81. DEDUCTIBLE INSURANCE PLAN

Paragraph **A.** is replaced by the following:

A. Description Of Plan

This Plan provides a method for writing direct property damage coverages with higher deductibles ($1,000 minimum – $1,000,000 maximum) on eligible covered property.

Paragraph **C.1.** is replaced by the following:

C. Rules

**1.** The deductible amounts under this Plan are fixed dollar amount deductibles applying on an occurrence basis to all eligible covered property. (For Windstorm or Hail or Named Storm percentage deductibles, refer to Rule **82.** in these state exceptions.)

Paragraphs **E.2.** and **E.4.** are replaced by the following:

E. Rate Modification

2. Rate Modification

**a.** Multiply the rates contemplating a base deductible of not more than $500 by the factorsin Table **81.E.4.**

**b.** Do not apply the factors to the rates for any form contemplating a base deductible equal to or exceeding the amount of the deductible desired under this Plan.

**c.** When the base deductible amount exceeds $500, unless otherwise provided, increase the deductible factorfrom Table **81.E.4.** by one half of the difference between 1.00 and the factor.

**d.** If a Named Storm percentage deductible is written pursuant to Rule **82.,** use the Basic Group II deductible credit factors in Table **81.E.4.** for deductible modification for Basic Group II perils other than Named Storm only as described in Rule **82.D.2.** 4. Factors For Deductible Coverage



