

SERFF Tracking Number: FFDC-125726161 State: Arkansas  
First Filing Company: American Automobile Insurance Company, ... State Tracking Number: #? \$?  
Company Tracking Number: NARGL0608-R  
TOI: 17.1 Other Liability - Claims Made Only Sub-TOI: 17.1022 Other  
Product Name: Manufacturer's Reliability Insurance  
Project Name/Number: Manufacturer's Reliability Insurance/NWGL0608

## Filing at a Glance

Companies: American Automobile Insurance Company, Associated Indemnity Corporation, Fireman's Fund Insurance Company, National Surety Corporation, The American Insurance Company

Product Name: Manufacturer's Reliability Insurance SERFF Tr Num: FFDC-125726161 State: Arkansas

TOI: 17.1 Other Liability - Claims Made Only SERFF Status: Closed State Tr Num: #? \$?

Sub-TOI: 17.1022 Other Co Tr Num: NARGL0608-R State Status: Fees verified and received

Filing Type: Rule Co Status: Pending Reviewer(s): Betty Montesi, Edith Roberts

Authors: Lilia Francisco, Rebecca Linkous Disposition Date: 07/15/2008

Date Submitted: 07/11/2008 Disposition Status: Accepted For Informational Purposes

Effective Date Requested (New): 09/01/2008

Effective Date Requested (Renewal): 09/01/2008

State Filing Description:

No fees required. Informational filing only.

## General Information

Project Name: Manufacturer's Reliability Insurance

Project Number: NWGL0608

Reference Organization:

Reference Title:

Filing Status Changed: 07/15/2008

State Status Changed: 07/15/2008

Corresponding Filing Tracking Number:

Filing Description:

Dear Sir or Madam:

Status of Filing in Domicile: Not Filed

Domicile Status Comments:

Reference Number:

Advisory Org. Circular:

Deemer Date:

Enclosed for your review and approval are revisions to our previously approved manufacturer's errors and omissions

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insurance.

CG 7140 provides essential coverage enhancement to the basic insurance provided under ISO Commercial General Liability coverages.

Refer to the enclosed Explanatory and Actuarial Memoranda for further details.

This is a rule/form filing. There will be no premium or rate impact due to the form change.

Enclosed in support of this filing are the following:

- Explanatory Memorandum;
- Manufacturer's Reliability Plus Insurance Actuarial Memorandum;
- Manufacturer's Reliability Plus Insurance – CG 71 40AR 05 08 (replaces Manufacturer's Broad Form Errors and Omission Liability Insurance, form CG 71 40 06 95 and Arkansas Amendatory Endorsement - CG 71 44 12 95; approved under Company filing number NWGL0795);
- Side by side comparison to the old form of Manufacturer's Reliability Plus Insurance;
- Manufacturer's Reliability Plus Insurance Declarations – 5951(C) MBF 05 08;
- Manual Rule pages of Manufacturer's Reliability Plus Insurance – CG-MFG-1.E-1&2
- Supplemental Extended Reporting Period – CG 71 47 05 08

Your approval of this filing with a proposed effective date of September 1, 2008 is appreciated.

Yours truly,

Lilia Francisco  
Regulatory Filings Analyst  
Fireman's Fund Insurance Company  
(415) 899-4537 (work)  
lfranci1@ffic.com

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## Company and Contact

### Filing Contact Information

Lilia Francisco, Regulatory Analyst lilia\_francisco@ffic.com  
 777 San Marin Drive (415) 899-4537 [Phone]  
 Novato, CA 94998 (866) 290-0671[FAX]

### Filing Company Information

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

Associated Indemnity Corporation	CoCode: 21865	State of Domicile: California
777 San Marin Drive	Group Code: 761	Company Type:
Novato, CA 94998	Group Name:	State ID Number:
(415) 899-2817 ext. [Phone]	FEIN Number: 22-1708002	

