Filing at a Glance

Companies:	American Zurich Insurance Company American Guarantee and Liability Insurance Company Zurich American Insurance Company of Illinois Zurich American Insurance Company
Product Name:	2016 Broad Form Additional Insured Filing - General Liability
State:	District of Columbia
TOI:	17.1 Other Liability-Occ Only
Sub-TOI:	17.1001 Commercial General Liability
Filing Type:	Rule
Date Submitted:	11/22/2016
SERFF Tr Num:	ZURC-130746383
SERFF Status:	Submitted to State
State Tr Num:	
State Status:	
Co Tr Num:	39642
Effective Date Requested (New):	02/22/2017
Effective Date Requested (Renewal):	02/22/2017
Author(s):	Telese Hampton
Reviewer(s):	
Disposition Date:	
Disposition Status:	
Effective Date (New):	
Effective Date (Renewal):	

State: *District of Columbia* **First Filing Company:** *American Zurich Insurance Company, ...*
TOI/Sub-TOI: *17.1 Other Liability-Occ Only/17.1001 Commercial General Liability*
Product Name: *2016 Broad Form Additional Insured Filing - General Liability*
Project Name/Number: *39642/*

General Information

Project Name: 39642
Project Number:
Reference Organization:
Reference Title:
Filing Status Changed: 11/22/2016
State Status Changed:
Created By: Telese Hampton
Corresponding Filing Tracking Number: ZURC-130746384

Status of Filing in Domicile:
Domicile Status Comments:
Reference Number:
Advisory Org. Circular:

Deemer Date:
Submitted By: Telese Hampton

Filing Description:

The purpose of this filing is to file a rating rule revision for optional endorsements U-GL-2115, U-GL-2116, U-GL-2117 and U-GL-2118. These endorsements provide Additional Insured status to a person or organization that the Named Insured is required to add under a written contract or written agreement.

Please find the Explanatory Memorandum attached for more detailed information.

We respectfully request an effective date of 02/22/2017.

Company and Contact

Filing Contact Information

Telese Hampton, Regulatory Services Analyst
1299 Zurich Way
Schaumburg, IL 60196

Telese.Hampton@zurichna.com

847-330-3594 [Phone]

State: *District of Columbia* **First Filing Company:** *American Zurich Insurance Company, ...*
TOI/Sub-TOI: *17.1 Other Liability-Occ Only/17.1001 Commercial General Liability*
Product Name: *2016 Broad Form Additional Insured Filing - General Liability*
Project Name/Number: *39642/*

Filing Company Information

American Zurich Insurance Company 1299 Zurich Way Schaumburg, IL 60196 (847) 605-6000 ext. [Phone]	CoCode: 40142 Group Code: 212 Group Name: FEIN Number: 36-3141762	State of Domicile: Illinois Company Type: State ID Number:
American Guarantee and Liability Insurance Company 1299 Zurich Way Schaumburg, IL 60196 (847) 605-6000 ext. [Phone]	CoCode: 26247 Group Code: 212 Group Name: FEIN Number: 36-6071400	State of Domicile: New York Company Type: State ID Number:
Zurich American Insurance Company of Illinois 1299 Zurich Way Schaumburg, IL 60196 (847) 605-6000 ext. [Phone]	CoCode: 27855 Group Code: 212 Group Name: FEIN Number: 36-2781080	State of Domicile: Illinois Company Type: State ID Number:
Zurich American Insurance Company 1299 Zurich Way Schaumburg, IL 60196 (847) 605-6000 ext. [Phone]	CoCode: 16535 Group Code: 212 Group Name: FEIN Number: 36-4233459	State of Domicile: New York Company Type: State ID Number:

Filing Fees

Fee Required? No
Retaliatory? No
Fee Explanation:

State: District of Columbia **First Filing Company:** American Zurich Insurance Company, ...
TOI/Sub-TOI: 17.1 Other Liability-Occ Only/17.1001 Commercial General Liability
Product Name: 2016 Broad Form Additional Insured Filing - General Liability
Project Name/Number: 39642/

Rate Information

Rate data does NOT apply to filing.

