

STATISTICAL PLAN HOLDERS

AUGUST 16, 2019

BUSINESSOWNERS	SP-BP-2019-004
COMMERCIAL PROPERTY	SP-CF-2019-004
COMMERCIAL FLOOD	SP-FC-2019-001

## ORDINANCE OR LAW COVERAGE IDENTIFIER CODE INTRODUCED FOR FLOOD INCREASED COST OF COMPLIANCE COVERAGE

---

### KEY MESSAGE

This circular announces the introduction of a new ordinance or law coverage identifier code to support a newly introduced coverage endorsement for flood.

---

### BACKGROUND

In 2017, ISO announced the expansion of reporting requirements for Commercial Flood coverages reported under the Commercial Fire and Allied Lines modules of the Commercial Statistical Plan (CSP) and the Commercial Statistical Plan – Intermediate (CSP-i). This was introduced to meet the significant expansion of the private flood insurance market, driven by the availability of analytic tools and reinsurance capital in addition to the historically limited capacity of the National Flood Insurance Program (NFIP) to address the large exposures inherent in commercial properties.

---

### INTRODUCTION

Since that initial introduction of statistical coding to provide the coverage needs for Commercial Flood Insurance, recent regulatory changes have spurred the need to introduce a new coverage which is commensurate with the increased cost of compliance coverage presently available within the Standard Flood Insurance Policy (SFIP) under the National Flood Insurance Program (NFIP). This increased cost of compliance endorsement provides insurers with an alternate method to the requirements for mandatory acceptance of private flood insurance by enabling insurers to provide increased cost of compliance akin to that currently available within the SFIP under the NFIP.

---

### ISO ACTION

In order to support the increased cost of compliance endorsement for Commercial Flood, we are making the following changes for the CSP, CSP-Plus and CSP-I:

- Establishing Ordinance or Law Coverage Identifier Code "6" to indicate Increased Cost of Compliance.
- Introducing Type of Loss Code "83" – Increased Cost of Compliance for Ordinance or Law Losses.

---

## **ATTACHMENT(S)**

Revised:

- CSP Pages: CF 4.1, CF-88.1, CF 91
- CSP-i Pages: CF-4, CF-78.2, CF-82

---

## **COMMENT(S)**

These changes apply to the Commercial Statistical Plan – Full Level (CSP, CSP-Plus), and Commercial Statistical Plan – Intermediate (CSP - i).

---

## **STATISTICAL REPORTING EFFECTIVE DATE**

For Statistical Reporting Purposes, these changes are effective for transactions with inception dates of **September 1, 2019** on an optional basis and **April 1, 2020** on a mandatory basis.

---

## **FUTURE ISO ACTION**

We will include these changes in the **Third Quarter 2019** release of the Company Edit Package (CEP).

NOTE: To monitor the status of the Company Edit Package (CEP) updates, view [Statistical Web Services](#). This link will provide information on the most recent quarterly releases and anticipated release dates of forthcoming edit package updates. You may also sign up for our Statistical Plan Alert feature, which will automatically inform you via email when any of our plans are updated. Please go to the [ISO Statistical Reporting Guide](#) homepage for details.

---

## **STATISTICAL REPORTING E-TRAINING AVAILABLE**

ISO is excited to announce new eLearning courses, designed to provide you with an introduction and overview of statistical reporting and essential concepts for data quality.

These interactive 15-20 minute courses are now available via a link on the [ISOnet®](#) homepage to ISO Education eLearning.

---

## **CONTACT INFORMATION**

If you have any questions concerning:

- The content of this circular, please contact:  
David A. Lemus  
Statistical Data Management  
201-469-2277  
[David.Lemus@verisk.com](mailto:David.Lemus@verisk.com)
- Other issues for this circular, please contact Customer Support:  
E-mail: [info@verisk.com](mailto:info@verisk.com)  
Phone: 800-888-4476

Callers outside the United States, Canada, and the Caribbean may contact us using our global toll-free number (International Access Code + 800 48977489). For information on all ISO products, visit us at [www.verisk.com/iso](http://www.verisk.com/iso). To keep abreast of the latest Statistical Services updates, please visit the [ISO Statistical Reporting Guide](#) on ISOnet®.



