

**AMERICAN ASSOCIATION OF INSURANCE SERVICES  
INLAND MARINE GUIDE  
WAREHOUSE OPERATORS LEGAL LIABILITY**

**RATING**

# AMERICAN ASSOCIATION OF INSURANCE SERVICES INLAND MARINE GUIDE WAREHOUSE OPERATORS LEGAL LIABILITY -- RATING

The rating process should take into consideration:

- that the coverage is based on warehouse operators' legal liability for property in their care, custody, and control;
- the extent to which warehouse operators limit their liability; and
- that the actual values in warehouses may be different from the amount of operators' liability.

## PREMIUM DETERMINATION

### Step 1.A

**Estimated Fire Liability Exposure (EFLE)** -- Determine the amount of loss for which the warehouse operator could be held liable. The operator's liability is stated in the warehouse receipt and is expressed as a multiple of the monthly storage charge and is called a limitation factor.

Multiply the average monthly revenue that the warehouse earns from all storage receipts by the limitation factor in the warehouse receipt to obtain the Estimated Fire Liability Exposure (EFLE).

Average Monthly Receipts x Limitation Factor = EFLE

If no limitation factor is provided, use a factor of 500 times the monthly storage fee. Based on the value of the covered property in relation to its size, weight, and volume, a lower limitation factor below 500, down to 250, can be considered. The liability and therefore the EFLE can also be stated as a dollar amount per pound, box, or cubic foot.

### Example:

\$20,000	x	250	=	\$5,000,000
Average Monthly Receipts		Factor		EFLE

In this example, the warehouse operators maximum liability should be \$5,000,000 in any one occurrence.

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Step 2.A

Basic Fire Liability Load (BFLL)

- a. Obtain the 100% coinsurance business personal property Group I (fire) rate and Group II (extended coverage) rate.
- b. Add the Group I (fire) rate to the Group II (extended coverage) rate.
- c. Modify the load by the following legal liability factor

Factor: .50

- d. Multiply the result of item c. by the EFLE (per \$100) to produce the fire load.

**Example:**

\$4,000,000	.20	Limit of Insurance (less than EFLE)
	.10	Group I & II Rate
	50%	Legal Liability Factor
	.10	
x \$5,000,0(00)		EFLE
5,000		Fire Load (BFLL)

If the limit of insurance is greater than the EFLE, then apply the modified rate to the limit of insurance and skip Step 3 below.

**Example:**

\$6,000,000	.20	Limit of Insurance (greater than EFLE)
	.10	Group I & II Rate
	50%	Legal Liability Factor
	.10	
x \$6,000,0(00)		Limit of Insurance
6,000		Fire Load (BFLL)

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- e. If the warehouse is sprinklered, multiply the BFLL by the following factor to address sprinkler leakage.

Factor: 1.10

If the warehouse is partially sprinklered, then the factor should be applied proportionately.

**Step 3.A**

**Actual Fire Liability Load (AFLL)** -- When the limit of insurance is less than the EFLE, a factor should be applied to the fire load to reflect the difference between the EFLE and the actual limit of insurance.

- a. Divide the limit of insurance by the EFLE.
- b. Select the appropriate factor from the following factors.

<u>Limit/EFLE</u>	<u>Factor</u>
100%	--
90%	.95
80%	.90
75%	.85
70%	.80
60%	.70
50%	.65
40%	.60

- c. Multiply the factor by the basic fire liability load in Step 2.A.

**Example:**

\$4,000,000 Limit of Insurance

\$5,000,000 EFLE

80% Limit/EFLE

5,000	x	.90	=	4,500
Fire		Factor		Actual Fire
Load				Liability Load

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Step 4.A

**Special Perils Load** -- Determine a special perils load (all other perils) and apply it to the EFLE (per \$100). If the limit of insurance is greater than the EFLE, then apply the load to the limit of insurance. Determine the load based on the following risk features:

- a. storage of target commodities; and
- b. extent of theft protection

<u>EFLE</u>	<u>Load</u>
Under \$250,000	.10 to .25
\$250,000 to \$500,000	.05 to .10
Over \$500,000	.02 to .10

**Example:**

\$5,000,0(00)	EFLE	
x .05		
2,500	Special Perils Load	

Step 5.A

Add the Special Perils Load to the Actual Fire Liability Load.

Step 6.A

Multiply the result of Step 5A. by the Warehouse Operators Legal Liability rating information shown in Loss Cost Rating Information.

Step 7.A

**Deductible** -- Modify the premium by any applicable deductible modification.

<u>Deductible Amount</u>	<u>Factor</u>
\$2,500	.95
\$5,000	.90
\$10,000	.80

Step 8.A

**IRPM** -- Modify the premium by any applicable Individual Risk Premium Modification.

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**ADDITIONAL PREMIUM DETERMINATION PROCEDURES**

**Handling, Processing, and Storage Services**

If the warehouse provides additional handling, processing, or storage services:

**Step 1.B**

Obtain the estimated receipts for handling, processing, or storage services.

**Step 2.B**

Multiply the handling, processing, or storage services load by the estimated handling services receipts (per \$100). Determine the load based on the following risk features.

- a. target for pilferage;
- b. fragile nature of commodity; or
- c. hazardous nature of assembling and product mixing.

Load: .10 - .30

**Step 3.B**

Multiply the result of Step 2.B by the Warehouse Operators Legal Liability rating information shown in Loss Cost Rating Information.

**Step 4.B**

**Deductible** -- Modify the premium by any applicable deductible modification.

<b><u>Deductible Amount</u></b>	<b><u>Factor</u></b>
\$2,500	.95
\$5,000	.90
\$10,000	.80

**Step 5.B**

**IRPM** -- Modify the premium by any applicable Individual Risk Premium Modification.

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**Cold Storage**

If the warehouse provides cold storage services:

**Step 1.C**

Determine the warehouse rate by dividing the premium developed in Steps 1.A - 8.A in the Warehouse Premium Determination section by the estimated annual warehouse gross receipts (per \$100).

**Step 2.C**

Multiply the warehouse rate by the following factor to determine the cold storage rate.

Factor: 1.30

**Step 3.C**

Multiply the cold storage rate by the annual cold storage receipts (per \$100) to determine cold storage premium.

**Example**

2.92	x	1.30	=	3.80
Warehouse Rate		Cold Storage Factor		Cold Storage Rate
3.80	x	\$100,0(00)	=	\$3,800
Cold Storage Rate		Cold Storage Receipts		Cold Storage Premium

**Adulterated Food Coverage**

This method should be used if coverage is provided for Adulterated Food:

REFER TO COMPANY

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**REPORTING FORM** (if applicable)

When reporting conditions are part of the warehouse operators legal liability coverage form:

- a. Determine the reporting rate by dividing the premium developed in Steps 1.A - 8.A in the Warehouse Premium Determination section by the estimated annual warehouse gross receipts (per \$100).
- b. The reporting period can be on a monthly, quarterly, or annual basis.
- c. The premium adjustment period can be on a monthly, quarterly, or annual basis.
- d. Multiply the reporting rate by the reported warehouse gross receipts (per \$100).