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To All Member Companies and Their Authorized
Mississippi Agents
To Whom it May Concern:

BP-2019-RRU19 & BP-2019-RLC19
(SERFF MSSR-132147493) Rules & Loss Costs
BP—2019-OFR19 (SERFF MSSR-132145107)
Forms – Effective 5-1-2020 Introducing
New Micro- Business Owners Program

The Mississippi State Rating Bureau received Mississippi Department of Insurance approval for the new Micro-Business Owners Program that resides within the current Businessowners Program. This new product was filed on behalf of all MSRB member companies and approved for use effective 5-1-2020.

See the attached Explanatory Information for additional detail.

MSRB members have the option of accepting this change filed on their behalf with the 5-1-2020 effective date, individually filing for an alternative effective date, or individually filing to non-adopt or amend this change.

ISONet pages will be updated to reflect these changes. Copies of the filing package materials are available using the MSSR tracking numbers (NAIC SERFF System). The filing package can also be requested from MSRB personnel (Brad Little, Tony Parker, or Joe Shumaker) phone 601-981-2915.

Mississippi State Rating Bureau Management

Introduction Of The Micro-Businessowners Program

About This Filing

This filing introduces a Micro-Businessowners Coverage form and related multistate endorsements. This filing is divided into the following parts:

- ◆ **Part I – Micro-Businessowners Coverage Form**

This part provides a description of the Micro-Businessowners Coverage Form being introduced in this filing.

- ◆ **Part II – Micro-Businessowners Multistate Endorsements and Advisory Declarations**

This part provides a description of the multistate endorsements and advisory Declarations being introduced for use with the Micro-Businessowners Program.

The Declarations included within this filing are being submitted for information only in those jurisdictions which do not require them to be filed. For jurisdictions which require Declarations to be filed, they are being filed subject to applicable filing requirements. However, they are not being filed on behalf of member companies.

- ◆ **Part III – Terrorism Related Endorsements**

This part introduces endorsements in response to the Terrorism Risk Insurance Act of 2002, the Terrorism Risk Insurance Extension Act of 2005 and the Terrorism Risk Insurance Program Reauthorization Act of 2007 and 2015, for use with the Micro-Businessowners Program.

- ◆ **Part IV – Attachment of Forms**

Related Filing(s)

- ◆ BP-2019-RRU19 (Rules)
- ◆ BP-2019-RLC19 (Loss Costs)

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Part I – BP 00 04 – Micro-Businessowners Coverage Form

Introduction

According to ISO MarketStance Commercial Insight, there are an estimated 30 million micro businesses (0-4 employees), and the Small Business Administration estimates that about 80% of them have no employees at all and 60% are home-based.

While many of these home-based businesses are primarily operated out of the home, business activities may take place at other locations as well (e.g., shared spaces, temporary commercial locations or mobile spaces such as kiosks or food carts). Given the nature of these types of business, physical damage coverage for building and structures is often not needed.

In response to the reported "micro-business" trend, we are introducing a new ISO Micro-Businessowners Program specifically tailored to insure these types of businesses. The new Micro-Businessowners coverage form and related forms portfolio will reside within ISO's current Businessowners Program.

Explanation Of Changes

Micro-Businessowners Coverage Form BP 00 04 is largely based on ISO's current Businessowners Coverage Form BP 00 03. Notable features of BP 00 04 are described below.

Section I – Property

Section I – Property has been specifically tailored to address micro-business exposures. Under Paragraph A.1. Covered Property is limited to Business Personal Property. Coverage with respect to business personal property is not tied to any specific premises. Therefore, off-premises coverage is available at full limits.

Physical damage coverage for buildings is not included in this Coverage Form. As such, buildings and structures are explicitly referenced under Paragraph A.2. Property Not Covered.

Stock defined as merchandise held in storage or for sale, raw materials and in-process or finished goods, including supplies used in their packing or shipping is also listed as property not covered. Coverage with respect to stock is addressed under the ISO Micro-Businessowners Retail endorsement discussed later in this filing.

Coverage is provided on a named perils basis.

The Electronic Data Additional Coverage is the only Additional Coverage included in the base form. This coverage is subject to an additional \$1,000 Limit of Insurance which may be increased by Declarations entry.