## **IMPORTANT NOTICE FOR USERS OF ISO PRODUCTS AND SERVICES**

Please make sure that your company has authorized your use of this product and has complied with the requirements applicable in the jurisdiction where you plan to use it.

We distribute both state-specific and multi-state products and services. We do not distribute all the multi-state products and services for use in every jurisdiction due to corporate policy, regulatory preference, or variations or lack of clarity in state laws.

We provide participating insurers with information concerning the jurisdictions for which our products and services are distributed. Even in those jurisdictions, each insurer must determine what filing requirements, if any, apply and whether those requirements have been satisfied.

Now, as in the past, all of our products and services are advisory, and are made available for optional use by participating insurers as a matter of individual choice. Your company must decide for itself which, if any, ISO products or services are needed or useful to its operation and how those selected for use should be applied. We urge that you be guided by the advice of your attorneys on the legal requirements.

### **Copyright Explanation**

The material distributed by Insurance Services Office, Inc. is copyrighted. All rights reserved. Possession of these pages does not confer the right to print, reprint, publish, copy, sell, file, or use same in any manner without the written permission of the copyright owner. Permission is hereby granted to members, subscribers, and service purchasers to reprint, copy, or otherwise use the enclosed material for purposes of their own business use relating to that territory or line or kind of insurance, or subdivision thereof, for which they participate, provided that:

- A. where ISO copyrighted material is reprinted, copied, or otherwise used **as a whole**, it must reflect the copyright notice actually shown on such material.
- B. where ISO copyrighted material is reprinted, copied, or otherwise used **in part**, the following credit legend must appear at the bottom of each page so used:

Includes copyrighted material of Insurance Services Office, Inc., with its permission.

**13. ORDINANCE OR LAW COVERAGE****Underlying Commercial Fire or Allied Lines Policy/Ordinance or Law Coverage A (Coverage Codes 1 and 3 only)**

On Commercial Fire and Allied Lines Building premium and loss records (Coverage Code 1 and Coverage Code 3 – except for Market Segments and Capital Assets), it is required to indicate whether or not Ordinance or Law Coverage **A** (Coverage for Loss to the Undamaged Portion of the Building, Ordinance or Law Coverage (ISO Endorsement CP 04 05) or company equivalent) has been attached to the policy by coding the appropriate Ordinance or Law Coverage Identifier Code. This field is required for Coverage Code 1 and Coverage Code 3 (except for Market Segments and Capital Assets) and is optional for premium and loss records under all other Coverage Codes.

**Scheduled Ordinance or Law Coverages B and/or C (all Coverage Codes)**

In cases where Ordinance or Law:

- Coverage **B** – Demolition Cost Coverage is scheduled alone (without Coverage **C** – Increased Cost of Construction),  
or
- Coverage **C** – Increased Cost of Construction is scheduled alone (without Coverage **B** – Demolition Cost Coverage),  
or
- Coverages **B** and **C** are scheduled together with a combined limit, for combined premium,  
or

- **Increased Cost of Compliance** is scheduled alone (applicable to Flood sublines 060 and 061 only). ~~(without Coverage **B** – Demolition Cost Coverage or Coverage **C** – Increased Cost of Construction).~~

a separate record is required to identify premiums and losses associated with these coverages using the appropriate Ordinance or Law Coverage Identifier Code. On these separate records, report the limit of insurance applicable to the reported Ordinance or Law Coverage in the Exposure field.

Note that where both Coverages **B** and **C** are scheduled with separate limits, for separate premiums, that **two** additional separate records are required to be reported with Exposure reported as the limit applicable to each coverage. This is in addition to the record reported for the underlying Commercial Fire or Allied Lines policy.

