

# **AMERICAN ASSOCIATION OF INSURANCE SERVICES INLAND MARINE GUIDE EQUIPMENT SALES AND RENTAL - RATING**

The following rating procedures are for equipment sales and rental coverage.

## **PREMIUM BASE**

The premium base is the limit for each described premises. Unless otherwise indicated, all loads are expressed as annual loads per \$100 of the limit of insurance.

## **PREMIUM DETERMINATION**

Each premises should be separately rated based on the value of equipment stored/displayed in a building and the value of equipment stored/displayed outside of a building.

### **Equipment Inside Buildings**

Step 1. A.

#### **Basic Load**

- 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 to determine the basic load.

Step 2. A.

**Special Perils Load** -- Determine a special causes of loss (perils) load. The following risk features should be considered when determining a load:

- a. Theft potential
  - 1) premises protected by central station alarm, premises protected by guard(s) when closed for business
  - 2) premises not protected by central station alarm, premises not protected by guard(s) when closed for business

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- b. Off-Premises exposures
  - 1) equipment not sent to exhibitions, all repairs are done on-site, customers don't take equipment on a trial basis
  - 2) equipment occasionally sent to exhibitions, some repairs are done off-site, occasionally customers take equipment on a trial basis
  - 3) equipment frequently sent to exhibitions, all repairs are done off-site, frequently customers take equipment on a trial basis
- c. Transit exposures
  - 1) local shipments only, use of professional equipment haulers
  - 2) local and some out of town shipments, use of owned vehicle for local shipments and professional equipment haulers for out of town shipments
  - 3) many local and out of town shipments, use of owned vehicle for shipments

**Load:** .05 - .15

Step 3. A.

**Earthquake Load** -- Determine the load for earthquake, if applicable. MMI - Refers to the Modified Mercalli Intensity scale which is a measurement of the intensity of an earthquake. The following construction features should be considered when determining a load:

- a. wood frame, steel frame, reinforced concrete, combined concrete & steel
- b. concrete, brick or block

<u>MMI</u>	<u>US Quick Quake Score</u>
11 - 12	High (6)
10	Moderate to High (5)

**Load:** Refer to Company for earthquake load filed with the Department of Insurance

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<u>MMI</u>	<u>US Quick Quake Score</u>
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9	Moderate (4)
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**Load:** .06 - .065

<u>MMI</u>	<u>US Quick Quake Score</u>
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7 - 8	Low to Moderate (3)
5 - 6	Low (2)
1 - 4	Very Low (1)

**Load:** .005 - .05

Step 4. A.

**Flood Load** -- Determine the load for flood including sewer backup, if applicable. The following risk features should be considered when determining a load:

- a. The potential for sewer backup and seepage
- b. Mix of flood zones
- c. Risk features designed to mitigate flood exposure and water damage

Special Flood Hazard Area (SFHA - The 100-year flood plain.)

**Load:** Refer to Company for flood load filed with the Department of Insurance

All Other Flood Zones

**Load:** .01 - .05

The load for All Other Flood Zones can be used if a risk is located above the second story of a building.

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Step 5. A.

Add the loads together that were developed in Steps 1. A.-4. A., and multiply the result by the value of equipment inside buildings.

Step 6. A.

Multiply the Equipment Sales And Rental rating information shown in Loss Cost Rating Information by the applicable company loss cost multiplier, and then multiply the result by the result of Step 5. A.

Step 7. A.

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

<u>Deductible Amount</u>	<u>Factor</u>
\$250	1.05
\$500	1.00
\$1,000	.95
\$2,500	.90
\$5,000	.80

Step 8. A.

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

**Equipment Outside Buildings**

Step 1. B.

**Basic Load** -- Determine the basic load based on the following risk features:

a. Adjacent Exposures

- 1) outside storage area 100 ft. or more from any hazardous operations or exposures
- 2) outside storage area within 100 ft. of a hazardous operation or exposure

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- b. Adjacent Area
  - 1) area surrounding outside storage area is clear of trash, brush, trees, and other combustible materials
  - 2) area surrounding outside storage area is not clear of trash, brush, trees, and other combustible materials
- c. Weather Exposures
  - 1) weather around outside storage area not subject to extreme or damaging weather such as hail
  - 2) weather around outside storage area is subject to extreme or damaging weather such as hail

**Load:** .05 - .20

Step 2. B.