Paragraph B addresses the exclusions.

Paragraph C. indicates that Section I is subject to a \$2,500 Limit of Insurance which may be increased via Declarations entry.

A deductible provision (Paragraph D.) includes a base deductible of \$250 with higher deductible amounts available. Such deductible is designed to apply to all coverage provided under Section I, including the Electronic Data Additional Coverage.

The Property Loss Conditions (Paragraph E.) and Property General Conditions (Paragraph F.) address business personal property.

Property Definitions (Paragraph G.) are included in accordance with the coverages in Section I.

Section II – Liability

Section II – Liability is generally consistent with Section II Liability Coverages in BP 00 03. Noteworthy features of BP 00 04 include:

- ◆ The Professional Services exclusion is not included in Paragraph B. Exclusions. An optional professional exclusion endorsement is available and is discussed under Part II of this filing.
- ◆ The Electronic Data exclusion (Paragraph B.1.p.) addresses the access to or disclosure of confidential or personal information. This is consistent with our approach under ISO's Businessowners program and our conditionally mandatory endorsement BP 15 04 – Exclusion – Access Or Disclosure Of Confidential Or Personal Information And Data-Related Liability – With Limited Bodily Injury Exception.

Section III – Common Policy Conditions (Applicable to Section I – Property And Section II – Liability)

Section III – Common Policy Conditions (Applicable to Section I – Property And Section II – Liability) addresses conditions related to business personal property and liability. Additionally, the Other Insurance Condition (Paragraph H.) addresses when this insurance is to be primary, excess and the method of sharing with respect to Section II- Liability coverages.

New Form

BP 00 04 04 20 – Micro-Businessowners Coverage Form

Part II – Micro-Businessowners Multistate Endorsements and Advisory Declarations

Introduction

We are introducing several multistate endorsements and advisory Declarations for use with the new Micro-Businessowners Program.

Explanation Of Changes

We are introducing:

◆ BP 20 01 – Micro-Businessowners Retail

This endorsement is designed to address eligible retail risks. Specifically, BP 20 01 amends coverage provided under the ISO Micro-Businessowners Coverage Form as follows:

- Section I – Property:
 - ◇ Coverage is provided for stock. Such coverage is subject to the Stock Limit Of Insurance indicated in the Schedule.
 - ◇ Theft is added as a Covered Cause of Loss with respect to stock. Such coverage is subject to a separate \$500 Theft Deductible. This deductible may be increased via Schedule entry. Additionally, we are adding several theft-related exclusions for dishonesty, false pretense and inventory shortages.
 - ◇ A Loss Or Damage To Products exclusion designed to apply to merchandise, goods or products.
- Section II – Liability is amended to include as an additional insured any person(s) or organization(s) who have signed a contract or an agreement that requires them to be added as additional insureds with respect to liability:
 - ◇ in connection with the insured's ongoing operations performed for that additional insured; or
 - ◇ arising out of the ownership, maintenance or use of that part of the premises leased to the insured which is used in connection with the insured's operations.

◆ **BP 20 02 – Micro-Businessowners Service**

This endorsement is designed to address eligible service risks. Specifically, BP 20 02 amends coverage provided under the Micro-Businessowners Coverage Form as follows:

■ **Section I – Property:**

- ◇ Theft is added as a Covered Cause of Loss, but only with respect to the property of others in the insureds care, custody or control. Additionally, we are adding theft-related exclusions for dishonesty and false pretense.
- ◇ Reward Payment coverage is provided up to \$500 for information leading to the arrest and conviction of anyone committing a crime resulting in loss to Covered Property from a Covered Cause of Loss and up to \$500 for the return of stolen Covered Property.
- ◇ Key And Lock Replacement coverage is provided up to \$1000 to replace keys and locks at a client's premises due to theft or other loss to keys entrusted to the named insured by a client. This coverage is subject to a \$100 per occurrence deductible.

■ **Section II – Liability:**

- ◇ An exception to The Damage To Property exclusion indicates that it does not apply to animals that are in the insureds care, custody or control as a direct result of services rendered by the insured.
- ◇ Is amended to include as an additional insured to any person(s) or organization(s) who have signed a contract or an agreement that requires them to be added as additional insureds with respect to liability:
 - in connection with the insured's ongoing operations performed for that additional insured; or
 - arising out of the ownership, maintenance or use of that part of the premises leased to the insured which is used in connection with the insured's operations.