**Ordinance or Law Losses**

Losses responded to by Ordinance or Law coverages afforded under Ordinance or Law Coverage (CP 04 05), or Increased Cost of Compliance Coverage (FC 02 02), or company equivalent, are to be reported using the specific Ordinance or Law Type of Loss Codes.

**14. RHODE ISLAND WINDSTORM OR HAIL/NAMED STORM PERCENTAGE DEDUCTIBLE CODE REPORTING**

On all Rhode Island Commercial Fire and Allied Lines Basic Group (BG) II premium and loss records (sublines 027, 031 and 081-088), careful attention should be paid to the reporting of Deductible. Refer to Rhode Island State Exception Codes (including decision table) and the Deductible Codes and Rules.

**15. GREEN UPGRADE COVERAGE**

Premiums and Losses attributable to Green Upgrade Coverage are to be reported separately from the underlying Commercial Fire and Allied Lines coverage utilizing Commercial Fire and Allied Lines module reporting instructions. These additional premium and loss records attributable to Green Upgrades are to be reported with the information contained in the underlying record with the exception of specific Green Upgrade Indicators and Exposure.

Green Upgrade Indicators identify: **1)** whether the record represents a Green Upgrade Coverage or not, and **2)** if the record does represent a Green Upgrade coverage (other than Related Expenses), what is the percentage to be applied to the amount of loss to determine the Green Upgrade amount of coverage. The Exposure on these Green Upgrade records indicates the selected maximum dollar limit for the reported Green Upgrade Coverage.

For Green Upgrades on Capital Assets, Agricultural Capital Assets, Countrywide Rated, Highly Protected and Blanket Rated Risks, follow specific reporting instructions including fields specific to Green Upgrades (Exposure and Green Upgrade Indicators).

For Related Expenses Green Upgrade records, Territory, Rating ID, Terrorism Coverage, Ordinance or Law Coverage Identifier, ZIP Code, Rating Modification, Rate Group, Deductible, Class Limit, State Exception, State Exception II, SIC, Mold Coverage, Construction, Year of Construction, Exposure, BCEG class, Loss Cost Multiplier/Rate Departure Factor, Occupancy Group and Public Protection are not required.

CODING SECTION

ORDINANCE OR LAW COVERAGE IDENTIFIER CODE\*

DESCRIPTION	CODE
Underlying Policy: (required only for Coverage Code 1 and Coverage Code 3 - except for Market Segments and Capital Assets)	
No Ordinance or Law Coverage.....	1
Coverage A only .....	2
Scheduled Coverages: (applies to all Coverage Codes)	
Coverage C only (separate Coverage C premium and loss records) .....	3
Coverage A and:	
• Coverage B (separate Coverage B premium and loss records) .....	4
• Coverages B and C (combined limit & premium for Coverages B and C) (combined Coverage B and C premium and loss records) .....	5
• Coverages B and C (separate limits & premiums for Coverages B and C)	
• separate Coverage C premium and loss records.....	3
• separate Coverage B premium and loss records.....	4
<u>Increased Cost of Compliance** (separate premium and loss records).....</u>	<u>6</u>

**NOTE:** Coverage A = Coverage for Loss to the Undamaged Portion of the Building

Coverage B = Demolition Cost Coverage

Coverage C = Increased Cost of Construction

Refer to Exposure instructions in the coding section for specific Ordinance or Law reporting requirements.

\* Not applicable to sublines 070, 090, 170, 176, 190, 196, to Market Segments business reported under subline 055 or Massachusetts Remediation for Release of Heating Oil business reported under sublines 055, 115, 116, 135, 136, 155 and 156.

\*\* Applicable to Flood sublines 060 and 061 only.