|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | | | | | | | | | | | | | |  | | Deductible Credit Factors | | |
|  | Total Amount Of Insurance At Each Location | | | | | | | | | | | | | | Deductible | | Basic Group I | Basic Group II | Other Causes Of Loss |
|  |  | More than $500,000 | | | | | | | | | | | | | $ | 1,000 | 0.99 | 0.99 | 0.99 |
|  | $ | | | | | 175,001 – | | 500,000 | | | | | | |  | | 0.99 | 0.98 | 0.98 |
|  | 50,001 – | | | | | | | 175,000 | | | | | | |  | | 0.98 | 0.98 | 0.97 |
|  |  | | | | | | 50,000 or Less | | | | | | | |  | | 0.96 | 0.96 | 0.96 |
|  |  | More than $500,000 | | | | | | | | | | | | | 2,500 | | 0.99 | 0.97 | 0.96 |
|  | $ | | | | | 175,001 – | | 500,000 | | | | | | |  | | 0.96 | 0.94 | 0.92 |
|  | 50,001 – | | | | | | | 175,000 | | | | | | |  | | 0.94 | 0.91 | 0.89 |
|  |  | | 50,000 or Less | | | | | | | | | | | |  | | 0.89 | 0.84 | 0.84 |
|  |  | More than $1,000,000 | | | | | | | | | | | | | 5,000 | | 0.98 | 0.96 | 0.92 |
|  | $ | | | | | 500,001 – | | 1,000,000 | | | | | | |  | | 0.94 | 0.90 | 0.87 |
|  | 175,001 – | | | | | | |  | | | 500,000 | | | |  | | 0.92 | 0.87 | 0.83 |
|  |  | 175,000 or Less | | | | | | | | | | | | |  | | 0.88 | 0.79 | 0.77 | |
|  |  | More than $2,000,000 | | | | | | | | | | | | | 10,000 | | 0.96 | 0.93 | 0.88 | |
|  | $ | | | | 1,000,001 – | | | | | 2,000,000 | | | | |  | | 0.93 | 0.86 | 0.81 | |
|  | 500,001 – | | | | | | | | 1,000,000 | | | | | |  | | 0.90 | 0.82 | 0.77 | |
|  | 175,001 – | | | | | | | |  | | | 500,000 | | |  | | 0.87 | 0.75 | 0.71 | |
|  |  | | | | | 175,000 or Less | | | | | | | | |  | | 0.81 | 0.65 | 0.63 | |
|  |  | More than $2,000,000 | | | | | | | | | | | | | 25,000 | | 0.92 | 0.86 | 0.77 | |
|  | $ | | | | 1,000,001 – | | | | | 2,000,000 | | | | |  | | 0.85 | 0.72 | 0.64 | |
|  | 500,001 – | | | | | | | | 1,000,000 | | | | | |  | | 0.82 | 0.64 | 0.58 | |
|  | 175,001 – | | | | | | | |  | | | 500,000 | | |  | | 0.76 | 0.54 | 0.50 | |
|  |  | | | | | 175,000 or Less | | | | | | | | |  | | 0.71 | 0.44 | 0.43 | |
|  |  | More than $3,500,000 | | | | | | | | | | | | | 50,000 | | 0.88 | 0.80 | 0.68 | |
|  | $ | | | | 2,000,001 – | | | | | 3,500,000 | | | | |  | | 0.82 | 0.66 | 0.55 | |
|  | 1,000,001 – | | | | | | | | 2,000,000 | | | | | |  | | 0.77 | 0.58 | 0.49 | |
|  | 500,001 – | | | | | | | | 1,000,000 | | | | | |  | | 0.72 | 0.48 | 0.42 | |
|  |  | | | 500,000 or Less | | | | | | | | | | |  | | 0.67 | 0.39 | 0.36 | |
|  |  | More than $3,500,000 | | | | | | | | | | | | | 75,000 | | 0.84 | 0.74 | 0.60 | |
|  | $ | | | | 2,000,001 – | | | | | 3,500,000 | | | | |  | | 0.76 | 0.58 | 0.47 | |
|  | 1,000,001 – | | | | | | | | 2,000,000 | | | | | |  | | 0.72 | 0.48 | 0.40 | |
|  | 500,001 – | | | | | | | | 1,000,000 | | | | | |  | | 0.66 | 0.39 | 0.34 | |
|  |  | | | 500,000 or Less | | | | | | | | | | |  | | 0.61 | 0.30 | 0.28 | |
|  |  | | | More than $5,500,000 | | | | | | | | | | | 100,000 | | 0.83 | 0.73 | 0.58 | |
|  | $ | | | | 3,500,001 – | | | | | 5,500,000 | | | | |  | | 0.76 | 0.59 | 0.47 | |
|  | 2,000,001 – | | | | | | | | 3,500,000 | | | | | |  | | 0.72 | 0.51 | 0.41 | |
|  | 1,000,001 – | | | | | | | | 2,000,000 | | | | | |  | | 0.67 | 0.42 | 0.35 | |
|  |  | | | 1,000,000 or Less | | | | | | | | | | |  | | 0.61 | 0.33 | 0.29 | |
|  |  | | | More than $9,000,000 | | | | | | | | | | | 150,000 | | 0.80 | 0.72 | 0.54 | |
|  | $ | | | | 5,500,001 – | | | | | 9,000,000 | | | | |  | | 0.73 | 0.58 | 0.44 | |
|  | 3,500,001 – | | | | | | | | 5,500,000 | | | | | |  | | 0.70 | 0.51 | 0.39 | |
|  | 2,000,001 – | | | | | | | | 3,500,000 | | | | | |  | | 0.65 | 0.43 | 0.33 | |
|  |  | | | 2,000,000 or Less | | | | | | | | | | |  | | 0.59 | 0.32 | 0.26 | |
|  |  | | | More than $9,000,000 | | | | | | | | | | | 250,000 | | 0.73 | 0.63 | 0.45 | |
|  | $ | | | | 5,500,001 – | | | | | 9,000,000 | | | | |  | | 0.65 | 0.48 | 0.34 | |
|  | 3,500,001 – | | | | | | | | 5,500,000 | | | | | |  | | 0.61 | 0.40 | 0.30 | |
|  | 2,000,001 – | | | | | | | | 3,500,000 | | | | | |  | | 0.56 | 0.33 | 0.25 | |
|  |  | | | 2,000,000 or Less | | | | | | | | | | |  | | 0.51 | 0.25 | 0.20 | |
|  |  | | | More than $12,500,000 | | | | | | | | | | | 500,000 | | 0.62 | 0.54 | 0.35 | |
|  | $ | | | | 9,000,001 – | | | | | 12,500,000 | | | | |  | | 0.56 | 0.42 | 0.27 | |
|  | 5,500,001 – | | | | | | | |  | | | 9,000,000 | | |  | | 0.52 | 0.34 | 0.23 | |
|  | 3,500,001 – | | | | | | | |  | | | 5,500,000 | | |  | | 0.48 | 0.28 | 0.20 | |
|  |  | | | 3,500,000 or Less | | | | | | | | | | |  | | 0.45 | 0.23 | 0.17 | |
|  |  | | | More than $20,000,000 | | | | | | | | | | | 750,000 | | 0.57 | 0.52 | 0.31 | |
|  | $ | | | | 12,500,001 – | | | | | | | | 20,000,000 | |  | | 0.52 | 0.42 | 0.25 | |
|  | 9,000,001 – | | | | | | | | | | | 12,500,000 | | |  | | 0.48 | 0.35 | 0.21 | |
|  | 5,500,001 – | | | | | | | | | | |  | | 9,000,000 |  | | 0.44 | 0.28 | 0.18 | |
|  |  | | | 5,500,000 or Less | | | | | | | | | | |  | | 0.41 | 0.22 | 0.15 | |
|  |  | | | More than $20,000,000 | | | | | | | | | | | 1,000,000 | | 0.52 | 0.47 | 0.27 | |
|  | $ | | | | 12,500,001 – | | | | | | | | 20,000,000 | |  | | 0.46 | 0.37 | 0.21 | |
|  | 9,000,001 – | | | | | | | | | | | 12,500,000 | | |  | | 0.43 | 0.30 | 0.18 | |
|  | 5,500,001 – | | | | | | | | | | |  | | 9,000,000 |  | | 0.39 | 0.24 | 0.15 | |
|  |  | | | 5,500,000 or Less | | | | | | | | | | |  | | 0.37 | 0.21 | 0.14 | |