◆ **BP 21 01 – Micro-Businessowners Abuse Or Molestation Exclusion**

This endorsement provides that coverage will not apply to bodily injury, property damage or personal and advertising injury arising out of:

- The actual or threatened abuse or molestation by anyone of any person while in the care, custody or control of any insured; or
- The negligent: employment; investigation; supervision; reporting to the proper authorities, or failure to so report; or retention; of a person for whom any insured is or ever was legally responsible, and whose conduct would be excluded by item 1. above.

◆ **BP 21 02 – Micro-Businessowners Employment-related Practices Exclusion**

This endorsement provides that coverage will not apply to bodily injury or personal and advertising injury arising out of various employment-related practices. This exclusion applies:

- Whether the injury causing event took place before, during or after employment of that person;
- Whether the insured may be liable as an employer or in any other capacity; or
- To any obligation to share damages with or repay someone else who must pay damages because of the injury.

◆ **BP 21 03 – Micro-Businessowners Professional Services Exclusion**

This endorsement provides that coverage will not apply to bodily injury, property damage or personal and advertising injury caused by the rendering or failure to render any professional service. This exclusion applies even if the claims allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by an insured, if the occurrence which caused the bodily injury or property damage, or the offense which caused the personal and advertising injury, involved the rendering or failure to render of any professional service.

◆ **BP 22 01 – Micro-Businessowners Policy Changes**

This endorsement is for use when changes are made to an insured's existing Micro-Businessowners policy. Entry fields include the effective date, a description of the coverage change, previous and new limits of insurance, and previous and new premiums.

◆ **BP 22 02 – Micro-Businessowners Professional Liability**

This endorsement addresses Professional Liability coverage for eligible service risks. Specifically, BP 22 02 provides an aggregate limit for losses arising out of the rendering or failure to render professional services.

Some noteworthy exceptions to this coverage include:

- Abuse and Molestation
- Bodily Injury and Property Damage
- Intellectual Property
- Mental or Emotional Distress
- Personal Injury

Coverage is limited to the professional services listed in the Schedule.

Coverage is provided on a claims-made basis and defense is provided within the limit of insurance.

A deductible is to apply to this coverage. Retroactive date and Extended Reporting Periods are also included.

◆ **BP DS 20 – Micro-Businessowners Policy Declarations**

New advisory Declarations are being introduced for use with the Micro-Businessowners program.

The Declarations included within this filing are being submitted for information only in those jurisdictions which do not require them to be filed. For jurisdictions which require Declarations to be filed, they are being filed subject to applicable filing requirements, however they are not being filed on behalf of member companies.

New Forms

- ◆ BP 20 01 04 20 – Micro-Businessowners Retail
- ◆ BP 20 02 04 20 – Micro-Businessowners Service
- ◆ BP 21 01 04 20 – Micro-Businessowners Abuse Or Molestation Exclusion
- ◆ BP 21 02 04 20 – Micro-Businessowners Employment-related Practices Exclusion
- ◆ BP 21 03 04 20 – Micro-Businessowners Professional Services Exclusion
- ◆ BP 22 01 04 20 – Micro-Businessowners Policy Changes
- ◆ BP 22 02 04 20 – Micro-Businessowners Professional Liability
- ◆ BP DS 20 04 20 – Micro-Businessowners Policy Declarations

Part III – Terrorism Related Endorsements

Introduction

This part introduces endorsements in response to the Terrorism Risk Insurance Act of 2002, the Terrorism Risk Insurance Extension Act of 2005 and the Terrorism Risk Insurance Program Reauthorization Act of 2007 and 2015, for use with the Micro-Businessowners program.

Background

General Overview of the Act and its Extensions

The Terrorism Risk Insurance Act (TRIA) of 2002 established a program (the Terrorism Risk Insurance Program or "TRIP") within the Department of the Treasury under which the federal government shares, with the insurance industry, the risk of loss from future terrorist attacks. The Act is triggered when the Secretary of the Treasury certifies that an event meets the definition of an act of terrorism.

