

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
INLAND MARINE GUIDE
ELECTRONIC DATA PROCESSING**

**EDP COVERAGE
RATING**

REV 03 09

EDP RTG

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PREMIUM BASE

The Premium Base is the limit for all covered property (i.e., hardware and software) at each described premises. Unless otherwise indicated, all loads are expressed as annual loads per \$100 of the limit.

EDP COVERAGE -- PREMIUM DETERMINATION

Hardware and Software -- This method should be used for EDP risks with total values (i.e., hardware and software) over \$250,000 for all locations. Each location should be rated separately.

Web Site Servers -- On-site servers should be rated as part of the location where they are housed and off-site servers should be rated separately.

IM 7200 And IM 7202 -- The following rating steps should be used when coverage is written under IM 7200 or IM 7202.

Step 1.A

Basic Load

- a. **Fire** - To determine the Group I (fire) load, obtain the 100% coinsurance business personal property Group I (fire) loss cost for the covered location and multiply it by the applicable company loss cost multiplier.
- b. **Extended Coverage** - To determine the Group II (extended coverage) load, obtain the 100% coinsurance business personal property Group II (extended coverage) loss cost and multiply it by the applicable company loss cost multiplier.
- c. Multiply the Group I (fire) load by the following modification if the risk is isolated in an area that is designed for the operation/protection of an EDP installation.

Modification: .75 - 1.25

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The following risk features should be considered when determining a factor:

- 1) Fire suppression equipment or sprinkler system
 - a) system designed specifically for data processing center, not extended to the rest of the building
 - b) building wide system not designed specifically for data processing center
 - 2) Smoke detectors
 - a) zoned for quick identification of the affected area
 - b) zoned system not installed
 - 3) Temperature alarms
 - a) installed in data processing center
 - b) not installed in data processing center
 - 4) Emergency power disconnect switch
 - a) installed in data processing center
 - b) not installed in data processing center
 - 5) Separate mechanical ventilation system with automatic shutdown
 - a) installed in data processing center
 - b) not installed in data processing center
- d. Add the modified Group I (fire) load to the Group II (extended coverage) load 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 and vandalism exposure
 - 1) access to data center restricted, equipment outside data center secured, access to building restricted
 - 2) access to data center not restricted, equipment outside data center not secured, access to building not restricted

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- b. Transit and off-premises exposure
 - 1) limited transportation of equipment, limited use of equipment off-site
 - 2) frequent transportation of equipment, frequent use of equipment off-site

| <u>Total Values</u> | <u>Load</u> |
|-----------------------|-------------|
| \$250,000 - \$350,000 | .11 - .15 |
| \$350,001 - \$500,000 | .06 - .10 |
| over \$500,000 | .01 - .05 |

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

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

Load: .06 - .065

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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 - .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.

Step 5.A

Additional Coverages -- Determine the load for the additional coverages that are built into the coverage form or that are added by endorsement. The following risk features can be considered when determining a load:

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- a. Electrical and power supply disturbance
 - 1) protection against electrical or power supply disturbances
 - a) complete use of current UPS equipment, surge protection, alternate power source
 - b) some use of current UPS equipment, surge protection
 - c) limited use of UPS equipment, surge protection or use of outdated equipment and protection
 - 2) reliability of utility service
 - a) reliable power service
 - b) sporadic brownouts and blackouts
 - c) area prone to brownouts and blackouts
- b. Computer virus and hacking
 - 1) use of anti-virus software
 - a) regular updating of anti-virus software
 - b) irregular updating of anti-virus software
 - c) no anti-virus software
 - 2) installation of firewalls
 - a) installation of firewalls
 - b) limited installation of firewalls
 - c) little or no use of firewalls
- c. Web site servers (optional coverage)
 - 1) Web site servers
 - a) state-of-the-art protection for Web site server
 - b) Web site server located in separate room with limited additional protection
 - c) no special protection for Web site server
 - 2) Web site software
 - a) Web host screens for viruses/hacking, daily backup of files, off-site storage of backup software
 - b) weekly backup of files, off-site storage of backup software
 - c) irregular backup of files, on-site storage of backup software

Load: .05 - .50

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 (per \$100).

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Step 7.A

Loss Cost -- Multiply the Electronic Data Processing rating information shown in Loss Cost Rating Information by the applicable company loss cost multiplier then multiply the result by the result of Step 6.A.

