

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
INLAND MARINE GUIDE
BAILEE CUSTOMERS FLOATER -- DRY CLEANERS
RATING**

The following rating procedures are for dry cleaners and laundries. Separate rating procedures apply to processing and storage locations. Storage locations not used exclusively for storage should be treated as processing locations.

PREMIUM BASE

The limit for each described premises.

Unless otherwise indicated, all loads are expressed as annual loads per \$100 of the limit of insurance.

PROCESSING LOCATION -- PREMIUM DETERMINATION

Each location should be rated separately.

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.

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. the radius of transportation and the values in transit
- b. exposure to and control of theft
- c. percentage of business that is dry cleaning, and therefore, more hazardous than laundering
- d. off-premises exposures

Load: .15 - .40

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Step 3.A

Fur Garments Load -- If the Fur Garment Endorsement is attached to the policy, determine the fur garment load. The following risk features should be considered when determining a load:

- a. certified central station premises alarm protection
- b. use of vehicle alarms or guards for pick-up and delivery

Load: .25 - 1.00

Step 4.A

Earthquake and Flood Coverage Load -- Determine the coverage load for earthquake and flood, if applicable:

- a. Earthquake

Earthquake Zone

1 or 2

3, 4, or 5

Load

Refer to Company*

.05 - .10

- b. Flood

Flood Zone

A or V

B, C, or X

Load

Refer to Company*

.05 - .10

* Refer to Company for the earthquake and flood loads filed with the Department of Insurance.

Step 5.A

Add the loads together that were developed in Steps 1.A-4.A and multiply the result by the limit of insurance.

Step 6.A

Multiply the result of Step 5.A by the Bailee Customers rating information shown in Loss Cost Rating Information.

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Step 7.A

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

<u>Deductible Amount</u>	<u>Factor</u>
\$1,000	.90
\$2,500	.80

Step 8.A

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

STORAGE LOCATION -- PREMIUM DETERMINATION

Each location should be rated separately.

Step 1.B

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.

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. the radius of transportation and the values in transit
- b. exposure to and control of theft
- c. off-premises exposures

Load: .05 - .20

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Step 3.B

Coverage Load -- Determine the coverage load for earthquake and flood, if applicable:

1. Earthquake

Earthquake Zone

1 or 2

3, 4 or 5

Load

Refer to Company*

.05 - .10

2. Flood

Flood Zone

A or V

B, C or X

Load

Refer to Company*

.05 - .10

* Refer to Company for the earthquake and flood loads filed with the Department of Insurance.

Step 4.B

Add the loads together that were developed in Steps 1.B-3.B and multiply the result by the limit of insurance.

Step 5.B

Multiply the result of Step 4.B by the Bailee Customers rating information shown in Loss Cost Rating Information.

Step 6.B

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

Deductible Amount

\$1,000

\$2,500

Factor

.90

.80

Step 7.B

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

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DETERMINING VALUES

The following methodology can be used to determine the adequacy of limits of insurance based on the values at risk and the insured's earned receipts.

1. Information On The Insured's Operations

The following information should be obtained to convert receipts into values:

- a. average turnover time per drop-off (time to process property);
- b. average value per drop-off;
- c. average charge per drop-off (fee for processing);
- d. number of days open for business.

The following averages can be used when the above information is incomplete or has not been submitted.

- a. turnover time 2.5 days
- b. value of drop-off \$350
- c. charge per drop-off \$10
- d. open for business 304 days

2. Calculation of Values At Risk

The values at risk are calculated as follows:

- a. days open for business divided by turnover time = turnovers per year;
- b. gross receipts divided by turnovers per year = receipts per turnover;
- c. receipts per turnover divided by charge per drop-off = number of drop-offs per turnover;
- d. drop-offs per turnover multiplied by value per drop-off = values at risk.

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Example of Calculation

The following is an example of the calculation for values at risk:

Annual gross receipts \$480,000

1. $304 \div 2.5 \text{ days} = 122 \text{ turnovers per year}$
2. $\$480,000 \div 122 = \$3,934 \text{ receipts per turnover}$
3. $3,934 \div \$10 = 393 \text{ number of drop-offs turnover}$
4. $393 \times \$350 = \$137,550 \text{ values at risk}$

REPORTING FORM (if applicable)

When reporting conditions are part of the bailee customers coverage form:

- a. Determine the reporting rate by dividing the processing/storage location premium by the estimated annual 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. The reporting rate should be applied to the reported gross receipts (per \$100).