

**AMERICAN ASSOCIATION OF INSURANCE SERVICES  
INLAND MARINE GUIDE  
DIFFERENCE IN CONDITIONS -- RATING**

**PREMIUM BASE**

The 100% values of the property at risk.

Unless otherwise indicated, all loads are expressed as annual loads per \$100 of the values of the property at risk.

**BUILDINGS AND PERSONAL PROPERTY -- PREMIUM DETERMINATION**

Step 1.A

**Special Perils**

1. **Load** -- Determine a special causes of loss (perils) load. This coverage is rated on total values at risk, not values at individual locations. 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. Potential for building collapse

Load: .001 to .25

2. **Deductible** -- Multiply the special causes of loss load by the applicable deductible modification.

<u>Deductible</u>	<u>Factor</u>
\$5,000	.90
\$10,000	.85
\$25,000	.79
\$50,000	.70
\$100,000	.60

Use interpolation for deductible factors between these amounts.

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3. **Sublimits** -- If the total limit of insurance for buildings and personal property is less than 100% of the value of the total property, multiply the modified special causes of loss load by the applicable factor below:

<u>Limit/Values</u>	<u>Factor</u>
100%	--
90%	.95
80%	.90
75%	.85
70%	.80
60%	.70
50%	.65
40%	.60
Less than 40%	.55

Use interpolation for factors between these percentages.

Step 2.A

**Earthquake Coverage**

**MMI** - Refers to the Modified Mercalli Intensity scale which is a measurement of the intensity of an earthquake.

1. **Load** -- Determine the coverage load for earthquake, if applicable. The following risk features should be considered when determining a load:
  - a. The potential for sprinkler leakage
  - b. Mix of construction classifications
  - c. The renovation or retrofitting of buildings to meet current building codes

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**Construction:**

Wood Frame and Steel Frame

Reinforced Concrete Buildings and Combined Concrete & Steel

<u>MMI</u>	<u>Loads</u>	<u>US Quick Quake Score</u>
11 - 12	.12 - .30	High (6)
10	.08 - .24	Moderate to High (5)
9	.06 - .18	Moderate (4)
7 - 8	.03 - .10	Low to Moderate (3)
5 - 6	.01 - .05	Low (2)
1 - 4	.001 - .03	Very Low (1)

**Construction:**

Concrete Brick Or Block Buildings

<u>MMI</u>	<u>Loads</u>	<u>US Quick Quake Score</u>
11 - 12	.45 - .75	High (6)
10	.35 - .65	Moderate to High (5)
9	.25 - .55	Moderate (4)
7 - 8	.06 - .40	Low to Moderate (3)
5 - 6	.02 - .15	Low (2)
1 - 4	.001 - .05	Very Low (1)

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2. **Deductible Modification** -- Multiply the earthquake load by the applicable deductible factor using either the percent deductible table or the dollar deductible table.

**Percentage:** The factor is based on the percentage of the deductible amount to the earthquake limit.

Deductible % (\$25,000 minimum)		Deductible % (\$10,000 minimum)		Deductible % (\$5,000 minimum)	
<u>MMI 12-10</u>	<u>Factor</u>	<u>MMI 9-7</u>	<u>Factor</u>	<u>MMI 6-1</u>	<u>Factor</u>
5%	1.00	3%	1.00	1%	1.00
6%	.95	4%	.90	2%	.85
7%	.925	5%	.85	3%	.80
8%	.90	6%	.80	5%	.70
10%	.80	10%	.70	10%	.60

**Dollar Amount:** The factor is based on the dollar amount of the deductible amount to the earthquake limit.

Deductible		Deductible		Deductible	
<u>MMI 12-10</u>	<u>Factor</u>	<u>MMI 9-7</u>	<u>Factor</u>	<u>MMI 6-1</u>	<u>Factor</u>
\$25,000	1.00	\$10,000	1.00	\$5,000	1.00
50,000	.95	25,000	.90	10,000	.85
100,000	.925	50,000	.85	25,000	.80
150,000	.90	100,000	.80	50,000	.70
250,000	.80	150,000	.70	100,000	.60

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Step 3.A

**Flood Coverage**

**Load** -- Determine the coverage load for flood, 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.)

<u>Deductible</u>	<u>Load</u>
\$50,000	.30 - .40
100,000	.25 - .35
150,000	.25 - .30
250,000	.20 - .25

All Other Flood Zones

<u>Deductible</u>	<u>Load</u>
\$5,000	.035 - .09
10,000	.02 - .07
25,000	.015 - .045
50,000	.007 - .025
100,000	.005 - .015

Use interpolation for deductibles between these amounts.

Step 4.A

Add the loads together that were developed in Steps 1.A-3.A and multiply the result by the 100% values of the property at risk.

Step 5.A

Multiply the Difference In Conditions 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 4.A.

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Step 6.A

**Distribution of Values** -- Based on the maximum percentage of values at any one location, modify the premium determined in Step 5.A by the applicable factor.

Maximum % of Values at Any One Location

Number of Premises	Less than 20%	20% - 30%	31% - 40%	41% - 50%	51% and Over
3 - 5	1.00	1.00	1.00	1.00	.98
6 - 10	1.00	.93	.95	.96	.97
11 - 15	.88	.90	.92	.94	.96
16 - 20	.84	.86	.88	.90	.92
21 - 25	.82	.84	.86	.88	.90
26 - 30	.80	.82	.84	.86	.88
Over 30	Refer to Company*				

\* Refer to Company for the distribution of values factors filed with the Department of Insurance.

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**INCOME COVERAGE -- PREMIUM DETERMINATION**

Step 1.B

1. **Special Perils Load** -- Obtain the modified special perils load as determined in Step 1.A.
2. **Earthquake Load** -- If applicable, obtain the modified earthquake load as determined in Step 2.A. and multiply the load by the earthquake income coverage factor. The following risk features should be considered when determining a factor:
  - a. Potential for company-wide shut down or long term shut down due to loss of key location(s)
  - b. Potential for loss to more than one location

Factor:            1.00 - 2.50

3. **Flood Load** -- If applicable, obtain the flood load as determined in Step 3.A. and multiply the load by the flood income coverage factor. The following risk features should be considered when determining a factor:
  - a. Potential for company-wide shut down or long term shut down due to loss of key location(s)
  - b. Potential for loss to more than one location

Factor:            1.00 - 2.50

4. **Income Coverage Load** -- Add together the special perils, earthquake, and flood loads, as described above, to determine the income coverage load.

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**Step 2.B**

Multiply the income coverage load by the following applicable factor to determine the modified income coverage load:

% of insured values to limit	-----Type Of Risk-----		
	Mercantile/ Nonmanufacturing	Manufacturing and Mining	Rental Properties
125%	0.50	0.40	0.50
100	0.54	0.46	0.55
90	0.58	0.48	0.59
80	0.62	0.51	0.64
70	0.66	0.54	0.68
60	0.75	0.57	0.73
50	0.83	0.66	0.82

**Step 3.B**

Multiply the modified income coverage load by the income coverage limit.

**Step 4.B**

Multiply the Difference In Conditions -- Income Coverage 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 3.B.