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Commercial Inland Marine

LOSS COSTS ARE CONTAINED HEREIN

Use the company loss cost multiplier to convert loss costs to final rates, premiums, and charges.

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AMERICAN ASSOCIATION OF INSURANCE SERVICES COMMERCIAL INLAND MARINE

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INDIVIDUAL RISK PREMIUM MODIFICATIONS

INTRODUCTION

Enclosed within are the rules that apply to the Inland Marine Classes. The rules, rates, forms and endorsements in effect for the Company apply in cases not provided herein.

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RULE 1 -- POLICY WRITING INSTRUCTIONS

1.1 Policy Assembly

Inland marine coverage may be written as a monoline policy or may be packaged with other coverage forms.

When written on a monoline basis, an Inland Marine Policy consists of the following components:

- Declarations
- Common Policy Conditions, endorsement CL 0100
- Schedule of Coverages
- Inland Marine Coverage Form(s)
- Inland Marine Endorsements
- State Amendatory Endorsements

Inland Marine coverage can be packaged with other commercial lines forms to create a commercial combination or package policy. When Inland Marine coverage is packaged with other forms that already contain the provisions relating to Assignment or Transfer of Rights or Duties, Cancellation, Changes or Modification, Inspections, and Examination of Books and Records, omit endorsement CL 0100, Common Policy Conditions.

When inland marine coverage is part of a combination policy, also refer to the policy writing instructions that apply to the other policy forms.

1.2 Large Schedules

If a coverage requires a schedule of items and the number of items to be listed would require several pages, the policy may be issued without attaching such schedule to the form. The schedule can be maintained at the office of the Company or the agent and referenced on the declarations. The schedule should be signed, dated, and a limit shown for each listed item.

1.3 Supplemental Policies

Premiums for all inland marine coverages attached to other types of policies, such as commercial multi-peril or portfolio policies, are subject to the premium payment plan of the policy to which they are attached.

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1.4 Loss Payable Clause

The following options can be used when another party has a financial interest in the property of an insured and requires status as a loss payee under the insurance covering the property.

Loss Payable

This clause requires the insurer to pay claims jointly to the insured and the loss payee as their interests may appear.

Lender's Loss Payable

This clause applies when the loss payee is a person or organization with a lien on covered property. The insurance for the loss payee continues in effect even when the insurance would otherwise be void because of acts of the insured.

Contract of Sale

This clause applies when the loss payee is a person or organization that has entered into a contract with the insured for the sale of covered property. In the event of loss, payment is made to both the insured and the loss payee.

1.5 Coverage Territory

This rule does not apply.

1.6 Restrictions of Coverage

A policy can be issued with special coverage restrictions, if it would not otherwise be issued. The insured must agree to any restrictions in writing.

1.7 Refer To Company

Refer to company for information filed with the Department of Insurance if any of the following conditions exist:

- "Refer to company" is indicated in the procedures for a specific rule;
- The procedures do not provide an applicable load;
- There is no applicable classification; or
- A company intends to modify a rating plan.

The company must comply with any applicable state filing requirements.

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RULE 2 -- POLICY TERM

2.1 Policy Period

The policy inception and expiration, including times and dates, are shown on the declarations.

2.2 One-Year Policies

A policy may be written for a term of one year and renewed annually. One-year policies are issued at the annual charge in effect at the beginning of the policy period.

2.3 Three-Year Policies

Policies may be written for a term of three years.

2.3.1 Prepaid Policies

Prepaid policies are issued at three times the annual premium in effect at the beginning of the policy period.

2.3.2 Installment Payment Policies

The premium for each annual installment is based on the rating information, rules, forms, and endorsements in effect at each anniversary date.

2.4 Continuous Policies

A policy may be written on a continuous basis, subject to the eligibility of the covered property. The rules, rating information, forms and endorsements in effect at inception must be used at the time of inception. The rules, rating information, forms and endorsements in effect at each anniversary date must be used at the time of anniversary. "Until cancelled" or similar language should be shown on the declarations for the policy period.

2.5 Policy Periods of Less Than One Year

A policy may be written for a term of less than one year in order to maintain common anniversary dates with other policies. Compute the premium and prorate the result according to the time the policy is in force.

2.6 Renewal Certificates

Subject to the eligibility of the covered property, a policy may be renewed using a renewal certificate, including a declarations page with all identifying information. The policies must conform in every respect to the rules, rating information, forms and endorsements in effect at the time of renewal. Requirements for completed applications or reports are not waived by this rule.

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RULE 3 -- PREMIUM DEVELOPMENT

If the policy is canceled or the limits of coverage are reduced, the amount of any return premium is calculated on a pro rata basis.

3.1 Increased Premium

A policy can be issued at a premium higher than that produced by the rating procedures, if it would not otherwise be issued. The insured must agree to any premium increases in writing.

3.2 Premium Changes

Changing an Existing Exposure -- If changes are made to an exposure included at the inception of the policy, use the rules and rating information in effect on the effective date of the policy when calculating the additional premium.

Adding a New Exposure -- If an exposure is added after the inception of the policy, use the rules and rating information in effect on the date of the change when calculating the additional premium.

Changing a New Exposure -- If changes are made to an exposure added after the inception of the policy, use the rules and rating information in effect on the date the exposure was first added to the policy when calculating the additional premium.

Any additional premium developed for changes made after the policy is issued applies in addition to any applicable policy writing minimum premium that may have applied at policy inception.

Calculate additional premiums on a pro rata basis.

3.3 Return Premium Changes

Calculate return premiums on a pro rata basis when a limit is reduced or an exposure is eliminated. Retain the policy writing minimum premium, if applicable.

Calculate all return premiums using the rating information in effect when coverage was issued.

3.4 Loss Costs and Multipliers

Use the company multiplier to convert loss costs indicated in Rating Information.

3.5 Interpolation

Rating information for which a limit is not shown should be developed by interpolation.

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3.6 Waiver of Premiums

Nominal additional or return premiums that result from a mid-term policy change may be waived. Refer to Company for their filed eligible amounts. Return premiums are to be paid if requested by the insured.

3.7 Premium Rounding

All premiums shown on policies or endorsements should be rounded to the nearest whole dollar. Rounding applies to the premium for each peril, coverage, or exposure for which a premium is computed. Refer to Company for their filed rounding procedures.

3.8 Minimum Premium

Refer to Company for minimum coverage premiums and minimum policy premiums.

3.9 Fire Rate Deductible

When a rating procedure calls for the use of fire contents and extended coverage rates or Group I and Group II personal property rates, use the rate that reflects a \$500 deductible. If the only rates available reflect a \$250 deductible, multiply by the fire contents and extended coverage rates or Group I and Group II personal property rates by a factor of .97 to bring it to a \$500 deductible level.