

# COMMERCIAL LINES UNDERWRITING GUIDELINES

## RATING FACTORS AND CONSIDERATIONS BY INDUSTRY

### CONFIDENTIAL - INTERNAL USE ONLY

**Document ID:** UW-GUIDE-2025-C03

**Version:** 2.8

**Effective Date:** January 1, 2025

**Last Review:** December 5, 2024

**Next Review:** June 5, 2025

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## TABLE OF CONTENTS

1. Introduction
  2. General Rating Principles
  3. Standard Rating Variables
  4. Credit and Debit Modification Factors
  5. Rating Factors by Industry
    - 5.1 Retail
    - 5.2 Wholesale/Distribution
    - 5.3 Manufacturing
    - 5.4 Construction
    - 5.5 Hospitality
    - 5.6 Real Estate
    - 5.7 Professional Services
    - 5.8 Healthcare
    - 5.9 Technology
    - 5.10 Food Services
  6. Experience Rating Modifications
  7. Schedule Rating Plan
  8. Premium Calculation Process
  9. Territory Rating Factors
  10. Appendices
- 

## 1. INTRODUCTION

This document establishes the rating factors and considerations for commercial lines underwriting across various industries. These guidelines ensure consistent and accurate premium development while providing flexibility to account for individual risk characteristics.

Underwriters must apply these rating factors in conjunction with: - Industry-Specific Risk Acceptance Criteria (UW-GUIDE-2025-C01) - Coverage Limitations by Business Class (UW-GUIDE-2025-C02) - Rate Manual (RATE-MAN-2025)

**Note:** State-specific rating regulations may override certain guidelines. Always refer to Appendix D for state-specific rating requirements.

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## 2. GENERAL RATING PRINCIPLES

The following principles apply when developing premiums:

1. **Risk-Based Pricing:** Premium should reflect the expected losses and expenses associated with the risk, plus a reasonable profit margin.
  2. **Rate Adequacy:** Rates must be sufficient to cover expected losses, loss adjustment expenses, underwriting expenses, and provide a reasonable return.
  3. **Rate Equity:** Risks with similar loss potential should be charged similar premiums, while risks with different loss potentials should be charged premiums that reflect those differences.
  4. **Rate Stability:** Rates should not fluctuate dramatically without corresponding changes in the risk profile.
  5. **Rate Compliance:** All rates must comply with state regulatory requirements and reflect our filed rating plans.
  6. **Underwriting Judgment:** While following rating guidelines, underwriters should exercise professional judgment in evaluating unique risk characteristics.
  7. **Competitive Positioning:** Rates should be competitive in the marketplace while maintaining profitability targets.
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## 3. STANDARD RATING VARIABLES

The following standard rating variables apply across all industries:

### Property Coverage Rating Variables

- Construction type (frame, joisted masonry, masonry non-combustible, etc.)
- Occupancy class
- Year built/renovated
- Protection class (fire protection services)
- Building limit per square foot
- Contents limit per square foot
- Deductible level
- Coinsurance percentage
- Sprinkler protection (Y/N and % of building sprinklered)
- Alarm protection (local, central station)
- Building age and condition
- Territory/location
- Replacement cost vs. actual cash value

### General Liability Rating Variables

- Industry classification/BIC code
- Annual revenue/receipts
- Payroll by classification
- Square footage
- Number of employees
- Products manufactured/sold
- Territory/location
- Deductible/SIR level
- Prior loss experience

- Years in business
- Premise ownership status (own/lease)

#### **Workers' Compensation Rating Variables**

- Class code(s)
- Payroll by classification
- Experience modification factor
- Territory/location
- Prior loss experience
- Safety program effectiveness
- Employee count
- Hours of operation
- Workplace policies and procedures

#### **Commercial Auto Rating Variables**

- Vehicle type and use
  - Vehicle age, make, model
  - Radius of operation
  - Driver experience and history
  - Territory/location
  - Deductible level
  - Prior loss experience
  - Number of vehicles
  - Fleet safety program
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### **4. CREDIT AND DEBIT MODIFICATION FACTORS**

Modification factors allow for customization of premium based on specific risk characteristics. The following credit/debit ranges apply:

#### **Management Experience**

- 0-2 years experience: 1.10-1.25 (debit)
- 3-5 years experience: 0.95-1.05
- 6-10 years experience: 0.90-0.95 (credit)
- 11+ years experience: 0.85-0.90 (credit)

