

# Calculating Umbrella Renewal Rate Increases

Using the External Rater

updated July 2018



# Issues with Umbrella Renewal Pricing

- Renewal policies can have exposure changes to GL, vehicle schedules and limits.
- Exposures changes can go up and down for the same umbrella renewal ex. increased GL premium, but a reduced auto schedule.

# Use the External Umbrella Rater

- When umbrella exposures have changed at renewal, the umbrella rater should be used to determine adequate renewal pricing.
- The rater and instructions are found on the AIG Program Administrators' Website portal on the excess/umbrella product line page.

# Starting a New Umbrella Rater

**UMBRELLA PRIME RATER**  
Division 66 - US Package

Insured Name: Test  
 Insured Address: [Redacted]  
 New/Renewal: Renewal  
 Policy #: [Redacted]  
 Policy Period Start State: NJ  
 Effective Date: 8/1/2018  
 Deductible: [Redacted]  
 Primary GL Limits: \$1M/\$2M  
 Primary AL Limits: \$1,000,000  
 HNOA: [Redacted]

**Select Umbrella Limit below:**  
 Umbrella Limit: \$6M  
 Umbrella Premium: \$0

Minimum Premium for \$1M x P layer: \$ -  
 Minimum Premium for All Other Layers: \$ -

**Actual Deviations** (Input Only if Not Coverall)

	GL	
	Prem Ops	Prod/ Comp Ops
Schedule Rating Modification		
Experience Modification		
Company Deviation		
Package Modification		

**GL Primary Premium Calculation (Ground Up to \$1M) = "P"**

\*Input Only if Not Coverall

GL Class Code	Description	Exposure	Exposure Type	Premises/Operations		Products/Completed Operations	
				Manual Rate	Premium	Manual Rate	Premium
				\$	-	\$	-
				\$	-	\$	-
				\$	-	\$	-
				\$	-	\$	-
				\$	-	\$	-
				\$	-	\$	-
				\$	-	\$	-
				\$	-	\$	-
				\$	-	\$	-
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				\$	-	\$	-
				\$	-	\$	-
				\$	-	\$	-
				\$	-	\$	-
				\$	-	\$	-
				\$	-	\$	-
				\$	-	\$	-
				\$	-	\$	-
				\$	-	\$	-
				\$	-	\$	-

Rates and ILFs are based on state filings.



# Entering the GL Information

## General Liability

Primary Premium	\$ 25,000
TRIA Premium	\$ 250
Abuse & Molestation Premium	
EBL Excluded Premium	
D&O / E&O Excluded Premium	
All Other Excluded Premium	
Total Covered Premium	\$ 24,750
Primary Umbrella Exposure	Premises/Operations

Includes TRIA Premium

Enter the renewal GL premium.

	Minimum	Maximum	Selected
Modification Factor	8%	30%	19%

\$1M XS Primary GL Premium:	\$4,703
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Enter the expiring GL modification factor.



# Entering Miscellaneous Liability

## Miscellaneous Liability

Class Description	Total Primary Premium	Excluded Premium	Primary Rate	Primary Premium	Modification Factor		Selected Factor	\$1M XS Primary Misc. Premium
					Minimum	Maximum		
Liquor Liability	\$ 6,000			\$ 6,000	10%	50%	50%	\$ 3,000
Foreign Liability				\$ -	10%	50%		\$ -
Druggist Liability				\$ -	10%	50%		\$ -
Watercraft Liability				\$ -	10%	50%		\$ -
Professional Liability				\$ -	10%	50%		\$ -
								\$ 3,000

Enter the renewal premium.

Enter the expiring factor.

# Entering the Auto Information

Enter the renewal vehicle schedule.

