

EXAM 8 – FALL 2011

14. (1.5 points)

An underwriter is rating an account containing general liability and workers compensation coverage.

Given the following:

- **The insured has average schedule rating risk characteristics except for equipment, employees and premises.**
- **All of the insured's equipment has been replaced within the last four months and all employees have been trained on the new equipment.**
- **Five months ago, the insured cleaned its premises inside and installed new lighting outside to improve visibility for its customers at night.**

a. (1 point)

Calculate the maximum schedule credit that can be applied to this account according to the ISO Commercial General Liability Experience and Schedule Rating Plan.

b. (0.5 point)

The account has an overall debit mod for workers compensation. Briefly describe two conclusions that can be drawn from this.

Question 14

Sample 1

A.)

Max Credit for Equipment: 10%

Max Credit for Premises: 10%

Max Credit for Employees: 6%

Total of above = 25%,

However credit is limited to 25%, so Total Credit is 25%

b.)

The account has worse than average experience for its class

The account may be a bad fit for the class.

Sample 2

Max Credit for Equipment: 10%

Max Credit for Premises: 10%

Max Credit for Employees: 6%

Total of above = 25%,

However credit is limited to 25%, so Total Credit is 25%

b.)

The account has worse than average experience for its class

Manual Rates for the class are inadequate

Sample 3

Equipment - replaced within last 4 months (so this would not be reflected in experience period) Credit of 10%

Employees – all employees have been trained on the new equipment and this is also not reflected in the experience: 6% Credit

Location – Five months ago, so not yet reflected in experience
- Improvement in exposure inside premises: 5% Credit
- Improvement in exposure outside premises: 5% Credit

Total credit = $10\% + 6\% + 5\% + 5\% = 26\%$ credit, but subject to a max credit of 25% so Max Credit = 25%

b.)

- The insured is not a good fit within its class
- The insured has worse than average loss experience in its class