#### **Financial Stability**

- Below average: 1.10-1.25 (debit)
- Average: 0.95-1.05
- Above average: 0.85-0.95 (credit)

#### **Loss Control Program**

- No formal program: 1.05-1.15 (debit)
- Basic program: 0.95-1.05
- Comprehensive program: 0.85-0.95 (credit)
- Industry-leading program: 0.75-0.85 (credit)

## Building Maintenance

- Below average: 1.05-1.15 (debit)
- Average: 0.95-1.05
- Above average: 0.85-0.95 (credit)
- Superior: 0.80-0.85 (credit)

## Employee Training

- No formal training: 1.05-1.15 (debit)
- Basic training: 0.95-1.05
- Comprehensive training: 0.85-0.95 (credit)
- Exceptional training: 0.75-0.85 (credit)

## Prior Loss History (3-year period)

- Loss ratio >80%: 1.10-1.25 (debit)
- Loss ratio 60-80%: 1.05-1.10 (debit)
- Loss ratio 40-60%: 0.95-1.05
- Loss ratio 20-40%: 0.90-0.95 (credit)
- Loss ratio <20%: 0.85-0.90 (credit)

**Note:** The maximum cumulative schedule credit/debit allowed is  $\pm 25\%$  unless approved by an Underwriting Manager.

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## 5. RATING FACTORS BY INDUSTRY

### 5.1 RETAIL

#### Key Rating Factors (Property)

- **Stock/Inventory Value:** Premium increases with higher values; higher values require enhanced protection
- **Seasonality:** Premium adjusted for seasonal fluctuations in inventory
- **Hours of Operation:** Extended hours increase exposure
- **Security Measures:** Credits for central station alarms, surveillance systems, security personnel
- **Customer Traffic:** Higher foot traffic increases liability exposure
- **Theft Prevention Measures:** Credits for inventory control systems, anti-shoplifting devices
- **Building Features:** Open floor plans vs. separated departments

#### Relativity Factors (Property)

Store Type	Base Rate Relativity
Department Store	1.00
Clothing/Apparel	0.90
Hardware/Home Improvement	1.15
Electronics	1.25
Jewelry	1.40
Sporting Goods	1.10
Furniture	1.05
Grocery/Supermarket	1.20
Convenience Store	1.35
Pharmacy/Drug Store	1.15

Store Type	Base Rate Relativity
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#### Key Rating Factors (General Liability)

- **Annual Revenue:** Primary rating basis
- **Square Footage:** Supplementary rating basis
- **Product Types:** Higher risk products carry higher rates
- **Customer Demographics:** Target market affects risk profile
- **In-Store Services:** Additional services increase exposure
- **Claims History:** Prior claims experience indicates future risk
- **Delivery Operations:** Additional exposure for delivery services
- **Installation Services:** Additional exposure for installation services

#### Relativity Factors (General Liability)

Store Type	Base Rate Relativity
Department Store	1.00
Clothing/Apparel	0.85
Hardware/Home Improvement	1.20
Electronics	1.10
Jewelry	0.95
Sporting Goods	1.15
Furniture	1.05
Grocery/Supermarket	1.15
Convenience Store	1.30
Pharmacy/Drug Store	1.10

#### Industry-Specific Pricing Considerations

- **Inventory Turnover Rate:** Higher rates may indicate better management or increased exposure
- **Percentage of High-Value Items:** Premium increases with higher percentages
- **Return Policy:** Liberal return policies may increase product liability exposure
- **E-commerce Component:** Online sales require additional rating considerations
- **Premises Improvements:** Recent renovations may qualify for credits
- **Loss Prevention Staffing:** Dedicated staff may qualify for credits
- **Seasonal Hiring Practices:** Temporary workers may increase exposure

## 5.2 WHOLESALE/DISTRIBUTION

#### Key Rating Factors (Property)

- **Warehouse Construction:** Construction type and materials
- **Storage Arrangements:** Rack storage vs. floor storage; height of storage
- **Stock Type:** Combustibility and susceptibility to damage
- **Warehouse Management Systems:** Inventory tracking and control
- **Warehouse Protection:** Sprinkler adequacy for storage height/arrangement
- **Material Handling Equipment:** Type and maintenance of equipment
- **Cold Storage Facilities:** Additional exposures from refrigeration equipment