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

National Surety Corporation	CoCode: 21881	State of Domicile: Illinois
777 San Marin Drive	Group Code: 761	Company Type:
Novato, CA 94998	Group Name:	State ID Number:
(415) 899-2817 ext. [Phone]	FEIN Number: 36-2704643	

The American Insurance Company	CoCode: 21857	State of Domicile: Nebraska
777 San Marin Drive	Group Code: 761	Company Type:
Novato, CA 94998	Group Name:	State ID Number:
(415) 899-2817 ext. [Phone]	FEIN Number: 22-0731810	

## Filing Fees

SERFF Tracking Number: FFDC-125726161 State: Arkansas  
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Fee Required? No  
Retaliatory? No  
Fee Explanation:  
Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
American Automobile Insurance Company	\$0.00	07/11/2008	
Associated Indemnity Corporation	\$0.00	07/11/2008	
Fireman's Fund Insurance Company	\$0.00	07/11/2008	
National Surety Corporation	\$0.00	07/11/2008	
The American Insurance Company	\$0.00	07/11/2008	

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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Accepted For Edith Roberts Informational Purposes		07/15/2008	07/15/2008

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## Disposition

Disposition Date: 07/15/2008

Effective Date (New):

Effective Date (Renewal):

Status: Accepted For Informational Purposes

Comment: CGL rates/rules exempt from filing pursuant to AR 23-67-206.

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	Actuarial Memo	Accepted for Informational Purposes	Yes
Supporting Document	Explanatory Memo	Accepted for Informational Purposes	Yes
Rate	Manufacturer's Reliability Plus Insurance CG 71 40	Accepted for Informational Purposes	Yes

*SERFF Tracking Number:*      *FFDC-125726161*                      *State:*                      *Arkansas*  
*First Filing Company:*      *American Automobile Insurance Company, ...*      *State Tracking Number:*      *#? \$?*  
*Company Tracking Number:*      *NARGL0608-R*  
*TOI:*                      *17.1 Other Liability - Claims Made Only*      *Sub-TOI:*                      *17.1022 Other*  
*Product Name:*                      *Manufacturer's Reliability Insurance*  
*Project Name/Number:*              *Manufacturer's Reliability Insurance/NWGL0608*

## **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	Manufacturer's Reliability Plus Insurance CG 71 40	CG-MFG-1.E-1 & 2	New	Mfg Reliability+ Man Pg final.pdf

COMMERCIAL LINES MANUAL  
DIVISION SIX – GENERAL LIABILITY  
EXCEPTION PAGE

ADDITIONAL RULES – Manufacturers Target Industries (excluding Edible Products Manufacturers)  
Premium for the following Optional Coverage is based on the following criteria:

**Manufacturer’s Reliability Plus Insurance CG 71 40**  
**(Formerly Manufacturers’ Broad Form Errors and Omissions Liability Insurance)**

**A. Forms**

The following form is used to write this coverage:  
CG 71 40 – Manufacturer’s Reliability Plus Insurance

**B. Classification Codes**

	<b>Subline</b>	<b>Class Code</b>
Manufacturer’s Reliability Plus Insurance – Fabricated Metals Manufacturers	336	85010
Manufacturer’s Reliability Plus Insurance - Rubber & Plastics Manufacturers	336	88078
Manufacturer’s Reliability Plus Insurance - Furniture & Fixtures Manufacturers	336	88080
Manufacturer’s Reliability Plus Insurance - Electric & Electronics Products Manufacturers	336	84019
Manufacturer’s Reliability Plus Insurance - All Other Manufacturers (except Edible Products Manufacturer)	336	88082

**C. Rating Basis, Rates and Minimum Premiums**

1. Rates are a percentage of the modified products liability base rate at \$100,000/\$200,000 limits. If multiple products liability classes apply, use the highest products liability base rate for the risk. Multiply that base rate by the appropriate percentage from the table below based upon the Product Type:

<b>Product Type</b>	<b>% Charge</b>
Passive products	25%
Operating products	50%
High Severity products	75%
Critical products	100%

**Product Type Definitions**

**Passive** products are inactive or inert; they do not conduct electricity or energy of any kind. They function to hold or enclose; they do not affect operations.