## CODING SECTION

## LOSSES

## TYPE OF LOSS CODE

Applicable to all sublines except 055 (Market Segments only), 060, 061, 116, 136, 156, 176, 196

TYPE OF LOSS	CODE
Fire and Lightning	01
Wind**	42
Hail	72
Explosion	03
Riot, Civil Commotion	04
Vandalism and Malicious Mischief	05
Sprinkler Leakage	06
Aircraft or Vehicles, Volcanic Action, or Smoke+	38
Theft (Including Mysterious Disappearance under Farm Coverage)	07
Water Damage:	
Excluding Damage Attributable to Discharge from Sewer, Drain or Sump	08
Discharge from Sewer, Drain or Sump	11
Freezing	10
Equipment Breakdown	12
Glass Breakage	68
Collapse (other than Florida) Due To:	
Weight of Ice, Snow or Sleet	66
Other Covered Causes of Collapse (including Sinkhole Collapse)	67
Collapse (Florida only) Due To:***	
Weight of Ice, Snow or Sleet	66
Sinkhole	73
Catastrophic Ground Cover Collapse	74
Other Covered Causes of Collapse	75
Ordinance or Law Losses:	
Loss to the Undamaged Portion of the Building	80
Demolition Cost	81
Increased Cost of Construction	82
Increased Cost of Compliance (Applicable to Flood sublines 060 and 061 only)	83
Losses under Massachusetts Remediation for Release of Heating Oil Coverage	09
Losses due to acts of terrorism certified under the Terrorism Risk Insurance Act	22
All other terrorism losses	23
Business Interruption (off-premises) – Collision losses	26
Consequential Fungus, Wet Rot, Dry Rot or Bacteria ("Mold") property losses caused by:	
(Applicable to sublines 011-014, 015-018, 027, 029, 031, 035, 037, 039, 045, 055, 067, 069, 077, 079, 81-88, 115, 135 and 155 only)	
Fire and Lightning	51
Wind** and Hail	52
Vandalism and Malicious Mischief	53
Sprinkler Leakage	54
Water Damage	55
Freezing	56
All Other Causes of Consequential Fungus, Wet Rot, Dry Rot or Bacteria ("Mold") property losses	59
All Other Losses+	09

## NOTES:

\*\* Wind or windstorm losses are defined as those losses attributable to any wind event including a storm marked by high wind or a funnel of wind. This includes, but is not limited to tornado, hurricane, cyclone, or typhoon.

\*\*\* **Sinkhole Loss** means loss of or damage to covered property when structural damage to a building, including the foundation, is caused by settlement or systematic weakening of the earth supporting the building, only if the settlement or systematic weakening results from contemporaneous movement or raveling of soils, or rock materials into subterranean voids created by the effect of water on a limestone or similar rock formation. **Catastrophic Ground Cover Collapse** is defined as a geological activity that results in all of the following: the abrupt collapse of ground cover, a depression in the ground cover clearly visible to the naked eye, structural damage to the covered building including foundation, and the insured structure being condemned and ordered to be vacated by the government agency authorized by law to issue such an order for that structure.

+ For Sublines other than 081-088, Aircraft or Vehicles, Volcanic Action, or Smoke losses; Type of Loss Code may be coded as either 38 or 09.

## 11. TERRORISM COVERAGE OPTIONS

### Underlying Commercial Fire and Allied Lines Policy

On Commercial Fire and Allied Lines premium and loss records, indicate terrorism coverage information by reporting the appropriate Terrorism Coverage Code. Refer to the Coding Section for further reporting instructions.

### Terrorism Coverage

In situations where terrorism coverage is purchased in accordance with Terrorism Risk Insurance Program Reauthorization Act of 2015 OR if optional coverage for acts of terrorism not covered under the federal program is purchased separately, a SEPARATE record is required to identify premiums and losses associated with the terrorism coverage using the appropriate Terrorism Coverage Code.

### Special Notes on Terrorism Reporting

All premiums charged for certified acts of terrorism under the federal program must be reported as separate records with the unique Terrorism Coverage Code identifier. This terrorism premium must be reported in full detail unless the entirety of the underlying policy is Limited Coded (e.g., Company Program Exception). If Limited Coding of terrorism records is so justified, the Terrorism Coverage Code field must contain the proper indicator code to identify the presence of terrorism premium on that record.

