

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

**RATING**

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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 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.

**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
  - 1) radius of transit up to 15 miles, most trips less than 5 miles, values on vehicles not greater than \$5,000
  - 2) radius of transit over 15 miles, most trips 5 miles or more, values on vehicles greater than \$5,000

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- b. exposure to and control of theft
  - 1) location is not in a high crime area, dead bolt locks installed on all doors, installation of burglar alarm
  - 2) location is in a high crime area, dead bolt locks not installed on all doors, burglar alarm not installed
  
- c. percentage of business that is dry cleaning (dry cleaning more hazardous than laundering)
  - 1) 50%/50% dry cleaning and laundry
  - 2) over 60% dry cleaning
  
- d. off-premises exposures
  - 1) less than 10% of work sent to subcontractors or other processors
  - 2) more than 25% of work sent to subcontractors or other processors

**Load:** .15 - .40

**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
  - 1) premises has certified central station premises alarm
  - 2) premises does not have certified central station premises alarm
  
- b. use of vehicle alarms or guards for pick-up and delivery
  - 1) unattended vehicle is locked and alarm is set or vehicle is not left unattended and guard is with vehicle during all pick ups and deliveries
  - 2) no vehicle alarm and guards not used during all pick ups and deliveries

**Load:** .25 - 1.00

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Step 4.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

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

**Load:** .09 - .10

<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 - .08

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Step 5.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:** .05 - .10

Step 6.A

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

Step 7.A

Multiply the Bailee Customers rating information shown in the Rating Information by the applicable company loss cost multiplier, and then multiply the result by the result of Step 6.A.

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Step 8.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	.90
\$2,500	.80

Step 9.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
  - 1) radius of transit up to 15 miles, most trips less than 5 miles, values on vehicles not greater than \$5,000
  - 2) radius of transit over 15 miles, most trips 5 miles or more, values on vehicles greater than \$5,000

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- b. exposure to and control of theft
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  - 2) location is in a high crime area, dead bolt locks not installed on all doors, burglar alarm not installed
  
- c. off-premises exposures
  - 1) less than 10% of work sent to subcontractors or other processors
  - 2) more than 25% of work sent to subcontractors or other processors

**Load:** .05 - .20

**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:** .09 - .10

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<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 - .08

**Step 4.B**

**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:** .05 - .10

**Step 5.B**

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

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Step 6.B

Multiply the Bailee Customers rating information shown in the 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	.90
\$2,500	.80

Step 8.B

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

**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.

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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.

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

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**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).