State: *District of Columbia* **First Filing Company:** *American Zurich Insurance Company, ...*
TOI/Sub-TOI: *17.1 Other Liability-Occ Only/17.1001 Commercial General Liability*
Product Name: *2016 Broad Form Additional Insured Filing - General Liability*
Project Name/Number: *39642/*

Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1		Additional Interests	16	New		UGL 2115 - RTC - Rule.pdf
2		Additional Interests	16	New		UGL 2116 - RTC -Rule.pdf

RULE 16. ADDITIONAL INTERESTS				
Section B - Additional Charge - Refer to Company is amended to include the following:				
Broad Form Additional Insured – Blanket – Automatic - Energy – Including Sole Acts Or Omissions - U-GL-2115				
Broad Form Additional Insured – Scheduled - Energy – Including Sole Acts or Omissions – U-GL-2117				
I.	A.	Use forms U-GL-2115 and U-GL-2117 to include coverage for additional insureds as respects the named insured's ongoing and completed operations for the additional insured, subject to the following provisions:		
		1.	Coverage applies only where the named insured is required to provide coverage to the additional insured by written contract or written agreement.	
		2.	Coverage applies for:	
			a.	bodily injury, property damage or personal and advertising injury caused, in whole or in part, by acts or omissions of the named insured or those acting on behalf of the named insured; and
			b.	resulting directly from the named insured's ongoing operations or completed work performed for the additional insured; and
			c.	bodily injury resulting to your employee or an employee acting on your behalf regardless of fault as required by written contract or written agreement.
		3.	Coverage and limits for the additional insured are no broader than required by the written contract or written agreement or available in the named insured's policy.	
		4.	Coverage extends to bodily injury or property damage caused solely by negligence of the additional insured.	
		5.	Specific exclusion applies for architects, engineers and surveyors professional liability exposures.	
		6.	Additional insured has further duties to report occurrences, offenses and claims and tender defense and indemnity of suits to other insurers that may also provide coverage, except for other insurance where the additional insured on our policy is a Named Insured on such other insurance.	
	B.	U-GL-2115 is intended to be used to provide blanket coverage for additional insureds. U-GL-2117 provides coverage only to those persons or organizations scheduled on the endorsement. These are both optional use endorsements.		
	C.	This endorsement is to be used on a Refer to Company basis. Underwriting makes the final determination of pricing based on overall assessment of exposures of the individual risk. Appropriate documentation of each risk pricing determination should be kept in the underwriting file for further review.		

SECTION I
GENERAL RULES

RULE 16. ADDITIONAL INTERESTS				
Section B - Additional Charge - Refer to Company is amended to include the following:				
Broad Form Additional Insured - Blanket - Automatic - Energy - U-GL-2116				
Broad Form Additional Insured - Scheduled - Energy - U-GL-2118				
I.	A.	Use forms U-GL-2116 and U-GL-2118 to include coverage for additional insureds as respects the named insured's ongoing and completed operations for the additional insured, subject to the following provisions:		
		1.	Coverage applies only where the named insured is required to provide coverage to the additional insured by written contract or written agreement.	
		2.	Coverage applies for:	
			a.	bodily injury, property damage or personal and advertising injury caused, in whole or in part, by acts or omissions of the named insured or those acting on behalf of the named insured; and
			b.	resulting directly from the named insured's ongoing operations or completed work performed for the additional insured; and
			c.	bodily injury resulting to your employee or an employee acting on your behalf regardless of fault as required by written contract or written agreement.
		3.	Coverage and limits for the additional insured are no broader than required by the written contract or written agreement or available in the named insured's policy.	
		4.	Coverage does not extend to bodily injury or property damage caused solely by negligence of the additional insured.	
		5.	Specific exclusion applies for architects, engineers and surveyors professional liability exposures.	
		6.	Additional insured has further duties to report occurrences, offenses and claims and tender defense and indemnity of suits to other insurers that may also provide coverage, except for other insurance where the additional insured on our policy is a Named Insured on such other insurance.	
	B.	U-GL-2116 is intended to be used to provide blanket coverage for additional insureds. U-GL-2118 provides coverage only to those persons or organizations scheduled on the endorsement. These are both optional use endorsements.		
	C.	These endorsements are to be used on a Refer to Company basis. Underwriting makes the final determination of pricing based on overall assessment of exposures of the individual risk. Appropriate documentation of each risk pricing determination should be kept in the underwriting file for further review.		

