

**PROGRAM DIVISION  
BULLETIN**

2007-25

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**Composite Rating - Admitted Business Only**

**Guaranteed Cost Business**

**INTRODUCTION:**

**This discussion relates to the ISO manual rating rules regarding minimum premiums required to composite rate a product line. These guidelines must be followed if you are using ISO manual rating rules to rate a policy, and you wish to adjust the policy on a composite rate basis.**

**SUMMARY:**

The Composite Rating Plan (the "Plan") is an administrative tool to facilitate the rating of large, complex risks upon audit. Specifically, a composite rate determined at the beginning of each policy year is applied to the risk's composite rate exposures at the end of the year to produce the final audited company premium. **The Plan is not a pricing tool, it merely consolidates the various types of exposure bases and company manual rates to simplify the final company premium determination.**

The Plan is applicable to General Liability insurance; Hospital Professional Liability insurance; Commercial Auto Liability insurance; Commercial Auto Physical Damage insurance; and Crime and Fidelity insurance either individually or in combination. Under the Plan, composite rates for a risk may be established on one or more special exposure bases in lieu of the regular underwriting bases and company rates in the various manuals. This Plan also provides an effective procedure for rating those classifications for which the manual exposures are not readily available.

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**In order to composite rate a line of business; it is incumbent upon you to verify that the product line(s) meet the required minimum premium thresholds, which are as follows:**

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**COMPOSITE RATING PLAN: 2. ELIGIBILITY REQUIREMENTS**

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**A. Premium Eligibility Per Line Of Insurance**

In order to qualify for application of this Plan, the exposures to be rated on a composite rate basis shall produce a total annual company premium, for the period indicated in Rule 3.A.1. for all states of at least:

**1. Premium Eligibility When Plan Is Applied To A Single Kind Of Insurance**

- a. Automobile Physical Damage - \$20,000 for the amount of coverage written.
- b. Automobile Liability - \$60,000 at present company manual rates for basic limits.
- c. General Liability and Hospitals Professional Liability individually (for combined see 2.b.) - \$80,000 at present company manual rates for basic limits.
- d. Crime - \$5,000 for the amount of coverage written.
- e. Fidelity - \$5,000 for the amount of coverage written.

**2. Premium Eligibility When Plan Is Applied To Combinations Of Kinds Of Insurance**

- a. Combinations including Automobile Liability, Automobile Physical Damage, General Liability and Hospitals Professional Liability - \$100,000.
- b. Combinations including any two of the four types mentioned in Paragraph a. - \$80,000.

**B. Eligibility Exceptions In Certain Circumstances**

However, if a risk does not meet this premium requirement, it may nevertheless be rated under this Plan provided a company premium equal to the required company premium for eligibility for basic limits is charged for the coverages to be insured on a composite rate basis.

**UNDERWRITER ACTION:**

**In discussions with ISO, they have confirmed that “B” above allows us to apply “2A.1 and 2A.2” premiums on an “at limits” basis to determine eligibility.**

**For example, if you were writing a GL risk where the basic limits premium totals \$70,000, but the premium "at limits" (prior to experience or schedule rating) totals \$85,000 - the GL eligibility criteria (2 A.1.c) is met.**

**Our expectation is for you to:**

- 1. Comply with any state exceptions that amend the minimum premium(s) upward.**
- 2. Document that the line(s) are in fact eligible for composite rating.**

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