Pursuant to Section 103(c) of the Act, all insurers providing insurance for applicable lines of business are required to participate in the program by making coverage available for insured losses resulting from an act of terrorism as defined by the Act (so-called certified acts coverage).

Although TRIA was scheduled to terminate on December 31, 2005, Congress, by virtue of the legislation referenced in the Introduction section above, has acted to extend the provisions of the Act on three occasions. The Act, as extended, is now currently set to expire on December 31, 2020.

Requirements for Insurer Participation in the Program

Requirements for the Terrorism Risk Insurance Program, as extended, are as follows:

- ◆ All insurers providing "commercial property and casualty insurance", as defined, are required to participate in the Program through December 31, 2020, insurers must offer insureds coverage for losses caused by federally certified acts of terrorism.
- ◆ Insurance companies must disclose to policyholders the premium they charge for insured losses covered by the Program and the Federal share of compensation for insured losses under the Program. The notice to policyholders must be provided on policies issued at the time of offer, purchase and renewal of the policy.
- ◆ Each insurer retains a certain amount of insured losses under the Program through both a deductible and co-insurance.

- ◆ Under the most recent Authorization Act, the deductible was set at 20% of an insurer's direct earned premium for the preceding calendar year and the federal share of compensation was set at 85% of insured losses that exceed insurer deductibles until January 1, 2016. Thereafter, the federal share is to be decreased by 1 percentage point per calendar year until it reaches 80%.
- ◆ Losses covered by the Program will be capped at \$100 billion per calendar year. If the insurer has met its deductible, it shall not be liable for payment of any portion that exceeds the capped amount (subject to possible further congressional action if that level of losses is reached).

TRIA defines property and casualty insurance, in part, as "commercial lines of property and casualty insurance, including excess insurance, workers' compensation insurance, and directors and officers liability insurance, and...[d]oes not include...professional liability insurance [as that term is defined therein]...." Federal regulations further indicate that property and casualty insurance "means commercial lines within only...[specified] lines of insurance from the NAIC's Exhibit of Premium and Losses (commonly known as Statutory Page 14)." Federal regulations related to TRIA also define professional liability insurance as "insurance coverage for liability arising out of the performance of professional or business duties related to a specific occupation, with coverage being tailored to the needs of the specific occupation. Examples include abstracters, accountants, insurance adjusters, architects, engineers, insurance agents and brokers, lawyers, real estate agents, stockbrokers, and veterinarians. For purposes of this definition, professional liability insurance does not include directors and officers liability insurance". The Home Healthcare Coverage Part provides liability coverage for the operations of those in the home healthcare service industry. The range of operations this program could be used to insure for will vary from general home healthcare services to related specific occupations.

Explanation Of Changes

TRIA Endorsements

We are introducing the following TRIA related endorsements for use with the Micro-Businessowners program.

◆ **BP 23 02 – Micro-Businessowners Cap On Losses From Certified Acts Of Terrorism**

As described above, TRIA caps an insurer's liability for payments for terrorism losses. This endorsement explicitly refers to the amount of the cap and addresses allocation of an insured loss, pursuant to Sections 103(e)(2)(A) and 103(e)(2)(B) of the Act. This endorsement should be used on policies if the insured accepts coverage for certified acts of terrorism for a new and renewal policy.

◆ **BP 23 03 – Micro-Businessowners Exclusion Of Certified Acts Of Terrorism**

This endorsement provides an exclusion for certified acts of terrorism. This endorsement should be attached at the time of a policy's inception or renewal if the insured rejects the offer of coverage for certified acts of terrorism.

◆ **BP 23 04 – Micro-Businessowners Exclusion Of Certified Acts Of Terrorism Involving Nuclear, Biological Chemical Or Radiological Terrorism, Cap On Covered Certified Acts Losses**

Section I – Property

Coverage is excluded for:

- A certified act of terrorism that is carried out using radioactive material or a nuclear device;
- A certified act of terrorism in which radioactive material is released, and it appears that one purpose of the terrorism was to release such material;
- A certified act of terrorism that is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials;
- A certified act of terrorism in which pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such materials.