Examples: Lamp frames, boxes, curtain rods, decorative trim, packaging material, and control panels.

**Operating** products can be active or have moving parts. They can conduct and/ or control the flow of electricity, energy, and fluids.

Examples: Swivel mechanisms for chairs, cutting dies, drill bits, folding chairs, switches, pipes, and wiring.

**High Severity** products are active components that can cause BI/PD if they fail.

Examples: Relays, industrial controls, contactors, machine guards, interactive athletic equipment, and safety equipment.

**Critical** products can cause severe BI or PD; and have the potential for producing multiple injuries. They are essential to the operation or function of the manufactured item and will probably cause BI or PD when they fail.

Examples: Automotive braking systems, steering gear, broadcast equipment, AM antennas, conveyor belts, high pressure pipe, and invasive medical products.

2. For limits higher than \$100,000 Each Claim/\$200,000 Annual Aggregate, multiply the \$100,000/\$200,000 rate times the appropriate Increased Limits Factor from the table below.

<b>LIMITS</b> <b>(each claim/annual aggregate)</b>	<b>Factor</b>
\$100,000/\$200,000	1.00
\$1,000,000/\$1,000,000	1.96
\$1,500,000/\$1,500,000	2.21
\$2,000,000/\$2,000,000	2.40
\$3,000,000/\$3,000,000	2.65
\$5,000,000/\$5,000,000	2.97
\$10,000,000/\$10,000,000	3.43

**Note:** Premium Determination Factors, Experience Rating Plans, Schedule Rating Plans and Package Discounts do not apply.

3. **Deductible Options**

The percentages in C.1. above reflect a \$10,000 deductible. Additional deductible options are available by multiplying the rate developed in C.1. – C.2. above by the following factors:

<b>DEDUCTIBLE</b> <b>(each Claim)</b>	<b>Factor</b>
\$1,000	1.09
\$2,500	1.07
\$5,000	1.04
\$10,000	1.00
\$15,000	0.97
\$20,000	0.93
\$25,000	0.91

4. The rating basis is per \$1000 of total annual sales for all covered products.

**Example:**

\$100,000/\$200,000 Products Rate x Inc. Limits Factor x Deductible Factor x Sales/\$1000 = premium

5. Minimum premium for items C.1. – C.4. above is \$1,000.

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## Supporting Document Schedules

**Satisfied -Name:** Actuarial Memo

**Review Status:**

Accepted for Informational 07/15/2008  
Purposes

**Comments:**

**Attachment:**

Actuarial Memorandum CG 71 40 Final.pdf

**Satisfied -Name:** Explanatory Memo

**Review Status:**

Accepted for Informational 07/15/2008  
Purposes

**Comments:**

**Attachment:**

MfgReliabilityExp Mem7140Final.pdf



**Actuarial Memorandum**  
**Manufacturer's Reliability Plus Insurance CG 71 40**  
Fireman's Fund Insurance Companies®

With this filing, we are proposing to replace Manufacturers' Broad Form Errors and Omissions Liability Insurance, CG 71 40 06 95 with the Manufacturer's Reliability Plus Insurance form, CG 71 40 05 08. While we have added additional deductible options and additional limit options to the form, the new form does not materially change the coverage or the rating components. Thus there will be no premium or rate impact due to the form change. As we have sold very few policies with this endorsement in the past, the new deductible options and limit options were developed using a comparative analysis. As we collect experience for this coverage, we will monitor its rate adequacy and will make the necessary adjustments to the rates, factors, and/or methodology as appropriate.



**Explanatory Memorandum**  
**Manufacturer's Reliability Plus Insurance – CG 71 40**  
Fireman's Fund Insurance Companies®

**Introduction**

Enclosed for your review and approval are revisions to our previously approved manufacturer's errors and omissions insurance.

