
3	Premiums Earned	1,256,247	1,218,088	1,201,469	1,211,670	3,631,227
5	Dividends to Policyholders	185	176	381	195	752
7	Incurred Loss	306,571	275,585	224,990	413,026	913,601
9	Defense and Cost Containment Expenses Incurred	11,845	9,607	19,959	10,759	40,325
11	Adjusting and Other Expenses Incurred	34,444	23,787	53,630	41,752	119,169
13	Unpaid Losses	467,678	443,086	384,332	458,428	1,285,846
15	Defense and Cost Containment Expenses Unpaid	19,946	21,970	32,470	30,453	84,893
17	Adjusting and Other Expenses Unpaid	22,681	17,727	18,702	37,776	74,205
19	Unearned Premium Reserves	605,243	570,673	554,865	574,969	1,700,507
21	Agent's Balances	236,371	207,317	195,221	227,793	630,331
23	Commission and Brokerage Expenses Incurred	116,728	117,654	102,762	103,095	323,511
25	Taxes Licenses & Fees Incurred	33,036	30,859	29,739	34,683	95,281
27	Other Acquisitions, Field Supervision, and Collection Expenses Incurred	102,671	112,690	107,232	113,688	333,610
29	General Expenses Incurred	120,657	122,560	123,019	117,847	363,426
31	Other Income Less Expenses	(14,076)	(8,299)	(5,824)	(7,391)	(22,014)
33	Pre-Tax Profit or Loss Excluding All Investment Gain	516,057	516,875	533,928	368,716	1,419,519
	Paid Loss		300,177	283,744	338,930	922,851
	Defense and Cost Containment Expenses Paid		7,583	9,459	12,776	29,818
	Adjusting and Other Expenses Paid		28,741	52,655	22,678	104,074

**Direct Expense Ratios**

Inc. Loss / Earned Premium Ratio	= (7) / (3)	24.4%	22.6%	18.7%	34.1%	25.2%
Inc. ALAE / Earned Premium Ratio	= (9) / (3)	0.9%	0.8%	1.7%	0.9%	1.1%
Inc. ULAE / Earned Premium Ratio	= (11) / (3)	2.7%	2.0%	4.5%	3.4%	3.3%
Inc. Loss & LAE / Earned Premium Ratio	subtotal	28.1%	25.4%	24.9%	38.4%	29.6%
Inc LAE / Inc Loss Ratio	= ((9)+(11))/(7)	15.1%	12.1%	32.7%	12.7%	17.5%
Inc Loss & LAE / Inc Loss & ALAE Ratio	= ((7)+(9)+(11))/((7)+(9))	110.8%	108.3%	121.9%	109.9%	112.5%
Inc Loss & LAE / Inc Loss Ratio	= ((7)+(9)+(11)) / (7)	115.1%	112.1%	132.7%	112.7%	117.5%
Paid Loss Ratio to DEP			24.6%	23.6%	28.0%	25.4%
Paid ALAE Ratio to DEP			0.6%	0.8%	1.1%	0.8%
Paid ULAE Ratio to DEP			2.4%	4.4%	1.9%	2.9%
Change in ALAE O/S to DEP			0.2%	0.9%	-0.2%	
Change in ULAE O/S to DEP			-0.4%	0.1%	1.6%	
Commission Ratio to DWP	= (23) / (1)	9.1%	9.8%	8.7%	8.4%	8.9%
T. L. & F Ratio to DWP	= (25) / (1)	2.6%	2.6%	2.5%	2.8%	2.6%
Other Acq Ratio to DWP	= (27) / (1)	8.0%	9.4%	9.0%	9.2%	9.2%
General Exp Ratio to DEP	= (29) / (3)	9.6%	10.1%	10.2%	9.7%	10.0%
U/W Expense Ratio to DEP	sum((23):(29)) / (3)	29.7%	31.5%	30.2%	30.5%	30.7%

**Total US PC Industry**  
**Allocation of Investment Income by Line of Business (000) Omitted**  
**As Reported in A.M. Best's Aggregates and Averages**