In Standard Fire Policy (SFP) states coverage is provided for fire following an excluded act of terrorism. This coverage is stated in Paragraph B.2. of the endorsement and is made applicable by entry of state information in the Schedule of the endorsement. This treatment enables the same endorsement to be used in SFP and non-SFP states, thereby reducing the number of

endorsements in the terrorism series and simplifying the presentation of coverage on policies covering property in multiple states.

Section II – Liability

This endorsement provides an exclusion for any injury or damage attributed to nuclear, biological, chemical or radiological material arising, directly or indirectly, out of a certified act of terrorism.

This endorsement is available for use on new and renewal policies where the insured rejects coverage for certified acts of terrorism. This provides the insurer with an option to subsequently offer limited terrorism coverage to the insured and exclude a certified act of terrorism that is only attributed to nuclear, biological, chemical or radiological material.

Condition Applicable To Both Sections I and II

With respect to covered certified acts, the endorsement explicitly refers to the amount of the cap and addresses allocation of insured losses, pursuant to Sections 103(e)(2)(A) and 103(e)(2)(B) of the Act.

Coverage continues to be excluded for acts of terrorism that would be subject to an underlying policy exclusion (such as the nuclear hazard or war and military action exclusion), consistent with the treatment of such exposures in other terrorism endorsements. This treatment is supported by Section 103(c) of the Act and by Treasury rule section 50.23(b);

◆ BP 23 05 – Micro-Businessowners Limitations Of Coverage For Certified Acts Of Terrorism

Section I – Property

Under this endorsement, the Limit of Insurance for certified acts of terrorism is less than the Limit of Insurance applicable to other perils. In recognition of that, the policy's insurance-to-value requirements do not apply to this sub-limit coverage.

The sub-limit applies on an annual aggregate basis, and therefore coverage will not apply (for the remainder of the annual policy period) when the stated sub-limit has been exhausted by incurred losses.

In SFP states the sub-limit does not apply (and therefore the otherwise applicable Limit applies) to direct damage caused by fire following a certified act of terrorism, when such fire loss exceeds the amount of the Sub-Limit. This provision is stated in Paragraph B.2. of the endorsement and is made applicable by entry of state information in the Schedule of the endorsement.

Section II – Liability

For new and renewal policies, the insured may reject full coverage for certified acts of terrorism. This option allows the insurer to subsequently offer coverage for certified acts of terrorism subject to a Certified Acts of Terrorism Aggregate Limit. The Certified Acts of Terrorism Aggregate Limit will be subject to the Liability And Medical Expenses Aggregate Limit. All other applicable limits under Paragraph D. continue to apply if and to the extent that the Certified Acts of Terrorism Aggregate Limit has not been used up.

Condition Applicable To Both Sections I and II

The endorsement states that the insurer will not pay any amounts for which the insurer is not responsible under the terms of the Act, which caps an insurer's liability for payments for terrorism losses as described in the Background of this explanatory memorandum.

Coverage is subject to underlying policy exclusions, as explained above.

◆ BP 23 06 – Micro-Businessowners Exclusion Of Other Acts Of Terrorism Committed Outside The United States; Cap On Losses From Certified Acts Of Terrorism

This endorsement, in part, excludes any injury or damage arising out of an "other act of terrorism" that is committed outside the United States. The exclusion is limited to acts where:

- The total of all damage to all types of property (including business interruption losses) from a terrorism incident exceeds \$25 million; or
- Fifty or more persons sustain death or serious physical injury; or
- The terrorism incident involves the use, release or escape of nuclear materials, or directly or indirectly results in nuclear reaction or radiation or radioactive contamination; or
- The terrorism incident is carried out by means of dispersal or application of pathogenic or poisonous biological or chemical materials; or
- Pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism incident was to release such materials.

In addition, as described above, the Federal Terrorism Risk Insurance Act caps an insurer's liability payments for terrorism losses. The endorsement explicitly refers to the amount of the cap and addresses allocation of insured losses, pursuant to Sections 103(e)(2)(A) and 103(e)(2)(B) of the Act. In addition, the form does not exclude acts that would satisfy the first part of the definition of certified acts but which are not certified because the related losses do not exceed five million dollars.

This endorsement is available for use on new and renewal policies where the insured accepts coverage for certified acts of terrorism. This gives the insurer an option to then exclude "other acts of terrorism" committed outside the United States.