**Special Perils Load** -- Determine a special causes of loss (perils) load. The following risk features should be considered when determining a load:

- a. Theft potential
  - 1) outside storage area is fenced, area is well lit at night, area protected by guard(s) when closed for business
  - 2) outside storage area is not fenced, area is not well lit at night, area not protected by guard(s) when closed for business
- b. Off-Premises exposures
  - 1) equipment not sent to exhibitions, all repairs are done on-site, customers don't take equipment on a trial basis
  - 2) equipment occasionally sent to exhibitions, some repairs are done off-site, occasionally customers take equipment on a trial basis
  - 3) equipment frequently sent to exhibitions, all repairs are done off-site, frequently customers take equipment on a trial basis
- c. Transit exposures
  - 1) local shipments only, use of professional equipment haulers
  - 2) local and some out of town shipments, use of owned vehicle for local shipments and professional equipment haulers for out of town shipments
  - 3) many local and out of town shipments, use of owned vehicle for shipments

**Load:** .05 - .15

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Step 3. B.

**Earthquake Load** -- Determine the load for earthquake, if applicable. MMI - Refers to the Modified Mercalli Intensity scale which is a measurement of the intensity of an earthquake. The following construction features should be considered when determining a load:

- a. wood frame, steel frame, reinforced concrete, combined concrete & steel
- b. concrete, brick or block

<u>MMI</u>	<u>US Quick Quake Score</u>
11 - 12	High (6)
10	Moderate to High (5)

**Load:** Refer to Company for earthquake load filed with the Department of Insurance

<u>MMI</u>	<u>US Quick Quake Score</u>
9	Moderate (4)

**Load:** .06 - .065

<u>MMI</u>	<u>US Quick Quake Score</u>
7 - 8	Low to Moderate (3)
5 - 6	Low (2)
1 - 4	Very Low (1)

**Load:** .005 - .05

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Step 4. B.

**Flood Load** -- Determine the load for flood, if applicable. The following risk features should be considered when determining a load:

- a. Mix of flood zones
- b. Risk features designed to mitigate flood exposure and water damage

Special Flood Hazard Area (SFHA - The 100-year flood plain.)

**Load:** Refer to Company for flood load filed with the Department of Insurance

All Other Flood Zones

**Load:** .01 - .05

Step 5. B.

Add the loads together that were developed in Steps 1. B. - 4. B., and multiply the result by the value of equipment outside buildings.

Step 6. B.

Multiply the Equipment Sales And Rental rating information shown in Loss Cost Rating Information by the applicable company loss cost multiplier, and then multiply the result by the result of Step 5. B.

Step 7. B.

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

<u>Deductible Amount</u>	<u>Factor</u>
\$250	1.05
\$500	1.00
\$1,000	.95
\$2,500	.90
\$5,000	.80

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Step 8. B.

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

**Equipment Leased Or Rented To Others**

Step 1. C.

Determine the premium using the Equipment Outside Buildings premium determination section. Divide the premium by the total value of equipment outside buildings (per \$100) to obtain an Equipment Outside Buildings rate.

Step 2. C.

Determine the leased or rented equipment rate by multiplying the Equipment Outside Buildings rate by the factor for leased or rented equipment. The following are risk features that should be considered when determining a factor:

- a. Type of equipment being leased/rented
  - 1) equipment requires extensive experience and training to operate safely
  - 2) equipment requires limited experience and training to operate safely
- b. Liability stipulated in lease/rental agreement
  - 1) liability not stipulated in lease/rental agreement
  - 2) liability stipulated in lease/rental agreement
- c. Use of credit checks and review of certificates of insurance
  - 1) credit checks not obtained and certificates of insurance not reviewed
  - 2) records maintained on credit checks and certificates of insurance

Factor: 1.50 to 2.00

Step 3. C.

Apply the leased or rented equipment rate (per \$100) to the rental receipts.



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**OPTIONAL COVERAGES**

**Additional Property Coverages**

**Step 1. D.**

Determine the premium using the Equipment Inside Buildings premium determination section. Divide the premium by the total value of equipment inside buildings (per \$100) to obtain an Equipment Inside Buildings rate.

**Step 2. D.**

Add together the various limits for Additional Property Coverages and multiply the total (per \$100) by the Equipment Inside Buildings rate. The result is the premium for Additional Property Coverages.

**Peak Season**

The premium base is the amount of the peak season increase.

