

April 17, 2001

TO: All Rhode Island Producers

RE: Commercial Lines – Division Five – Fire and Allied Lines Revision

The Insurance Services Office has filed and the Insurance Division has approved a revision to Rule 85. Basic Group I Class Rates. In addition to miscellaneous changes, the revision also expands class-rating eligibility. Basic Group I loss costs have also been revised to accommodate this expansion and a capping transition rule applicable to all class rated risks introduced.

RIJRA will adopt this revision for all new and renewal policies with an inception date of **May 1, 2001 or later.**

Some of the highlights of this revision are:

Expansion of Class Rating Eligibility:

- Changes in eligibility by size and construction type:
 - Class rating is extended to all construction types for properties up to 5,000 square feet
 - The maximum size limitation for non-habitational risks is increased to 25,000 square feet, for frame, joisted masonry and non-combustible construction types
 - Habitational classes **continue** to be eligible for class rating regardless of construction type or size.
- The introduction of a definition of limited cooking and rules on eligibility of limited cooking facilities;
- The introduction of new class codes **0545** (Restaurants with Limited Cooking) and **0534** (Food Products with Limited Cooking, other than Bakeries);
- The extension of class-rate eligibility, if cooking qualifies as limited cooking, to the following: **0742-0744** (Hotels/Motels with Restaurant); **0755** (Golf Clubs, Tennis Clubs and Similar Sports Facilities with Restaurants); and **0951** (Gambling Casinos with Restaurants);
- The use of Contents Group B (high susceptibility) for contents in newly eligible occupancies with limited cooking facilities (0534, 0545, 0742-0744, 0755, 0951), when these occupancies are in a multiple-occupancy building.
- A two-year transition program is being implemented that limits changes in rates for individual insureds due to the expansion of class rating eligibility and revision of classification

(occupancy/construction/coverage) relativities. The transition rule applies to **all** class –rated risks; it is **not** limited to those risks that become class-rated for the first time. The transition rule is applicable to renewals and provides annual caps of +25%/-20%.

For details of these and other additional changes please refer to:

- ISO Notice CF-MU-2001-RU-002 (Multistate Rules)
- ISO Notice CF-RI-2001-RU-003 (Rhode Island Rules)
- ISO Notice CF-RI-2001-LC-002 (Rhode Island Loss Costs)

To develop RIJRA rates, apply the current RIJRA Loss Cost Multiplier of 1.75 to the Basic Group I and Basic Group II Loss Costs.

Please note that RIJRA does not distribute ISO's loss costs or rules manual pages.

To assist you in rating of your commercial risks we have enclosed the following worksheets:

- (i) Commercial Property Premium Computation Worksheet – Immediate Coverage
- (ii) Commercial Property Premium Computation Worksheet – Class Rated Renewals Only
Renewal worksheet accounts for the capping rule and should be used for class rated renewals with no changes in occupancy, construction or location and renewal dates between 05/01/01 to 04/30/02 (1st Renewal) or between 05/01/02 to 04/30/03 (2nd Renewal). For 2nd Renewal use renewal worksheet only if renewal worksheet was also used for 1st Renewal.

Following your review of this letter, should you have any questions, please consult the text of the Commercial Lines manual - Division Five distributed by Insurance Services Office or contact our Consumer Services or Underwriting Departments.

Very truly yours,

James H. Pappas
Vice President/Underwriting

JHP:ed

Enclosures