◆ **BP 23 07 – Micro-Businessowners Exclusion Of Certified Acts Of Terrorism And Exclusion Of Other Acts Of Terrorism Committed Outside The United States**

This endorsement excludes losses arising out of both a certified act of terrorism and other acts of terrorism committed outside the United States. The other acts of terrorism will be subject to the same threshold described for BP 23 06 (discussed above) before the exclusion can apply.

This endorsement is available for use on new and renewal policies where the insured rejects coverage for certified acts of terrorism. This gives the insurer a tool to also exclude other acts of terrorism.

◆ **BP 23 08 – Micro-Businessowners Exclusion Of Punitive Damages Related To A Certified Act Of Terrorism**

Under the Act, insured losses covered under the Program do not include amounts awarded in a civil action that are attributable to punitive damages. As a result, this endorsement excludes punitive damages arising out of a certified act of terrorism.

Conditional Endorsements

We have developed so-called "conditional" endorsements to enable insurers to implement their underwriting decisions for policies with terms that extend into the post-TRIA time period. The conditional endorsements are designed to be placed on policies that become effective beginning January 1, 2020, and can be used along with the current TRIP-based endorsements or in the absence of the current endorsements. Thus coverage at the beginning of the policy period would reflect coverage (or exclusions or limitations) under TRIP. The conditional endorsement on a policy would not come into play unless TRIP terminates or is renewed with certain changes. The conditional endorsements circumscribe terrorism in terms used in pre-TRIA forms, with a \$25 million or 50 or more physically injured persons threshold (on events other than nuclear-biological-chemical events) and a terrorism definition with no distinction between certified and other acts. There are three versions of the conditional endorsements, as outlined below. We have also developed a set of endorsements for use on policies that will become effective after the termination of TRIP. The exclusions, limitations and related provisions of such endorsements parallel those in the conditional endorsements. The conditional endorsements and post-TRIA endorsements, like today's terrorism endorsements, are optional. As with current forms, terrorism coverage could be provided in the post-TRIA environment by omitting a terrorism exclusion

or limitation endorsement, in which case underlying policy provisions would govern coverage.

The three conditional endorsements (BP 23 09, BP 23 10 and BP 23 11) may be used on policies that become effective on January 1, 2020 or later, with policy terms that continue past December 31, 2020, the anticipated termination date of TRIP.

The provisions of the conditional endorsements do not affect coverage in 2020 even if insurers' participation in TRIP is made optional for that Year, that is, if the make-available requirement does not apply in 2020. Thus, January 1, 2021 is the earliest possible date that the provisions of the conditional endorsements may "wake up" and govern coverage under the policy.

Any one of the following conditions trigger applicability of the provisions of the conditional endorsements:

- ◆ If TRIP terminates; or
- ◆ If TRIP is extended without the make-available requirement and under the extended Program terrorism is redefined or terrorism insurance coverage becomes subject to provisions or requirements that differ from those that apply to other events or occurrences; or
- ◆ If TRIP is extended without the make-available requirement and the backstop provisions (retention, federal share in losses) are less favorable to insurers (for example, higher insurer retention percentage).

The following conditions are key examples of when the provisions of the conditional endorsements will **not** become applicable:

- ◆ If TRIP is extended without the make-available requirement and the backstop remains unchanged or is more favorable to insurers and the terms of terrorism insurance coverage are unchanged; or
- ◆ If TRIP is extended with a make-available requirement and there is no change in the terrorism definition and no change in the requirement to provide terrorism coverage subject to the same terms and conditions that apply to other events or occurrences under the policy; or
- ◆ If TRIP is extended with a make-available requirement and there is a change in the terrorism definition or there is a requirement to provide terrorism coverage subject to terms or conditions different from those that apply to other events or occurrences under the policy. In this circumstance, the insurer would need to take appropriate steps in response to the federal requirements.

All of the conditional endorsements generally maintain the pre-TRIA, ISO/NAIC approach on:

- ◆ The definition of terrorism;
- ◆ The \$25 million or 50 or more physically injured persons threshold for events other than nuclear-biological-chemical events;
- ◆ The description of nuclear-biological-chemical events;
- ◆ Applicability of underlying policy exclusions; and
- ◆ Fire coverage in Standard Fire Policy states.