**Step 1. E.**

Compute an applicable pro rata factor for the peak season period.

**Step 2. E.**

Determine the premiums using the Equipment Inside Buildings premium determination section and the Equipment Outside Buildings premium determination section. Add the premiums together to determine the total premium.

**Step 3. E.**

Multiply the total premium by the pro rata factor developed in Step 1. E.

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**Tool Coverages**

Step 1. F.

**Tools Intended For Sale** (if applicable) -- Determine the premium using the Equipment Inside Buildings premium determination section. Divide the premium by the total value of equipment inside buildings (per \$100) to obtain an Equipment Inside Buildings rate. Multiply the limit for Tools Intended For Sale (per \$100) by the Equipment Inside Buildings rate.

Step 2. F.

**Tools You Lease Or Rent To Others** (if applicable) -- Apply the Leased Or Rented Equipment rate to the lease and rental receipts for tools (per \$100).

**Equipment Hauling**

Step 1. G.

Multiply the Equipment Hauling receipts (per \$100) by the Load for hauling equipment.

**Load:** .60

**Property You Lease Or Rent To Others**

Step 1. H.

Apply the Leased Or Rented Equipment rate to the rental receipts for property leased or rented to others (per \$100).

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**Installment Sales**

Step 1. I.

For a 12 month period obtain the monthly outstanding balances for equipment sold on installment. Add the monthly balances together to determine the total monthly balances.

Step 2. I.

Determine the premium using the Equipment Outside Buildings premium determination section. Divide the premium by the total value of equipment outside buildings (per \$100) to obtain an Equipment Outside Buildings rate. Multiply the total monthly balances for equipment sold on installment (per \$100) by the Equipment Outside Buildings rate.

**Repair Service Coverage**

Step 1. J.

Multiply the Repair Service Coverage Limit (per \$100) by the Load for Repair Service Coverage. Determine the appropriate load based on the following risk factors:

- a. Radius of operation;
- b. Vehicle protection (e.g., vehicle alarm)

**Load:** .20 - .40

**Fraud And Deceit Coverage**

REFER TO COMPANY

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**REPORTING CONDITIONS** (if applicable)

**Equipment Intended For Sale (Average Values)**

The following reporting conditions apply when reporting conditions for Equipment Intended For Sale (Average Values) are part of the Equipment Sales And Rental Coverage form.

The reporting period can be on a monthly, quarterly, or annual basis. The premium adjustment period can be on a monthly, quarterly, or annual basis.

Use the following steps to determine the premium for a quarterly reporting period and annual adjustment risk. Adjust accordingly for monthly or annual reporting or monthly or quarterly adjustment periods.

1. Determine the premiums using the Equipment Inside Buildings premium determination section and the Equipment Outside Buildings premium determination section. Add the premiums together to determine the total premium. Divide the total premium by the total equipment values (per \$100). The result is the equipment reporting rate.
2. At the inception of the coverage, obtain the initial schedule of equipment (report of values).
3. Apply the equipment reporting rate to the initial report of values (per \$100) to develop a deposit premium.
4. After the quarterly reports have been received, add together the total values from all four reports, then divide the sum by 4 to obtain the average quarterly values.
5. Apply the equipment reporting rate to the average quarterly values (per \$100) to determine the earned premium.
6. Determine any additional or return premium based on the difference between the deposit premium (3.) and the earned premium (5.).

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## **Equipment Intended For Sale (Sales)**

The following reporting conditions apply when reporting conditions for Equipment Intended For Sale (sales) are part of the Equipment Sales And Rental Coverage form.

The reporting period can be on a monthly, quarterly, or annual basis. The premium adjustment period can be on a monthly, quarterly, or annual basis.

1. Determine the premiums using the Equipment Inside Buildings premium determination section and the Equipment Outside Buildings premium determination section. Add the premiums together to determine the total premium. Divide the total premium by the annual sales (per \$100). The result is the equipment reporting rate.
2. The equipment reporting rate should be applied to the reported gross receipts (per \$100).

## **Equipment You Lease Or Rent To Others**

The following reporting conditions apply when reporting conditions for Equipment You Lease Or Rent To Others is part of the Equipment Sales And Rental Coverage form.

The reporting period can be on a monthly, quarterly, or annual basis. The premium adjustment period can be on a monthly, quarterly, or annual basis.

Apply the Leased Or Rented Equipment rate to the reported lease and rental receipts for tools (per \$100).