Supporting Document Schedules

Bypassed - Item:	Consulting Authorization
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Actuarial Certification (P&C)
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	DC Expense Exhibits
Comments:	
Attachment(s):	DC Expense Exhibits.pdf
Item Status:	
Status Date:	

Satisfied - Item:	Combined Actuarial Memo
Comments:	
Attachment(s):	Combined Actuarial Memo - RTC.pdf
Item Status:	
Status Date:	

State:	District of Columbia	**First Filing Company:**	American Zurich Insurance Company, ...
TOI/Sub-TOI:	17.1 Other Liability-Occ Only/17.1001 Commercial General Liability		
Product Name:	2016 Broad Form Additional Insured Filing - General Liability		
Project Name/Number:	39642/		

Exhibit 1

Zurich North America
General Liability
District of Columbia

Calculation of Expected Loss Ratio

(1) Commissions	13.7%
(2) Taxes, Licenses, and Fees	2.3%
(3) General Expenses	3.9%
(4) Other Acquisition Expense	5.9%
(5) Profit/Contingency incl. Investment Income	13.7%
(6) TOTAL	39.6%
(7) Loss + All Loss Adjustment	60.4%

Exhibit 2

Zurich North America
General Liability
District of Columbia

Determination of Expense Provisions

Expense Item	Source	(1) 2011	(2) 2012	(3) 2013	(4) 2014	(5) 2015	(6) 3-Year Average	(7) Selected
General	IEE (% of Written Prem)	4.9%	4.6%	3.6%	4.4%	3.8%	3.9%	3.9%
Other Acquisition	IEE (% of Written Prem)	7.6%	5.8%	5.3%	5.7%	6.6%	5.9%	5.9%
Commissions	IEE (% of Written Prem)	12.8%	13.1%	13.3%	13.9%	14.0%	13.7%	13.7%
Taxes, Licenses, Fees								2.3%

Zurich North America
Other Liability
Calculation of the Profit & Contingency Provision

Explanatory Memorandum for Exhibit 3

The purpose of this document is to describe the method used to calculate the profit and contingency factor as shown in this exhibit.

The approach relies on a model which simulates cash flows for a specific type of business. The internal rate of return (IRR) for these cash flows is equal to the target return on equity (ROE). Using a trial and error process, the permissible loss and all loss adjustment ratio is varied until the target ROE is reached. Given the loss and loss adjustment ratio which produces the target ROE, the profit/contingency factor is then determined (profit/contingency = 100% - (Loss + LAE) - Underwriting Expenses).

Key assumptions used in this model are as follows:

* Target ROE is 15%.
* All premium is collected at policy inception.
* Expenses are paid at policy inception (production, general, taxes, licenses & fees).
* Losses paid and loss reserves are set according to selected payment pattern for specific line of business.
* All sources of investment income including surplus are reflected.
* The investment rate for reserves (policyholder dividend reserves, UEPR, and loss and LAE reserves) and surplus is the most current normalized swap rate with a five-year maturity

One dollar of surplus is committed for each $5.03 of loss and LAE reserves for this line of business. One dollar of surplus is committed for each $2.83 of earned premium for this line of business.

Federal Income Tax is charged against investment income, underwriting income, 20% of the change in the unearned premium reserve and the change in the reserve discount—a 35% tax rate applies in all instances.