The descriptions of the conditional endorsements are as follows:

- ◆ **BP 23 09 – Micro-Businessowners Conditional Exclusion Of Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act)**

Provision Applicable To Both Section I – Property and Section II – Liability

The conditional clause (titled Applicability Of The Provisions Of This Endorsement) governs applicability of this endorsement, as explained in detail above.

Coverage continues to be excluded for acts of terrorism that would be subject to an underlying policy exclusion (such as the nuclear hazard or war and military action exclusion), consistent with the treatment of such exposures in other terrorism endorsements.

Section I

Coverage is excluded, in part, for losses from:

- A terrorism event that exceeds the \$25 million threshold; or
- An act of terrorism that is carried out using radioactive material or a nuclear device; or
- An act of terrorism in which radioactive material is released, and it appears that one purpose of the terrorism was to release such material; or
- An act of terrorism that is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
- An act of terrorism in which pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such materials.

In Standard Fire Policy (SFP) states, for the lines of business affected by the SFP statute, coverage is provided for fire following an excluded act of terrorism. This coverage is stated in Paragraph **B.2.** of the endorsement and is made applicable by entry of state information in the Schedule of the endorsement. This treatment enables the same endorsement to be used in SFP (including, where applicable, the SFP marine exemption) and non-SFP states, thereby reducing the number of endorsements in the terrorism series and simplifying the presentation of coverage on policies covering property in multiple states.

Section II

- ◆ Coverage is excluded for the same losses resulting from acts of terror as in Section I. Additionally, injury or damage resulting from a terrorism event that exceeds the 50 or more physically injured persons threshold is excluded.

BP 23 10 – Micro-Businessowners Conditional Exclusion Of Terrorism Involving Nuclear Biological Or Chemical Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act)

Provision Applicable To Both Section I – Property and Section II – Liability

The conditional clause (titled Applicability Of The Provisions Of This Endorsement) governs applicability of this endorsement, as explained in detail above.

Coverage continues to be excluded for acts of terrorism that would be subject to an underlying policy exclusion (such as the nuclear hazard or war and military action exclusion), consistent with the treatment of such exposures in other terrorism endorsements.

Section I

Coverage is excluded for losses from:

- An act of terrorism that is carried out using radioactive material or a nuclear device; or
- An act of terrorism in which radioactive material is released, and it appears that one purpose of the terrorism was to release such material; or
- An act of terrorism that is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
- An act of terrorism in which pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such materials.

In Standard Fire Policy (SFP) states, for the lines of business affected by the SFP statute, coverage is provided for fire following an excluded act of terrorism. This coverage is stated in Paragraph B.2. of the endorsement and is made applicable by entry of state information in the Schedule of the endorsement.

Section II

Coverage is excluded for the same losses resulting from acts of terrorism as in Section I.

◆ BP 23 11 – Micro-Businessowners Conditional Limitation Of Coverage For Terrorism – Sub Limit On Annual Aggregate Basis (Relating To Disposition Of Federal Terrorism Risk Insurance Act)

Provision Applicable To Both Section I – Property and Section II – Liability

The conditional clause (titled Applicability Of The Provisions Of This Endorsement) governs applicability of this endorsement, as explained in detail above.

Section I

Coverage continues to be excluded for acts of terrorism that would be subject to an underlying policy exclusion (such as the nuclear hazard or war and military action exclusion), consistent with the treatment of such exposures in current and prior terrorism endorsements.

Under this endorsement, the Limit of Insurance for losses from an incident of terrorism that exceeds the \$25 million threshold is less than the Limit of Insurance applicable to other perils. The sub-limit applies on an annual aggregate basis, and therefore coverage will not apply (for the remainder of the annual policy period) when the stated sub-limit has been exhausted by incurred losses.

The operation of the sub-limit as set forth in the proceeding paragraph (aside from its focus on terrorism as redefined), is the same as provided in the current terrorism sub-limit endorsements.

Since this conditional sub-limit endorsement can be used with or without a current sub-limit endorsement, Paragraph B.2. of the conditional endorsement describes how the sub-limit would operate in each situation. Where a sub-limit does not currently apply, the conditional sub-limit would only affect losses from incidents that occur on or after the date when the provisions of the conditional endorsement become applicable. Where the conditional sub-limit is used along with a current sub-limit endorsement, the language in Paragraph B.2. of the conditional endorsement conveys that a single sub-limit applies to the entirety of the annual policy period.