#### Relativity Factors (Property)

Distribution Type	Base Rate Relativity
General Merchandise	1.00
Food Products	1.15
Textile Products	1.10
Paper Products	1.25
Chemical Products	1.45
Electronic Components	1.20
Building Materials	1.15
Automotive Parts	1.10
Pharmaceutical Products	1.30
Beverage Distribution	1.05

#### Key Rating Factors (General Liability)

- **Annual Revenue:** Primary rating basis
- **Product Type:** Hazard level of products distributed
- **Territory of Distribution:** Geographic scope of operations
- **Transportation Exposures:** Method of delivery and radius
- **Loading/Unloading Exposures:** Equipment and procedures
- **Value of Goods Handled:** Higher values indicate increased exposure
- **Customer Type:** Retail vs. commercial customers
- **Vendor Approval Process:** Quality control of supplied products

#### Relativity Factors (General Liability)

Distribution Type	Base Rate Relativity
General Merchandise	1.00
Food Products	1.20
Textile Products	0.95
Paper Products	0.90
Chemical Products	1.50
Electronic Components	1.05
Building Materials	1.15
Automotive Parts	1.25
Pharmaceutical Products	1.40
Beverage Distribution	1.10

#### Industry-Specific Pricing Considerations

- **Just-in-Time Inventory:** Decreased inventory values but increased business income exposure
- **Cross-Docking Operations:** Different exposure than traditional warehousing
- **Order Fulfillment Services:** Additional exposures beyond storage
- **Value-Added Services:** Repackaging, labeling, light assembly increases exposure
- **Fleet Operations:** Owned vs. contracted transportation
- **Seasonal Variations:** Inventory fluctuations throughout the year
- **International Sourcing:** Products from foreign manufacturers may increase product liability

### 5.3 MANUFACTURING

#### Key Rating Factors (Property)

- **Process Hazard Level:** Fire, explosion, chemical hazards

- **Equipment Value and Type:** Specialized vs. standard machinery
- **Raw Materials:** Combustibility and susceptibility to damage
- **Production Flow:** Continuous vs. batch processing
- **Dependency on Critical Equipment:** Business income implications
- **Utility Requirements:** Dependence on water, power, gas
- **Maintenance Protocols:** Scheduled maintenance of key equipment

#### Relativity Factors (Property)

Manufacturing Type	Base Rate Relativity
Metal Products	1.00
Wood Products	1.30
Plastic Products	1.25
Food Processing	1.15
Textile Manufacturing	1.20
Electronics Manufacturing	1.10
Chemical Manufacturing	1.50
Pharmaceutical Manufacturing	1.35
Automotive Components	1.05
Machinery Manufacturing	1.00

#### Key Rating Factors (General Liability)

- **Product Type:** End-use applications and hazard level
- **Production Volume:** Units produced annually
- **Quality Control Procedures:** Testing and inspection protocols
- **Product Design Control:** Engineering and design processes
- **Raw Material Sourcing:** Domestic vs. international suppliers
- **Product Distribution:** Geographic scope of product sales
- **Installation/Service Component:** Additional exposure if provided
- **Product Complexity:** Simple vs. complex products

#### Relativity Factors (General Liability)

Manufacturing Type	Base Rate Relativity
Metal Products	1.00
Wood Products	0.95
Plastic Products	1.05
Food Processing	1.25
Textile Manufacturing	0.90
Electronics Manufacturing	1.15
Chemical Manufacturing	1.45
Pharmaceutical Manufacturing	1.40
Automotive Components	1.30
Machinery Manufacturing	1.20

#### Industry-Specific Pricing Considerations

- **Automation Level:** Highly automated processes may reduce some exposures
- **Product Customization:** Custom vs. standard products affect liability
- **Component Manufacturing:** Component parts vs. finished products

- **Batch Traceability:** Ability to track and trace production batches
- **Recall Preparedness:** Formal recall plans may qualify for credits
- **Regulatory Compliance:** FDA, CPSC, and other regulatory requirements
- **Contract Manufacturing:** Manufacturing for others vs. own products
- **Research and Development:** Product testing and development activities