If the premium for terrorism coverage is determined on a policy-level basis (i.e., one indivisible premium for terrorism), there are two options for reporting this: 1) You may split the terrorism premium proportionally, and report by utilizing the same set of underlying detail codes (with the exception of the Terrorism Coverage Code) or 2) You may report the indivisible terrorism premium as one record, utilizing the codes reflective of the coverage generating the largest premium. If you have any questions regarding the reporting of your terrorism data, please contact ISO.

**Careful attention should be paid in reporting of the Terrorism Coverage Code as it will serve as the means of identifying records containing Terrorism Coverage and separating them from the underlying policy.**

## 12. ORDINANCE OR LAW COVERAGE

### Underlying Commercial Fire or Allied Lines Policy/Ordinance or Law Coverage A (Coverage Codes 1 and 3 only)

On Commercial Fire and Allied Lines Building premium and loss records (Coverage Code 1 and Coverage Code 3 – except for Market Segments and Capital Assets), it is required to indicate whether or not Ordinance or Law Coverage A (Coverage for Loss to the Undamaged Portion of the Building, Ordinance or Law Coverage (ISO Endorsement CP 04 05) or company equivalent] has been attached to the policy by coding the appropriate Ordinance or Law Coverage Identifier Code. This field is required for Coverage Code 1 and Coverage Code 3 (except for Market Segments and Capital Assets) and is optional for premium and loss records under all other Coverage Codes.

### Scheduled Ordinance or Law Coverages B and/or C (all Coverage Codes)

In cases where Ordinance or Law:

- Coverage B – Demolition Cost Coverage is scheduled alone (without Coverage C – Increased Cost of Construction),  
or
- Coverage C – Increased Cost of Construction is scheduled alone (without Coverage B – Demolition Cost Coverage),  
or—
- Coverages B and C are scheduled together with a combined limit, for combined premium,  
or
- Increased Cost of Compliance is scheduled alone (applicable to Flood sublines 060 and 061 only).

a separate record is required to identify premiums and losses associated with these coverages using the appropriate Ordinance or Law Coverage Identifier Code. On these separate records, report the limit of insurance applicable to the reported Ordinance or Law Coverage in the Exposure field.

Note that where both Coverages B and C are scheduled with separate limits, for separate premiums, that **two** additional separate records are required to be reported with Exposure reported as the limit applicable to each coverage. This is in addition to the record reported for the underlying Commercial Fire or Allied Lines policy.

### Ordinance or Law Losses

Losses responded to by Ordinance or Law coverages afforded under Ordinance or Law Coverage (CP 04 05) or Increased Cost of Compliance (FC 02 02) or company equivalent, are to be reported using the specific Ordinance or Law Type of Loss Codes.

## 13. RHODE ISLAND WINDSTORM OR HAIL/NAMED STORM PERCENTAGE DEDUCTIBLE CODE REPORTING

On all Rhode Island Commercial Fire and Allied Lines Basic Group (BG) II premium and loss records (sublines 027, 031 and 081-088), careful attention should be paid to the reporting of Deductible. Refer to Rhode Island State Exception Codes (including decision table) and the Deductible Codes and Rules.

**ORDINANCE OR LAW COVERAGE IDENTIFIER CODE\***

DESCRIPTION	CODE
Underlying Policy: (required only for Coverage Code 1 and Coverage Code 3 – except for Market Segments and Capital Assets)	
No Ordinance or Law Coverage.....	1
Coverage A only .....	2
Scheduled Coverages: (applies to all Coverage Codes)	
Coverage C only (separate Coverage C premium and loss records) .....	3
Coverage A and:	
• Coverage B (separate Coverage B premium and loss records) .....	4
• Coverages B and C (combined limit & premium for Coverages B and C) (combined Coverage B and C premium and loss records) .....	5
• Coverages B and C (separate limits & premiums for Coverages B and C)	
• separate Coverage C premium and loss records.....	3
• separate Coverage B premium and loss records.....	4
<u>Increased Cost of Compliance** (separate premium and loss records) .....</u>	<u>6</u>

**NOTE:** Coverage A = Coverage for Loss to the Undamaged Portion of the Building

Coverage B = Demolition Cost Coverage

Coverage C = Increased Cost of Construction

Refer to Exposure instructions in the coding section for specific Ordinance or Law reporting requirements.