## Auto Liability

Vehicle Types	Number of Autos	Rate Per Unit		Rate	\$1M XS Primary Auto Premium
		Minimum	Maximum		
Private Passenger (including HNOA)	5	63	190	127	635
Light Truck/Van up to 10,000 lbs	12	127	253	190	2,280
Medium Truck 10,001 lbs - 20,000 lbs		190	443		0
Heavy Truck 20,001 lbs - 45,000 lbs	3	462	770	616	1,848
Extra Heavy Truck over 45,000 lbs		605	1,210		0
Tractor over 45,000 lbs		963	1,650		0
Bus (over 20 passenger)		633	1,265		0
Up to 6 passengers		633	1,265		0
6-10 passengers		633	1,265		0
10-20 passengers		633	1,265		0
					4,763

\$1M XS Primary Premium Prior to Schedule Rating	\$12,466
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Enter the expiring auto rates.

# Entering Schedule Modification

## A. Classification/Coverage Peculiarities

1. Nonstandard deductibles
2. Variance in standard aggregate limits or in application of aggregates
3. Other classification peculiarities
4. Other coverage peculiarities

## B. Loss Control & Safety

1. Formal loss control & safety program  
Employed safety director
3. Pollution control program
4. Accident investigation

## C. Quality Control Policy

## D. Vehicle & Equipment

1. Formal schedule of maintenance
2. Manual or automatically operated equipment /machinery

## E. Employees

1. Hiring Practices
2. Training
3. Stability or employment

## F. Premises - Condition & Care

## G. Management

1. Year in business
2. Financial condition of risk
3. Attitude – cooperative

General Liability / Auto Liability / Miscellaneous Liability			
Maximum		Debit / (Credit)	
Debit	(Credit)	Selected	Justification
20%	-20%	0%	
20%	-20%	0%	
20%	-20%	0%	
20%	-20%	0%	
10%	-10%	0%	
10%	-10%	0%	
10%	-10%	0%	
10%	-10%	0%	
10%	-10%	0%	
5%	-5%	0%	
5%	-5%	0%	
5%	-5%	0%	
5%	-5%	0%	
5%	-5%	0%	
5%	-5%	-5%	Insured has been in business at least 10 years.
5%	-5%	-5%	D&B rating 2.
5%	-5%	0%	

Enter the expiring credits/debits.

Schedule Rating Range	
Minimum	Maximum
-50%	50%

Total Schedule Debit / (Credit)
-10%





# Entering ILF for Increased Limits

## General Liability / Miscellaneous Liability

Limit of Liability  
 \$1M x P  
 \$1M x \$1M x P  
 \$1M x \$2M x P  
 \$1M x \$3M x P  
 \$1M x \$4M x P  
 \$1M x \$5M x P  
 \$1M x \$6M x P  
 \$1M x \$7M x P

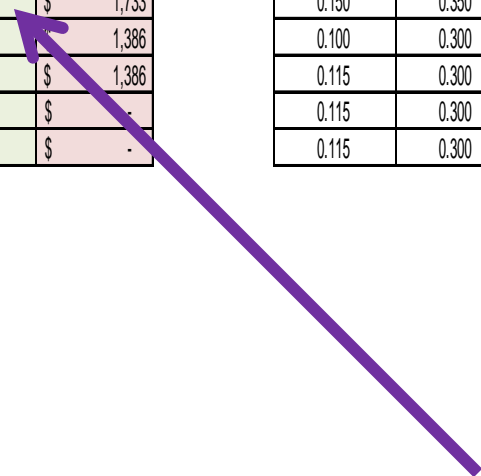
	Excess Factors		Selected Excess Factor	Calculated Premium *
	Minimum	Maximum		
\$1M x P	1.000	1.000	1.000	\$ 6,932
\$1M x \$1M x P	0.300	0.500	0.400	\$ 2,773
\$1M x \$2M x P	0.200	0.400	0.300	\$ 2,080
\$1M x \$3M x P	0.150	0.350	0.250	\$ 1,733
\$1M x \$4M x P	0.100	0.300	0.200	\$ 1,386
\$1M x \$5M x P	0.115	0.300	0.200	\$ 1,386
\$1M x \$6M x P	0.115	0.300		\$ -
\$1M x \$7M x P	0.115	0.300		\$ -