Table 81.E.4. Factors For Deductible Coverage

82. WINDSTORM OR HAIL AND NAMED STORM PERCENTAGE DEDUCTIBLES

The title of Rule **82.** Windstorm Or Hail Percentage Deductibles is replaced by the preceding title.



Rule **82.** is replaced by the following:

A. Description

1. Percentage Deductibles

At the insuring company's option, the following deductibles may be written to apply to Windstorm or Hail or Named Storm:

**a.** 1% Deductible

**b.** 2% Deductible

**c.** 5% Deductible

2. Specific Insurance

The dollar amount of the deductible will be equal to 1%, 2% or 5% of the Limit(s) of Insurance applicable to the property that has sustained loss or damage.

3. Blanket Insurance

The dollar amount of the deductible will be equal to 1%, 2% or 5% of the value(s) of the property that has sustained loss or damage. The value(s) to be used are those shown in the most recent Statement of Values on file with the company.

4. Value Reporting Forms And Builders Risk Insurance

For value reporting forms, the calculation of the deductible amount is based on reported values. There are variations for the situation where loss occurs prior to the first report, and for reports of value which show less than full values. If coverage is written blanket under a reporting form, the basis of the calculation is value at time of loss.

For builders risk insurance, the calculation of the deductible amount is based on value at time of loss.

B. Form

Use one of the following, not both, for a particular location:

**1.** Windstorm Or Hail Percentage Deductible Form CP 03 21**;** or

**2.** Named Storm Percentage Deductible Form **CP 03 25.**

C. Rules

**1.** The deductible applies whenever there is an occurrence of the event described in the endorsement.

**2.** The deductible is calculated separately for, and applies separately to:

**a.** Each building, if two or more buildings sustain loss or damage;

**b.** The building and to personal property in that building, if both sustain loss or damage;

**c.** Personal property at each building, if personal property at two or more buildings sustains loss or damage; and

**d.** Personal property in the open.

**3.** The Statement of Values for a blanket policy should contain sufficient detail – value of each building, value of personal property at each building, value of personal property in the open – to complement the procedure set forth in the applicable endorsement.

**4.** Percentage deductibles may vary by location. At a location all covered property must be written using the same percentage deductible.

**5.** If some property at a location is written under a blanket limit of insurance and other property at the same location is written under a specific limit of insurance, all covered property at that location must be written using the same percentage deductible.

**6.** When property is covered under the Coverage Extension for Newly Acquired or Constructed Property: In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage of the value(s) of the property at time of loss. The applicable percentage for Newly Acquired or Constructed Property is the highest percentage shown in the Schedule for any described premises.

D. Rate Modification

1. Windstorm Or Hail Percentage Deductible

When Form CP 03 21 is used, multiply the Group II rate by the appropriate factor from Table **82.D.1.**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Windstorm Or Hail Deductible | | Amount Of Insurance At Each Location | | | | | Factor |
|  |  | | $ | 3,500,001 and Over | | |  | 0.74 |
|  |  | | 1,000,001 – | | 3,500,000 |  | | 0.81 |
|  | 1 | % | 500,001 – | | 1,000,000 |  | | 0.87 |
|  |  | | 175,001 – | | 500,000 |  | | 0.91 |
|  |  | | 100,000 – | | 175,000 |  | | 0.96 |
|  |  | | 3,500,001 and Over | | | | | 0.63 |
|  |  | | 1,000,001 – | | 3,500,000 |  | | 0.70 |
|  | 2 | | 500,001 – | | 1,000,000 |  | | 0.77 |
|  |  | | 175,001 – | | 500,000 |  | | 0.84 |
|  |  | | 50,000 – | | 175,000 |  | | 0.91 |
|  |  | | 3,500,001 and Over | | | | | 0.47 |
|  |  | | 1,000,001 – | | 3,500,000 |  | | 0.53 |
|  |  | | 500,001 – | | 1,000,000 |  | | 0.60 |
|  | 5 | | 175,001 – | | 500,000 |  | | 0.68 |
|  |  | | 50,001 – | | 175,000 |  | | 0.79 |
|  |  | | 20,000 – | | 50,000 |  | | 0.92 |