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.

ADDITIONAL PREMIUM DETERMINATION PROCEDURES

(if applicable)

INCOME COVERAGE

Rating Steps 1.B through 7.B should be used when income coverage is provided under IM 7215.

Step 1.B

Develop an EDP load by adding the loads together that were developed in Steps 1.A - 5.A

Step 2.B

Income Coverage Modification -- Select the modification that corresponds to the applicable coinsurance percentage and multiply the modification by the Load from Step 1.B to determine the Income Coverage Load.

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**Coinsurance
Percentage**

| | |
|------|-------|
| 125% | 0.50 |
| 100* | 0.54* |
| 90 | 0.58 |
| 80 | 0.62 |
| 70 | 0.66 |
| 60 | 0.75 |
| 50 | 0.83 |

* Use when writing on a no coinsurance basis.

Step 3.B

Additional Coverages Or Limitations -- Multiply the Income Coverage Load from Step 2.B by the modification for the following additional coverages or limitations that are built into the coverage form. This modification can reflect the following factors:

- a. Utility interruption
 - 1) reliable power supply and Internet service
 - 2) limited potential for loss of power and Internet interruption
 - 3) unreliable power supply and Internet service
- b. Backup procedures
 - 1) backup hard-site available, daily backup of files, off-site storage of backup software
 - 2) backup soft-site available, weekly backup of files, off-site storage of backup software
 - 3) no contract for backup site, irregular backup of files, on-site storage of backup software
- c. Computer virus and hacking
 - 1) regular updating of anti-virus software, complete use of firewalls
 - 2) irregular updating of anti-virus software, incomplete use of firewalls

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- d) Waiting period
 - 1) waiting period extended beyond 24 hours
 - 2) waiting period waived
- e) Coverage limitations
 - 1) additional number of days coverage is provided (civil authority, loss extension)
 - 2) number of days/hours for waiting period

Factor: .75 - 1.50

Step 4.B

Web Site Interruption (optional coverage) -- Multiply the modified Income Coverage Load from Step 3.B by the modification for Web Site Interruption. This modification can reflect the following factors:

- a. Web site as source of revenue
 - 1) on-line Internet sales (loss of income any time site is down)
 - 2) subscription Web service (no direct loss of income when site is down for short period of time)
 - 3) open site, informational and/or point-of-contact site (no direct loss of income when site is down)
- b. Web site servers
 - 1) state-of-the-art protection for Web site server, contract for alternate host available (with compatible set-up)
 - 2) Web site server located in separate room with limited additional protection, alternate host available but no contract
 - 3) no special protection for Web site server, no information on availability of alternate host.
- c. Web site software
 - 1) Web host screens for viruses/hacking, daily backup of files, off-site storage of backup software
 - 2) weekly backup of files, off-site storage of backup software
 - 3) irregular backup of files, on-site storage of backup software
- d. Denial of service attacks
 - 1) coverage provided for denial of service attacks
 - 2) coverage not provided for denial of service attacks

Factor: 1.05 - 1.50

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Step 5.B

Multiply the result of Step 4.B by the loss of income limit of insurance (per \$100).

Step 6.B

Loss Cost -- Multiply the Electronic Data Processing rating information shown in Loss Cost Rating Information by the applicable company loss cost multiplier then multiply the result by the result of Step 5.B.

Step 7.B

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

LEASED HARDWARE

The EDP charge can be reduced for leased equipment when the lease limits the insured's responsibility for EDP hardware.

HARDWARE UPGRADE

When the Upgrade Value endorsement is added to the coverage form:

- a. Substitute the scheduled upgraded values for the current values and reflect these values in the applicable limit of insurance, as described in premium determination Step 6.A.
- b. Modify the applicable premium determined in Steps 1.A - 9.A by the factor indicated below.

Factor: .90

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REPORTING FORM (if applicable)

When reporting conditions are part of the electronic data processing coverage forms:

- 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, or monthly or quarterly adjustment periods:

1. Determine the EDP reporting rate by dividing the EDP premium by the limit of insurance (per \$100).
2. At the inception of the coverage obtain the initial schedule of covered property (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 (per \$100) to the average quarterly values to determine the earned premium.
6. Determine any additional or return premium based on the difference between the deposit premium (item 3) and the earned premium (item 5).