## 5.4 CONSTRUCTION

### Key Rating Factors (Property)

- **Equipment Value and Type:** Heavy vs. light equipment
- **Equipment Age and Condition:** Newer equipment may qualify for credits
- **Equipment Storage:** Secured yard vs. unsecured locations
- **Tools and Small Equipment:** Susceptibility to theft
- **Office/Shop Facilities:** Fixed location exposures
- **Materials Storage:** Value and type of stored materials
- **Mobile Operations:** Equipment transported between job sites

### Relativity Factors (Property)

Construction Type	Base Rate Relativity
General Contractor	1.00
Electrical Contractor	0.90
Plumbing Contractor	0.95
HVAC Contractor	0.95
Masonry Contractor	1.05
Carpentry Contractor	1.10
Roofing Contractor	1.35
Excavation Contractor	1.15
Painting Contractor	0.90
Concrete Contractor	1.10

### Key Rating Factors (General Liability)

- **Project Type:** Residential, commercial, industrial, infrastructure
- **Annual Revenue:** Primary rating basis
- **Subcontractor Usage:** Percentage of work subcontracted
- **Work Height Exposure:** Maximum height of operations
- **Years in Business:** Experience in the trade
- **Scope of Operations:** Specialized vs. diverse operations
- **Territory of Operations:** Geographic scope of work
- **Management Experience:** Owner/supervisor experience

### Relativity Factors (General Liability)

Construction Type	Base Rate Relativity
General Contractor	1.00
Electrical Contractor	0.85
Plumbing Contractor	0.90
HVAC Contractor	0.90
Masonry Contractor	1.00



Construction Type	Base Rate Relativity
Carpentry Contractor	1.15
Roofing Contractor	1.50
Excavation Contractor	1.25
Painting Contractor	0.80
Concrete Contractor	1.10

### Industry-Specific Pricing Considerations

- **Project Size:** Average and maximum project values
- **New Construction vs. Renovation:** Different exposure profiles
- **Contract Requirements:** Contractual risk transfer effectiveness
- **Safety Program:** Formal safety protocols and training
- **Employee Experience:** Skilled vs. unskilled labor
- **Licensing and Certification:** Proper credentials for specialized work
- **Equipment Maintenance:** Formal maintenance program
- **Hazardous Operations:** Specialized work such as hot work, excavation

## 5.5 HOSPITALITY

### Key Rating Factors (Property)

- **Building Age and Condition:** Older buildings may have higher rates
- **Occupancy Patterns:** Seasonal vs. year-round
- **Amenities Offered:** Pools, fitness centers, restaurants
- **Kitchen Facilities:** Full-service vs. limited cooking
- **Life Safety Systems:** Sprinklers, alarms, emergency lighting
- **Building Updates:** Electrical, plumbing, roofing, HVAC
- **Guest Room Count:** Size of operation
- **Public Areas:** Square footage of meeting/banquet spaces

### Relativity Factors (Property)

Hospitality Type	Base Rate Relativity
Limited Service Hotel	1.00
Full Service Hotel	1.15
Resort Property	1.25
Motel	1.10
Bed & Breakfast	0.95
Extended Stay Hotel	1.05
Conference Center	1.20
Casino Hotel	1.35
Boutique Hotel	1.10
Budget/Economy Hotel	1.15

### Key Rating Factors (General Liability)

- **Annual Revenue:** Primary rating basis
- **Guest Room Count:** Size of operation
- **Average Occupancy Rate:** Exposure to guest-related incidents
- **Restaurant/Bar Operations:** Food and liquor exposures
- **Swimming Pool:** Presence and type of pool facilities

- **Recreational Amenities:** Fitness centers, spas, golf courses
- **Special Events:** Weddings, conferences, meetings
- **Valet Parking:** Additional exposure for valet operations

#### Relativity Factors (General Liability)

Hospitality Type	Base Rate Relativity
Limited Service Hotel	1.00
Full Service Hotel	1.20
Resort Property	1.35
Motel	1.05
Bed & Breakfast	0.90
Extended Stay Hotel	1.10
Conference Center	1.25
Casino Hotel	1.45
Boutique Hotel	1.15
Budget/Economy Hotel	1.20