Table 82.D.1. Windstorm Or Hail Rate Modification Factors

No further modification should be made to the Group II rate for deductible purposes, regardless of any deductible applicable to Group II causes of loss other than Windstorm or Hail.

2. Named Storm Percentage Deductible

When Endorsement CP 03 25 is used, apply the following procedure:

**a.** Select the appropriate factor from Table **82.D.2.a.**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Named Storm  Deductible | | Amount Of Insurance At Each Location | | | | | Factor |
|  |  | | $ | 3,500,001 and Over | | |  | 0.71 |
|  |  | | 1,000,001 – | | 3,500,000 |  | | 0.79 |
|  | 1 | % | 500,001 – | | 1,000,000 |  | | 0.86 |
|  |  | | 175,001 – | | 500,000 |  | | 0.90 |
|  |  | | 100,000 – | | 175,000 |  | | 0.96 |
|  |  | | 3,500,001 and Over | | | | | 0.59 |
|  |  | | 1,000,001 – | | 3,500,000 |  | | 0.67 |
|  | 2 | | 500,001 – | | 1,000,000 |  | | 0.74 |
|  |  | | 175,001 – | | 500,000 |  | | 0.82 |
|  |  | | 50,000 – | | 175,000 |  | | 0.90 |
|  |  | | 3,500,001 and Over | | | | | 0.41 |
|  |  | | 1,000,001 – | | 3,500,000 |  | | 0.48 |
|  |  | | 500,001 – | | 1,000,000 |  | | 0.56 |
|  | 5 | | 175,001 – | | 500,000 |  | | 0.64 |
|  |  | | 50,001 – | | 175,000 |  | | 0.77 |
|  |  | | 20,000 – | | 50,000 |  | | 0.91 |

Table 82.D.2.a. Named Storm Rate Modification Factors

**b.** With respect to Basic Group II perils **other than** Named Storm, select a Group II deductible modification factor from Table **81.E.4.** If the base deductible ($500) applies to Basic Group II perils other than Named Storm, the factor is unity (1.00).

**c.** Adjust the selected deductible modification factors as follows:

**(1)** For properties in Territory I:

**(a)** Multiply the selected factor from Table **82.D.2.a.** by 0.50.

**(b)** Multiply the selected factor from Table **81.E.4.** by 0.50.

**(c)** The sum of the results of Paragraphs **D.2.c.(1)(a)** and **D.2.c.(1)(b)** is the Basic Group II deductible modification factor, which recognizes both the Named Storm deductible and the deductible applicable to Basic Group II perils other than Named Storm.

**(d)** Modify the Basic Group II rate by the factor determined in Paragraph **D.2.c.(1)(c);** make no further modification to the Basic Group II rate for deductible purposes.

**(2)** For properties in Territory II:

**(a)** Multiply the selected factor from Table **82.D.2.a.** by 0.75;

**(b)** Multiply the selected factor from Table **81.E.4.** by 0.25;

**(c)** The sum of the results of Paragraphs **D.2.c.(2)(a)** and **D.2.c.(2)(b)** is the Basic Group II deductible modification factor, which recognizes both the Named Storm deductible and the deductible applicable to Basic Group II perils other than Named Storm.

**(d)** Modify the Basic Group II rate by the factor determined in Paragraph **D.2.c.(2)(c);** make no further modification to the Basic Group II rate for deductible purposes.

