

**AMERICAN ASSOCIATION OF INSURANCE SERVICES  
INLAND MARINE GUIDE  
FINE ARTS FLOATER**

**RATING**

# **AMERICAN ASSOCIATION OF INSURANCE SERVICES INLAND MARINE GUIDE FINE ARTS FLOATER -- RATING**

The following rating procedures are for Fine Arts 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 described premises, including any covered storage locations, should be separately rated.

Step 1.

### **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.

**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) Average value of items
    - a) average value of items is low
    - b) average value of items is moderate
    - c) average value of items is high
  - 2) Premises alarm protection
    - a) central station premises alarm
    - b) no central station premises alarm

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- b. Off-Premises exposures (if coverage is provided)
  - 1) Frequency of exhibitions
    - a) items not sent to exhibitions
    - b) items occasionally sent to exhibitions
    - c) items frequently sent to exhibitions
  - 2) Security measures at off-premises location
    - a) substantial security in place
    - b) minimal security provided
    - c) no security (i.e., guards) provided
- c. Transit exposures (if coverage is provided)
  - 1) Distance of transport
    - a) local transportation only
    - b) local transportation with occasional long distance transportation
    - c) primarily long distance transportation
  - 2) Transportation method
    - a) professional art transporters
    - b) owned vehicles
    - c) common carriers, not professional art transporters
  - 3) Packing
    - a) packing done by professional art handlers
    - b) self-packing using standard packing materials
  - 4) Frequency of transportation
    - a) infrequent transportation of items
    - b) occasional transportation of items
    - c) frequent transportation of items
- d. Additional perils and limitations
  - 1) Fraud and deceit
    - a) fraud and deceit coverage applies with no limitation
    - b) limited fraud and deceit coverage applies

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- 2) Missing property
  - a) no exclusion for missing property
  - b) missing property exclusion applies
- 3) Dishonest acts
  - a) no exclusion for dishonest acts
  - b) dishonest acts exclusion applies

| <u>Total Values</u>   | <u>Load</u> |
|-----------------------|-------------|
| Under \$250,000       | .11 - .25   |
| \$250,001 - \$500,000 | .06 - .10   |
| Over \$500,000        | .02 - .05   |

Step 3.

**Breakage Load** -- The following risk features should be considered when determining a breakage load if breakage coverage is provided:

- a. Display cases
  - 1) use of display cases for all high valued fragile items
  - 2) use of display cases for some high valued fragile items
  - 3) no use of display cases for high valued fragile items
- b. Quantity of fragile objects
  - 1) less than 10% of collection consists of high valued fragile items
  - 2) 10% to 30% of collection consists of high valued fragile items
  - 3) 30% or more of collection consists of high valued fragile items
- c. Wall hanging
  - 1) all high valued items hung by professional art installers
  - 2) some high valued items hung by professional art installers
  - 3) no use of professional art installers for high valued items
- d. Limitation
  - 1) breakage coverage is limited
  - 2) breakage coverage is not limited

**Load:** .05 - .20

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Step 4.

**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 features should be considered when determining a load:

- a. Fine art located in buildings constructed of wood frame, steel frame, reinforced concrete, or combined concrete and steel
- b. Fine art located in concrete, brick or block buildings
- c. Use of earthquake resistive fastener and securing systems
- d. Applicability of earthquake coverage limitations

| <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 5.

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

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

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.

Step 6.

Add the loads together that were developed in Steps 1-5, and multiply the result by the limit of insurance.

Step 7.

Multiply the Fine Arts Floater 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 6.

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Step 8.

**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 9.

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

**ADDITIONAL PREMIUM DETERMINATION PROCEDURES**  
(if applicable)

**Declared Total Loss**

This method should be used for Fine Arts coverage when Declared Total Loss option is provided:

**REFER TO COMPANY**

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**REPORTING FORM** (if applicable)

When reporting conditions are part of the fine arts coverage form:

- a. The reporting period can be on a monthly, quarterly, or annual basis.
- b. 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 periods or monthly or quarterly adjustment periods:

1. Determine the fine arts reporting rate by dividing the fine arts premium by the schedule of values (per \$100).
2. At the inception of the coverage obtain the initial schedule (report of values).
3. Apply the 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 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).