The 2015 IRS rate -- 1.68% -- was used to discount reserves.

The IRR is determined by "Excess Cash Flows" which equal Operating Income minus the Change in Surplus.

A more detailed explanation of each line of the model is provided on the following pages.

1. Written Premium: Annual written premium.

2. Change in UEPR: Change in unearned premium reserve assuming even distribution of writings through the year.

3. Earned Premium: Calculated by assuming an even distribution of writings.

4. Loss & LAE Paid: Line (6) x Line (25).

5. Change in Loss Reserve: Line (6) - Line (4).

6. Losses Incurred: Line (3) x Line (26).

7. Expenses Incurred: Line (1) x Line (27). Expenses are paid & incurred in same year.

8. Residual Market Assessment Paid: Does not apply.

9. Commissions Incurred: Line (1) x Line (28). Commissions are paid & incurred in same year.

10. Underwriting Income: Line (3) - Line (6) - Line (7) - Line (8) - Line (9).

11. Investment Income: {Average of Lines (12), (16), and (17) for current & prior year} x Line (30a) +{Average of Line (18) for current & prior year} x Line (30b).

12. Policyholder Dividends Reserve: Not Applicable.

13. Policyholder Dividends Paid: Not Applicable.

14. Federal Income Tax: 0.35 x {{Line (5) - [Change in Line (20)] + [0.20 x Line (2)] + Line (10) + Line(11)} - {Change in Line (12)} - Line (13)}.

15. Operating Income: Line (10) + Line (11) - Line (12) - Line (13) - Line (14).

16. Unearned Premium Reserve: 50% of written premium for the year (assumes premiums are written equally throughout the year).

17. Loss & LAE Reserve: Inception-to-date total of Line (5).

18. Policyholders' Surplus: {Line (17) / Line (31a) + Line (3) / Line (31b)}.

19. Total Liabilities (including Surplus): Line (12) + Line (16) + Line (17) + Line (18).

20. Tax Basis Reserve: Future paid losses discounted using IRS discount factors.

21. Change in Policyholders' Surplus: Change in Line (18) from prior year.

22a. Excess Cash Flow: Line (15) - Line (21).

22b. Internal Rate Of Return: Rate which causes the net present value of the cash flows in Line (22a) to be equal to 0.

23. Premium Earning Pattern: Assumes that 50% of written premiums are earned in the first year and 50% in the following year.

24. Premium Collection Pattern: Assumes that all premiums are collected in the year written.

25. Loss Payment Pattern: Loss payment patterns based on company data are assumed.

26. Loss and LAE Ratio: Adjusted until target IRR is achieved.

27. Expense Ratio: Provision for general, other acquisition and premium taxes, licenses and fees.

28. Commission Ratio: Provision for commissions.

29. Dividend Ratio: Not Applicable.

30a. Investment Rate on Reserves: Pretax return using duration matched swap rate.

30b. Investment Rate on Surplus: Pretax return using duration matched swap rate.

31a. Reserve-to-Surplus Ratio: Reflects amount of surplus committed to reserves based on historical company averages.

31b. Premium-to-Surplus Ratio: Reflects amount of surplus committed to premium based on historical company averages.