Example

Territory = Territory II

Amount of Insurance = $500,000

Named Storm Percentage Deductible = 5% (deductible factor is 0.64)

Other Group II Perils Deductible = $5,000 (deductible factor is 0.87)

Basic Group II Deductible credit factor = (0.64 x 0.75) + (0.87 x 0.25) = 0.81

E. Ineligibility

1. Ineligible Properties

**a.** Property rated under the Rating Plan For Highly Protected Or Superior Risks.

**b.** Classes of property not eligible for rating under the Windstorm or Hail Percentage Deductible Plan or the Named Storm Percentage Deductible Plan may be written in conjunction with eligible covered property, provided:

**(1)** The rate factors under Tables **82.D.1.** and **82.D.2.a.** are not applied to the rates for ineligible property; and

**(2)** The Declarations or Schedule clearly states to which property the deductible applies.

2. Ineligible Coverage Forms

**a.** Leasehold Interest

**b.** Business Income

**c.** Extra Expense

**d.** Legal Liability

**e.** Mortgageholders Errors and Omissions

RATING EXAMPLES APPENDIX

The following rating examples apply to Rule **81.E.** The factors are developed in accordance with the instructions in the state exceptions for Rule **81.E.**

1. Example #1. Specific Insurance

Assume CP 10 30 Causes Of Loss – Special Form (Including Theft) applies to all covered property at all locations.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | Location #1. (A Mercantile Risk) | | |
|  |  |  |  |  | |
|  |  | Building Limit | = | $150,000 | |
|  |  | Your Business Personal Property Limit | = | 15,000 | |
|  |  | Stock Limit | = | 35,000 | |
|  |  | Total Limit for Location #1. | = | $200,000 | |

If a Deductible of $2,500 is desired for all covered causes of loss, modify the rates applicable to Location #1. by the following factors:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | Basic Group I | – Use a factor of 0.96 |
|  |  | Basic Group II | – Use a factor of 0.94 |
|  |  | Special Form | – Use a factor of 0.92 |
|  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | Location #2. (An Office Risk) | | |
|  |  |  |  |  | |
|  |  | Building Limit | = | $500,000 | |
|  |  | Your Business Personal Property Limit | = | 75,000 | |
|  |  | Personal Property of Others Limit | = | 10,000 | |
|  |  | Tenants Improvements and Betterments | = | 25,000 | |
|  |  | Total Limit for Location #2. | = | $610,000 | |

If a Deductible of $2,500 is desired for Theft and $1,000 for all remaining covered causes of loss, modify the rates applicable to Location #2. by the following factors:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | Basic Group I | – Use a factor of 0.99 |
|  |  | Basic Group II | – Use a factor of 0.99 |
|  |  | Special Form | – Use a factor of 0.96 |
|  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | Location #3. (A Mercantile Risk) | | |
|  |  |  |  |  | |
|  |  | Building Limit | = | $250,000 | |
|  |  | Your Business Personal Property Limit | = | 85,000 | |
|  |  | Personal Property of Others Limit | = | 15,000 | |
|  |  | Total Limit for Location #3. | = | $350,000 | |

If a Deductible of $5,000 is desired for Windstorm or Hail, $2,500 for Theft, and the standard deductible of $500 is to apply to all remaining covered causes of loss, modify the rates applicable to Location #3. by the following factors:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | Basic Group I | – No factor applies |
|  |  | Basic Group II | – Use a factor of 0.87 |
|  |  | Special Form | – Use a factor of 0.92 |

2. Example #2. Blanket Insurance

Assume all property (both building and contents) is written on a blanket basis and the sum of the 100% values of the property at each location is:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | Location #1. (Industrial Occupancy) | – $1,500,000 |
|  |  | Location #2. (Mercantile Occupancy) | – $450,000 |

Form CP 10 30 applies to all covered property at these locations.

**a.** If a $5,000 deductible is applicable to all causes of loss, multiply the 80% coinsurance rates by the following factors:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | Location #1. |  |
|  |  |  |  |
|  |  | Basic Group I | – Use a factor of 0.98 |
|  |  | Basic Group II | – Use a factor of 0.96 |
|  |  | Special Form | – Use a factor of 0.92 |
|  |  |  |  |
|  |  | Location #2. |  |
|  |  |  |  |
|  |  | Basic Group I | – Use a factor of 0.92 |
|  |  | Basic Group II | – Use a factor of 0.87 |
|  |  | Special Form | – Use a factor of 0.83 |

**b.** If a $5,000 deductible is applicable to Windstorm or Hail, $2,500 Deductible applicable to Theft, and $1,000 for all remaining causes of loss, multiply the 80% coinsurance rate by the following factors:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | Location #1. |  |
|  |  |  |  |
|  |  | Basic Group I | – Use a factor of 0.99 |
|  |  | Basic Group II | – Use a factor of 0.96 |
|  |  | Special Form | – Use a factor of 0.96 |
|  |  |  |  |
|  |  | Location #2. |  |
|  |  |  |  |
|  |  | Basic Group I | – Use a factor of 0.99 |
|  |  | Basic Group II | – Use a factor of 0.87 |
|  |  | Special Form | – Use a factor of 0.92 |