

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
INLAND MARINE GUIDE
CONTRACTORS' EQUIPMENT**

RATING

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PREMIUM BASE

The premium base is the limit for covered property. Unless otherwise indicated, all loads are expressed as annual loads per \$100 of the limit of insurance.

CONTRACTORS' EQUIPMENT -- PREMIUM DETERMINATION

Step 1.A

Basic Load -- Determine the basic load based on the following risk features:

- a. Type of contractor
 - 1) equipment used in hazardous operations
 - 2) equipment sometimes used in hazardous operations
 - 3) equipment not used in hazardous operations
- b. Age of equipment
 - 1) most equipment over 5 years old
 - 2) some equipment over 5 years old
 - 3) most equipment 5 years old or less
- c. Condition of equipment
 - 1) equipment in fair condition with no service records
 - 2) equipment in good condition with incomplete service records
 - 3) equipment in excellent condition with complete service records
- d. Operating terrain/location
 - 1) equipment operated in hilly/mountainous terrain and/or areas subject to unstable soil conditions
 - 2) equipment sometimes operated in hilly/mountainous terrain and/or areas subject to unstable soil conditions
 - 3) equipment not operated in hilly/mountainous terrain and/or areas subject to unstable soil conditions
- e. Operator training and experience
 - 1) most operators with less than 10 years of experience and no records on training or certification
 - 2) some operators with less than 10 years of experience and incomplete records on training or certification
 - 3) most operators with 10 years or more of experience and complete records on training or certification

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- f. Theft and vandalism potential
 - 1) equipment operated in high crime areas and/or operations subject to labor strife
 - 2) sometimes operated in high crime areas and/or operations may be subject to labor strife
 - 3) equipment not operated in high crime areas and operations not subject to labor strife
- g. Exposures related to additional coverages that are part of the coverage form
 - 1) increase in limits for supplemental coverages and/or coverage extensions including increase in hazards/exposures not normally contemplated
 - 2) increase in some limits for supplemental coverages and/or coverage extensions
 - 3) no increase in limits for supplemental coverages or coverage extensions nor any increase in hazards/exposures

Specific Equipment

<u>Equipment</u>	<u>Load</u>
cranes and derricks	
with booms in excess of 50 feet.....	.75 - 2.00
hot-mix asphalt plants.....	.75 - 1.75
small tools, employee tools, and spare parts and fuel (values less than \$2,000 per tool).....	1.50 - 5.00
waterborne equipment.....	1.00 - 2.00
construction trailers.....	.75 - 1.50

All Other Equipment

<u>Amount of Scheduled Values</u>	<u>Load</u>
Up to \$500,000.....	.50 - 1.50
\$500,001 to \$2,000,000.....	.40 - .75
over \$2,000,000.....	.25 - .70

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Step 2.A

Multiply the loads determined in Step 1.A by the limit for the applicable covered property.

Step 3.A

Rental Reimbursement -- If applicable, this step applies when rental reimbursement coverage is added to the coverage form and is based on the total limit of insurance for rental reimbursement. Determine the load based on the following risk characteristics:

- a. Type of covered equipment
 - 1) equipment used in hazardous operations
 - 2) equipment sometimes used in hazardous operations
 - 3) equipment not used in hazardous operations
- b. Duration for the replacement or repair of equipment
 - 1) equipment cannot be replaced/repared within a week
 - 2) equipment can be replaced/repared within a week

<u>Limit</u>	<u>Load</u>
under \$3,000	--
\$3,000 - \$15,000	100 to 500
over \$15,000	refer to company

Step 4.A

Multiply the Contractors Equipment rating information shown in the Rating Information by the applicable company loss cost multiplier, and then multiply the result by the result of Step 2.A and Step 3.A (if applicable).

Step 5.A

Below The Surface Of The Ground Exclusion -- Multiply the premium by the following modification when the Below The Surface Of The Ground Exclusion endorsement (IM 7039) is attached to the coverage form.

Modification: .98

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Step 6.A

Deductible -- Modify the premium by any applicable deductible modification.

<u>Deductible Amount</u>	<u>Factor</u>
\$2,500	.85
\$5,000	.80
\$10,000	.75
over \$10,000	refer to company

Step 7.A

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

ADDITIONAL PREMIUM DETERMINATION PROCEDURES

(if applicable)

**Equipment Leased Or Rented From Others/
Equipment Leased Or Rented To Others**

Step 1.B

Determine the contractors equipment premium using the Contractors' Equipment Premium Determination section. Divide the premium by the total limit of insurance (per \$100) to obtain an equipment rate.

Step 2.B

Determine the leased or rented equipment rate by multiplying the equipment rate by the factor for leased or rented equipment. The following are risk features that should be considered when determining a factor:

- a. Type of equipment being leased/rented
 - 1) equipment requires extensive experience and training to operate safely
 - 2) equipment requires limited experience and training to operate safely
- b. Leasing/renting equipment with or without operators
 - 1) equipment leased/rented without operators
 - 2) equipment leased/rented with operators

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- c. Liability stipulated in lease/rental agreement
 - 1) liability not stipulated in lease/rental agreement
 - 2) liability stipulated in lease/rental agreement
- d. When coverage is provided for equipment leased/rented to others, use of credit checks and review of certificates of insurance
 - 1) credit checks not obtained and certificates of insurance not reviewed
 - 2) records maintained on credit checks and certificates of insurance
- e. When coverage is provided for equipment leased/rented from others, continuing rental or lease payments
 - 1) coverage provided for continuing rental or lease payments
 - 2) coverage not provided for continuing rental or lease payments

Factor: 1.50 to 2.00

Step 3.B

Apply the leased or rented equipment rate (per \$100) to the rental expenditures (from others) or rental receipts (to others).

Income Coverage

Step 1.C

Determine the basic load (per Step 1.A) that applies to the equipment scheduled under the income coverage form.

Step 2.C

Develop a composite equipment load by:

1. multiply the applicable load by the value for the equipment (per \$100)
2. add together the result for each piece of equipment determined above in item 1.
3. divide the sum determined above in item 2. by the total values (per \$100) of the applicable equipment to determine the composite equipment load.

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Example:

<u>Equipment</u>	<u>Values</u>	<u>Basic</u> <u>Load</u>	=	
crane	\$300,0(00)	.90	=	2,700
asphalt plant	\$500,0(00)	.95	=	4,750
loader	<u>\$100,0(00)</u>	.25	=	<u>250</u>
	\$900,0(00)			7,700

$$7,700 / 900,0(00) = .85 \text{ Composite Equipment Load}$$

Step 3.C

Multiply the composite equipment load by the income coverage factor to determine the income coverage load.

Factor: .54

Step 4.C

Multiply the income coverage load by the income coverage limit.

Step 5.C

Multiply the Income Coverage rating information shown in the Loss Cost Rating Information by the applicable company loss cost multiplier, and then multiply the result by the result of Step 4.C.

Step 6.C

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

REPORTING FORM (if applicable)

When reporting conditions are part of the contractors' equipment 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.

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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 reporting rate by dividing the contractors' equipment premium by the total applicable limit of insurance (values).
2. At the inception of the coverage, obtain the initial schedule of equipment (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.).