**RATE NARRATIVE**

The referenced Companies (the “Companies”) are filing a rule for the new Key Employee Replacement Expense Coverage Endorsement which will be offered in conjunction with the Companies’ Building and Personal Property Coverage Form, Form No. 97064, filed under Company Filing No. AIC-08-CP-02.

Our Key Employee Replacement Expense Endorsement is an optional property coverage which pays for reasonable expenses the insured incurs to replace a key employee if the key employee is unable to continue due to death or permanent disability resulting from a “Covered Accident” that takes place during any one coverage term. Since this is our initial offering of this product, the proposed rates and rules used for pricing our endorsement reflect our underwriting judgment and research of competitor offerings by other carriers providing similar coverage and limits. In our underwriting judgment a $100 - $150 charge for the limits provided is adequate but not excessive. As this is a new coverage option, there is no premium impact to the current book. We will monitor our book’s performance as we develop our own experience to ensure that our product remains competitive and profitable.

Each covered key employee and the associated limit for incurred expense will be scheduled. There is a premium charge per Key Employee Position, based on two choices of Per Loss Limit/Aggregate Limit.

The base limit will be $50,000. An optional limit of $100,000 will also be available.

This endorsement is optional, at the request of the insured.

Premium Determination

1. Choose a premium from the chart below, based on the appropriate limit.

2. Add a charge for each Key Employee Position.

3. The premiums shown are flat charges for each Key Employee Position. The premium per Key Employee Position applies to each individual who holds a designated position listed in the Schedule.

|  |  |
| --- | --- |
| Limit ‐ Per Loss | Premium Charge |
| $ 50,000 | $100 |
| $100,000 | $150 |