#### Industry-Specific Pricing Considerations

- **Location Type:** Urban, suburban, rural, resort area
- **Client Demographics:** Business travelers, tourists, extended stay
- **Security Measures:** Access control, security staff, surveillance
- **Housekeeping Protocols:** Cleaning and maintenance standards
- **Age of Furnishings:** Recently renovated vs. dated
- **Management Type:** Owner-operated vs. management company
- **Brand Affiliation:** Independent vs. chain/franchise
- **Transportation Services:** Airport shuttles, local transportation

### 5.6 REAL ESTATE

#### Key Rating Factors (Property)

- **Building Age and Construction:** Age, materials, construction type
- **Building Updates:** Electrical, plumbing, roofing, HVAC
- **Occupancy Type:** Residential, commercial, mixed-use
- **Vacancy Rate:** Higher vacancy increases certain exposures
- **Building Systems:** Age and condition of key systems
- **Common Areas:** Maintenance and condition
- **Building Value per Square Foot:** Indicator of quality/exposure
- **Geographic Location:** Exposure to natural hazards

#### Relativity Factors (Property)

Real Estate Type	Base Rate Relativity
Apartment Building (1-4 units)	1.00
Apartment Building (5-20 units)	1.10
Apartment Building (21-50 units)	1.15
Apartment Building (50+ units)	1.20
Office Building	0.95
Retail Building	1.05

Real Estate Type	Base Rate Relativity
Industrial/Warehouse	1.15
Mixed-Use Building	1.10
Condominium Building	1.15
Shopping Center	1.20

#### Key Rating Factors (General Liability)

- **Square Footage:** Primary rating basis
- **Occupancy Type:** Tenant types and activities
- **Public Access:** Degree of public exposure
- **Common Area Maintenance:** Responsibility and condition
- **Parking Facilities:** Size, type, and maintenance
- **Sidewalks/Walkways:** Condition and maintenance
- **Security Provided:** Type and extent of security services
- **Recreational Facilities:** Pools, playgrounds, fitness centers

#### Relativity Factors (General Liability)

Real Estate Type	Base Rate Relativity
Apartment Building (1-4 units)	1.00
Apartment Building (5-20 units)	1.10
Apartment Building (21-50 units)	1.20
Apartment Building (50+ units)	1.30
Office Building	0.90
Retail Building	1.15
Industrial/Warehouse	0.85
Mixed-Use Building	1.20
Condominium Building	1.25
Shopping Center	1.35

#### Industry-Specific Pricing Considerations

- **Tenant Screening Procedures:** Residential property tenant selection
- **Building Code Compliance:** Historical compliance with updates
- **Lease Requirements:** Insurance requirements for tenants
- **Maintenance Schedules:** Preventative maintenance programs
- **Property Management:** Owner-managed vs. professional management
- **Age Demographics:** Senior housing vs. family vs. student housing
- **Renovation/Construction Activity:** Ongoing work on premises
- **Environmental Factors:** Asbestos, lead paint, underground tanks

### 5.7 PROFESSIONAL SERVICES

#### Key Rating Factors (Property)

- **Office Equipment Value:** Computer and electronic equipment
- **Business Personal Property Value:** Furniture, fixtures, equipment
- **Records Storage:** Paper vs. electronic record keeping
- **Building Occupancy:** Single tenant vs. multi-tenant
- **Building Class:** Class A, B, or C office space
- **Security Systems:** Alarm systems, access controls

- **Business Continuation Plans:** Backup systems, disaster recovery
- **Location Type:** Urban, suburban, rural location

#### Relativity Factors (Property)

Professional Service Type	Base Rate Relativity
Law Firm	1.00
Accounting Firm	0.95
Engineering Firm	1.05
Architectural Firm	1.05
Consulting Firm	0.95
Insurance Agency	0.90
Real Estate Agency	0.90
Financial Advisory	1.00
Marketing/Advertising	1.00
Medical Office (non-patient treating)	1.10

#### Key Rating Factors (General Liability)

- **Square Footage:** Primary rating basis
- **Annual Revenue:** Supplementary rating basis
- **Employee Count:** Size of operation
- **Client Visitation:** Frequency of client visits to premises
- **Off-Premises Work:** Percentage of work at client locations
- **Client Type:** Individual vs. corporate clients
- **Contract Size:** Average and maximum contract values
- **International Exposure:** International vs. domestic clients