\* Not applicable to sublines 070, 090, 170, 176, 190, 196, to Market Segments business reported under subline 055 or Massachusetts Remediation for Release of Heating Oil business reported under sublines 055, 115, 116, 135, 136, 155 and 156.

\*\* Applicable to Flood sublines 060 and 061 only.



TYPE OF LOSS CODE

TYPE OF LOSS	CODE
<b>Applicable to all sublines except 055 (Market Segments only), 060, 061, 116, 136, 156, 176 and 196</b>	
Fire and Lightning	01
Wind**	42
Hail	72
Explosion	03
Riot, Civil Commotion	04
Vandalism and Malicious Mischief	05
Sprinkler Leakage	06
Aircraft or Vehicles, Volcanic Action or Smoke+	38
Theft (Including Mysterious Disappearance under Farm Coverage)	07
Water Damage:	
Excluding Damage attributable to Discharge From Sewer, Drain or Sump	08
Discharge From Sewer, Drain or Sump	11
Freezing	10
Equipment Breakdown	12
Glass Breakage	68
Collapse (other than Florida) Due To:	
Weight of Ice, Snow or Sleet	66
Other Covered Causes of Collapse (including Sinkhole Collapse)	67
Collapse (Florida only) Due To:***	
Weight of Ice, Snow or Sleet	66
Sinkhole	73
Catastrophic Ground Cover Collapse	74
Other Covered Causes of Collapse	75
Ordinance or Law Losses:	
Loss to the Undamaged Portion of the Building	80
Demolition Cost	81
Increased Cost of Construction	82
Increased Cost of Compliance (Applicable to Flood sublines 060 and 061 only)	83
Losses under Massachusetts Remediation for Release of Heating Oil Coverage	09
Losses due to acts of terrorism certified under the Terrorism Risk Insurance Act	22
All other terrorism losses	23
Business Interruption (off-premises) – Collision losses	26
Consequential Fungus, Wet Rot, Dry Rot or Bacteria ("Mold") property losses caused by:	
(Applicable to sublines 015, 016, 017, 018, 027, 029, 031, 035, 045, 055, 81-88, 115, 135 and 155 only)	
Fire and Lightning	51
Wind** and Hail	52
Vandalism and Malicious Mischief	53
Sprinkler Leakage	54
Water Damage	55
Freezing	56
All Other Causes of consequential Fungus, Wet Rot, Dry Rot or Bacteria ("Mold") property losses	59
All Other Losses+	09

\*\* Wind or windstorm losses are defined as those losses attributable to any wind event including a storm marked by high wind or a funnel of wind. This includes, but is not limited to, tornado, hurricane, cyclone or typhoon.

\*\*\* **Sinkhole Loss** means loss of or damage to covered property when structural damage to a building, including the foundation, is caused by settlement or systematic weakening of the earth supporting the building, only if the settlement or systematic weakening results from contemporaneous movement or raveling of soils, or rock materials into subterranean voids created by the effect of water on a limestone or similar rock formation. **Catastrophic Ground Cover Collapse** is defined as a geological activity that results in all of the following: the abrupt collapse of ground cover, a depression in the ground cover clearly visible to the naked eye, structural damage to the covered building including foundation, and the insured structure being condemned and ordered to be vacated by the government agency authorized by law to issue such an order for that structure.

+ For sublines other than 081-088, Aircraft or Vehicles, Volcanic Action or Smoke losses; Type of Loss Code may be coded as either 38 or 09.