	Overall US PC Industry			Line -Boiler and Machinery			Notes:
	(a) 2005	(b) 2006	(c) Mean	(d) 2005	(e) 2006	(f) Mean	
<b>Allocation of Policyholder Surplus to Line of Business</b>							
Direct Earned Premium (1)	475,744,787	484,089,549	479,917,168	1,201,469	1,211,670	1,206,570	
Net Earned Premium (2)	425,631,427	440,531,383	433,081,405	1,580,612	1,626,793	1,603,703	
Net Loss Reserves (3)	435,546,639	444,012,015	439,779,327	620,444	725,303	672,874	
Net LAE Reserves (4)	88,037,369	93,017,782	90,527,576	73,617	76,483	75,050	
Net Loss & LAE Reserves (5)	523,584,008	537,029,797	530,306,903	694,061	801,786	747,924	= (3) + (4)
Net Unearned Premium Reserves (6)	192,545,236	199,911,689	196,228,463	760,377	808,813	784,595	
Mean Reserves & Current Premium (7)			1,167,066,748			3,159,312	= (2) + (5) + (6)
Policyholder's Surplus (8)	438,730,167	501,207,293	469,968,730				
Policyholder Surplus Ratio (9)			40.27%			40.27%	= (8) / (7)
Allocated Policyholder Surplus (10)			469,968,730			1,272,230	= (7) * (9)
Premium / Surplus Ratio (11)			0.94			1.28	= (2) / (10)
<b>Calculation of Investment Gain Ratio</b>							
Net Investment Income Earned (12)	51,734,584	54,546,113					
Net Realized Capital Gains or (Losses) (13)	12,194,108	3,587,228					
Net Investment Gain or (Loss) (14)	63,928,692	58,233,341					= (12) + (13)
Net Loss & LAE & Unearned Premium (15)	716,129,244	736,941,486	726,535,365	1,454,438	1,610,599	1,532,519	= (5) + (6)
Net Agents' Balances (16)	85,518,520	92,714,854	89,116,687	173,165	217,750	195,458	
Funds held by company under reinsura (17)	33,994,289	30,553,086	32,273,688				
Policyholder's Surplus (18)			469,968,730			1,272,230	= (10)
Total Investable Funds (19)			1,139,661,096			2,609,291	= (15) - (16) + (17) + (18)
Net Investment Gain Ratio (20)			0.051			0.051	= (14) / (19)
<b>Calculation Of Prepaid Expense Ratio</b>							
Commissions (21)	45,587,636	46,948,341	46,267,989	202,457	237,643	220,050	
Taxes, Licenses & Fees (22)	11,918,521	11,869,096	11,893,809	31,238	33,628	32,433	
Other Acquisition Expense (23)	28,606,861	31,302,514	29,954,688	132,107	142,106	137,107	
General Expense (24)	24,793,525	27,773,256	26,283,391	176,979	177,810	177,395	
Net Prepaid Expense (25)	98,509,781	104,006,579	101,258,180	454,292	502,282	478,287	= (21)+(22)+(23)+(0.5 * (24)
Net Written Premium (26)	433,530,933	448,417,041	440,973,987	1,583,807	1,675,311	1,629,559	
Prepaid Expense Ratio (27)	22.72%	23.19%	23%	28.68%	29.98%	29%	= (25) / (26)
<b>Investment Gain on Funds Attributable to Insurance Transactions</b>							
Net Unearned Premium Reserves (28)	192,545,236	199,911,689	196,228,463	760,377	808,813	784,595	= (6)
(1 - Prepaid Expense ratio) (29)			0.7681			0.7002	= 1 - (27)
Unpaid Unearned Premium Reserve (30)			150,714,913			549,362	= (28) * (29)
Net Loss & LAE Reserves (31)	523,584,008	537,029,797	530,306,903	694,061	801,786	747,924	= (5)
Net Agents' Balances (32)	85,518,520	92,714,854	89,116,687	173,165	217,750	195,458	= (16)
Investment Funds Attributable to Insur (33)			591,905,129			1,101,828	= (30) + (31) - (32)
Net Investment Gain Ratio (34)			0.051			0.051	= (20)
Investment Gain on Funds Attributable (35)			30,244,617			56,300	= (33) * (34)
<b>Investment Gain on Funds Attributable to Capital &amp; Surplus</b>							
Total Investable Funds (36)			1,139,661,096			2,609,291	= (19)
Net Investment Gain Ratio (37)			0.051			0.051	= (20)
Total Investment Gain (38)			58,233,341			133,327	= (36) * (37)
Investment Gain On Funds Attributable (39)			30,244,617			56,300	= (35)
Investment Gain on Funds Attributable (40)			27,988,724			77,027	= (38) - (39)
Investment Gain on Funds Attributable (41)			5.8%			6.4%	= (40) / (1)
<b>Investment Income Attributable to Insurance Transactions</b>							
(As a % of Net Earned Premium) (42)			6.9%			3.5%	= (35) / (2)
(As a % of Direct Earned Premium) - pi (43)			6.2%			4.6%	= (35) / (1)
Latest Federal Income Tax Rate (44)			24.9%			24.9%	AS Pg 4 Col 1 Line 19/18
(As a % of Direct Earned Premium) - at (45)			4.7%			3.5%	= (1 00 - (44)) * (43)