## Auto Liability

Excess Factors	
Minimum	Maximum
1.000	1.000
0.300	0.500
0.200	0.400
0.150	0.350
0.100	0.300
0.115	0.300
0.115	0.300

## All Lines Combined

	Selected Excess Factor**	Calculated Premium *	Calculated Umbrella Premium		Umbrella Subject Prem Including Minimum		Additional Premium for Layer	
			Limit before TRIA	before TRIA	Minimum incl TRIA	before TRIA		
\$1M	1.000	\$ 4,287	\$ 11,219	\$ 11,219	\$ 11,331	\$ 11,219	\$ -	
\$2M	0.400	\$ 1,715	\$ 15,707	\$ 15,707	\$ 15,864	\$ 4,488	\$ -	
\$3M	0.300	\$ 1,286	\$ 19,072	\$ 19,072	\$ 19,263	\$ 3,366	\$ -	
\$4M	0.250	\$ 1,072	\$ 21,877	\$ 21,877	\$ 22,096	\$ 2,805	\$ -	
\$5M	0.200	\$ 857	\$ 24,121	\$ 24,121	\$ 24,362	\$ 2,244	\$ -	
\$6M	0.200	\$ 857	\$ 26,365	\$ 26,365	\$ 26,628	\$ 2,244	\$ -	
\$7M	0.000	\$ -	\$ 26,365	\$ 26,365	\$ 26,628	\$ -	\$ -	
\$8M	0.000	\$ -	\$ 26,365	\$ 26,365	\$ 26,628	\$ -	\$ -	



Enter the expiring ILFs.

# Premium for Comparison

**UMBRELLA PRIME RATER**  
Division 66 - US Package

Insured Name: Test  
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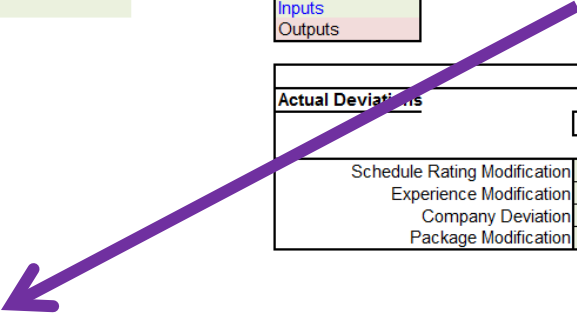
**Select Umbrella Limit below:**  
 Umbrella Limit: \$6M  
**Umbrella Premium: \$26,628**  
 Minimum Premium for \$1M x P layer: \$ -  
 Minimum Premium for All Other Layers: \$ -

**GL Primary Premium Calculation (Ground Up to \$1M) = "P"**

*Input Only if Not Coverall					Premises/Operations		Products/Completed Operations	
GL Class Code	Description	Exposure	Exposure Type	Manual Rate	Premium	Manual Rate	Premium	
					\$ -		\$ -	
					\$ -		\$ -	
					\$ -		\$ -	
					\$ -		\$ -	
					\$ -		\$ -	
					\$ -		\$ -	
					\$ -		\$ -	
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					\$ -		\$ -	
					\$ -		\$ -	
					\$ -		\$ -	
					\$ -		\$ -	
					\$ -		\$ -	

**\$1M XS Primary Premium Calculation = "\$1M XS P"**

Premium with new exposures at expiring rates.



# Premium for Comparison

- In this example the renewal premium with new exposures and expiring rates is \$26,628.
- Multiply \$26,628 by the rate increase needed. Ex.  $\$26,628 \times 1.08 = \$28,758$
- Adjust the factors, rates, schedule rating &/or ILFs to get to \$28,758 to achieve an 8% rate increase.