32. Discount Rate: Current IRS discount rate.

33. Tax Rate: Current IRS corporate tax rate.

34. Indicated Profit/Contingency Provision: 100% - Line (26) - Line (27) - Line (28) – Line (29).

Calculation of the Profit & Contingency Provision - Other Liability

Exhibit 3

	Year:	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
(1)	Written Premium	10,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(2)	Change in UEPR	5,000	(5,000)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(3)	Earned Premium	5,000	5,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(4)	Loss & LAE Paid	36	495	1,010	1,147	1,084	818	489	275	213	133	39	20	42	23	21	111	86
(5)	Change in Loss Reserve	2,985	2,527	(1,010)	(1,147)	(1,084)	(818)	(489)	(275)	(213)	(133)	(39)	(20)	(42)	(23)	(21)	(111)	(86)
(6)	Loss & LAE Incurred	3,022	3,022	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(7)	Expenses Paid	1,211	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(8)	Res. Mkt Assmnt Pd	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(9)	Commissions Paid	1,373	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(10)	**Underwriting Income**	(606)	1,978	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(11)	Investment Income	70	127	94	64	46	30	20	13	10	7	5	5	4	4	3	2	1
(12)	Policyholder Div Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(13)	Policyholder Div Paid	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(14)	Federal Income Tax	237	446	2	(6)	(7)	(6)	(4)	(2)	(2)	(2)	(0)	0	0	0	0	0	(0)
(15)	**Operating Income**	(773)	1,659	92	70	53	37	23	15	12	9	5	4	4	4	3	2	1
	Liabilities																	
(16)	Unearned Premium Reserve	5,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(17)	Loss & LAE Reserve	2,985	5,512	4,502	3,355	2,271	1,453	964	690	476	343	304	284	242	218	197	86	(0)
(18)	Policyholders' Surplus	2,359	2,861	896	668	452	289	192	137	95	68	60	57	48	43	39	17	(0)
(19)	**Total Liabilities**	10,344	8,373	5,398	4,022	2,723	1,742	1,156	827	571	411	364	341	290	262	237	104	(0)
(20)	Tax Basis Reserve	2,772	5,129	4,208	3,142	2,124	1,355	896	639	442	321	287	272	233	213	194	86	0
(21)	Change in PH Surplus	2,359	503	(1,965)	(228)	(216)	(163)	(97)	(55)	(42)	(27)	(8)	(4)	(8)	(5)	(4)	(22)	(17)
(22a)	***Excess Cash Flow***	(3,131)	1,157	2,058	299	268	199	121	70	54	35	13	8	13	8	7	24	18
(22b)	***Internal ROR***	15.00%																
(23)	Premium Earning Pattern	.5000	.5000															
(24)	Premium Collection Pattern	1.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	
(25)	Loss Payment Pattern	.0120	.1518	.1825	.1973	.1614	.1093	.0526	.0382	.0323	.0118	.0013	.0052	.0088	-.0011	.0081	.0286	

(26)	Loss and LAE Ratio:	60.43%
(27)	Expense Ratio:	12.11%
(28)	Commission Ratio:	13.73%
(28.1)	Residual Mkt Load:	0.00%
(29)	Dividend Ratio:	0.00%
(30a)	Invest Rate on Reserves:	1.36%
(30b)	Invest Rate on Surplus:	1.36%
(31a)	Reserve-to-Surplus Ratio	5.03
(31b)	Premium-to-Surplus Ratio	2.83
(32)	IRS Discount Rate:	1.68%
(33)	Tax Rate:	35.00%

(34) Indicated Profit/Contingency Provision 13.7%

RATE AND RULE FILING MEMORANDUM
ZURICH NORTH AMERICA
COMMERCIAL GENERAL LIABILITY

Additional Insured Liability Coverage

The Zurich North America Companies are proposing to file a rating rule revision for optional endorsements U-GL 2115, U-GL 2116, U-GL 2117, and U-GL 2118. All endorsements provide Additional Insured status to a person or organization that the Named Insured is required to add under a written contract or written agreement, subject to certain provisions. It is designed to modify the **Who Is An Insured** Section of ISO General Liability form CG0001. These Additional Insured endorsements are added to a policy when required per the written contact or agreement with the contracting parties.

Based on the contract language sole acts or omissions may be covered and will refer to endorsements GL-2115 or GL-2117 and the applicable rates. Coverage on form 2115/2117 is broader than the coverage provided on form 2116/2118. Form 2116/2118 excludes coverage for bodily injury or property damage caused solely by negligence of the additional insured. Coverage will only be granted to the extent permitted by law. Please see the endorsement for full terms.

The pricing for these endorsements will be on a Refer to Company basis. The final determination of pricing will be based on an overall assessment of exposures of each risk.