**Vanliner Insurance Company**  
Profit & Contingency Exhibit  
Boiler & Machinery

#	Item	
(1)	Direct Earned Premium	1,211,670
(2)	Net Earned Premium	1,626,793
(3)	Premium / Surplus Ratio	1.28
(4)	Statutory Surplus to GAAP Equity Ratio	0.915
(5)	GAAP Equity	1,390,416
(6)	ROE Objective	11.73%
(7)	After-Tax Target Return	163,074
(8)	Federal Income Tax Rate	35.0%
(9)	Before Tax Target Return	250,883
(10)	Target Return as % of DWP = Underwriting Profit & Contingencies Provision	20.7%
(11)	Investment Gain Attributable to Insurance Transactions	4.6%
(12)	Investment Gain Attributable to Capital & Surplus	6.4%
(13)	Company Selected Profit & Contingency Provision* *Net of Investment Income Attributable to Insurance Transactions	16.06%

Notes:

- (1) Exhibit 1 (2006 Best's Aggregates and Averages)
- (2) 2006 Best's Aggregates and Averages
- (3) Exhibit 2 Page 1 Line 11
- (4) Exhibit 2 Page 3 Line 8
- (5) = ((2) / (3)) / (4)
- (6) Exhibit 2 Page 3 Line 5
- (7) = (5) \* (6)
- (8) Federal Income Tax Rate
- (9) = (7) / (1 - (8))
- (10) = (9) / (1)
- (11) = Investment Income Exhibit - See Exhibit 2 Page 1
- (12) = Investment Income Exhibit - See Exhibit 2 Page 1
- (13) = (10) - (11)

Total US PC Industry  
Underwriting and Investment Exhibit  
Statement of Income  
As Reported in A.M. Best's Aggregates and Averages

	2004	Calendar Year		2007	2004-06
		2005	2006		
<b>Total US PC Industry</b>					
(1) Net Income before income tax	55,287,713	59,496,441	89,956,746		204,740,900
(2) Federal and foreign income taxes	14,757,786	10,700,427	22,362,919		47,821,132
(3) Net Income after income tax	40,529,927	48,796,014	67,593,827		156,919,768
(4) Surplus as regards policyholders	401,388,974	435,348,403	501,207,293		1,337,944,670
(5) Return on Policyholder Surplus (After Tax)	10.10%	11.21%	13.49%		11.73%
	2004	2005	2006	2007	2005-07
<b>Vanliner Insurance Company</b>					
(6) Surplus as regards policyholders (STAT)	104,922,753	107,627,181	112,738,562	118,554,575	338,920,318
(7) Shareholder's Equity (GAAP)	110,702,213	114,515,478	124,033,206	131,907,755	370,456,439
(8) Surplus / Equity ratio	0.948	0.940	0.909	0.899	0.915

Notes / Sources

- (1) AS Page 4 Line 18
- (2) AS Page 4 Line 19
- (3) AS Page 4 Line 20
- (4) AS Page 3 Line 35
- (5) = (3) / (5)
- (6) Vanliner Insurance Company - Reclass for Statutory Financial Statements
- (7) Vanliner Insurance Company - Reclass for Statutory Financial Statements
- (8) = (6) / (7)

**Vanliner Insurance Company**  
Arkansas Boiler and Machinery  
Selected Expense Provisions

	<u>Item</u>		<u>Provision</u>
(1)	Commission & Brokerage		17.50%
(2)	Other Acquisition Expenses		9.23%
(3)	General Expenses		10.01%
	Taxes, Licenses & Fees		
(4)	Premium Tax	2.50%	
(5)	Miscellaneous Taxes, Licenses and Fees	0.94%	
(6)	total	<u>3.44%</u>	3.44%
	Other Expenses		
(7)	Unallocated Loss Adjustment Expense	0.00%	
(8)	Residual Market Costs	0.00%	
(9)	Total	<u>0.00%</u>	0.00%
(10)	Profit & Contingencies		
(11)	Required Return on Surplus	20.71%	
(12)	Expected Investment Income on Insurance Transactions	4.65%	
(13)	Profit & Contingencies net of Investment Income	<u>16.06%</u>	16.06%
(14)	Expense Ratio		56.24%
(15)	Expected Loss and LAE Ratio		43.76%
(16)	Loss Cost Modification		100%
(17)	Indicated Loss Cost Multiplier		2.285