#### Relativity Factors (General Liability)

Professional Service Type	Base Rate Relativity
Law Firm	1.00
Accounting Firm	0.95
Engineering Firm	1.10
Architectural Firm	1.10
Consulting Firm	1.00
Insurance Agency	0.90
Real Estate Agency	1.05
Financial Advisory	0.95
Marketing/Advertising	0.95
Medical Office (non-patient treating)	1.05

#### Industry-Specific Pricing Considerations

- **Electronic Equipment Density:** Value of computer equipment per square foot
- **Paper Document Storage:** Quantity and value of paper records
- **Client Contract Requirements:** Insurance requirements from clients
- **Professional Designations:** Special certifications and training
- **Employee Turnover:** Stability of workforce
- **After-Hours Access:** Building security after normal hours
- **Remote Work Arrangements:** Percentage of remote vs. office work
- **Data Security Measures:** Cybersecurity protections

## 5.8 HEALTHCARE

### Key Rating Factors (Property)

- **Facility Type:** Office, clinic, outpatient facility
- **Medical Equipment Value:** Specialized vs. standard equipment
- **Patient Flow:** Number of patients seen daily
- **Hours of Operation:** Standard hours vs. extended hours
- **Building Features:** Special medical building features
- **Utility Requirements:** Backup power systems
- **Laboratory Facilities:** Presence and type of lab facilities
- **Building Age and Updates:** Specific medical facility updates

### Relativity Factors (Property)

Healthcare Type	Base Rate Relativity
Physician Office (General)	1.00
Dental Office	1.05
Outpatient Surgical Center	1.20
Urgent Care Facility	1.15
Imaging Center	1.25
Physical Therapy Facility	0.95
Laboratory	1.15
Mental Health Office	0.90
Chiropractic Office	0.95
Medical Spa	1.10

### Key Rating Factors (General Liability)

- **Patient Visits:** Annual number of patient visits
- **Procedures Performed:** Type and invasiveness of procedures
- **Specialty Type:** Medical specialty risk level
- **Equipment Used:** Diagnostic vs. treatment equipment
- **Patient Demographics:** Age and health status of patients
- **Accessibility Features:** ADA compliance and features
- **Waiting Room Size:** Public space square footage
- **Practitioner Count:** Number of medical professionals

### Relativity Factors (General Liability)

Healthcare Type	Base Rate Relativity
Physician Office (General)	1.00
Dental Office	1.10
Outpatient Surgical Center	1.35
Urgent Care Facility	1.25
Imaging Center	1.15
Physical Therapy Facility	1.05
Laboratory	1.00
Mental Health Office	0.90
Chiropractic Office	1.05
Medical Spa	1.20

## Industry-Specific Pricing Considerations

- **Sterilization Procedures:** Infection control protocols
- **Medical Waste Handling:** Disposal procedures
- **Patient Screening:** Initial evaluation procedures
- **Medication Storage:** Controlled substances procedures
- **Practitioner Credentials:** Licensure and board certification
- **Emergency Response Protocols:** Procedures for medical emergencies
- **Patient Record Security:** HIPAA compliance measures
- **Informed Consent Practices:** Documentation procedures

## 5.9 TECHNOLOGY

### Key Rating Factors (Property)

- **Electronic Equipment Value:** Computer and specialized equipment
- **Data Center Facilities:** Dedicated server rooms/data centers
- **Power Protection Systems:** UPS, backup generators
- **Climate Control Systems:** HVAC for equipment protection
- **Fire Suppression Systems:** Specialized systems for electronics
- **Research & Development Facilities:** Specialized equipment
- **Physical Security Measures:** Access controls, surveillance
- **Testing Facilities:** Specialized testing environments

### Relativity Factors (Property)

Technology Type	Base Rate Relativity
Software Development	1.00
Hardware Manufacturing	1.15
IT Consulting	0.95
Data Processing	1.10
Web Development	0.90
App Development	0.90
Cloud Service Provider	1.20
E-commerce Platform	1.05
IoT Device Developer	1.15
System Integration	1.00

### Key Rating Factors (General Liability)

- **Annual Revenue:** Primary rating basis
- **Product Type:** Hardware vs. software vs. services
- **Client Type:** Consumer vs. commercial vs. government
- **Contract Size:** Average and maximum contract values
- **Client Visitation:** Frequency of client visits to premises
- **Installation Services:** On-site installation exposure
- **End-User Applications:** Critical vs. non-critical applications
- **Product Distribution Method:** Direct vs. through resellers

