

RULES – IMPLEMENTATION

JUNE 12, 2019

COMMERCIAL AUTOMOBILE

LI-CA-2019-123

NORTH DAKOTA INTRODUCTION OF ADDITIONAL RULE TO REFERENCE STOP GAP – EMPLOYERS LIABILITY COVERAGE ENDORSEMENT TO BE IMPLEMENTED

KEY MESSAGE

Rules filing CA-2019-RSG1 is to be implemented in North Dakota.

BACKGROUND

In circular [LI-CA-2019-119](#), we announced the filing of endorsement CA 04 78 – Stop Gap – Employers Liability Coverage Endorsement – North Dakota. Since employers liability coverage is not furnished under the mandatory state workers compensation fund, we are making this coverage available via the new endorsement.

ISO ACTION

Since we are introducing CA 04 78 – Stop Gap – Employers Liability Coverage Endorsement – North Dakota, we are also revising the North Dakota state exception pages to add an Additional Rule that makes reference to and provides rating information for the endorsement.

Refer to the attached explanatory material for complete details about the filing.

EFFECTIVE DATE

The ISO revision is subject to the following rule of application:

These changes are applicable to all policies written on or after September 1, 2019.

COMPANY ACTION

If you have authorized us to file on your behalf and decide:

- To use our revision and effective date, you are not required to file anything with the Insurance Department.
- To use our revision with a different effective date, to use our revision with modification, or to not use our revision, you must make an appropriate submission with the Insurance Department.

For guidance on submission requirements, consult the ISO State Filing Handbook.

In all correspondence with the Insurance Department on this revision, you should refer to ISO Filing Designation Number CA-2019-RSG1, not this circular number. Communications with the regulator concerning a filing affecting multiple lines of business (i.e., CL, PL, AL filing designation) should specify the line(s) of business that you are addressing.

RATING SOFTWARE IMPACT

No new attributes are being introduced with this revision.

POLICYHOLDER NOTIFICATION

If you decide to implement this revision, you should check all applicable laws for the state(s) to which this revision applies, to determine whether or not a specific policyholder notice requirement may apply. Please note that circular [LI-CL-2018-044](#) contains the ISO Guide To Renewals With Changed Conditions For Commercial Lines, which is available only as a guide to assist participating companies in complying with various conditional renewal statutes or regulations, for the major commercial lines of insurance serviced by ISO. The information in the Guide does not necessarily reflect all requirements or exceptions that may apply, and it is not intended as a substitute for your review of all applicable statutes and regulations concerning policyholder notification.

REVISION DISTRIBUTION

We will issue a Notice to Manualholders with an edition date of 9-19 (or the earliest possible subsequent date), along with any new and/or revised manual pages.

RELATED FORMS REVISION

We are announcing in circular [LI-CA-2019-122](#) the approval of a corresponding rules revision.

REFERENCE(S)

- [LI-CA-2019-122](#) (06/12/2019) North Dakota Introduction Of Stop Gap – Employers Liability Coverage Endorsement Filed And Approved
- [LI-CL-2018-044](#) (11/27/2018) Revised Lead Time Requirements Listing

ATTACHMENT(S)

Filing [CA-2019-RSG1](#)

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CONTACT INFORMATION

If you have any questions concerning:

- The content of this circular, please contact:
Gregory Nduthu
Auto – Compliance & Product Services
201-469-2698
Gregory.Nduthu@verisk.com
- Other issues for this circular, please contact Customer Support:
E-mail: info@verisk.com
Phone: 800-888-4476

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Introduction Of North Dakota Additional Rule To Reference Stop Gap - Employers Liability Coverage Endorsement

About This Filing

This filing introduces an Additional Rule in order to reference and provide rating information for the Stop Gap - Employers Liability Coverage Endorsement - North Dakota.

New Rule

We are introducing Additional Rule A2. Stop Gap – Employers Liability Coverage.