CG 71 40 provides essential coverage enhancements to the basic insurance provided under the ISO Commercial General Liability coverages. The Commercial General Liability coverage form, CG 00 01, does not provide a manufacturer with any third party defense or coverage for their customers' expenses and financial losses from property that is impaired due to a design, manufacturing, sale or distribution error by the insured. This updated coverage part (formerly called Manufacturers' Broad Form Errors and Omissions Liability Insurance) allows the insured to buy coverage for suits from products that have not resulted in actual Bodily Injury or Property Damage but cause the product of another not to perform as expected. The attached coverage form provides the following option:

- Manufacturer's Reliability Plus Insurance CG 71 40 05 08 (or applicable state version) provides Claims-made coverage with defense in addition to the limits of liability

**Manufacturer's Reliability Plus Insurance – CG 71 40**

Manufacturer's Reliability Plus Insurance coverage pays for specified financial losses (loss of use) due to the insured's error or omission in the design or manufacturing of their product or work resulting in a defect, deficiency, inadequacy or dangerous condition in that product or work. The claim for the suit must be made and reported during the policy period, extended reporting period, or supplemental extended reporting period (if applicable) and after the retroactive date of coverage.

Just as in the 1995 form, covered expenses include:

- Defense costs – "claims expenses" (in addition to the Limits of Insurance for form CG 71 40);
- Loss of income (net profit or loss);
- Claimant's expenses to mitigate the period of "loss of use";
- The claimant's additional cost for replacements from other manufacturers for the errant product or work; and
- Costs to repair or replace customer's property that is damaged while on the insured's premises when the insured is performing work upon it.

Limits of liability apply separately to each wrongful act or related series of wrongful acts subject to an annual aggregate for all claims made. Factors are provided for Limits of Liability up to \$10,000,000 each claim with a \$10,000,000 annual aggregate offering more flexibility than the prior \$100,000/\$200,000 limits on the old forms. Basic pricing and rating methodology have not changed from the old form.

Deductibles apply on an "each claim" basis and range from \$1,000 to \$25,000. This offers a much wider range of options for insureds as compared to the old form where only a \$10,000 deductible was available.

**Summary of Coverage Changes**

Our updated coverage form provides the following changes:

- The form title is now "Manufacturer's Reliability Plus Insurance."
- Editorial changes have been made to the structure of the forms and the language to be more consistent with our other Professional Liability forms.
- The basic Insuring Agreement has been rewritten to clarify the intent of the coverage.

- The coverage territory has been expanded from products sold worldwide with suits brought in the United States to products sold worldwide and suits brought worldwide
- Technology Products and Services when provided by companies in the business of software development or the provision of “technology products or services” as described in the forms are now excluded
- The definition of “Your Product” reflects a broadening of coverage from the prior form’s definitions of “Your Manufactured Product.”

Refer to enclosed side by side comparison.

#### **Supplemental Extended Reporting Period form, CG 71 47**

This new form has been tracks with the wording of the new form and provide for the purchase of a Supplemental Extended Reporting Period as per the terms of the CG 71 40 form.

#### **Eligibility**

The Manufacturer’s Reliability Plus Insurance form may be attached to any manufacturer’s package policy with the Commercial General Liability Coverage part, CG 00 01.

#### **Rules**

In order to accommodate our additional coverages and options, we propose adding a rule for additional coverages, limits, and deductibles. Please refer to the enclosed Exception Page CG-MFG-1.E.

As little of this coverage has been sold in the past, we have limited loss experience and therefore, are not proposing any changes to the basic rating in place at this time. Our only rating changes are the additions of higher liability limit options and a variety of deductible options. With our classification and statistical controls in place, we will be able to monitor the experience for this product and revise our rates as needed.

#### **Declarations Page**

The revised Declarations page reflects the change in form title and version date but is otherwise unchanged from the 1995 versions.