### Relativity Factors (General Liability)

Technology Type	Base Rate Relativity
Software Development	1.00
Hardware Manufacturing	1.25
IT Consulting	1.05
Data Processing	1.10
Web Development	0.95
App Development	0.95
Cloud Service Provider	1.15
E-commerce Platform	1.10
IoT Device Developer	1.20
System Integration	1.15

### Industry-Specific Pricing Considerations

- **Intellectual Property Protection:** Patents, copyrights, trademarks
- **Business Continuity Planning:** Disaster recovery capabilities
- **Development Methodology:** Agile vs. waterfall approaches
- **Quality Assurance Processes:** Testing and validation procedures
- **Open Source Component Usage:** Percentage of open source code
- **Client Contract Structure:** Service level agreements
- **Remote Work Policies:** Work-from-home vs. office-based
- **Data Handling Practices:** Customer data security

## 5.10 FOOD SERVICES

### Key Rating Factors (Property)

- **Cooking Equipment Type:** Open flame, deep fryers, grills
- **Fire Protection Systems:** Automatic extinguishing systems
- **Hours of Operation:** Standard vs. extended hours
- **Building Age and Updates:** Electrical, plumbing, HVAC
- **Seating Capacity:** Size of operation
- **Kitchen to Dining Ratio:** Space allocation
- **Equipment Value:** Specialized cooking equipment
- **Refrigeration Systems:** Walk-in coolers, freezers

### Relativity Factors (Property)

Food Service Type	Base Rate Relativity
Fast Food Restaurant	1.00
Casual Dining Restaurant	1.15
Fine Dining Restaurant	1.20
Café/Coffee Shop	0.95
Pizzeria	1.20
Bar/Tavern with Food	1.35
Buffet Restaurant	1.10
Food Truck	1.25
Catering Operation	1.15
Bakery	0.90

## Industry-Specific Pricing Considerations

- **Food Handling Procedures:** Food safety protocols
  - **Kitchen Cleaning Protocols:** Hood cleaning, grease management
  - **Staff Training:** Food handler certification, alcohol service training
  - **Delivery Driver Screening:** MVR checks and driver selection
  - **Take-Out Percentage:** Ratio of dine-in vs. take-out business
  - **Menu Complexity:** Simple vs. complex menu offerings
  - **Customer Turnover Rate:** Fast-casual vs. leisurely dining
  - **Seasonal Variations:** Tourist locations vs. year-round operations
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## 6. EXPERIENCE RATING MODIFICATIONS

Experience rating modifications adjust premiums based on past loss experience relative to industry averages:

### Experience Rating Formula

The experience modification factor (EMF) is calculated using the following formula:

$$\text{EMF} = (\text{Actual Losses} + \text{Expected Losses}) / (2 \times \text{Expected Losses})$$

Where: - Actual Losses = Paid losses + reserves for the experience period - Expected Losses = Industry average losses for similar operations

### Application Guidelines

- **Experience Period:** Most recent 3 completed policy years
- **Claim Valuation Date:** 6 months prior to renewal date
- **Minimum Premium Size:** \$10,000 annual premium minimum for experience rating
- **Maximum Single Loss Impact:** Individual losses capped at \$100,000 for experience rating
- **Claim Count Factor:** Number of claims (frequency) weighted separately from severity
- **Trend Factors:** Older losses adjusted by annual trend factors (see Appendix A)
- **Premium Impact:** Experience modification factor applied after schedule rating

### Loss Development Factors

Losses are developed to ultimate value using the following factors:

Months of Development	Property	General Liability	Workers' Compensation	Auto Liability
0-12	1.25	2.50	3.00	2.25
13-24	1.10	1.75	2.00	1.50
25-36	1.05	1.25	1.50	1.20

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## 7. SCHEDULE RATING PLAN

Schedule rating allows for premium adjustments based on specific risk characteristics that are not otherwise reflected in the base rate:



## Schedule Rating Factors

The following factors may be applied subject to underwriting judgment:

### Property Schedule Rating Factors

Factor	Maximum Credit	Maximum Debit
Construction Features	-15%	+15%
Premises Condition	-10%	+15%
Fire Protection	-15%	+10%
Management Cooperation	-10%	+10%
Housekeeping	-10%	+15%
Protection Systems	-15%	+10%
Business Continuity	-10%	+5%