Notes:

- (1) Per Commission Schedule
- (2) Three year average from Exhibit I
- (3) Three year average from Exhibit I
- (4) Statutory rate per state
- (5) Industry average
- (7) Three year average from Exhibit I
- (13) Net of expected investment income on insurance transactions
- (11) Line 10 Exhibit 2 Page 2
- (12) Line 11 Exhibit 2 Page 2
- (14) = sum (1) to (13)
- (15) = 100% minus (8)
- (16) Exhibit IV
- (17) = (16) / (15)

INSURANCE SERVICES OFFICE, INC.

Miscellaneous Taxes and Payroll Taxes

<u>Miscellaneous Taxes</u>	<u>Industry Aggregates All Lines</u>
(1) Net Earned Premium	\$433,983,070
(2) Insurance Department Licenses and Fees Paid <sup>a</sup>	725,703
(3) Ratio [(2) / (1)]	0.17%
(4) All Other Miscellaneous Taxes Paid <sup>b</sup>	742,741
(5) Ratio [(4) / (1)]	0.17%
(6) Total Miscellaneous Tax Ratio [(3) + (5)]	0.34%
 <u>Payroll Taxes</u>	
(1) Net Earned Premium	\$433,983,070
(2) Payroll Taxes <sup>c</sup>	2,623,932
(3) Ratio [(2) / (1)]	0.60%

Note: All dollar amounts are in thousands.

<sup>a</sup> Includes only those taxes that appear in Part I, line 20.2, column 4 (Taxes, Licenses and Fees), of the Insurance Expense Exhibit.

<sup>b</sup> Includes only those taxes that appear in Part I, line 20.4, column 4 (Taxes, Licenses and Fees), of the Insurance Expense Exhibit.

<sup>c</sup> Payroll taxes include Social Security, Medicare and unemployment taxes. Of the \$2.6 billion in payroll taxes reported above, \$1.0 billion are classified as loss adjustment expenses on the Insurance Expense Exhibit, \$0.8 billion are classified as acquisition expenses and \$0.8 billion are classified as general expenses. Thus, adding the payroll tax ratio to underwriting expense ratios shown elsewhere in this circular would result in double counting.

Source: Insurance Expense Exhibit data for calendar year 2006 from A.M. Best.

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INSURANCE SERVICES OFFICE, INC.			
2007 Tax Rates by State <sup>†</sup>			
	(1)		(2)
	Premium Tax		
State	Foreign Rate		Domestic Rate
Alabama	3.60%	a	3.60% a
Alaska	2.70%		2.70%
Arizona	2.20%	b	2.20% b
Arkansas	2.50%		2.50%
California	2.35%		2.35%
Colorado	2.00%	d	2.00% d
Connecticut	1.75%		1.75%
Delaware	1.75%		1.75%
District of Columbia	1.70%		1.70%
Florida	1.75%		1.75%
Georgia	2.25%		2.25%
Hawaii	4.27%	k	4.27% k
Idaho	2.10%	n	2.10% n
Illinois	0.50%		0.50%
Indiana	1.30%		r
Iowa	1.00%		1.00%
Kansas	2.00%		2.00%
Kentucky	2.00%		2.00% u
Louisiana	3.00%		3.00%
Maine	2.00%		2.00%
Maryland	2.00%		2.00%
Massachusetts	2.28%		2.28%
Michigan		cc	cc
Minnesota	2.00%	dd	2.00% dd
Mississippi	3.00%		3.00%
Missouri	2.00%		2.00%
Montana	2.75%		2.75%
Nebraska	1.00%		1.00%
Nevada	3.50%	ii	3.50% ii
New Hampshire		jj	jj
New Jersey	2.10%	ll	2.10% ll
New Mexico	3.00%	pp	3.00% pp
New York	2.00%	rr	2.00% rr
North Carolina	1.90%		1.90%
North Dakota	1.75%		1.75%
Ohio	1.40%		1.40%
Oklahoma	2.25%		2.25%
Oregon		bbb	bbb
Pennsylvania	2.00%		2.00%
Puerto Rico		fff	0.00% ggg
Rhode Island	2.00%		2.00%
South Carolina	1.25%		1.25%
South Dakota	2.50%	jjj	2.50% jjj, kkk
Tennessee	2.50%		2.50%
Texas	1.60%		1.60%
Utah	2.25%		2.25%
Vermont	2.00%		2.00%
Virginia	2.25%		2.25%
Washington	2.00%		2.00%
West Virginia	4.00%	rrr	4.00% rrr
Wisconsin	0.38%	ttt	uuu
Wyoming	0.75%		0.75%

† Tax rates do not reflect any credits for payments to guaranty fund associations or any other credits that may be available under the laws of each state.  
\* Applies to both foreign and domestic companies unless otherwise noted.