Related Filing

Forms Filing CA-2019-OSG1.

Background

In companion forms filing CA-2019-OSG1, we are providing an optional endorsement under the Commercial Auto Dealers Program in order that employers liability coverage would be available under the Commercial Auto Program. Since employers liability coverage is not furnished under the mandatory state workers compensation fund, we are making this coverage available via the new endorsement.

Explanation of Changes

In order to reference this new optional endorsement and to provide information on calculating the premium for it, we are adding a new Additional Rule A2. in the North Dakota state exceptions. The rule explains that since the state insurance fund does not provide employers liability coverage with its workers' compensation insurance, employers liability coverage for situations in which an employer can be held liable for injuries to employees can be provided by attachment of CA 04 78 Stop Gap – Employers Liability Coverage Endorsement – North

Dakota. It further explains the steps for calculating the premium for the endorsement, as well as providing the factors to be applied to the basic limit rate.

- ◆ Stop Gap - Employers Liability Coverage Factor

The coverage endorsement already exists for General Liability (GL). For GL, a factor of 0.02 is applied to the appropriate classification's premises/operations base loss cost. Since the auto dealers loss cost also includes coverage for Auto and Products/Completed Operations coverage, we calculated the percentage of the auto dealers loss cost that is attributable to premises/operations coverage. Based on the latest 5 accident years of Auto Dealers multistate loss experience reported to ISO (through Dec. 31, 2017), the percentage is approximately 10% (0.10). In addition, to adjust for the difference in the Base Aggregate Limit between GL and Auto Dealers (the General Liability base loss cost is \$100,000/\$200,000 (i.e. 2 x Accident Limit) whereas the Auto Dealers base loss cost is \$100,000/\$300,000 (i.e. 3 x Accident Limit)), we adjusted the Auto Dealers factor by 1.005 (aggregate factors can be found in Rule 49 of the Commercial Auto section of the CLM). The selected factor is 0.002 ($0.02 * 0.10 * 1.005$).

- ◆ Each Disease Aggregate Limits Factor

We have chosen to use the Other General Liability aggregate factors found in Rule 49 of the CLM.

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A2. STOP GAP – EMPLOYERS LIABILITY COVERAGE

A. Coverage

The state insurance fund does not provide employers liability coverage with its workers' compensation insurance. To provide employers liability coverage for situations in which an employer can be held liable for injuries to employees, attach Stop Gap – Employers Liability Coverage Endorsement – North Dakota **CA 04 78**.

B. Premium Development

1. If the limits for Bodily Injury By Accident – Each Accident and Bodily Injury By Disease – Each Employee are the same, the premium for this endorsement is calculated as follows:

a. Determine the applicable Auto Dealers liability base loss cost.

b. Multiply the base loss cost by the following factor:

0.002

Table A2.B.1.b. Stop Gap – Employers Liability Coverage Factor

c. Apply the appropriate Increased Limits Factor from Rule **100**. (using the limit for Bodily Injury By Accident – Each Accident and Bodily Injury By Disease – Each Employee as the Each Occurrence Limit and the Bodily Injury By Disease – Aggregate Limit as the General Aggregate Limit).

d. Select the factor below for the desired Each Disease Aggregate Limit.

<u>Aggregate Limit</u>	<u>Factor</u>
1 x Each Accident Limit	-0.010
2 x Each Accident Limit	-0.005
3 x Each Accident Limit	0.000
5 x Each Accident Limit	0.005
7 x Each Accident Limit	0.010

Table A2.B.1.d. Each Disease Aggregate Limit Factor

e. Add 1.000 to the selected factor and multiply the resulting factor by the result of Paragraph **B.1.c**.

f. Multiply the number of rating units used in calculating the Auto Dealers liability premium by the result of Paragraph **B.1.e**.

2. If the limits for Bodily Injury By Accident – Each Accident and Bodily Injury By Disease – Each Employee differ, refer to company for rating.