### General Liability Schedule Rating Factors

Factor	Maximum Credit	Maximum Debit
Premises Condition	-10%	+15%
Management	-15%	+15%
Risk Control Programs	-15%	+10%
Employees	-10%	+10%
Product Design/Controls	-15%	+15%
Contractual Risk Transfer	-10%	+10%
Claims History	-10%	+15%

### Workers' Compensation Schedule Rating Factors

Factor	Maximum Credit	Maximum Debit
Safety Program	-15%	+10%
Management Commitment	-10%	+15%
Employee Training	-10%	+10%
Return to Work Program	-15%	+5%
Medical Facilities	-5%	+5%
Safety Equipment	-10%	+10%
Employee Selection	-10%	+10%

### Commercial Auto Schedule Rating Factors

Factor	Maximum Credit	Maximum Debit
Driver Selection	-15%	+15%
Vehicle Maintenance	-10%	+10%
Driver Training	-10%	+5%
Safety Equipment	-10%	+5%
Dispatch Procedures	-5%	+10%
Route Planning	-5%	+5%
Claims Handling	-5%	+5%

## **Schedule Rating Documentation Requirements**

All schedule rating credits or debits exceeding 10% must be supported by specific documentation in the underwriting file, including: - Detailed explanation of each credit/debit applied - Supporting documentation (inspection reports, loss control reports, etc.) - Comparative analysis to industry standards - Approval by appropriate authority level

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## **8. PREMIUM CALCULATION PROCESS**

The premium calculation process follows these sequential steps:

### **Property Coverage Premium Calculation**

1. Determine base rates by construction and occupancy
2. Apply building age factors
3. Apply protection class factors
4. Apply deductible credits
5. Apply coinsurance factors
6. Apply building limit per square foot factors
7. Apply alarm credit factors
8. Apply sprinkler credit factors
9. Apply industry-specific factors
10. Apply schedule rating modifications
11. Apply experience rating modification (if eligible)
12. Apply premium discounts (if applicable)
13. Apply minimum premiums

### **General Liability Premium Calculation**

1. Determine base rates by classification
2. Apply exposure basis (payroll, revenue, square footage)
3. Apply territory factors
4. Apply limit factors
5. Apply deductible credits (if applicable)
6. Apply experience period factors
7. Apply industry-specific factors
8. Apply schedule rating modifications
9. Apply experience rating modification (if eligible)
10. Apply premium discounts (if applicable)
11. Apply minimum premiums

### **Workers' Compensation Premium Calculation**

1. Determine class code base rates
2. Apply payroll basis
3. Apply experience modification factor
4. Apply schedule rating modifications
5. Apply premium discount
6. Apply expense constant
7. Apply terrorism charge
8. Apply state assessment fees

## **Commercial Auto Premium Calculation**

1. Determine vehicle classification rates
  2. Apply territory factors
  3. Apply liability limit factors
  4. Apply physical damage deductible factors
  5. Apply vehicle age factors
  6. Apply radius of operation factors
  7. Apply driver experience factors
  8. Apply schedule rating modifications
  9. Apply experience rating modification (if eligible)
  10. Apply fleet discount (if applicable)
  11. Apply minimum premiums
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## **9. TERRITORY RATING FACTORS**

Territory rating factors adjust premiums based on geographic location characteristics:

### **Property Territory Factors**

Territory factors reflect the following location characteristics: - Fire protection quality and distance - Catastrophe exposure (hurricane, earthquake, flood, wildfire) - Crime rates and vandalism exposure - Construction costs - Weather-related risks

### **General Liability Territory Factors**

Territory factors reflect the following location characteristics: - Population density - Litigation environment - Urban vs. suburban vs. rural exposures - Economic conditions - Regulatory environment

### **Workers' Compensation Territory Factors**

Territory factors are based on state-filed rates and reflect: - State benefit levels - Medical cost variations - Claim frequency variations - State regulatory environment - Legal climate

### **Commercial Auto Territory Factors**

Territory factors reflect the following location characteristics: - Traffic density - Road conditions - Weather conditions - Theft rates - Accident frequency - Legal environment

### **Territory Factor Tables**

Detailed territory factor tables are provided in: - Appendix B: Property Territory Factors - Appendix C: General Liability Territory Factors - Appendix D: Commercial Auto Territory Factors

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