See State Notes starting on Sheet 2.

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Vanliner Insurance Company  
Commercial Lines Manual  
Division Two – Equipment Breakdown  
ISO / Bureau Reference Filing Numbers

Manualholder Notice	Filing Reference #
<b>Multistate:</b>	
EB-MU-2007-RU-001	BM-2006-OEBRU
EB-MU-2007-LC-001	BM-2006-REBLC
	BM-2006-RLA1
EB-MU-2007-FO-001	BM-2006-OEBFO
<b>Arkansas</b>	
EB-AR-2007-LC-001	BM-2006-REBLC
	BM-2006-RLA1
EB-AR-2007-FO-001	BM-2006-OEBFO

Vanliner Insurance Company  
Multistate Commercial Lines Manual  
Division Two - Equipment Breakdown  
Vanliner Insurance Company Forms

Form Number	Form Title
VL0000 08 89	Manuscript Endorsement
VLE001 07 08	Equipment Breakdown Protection Coverage
Doc. No. 14344 06/01	Privacy Policy

Vanliner Insurance Company  
Commercial Lines Manual  
Division Two - Equipment Breakdown - Multistate Rules

Rule 9: Policy Writing Minimum Premium

A	Prepaid Policies	\$100
B	Annual Premium Payment Plan Policies or Continuous Policies	\$100

Rule 11: Additional Premium Changes

B. Waiver of Premium

In the event of a policy change that generates a premium change Vanliner will bill the full additional premium or credit the insured with the full return premium no matter how small the premium difference is i.e., there is no size of change where Vanliner will waive the premium change amount.

Rule 12: Return Premium Changes

B. Waiver of Premium

In the event of a policy change that generates a premium change Vanliner will bill the full additional premium or credit the insured with the full return premium no matter how small the premium difference is i.e., there is no size of change where Vanliner will waive the premium change amount.

Rule A. Simplified Rating for Warehouses

- A. Premium calculation based on Total Insured Value ( Building plus Business Personal Property Value). Applies to business classified in SIC Codes 4225 General Warehouse and 4226 Special Warehousing and Storage.

Premium is calculated as Loss Cost Multiplied by the Lost Cost Multiplier ( by state )

Total Insured Value Per Location	Loss Cost
Less than and up to \$100,000	\$ 28
\$100,001 to \$250,000	\$ 72
\$250,001 to \$500,000	\$ 114
\$500,001 to \$750,000	\$ 155
\$750,001 to \$1,000,000	\$ 228
\$1,000,001 to \$1,500,000	\$ 299
\$1,500,001 to \$2,000,000	\$ 345
\$2,000,001 to \$3,000,000	\$ 395
Over \$3,000,000	Refer to Company

Total Insured Value is the sum of the Building and Business Personal Property Limit.

Any risk with a Total Insured Value in excess of \$3,000,000 at any one location shall be referred to company for quoting.

Any risk with Business Income value in excess of \$1,000,000 at any one location shall be referred to company for quoting.

Any risk with a Total Insured Value in excess of \$75,000,000 per policy across all locations shall be referred to company for quoting.

Any risk with Equipment Breakdown losses in the past three years shall be referred to company for quoting.

Any risk located outside the United States of America shall be referred to company for quoting.

- B. Deductibles - These Loss Costs contemplate a \$1,000 per location deductible. For other deductible options, refer to table below.

Deductible	Factor
\$500	1.05
\$1,000	1.00
\$2,500	0.93
\$5,000	0.81
\$10,000	0.76
\$25,000	0.70

**Vanliner Insurance Company**  
**Commercial Lines Manual**  
**Division Two- Equipment Breakdown - State Exceptions**

**Rule 2: Company Rates/ISO Loss Costs**

**C. Loss Cost Conversion - Loss Cost Multiplier**

Policies effective on or after	LCM
7/1/2008	<b>2.285</b>

Rounding Rule - Base rates are calculated by multiplying the ISO loss cost times the Vanliner loss cost multiplier and rounding to 3 places.

**4 Expected Loss Ratio**

Policies effective on or after	LCM
7/1/2008	0.438