In SFP states, for the lines of business subject to the SFP statute, the sub-limit does not apply (and therefore the otherwise applicable Limit applies) to direct damage caused by fire following an act of terrorism, when such fire loss exceeds the amount of the Sub-Limit. This provision is stated in Paragraph B.3. of the endorsement and is made applicable by entry of state information in the Schedule of the endorsement.

The Loss Payment Property Loss Condition, which limits loss payment when the Limit Of Insurance for the lost or damaged property is less than 80% of the replacement cost at the time of loss, does not apply.

Section II

The substance of the provisions applicable to Section I applies to Section II. Additionally:

- the term "terrorism" will also apply under Section II to an incident in which fifty or more persons sustain death or serious physical injury, as defined; and
- under this endorsement, the Limit of Insurance for losses from an incident of terrorism that exceeds the \$25 million or 50 or more physically injured persons threshold is less than the Limit of Insurance applicable to other losses.

Post-TRIA Endorsements

Once the disposition of TRIP is known, policies written to become effective after its termination will not require conditional endorsements. Instead, the following endorsements can be used with such policies:

◆ BP 23 12 – Micro-Businessowners Exclusion Of Terrorism

This endorsement is the same as BP 23 09, but without the conditional clause.

◆ BP 23 13 – Micro-Businessowners Exclusion Of Terrorism Involving Nuclear, Biological, Or Chemical Terrorism

This endorsement is the same as BP 23 10, but without the conditional clause.

◆ BP 23 14 – Micro-Businessowners Limitation Of Coverage For Terrorism – Sub Limit On Annual Aggregate Basis

This endorsement is the same as BP 23 11, except that:

- The conditional clause is omitted; and
- The provisions relating to operation of the Terrorism Aggregate Limit do not address the existence or absence of a prior terrorism aggregate limit endorsement, since mid-term change in applicability is not an issue.

Disclosure Endorsements Related To Premium Determination

◆ BP 23 01 – Micro-Businessowners Disclosure Pursuant To Terrorism Risk Insurance Act

This endorsement can be used by insurers in complying with the separate line item requirement in subparagraph 103(b)(2) of the Act which requires that an insurer provide clear and conspicuous disclosure to the policyholder of the premium charged for insured losses covered by the Program and the federal share of compensation for insured losses under the Program.

For any terrorism event that occurs in 2020, the federal share equals a percentage of that portion of the amount of insured losses that exceeds the applicable insurer retention. This percentage is incorporated into the body of the line item disclosure endorsement. The Schedule of the endorsement enables entry of an applicable percentage for years subsequent to 2020, if a federal Program is in effect at that time.

The filing of this endorsement does not preclude an insurer from using other means of complying with section 103(b)(2) of the Act and the Treasury interim guidance.

◆ BP 23 15 – Micro-Businessowners Disclosure Of Premium Through End Of Year For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act)

This disclosure endorsement can be used in the situation where a conditional exclusion endorsement is attached to the policy and premium is initially determined only through the end of a year specified in the endorsement because rating is done prior to a federal decision on termination or further extension of the federal Program, with no estimated amount of premium set forth for coverage that will be provided or may be provided beyond the date specified in the endorsement (see following section for discussion of endorsement BP 23 16, which sets forth such an estimated premium).

The Schedule of this disclosure endorsement identifies the premium as related to coverage through the end of a year specified in the endorsement. Paragraph D. of the endorsement explains the determination of premium and the circumstances surrounding such determination and advises that additional premium may be charged if coverage continues past the date specified in the endorsement.

◆ **BP 23 16 – Micro-Businessowners Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act)**

This disclosure endorsement can be used when a full-term premium is being disclosed and is relevant whether or not a conditional exclusion endorsement is attached to the policy. The Schedule of this disclosure endorsement identifies the two components of the premium, that is, an amount representing coverage through the end of a year specified in the endorsement, and an estimated amount of premium for coverage that will be provided or may be provided beyond the date specified in the endorsement. Paragraph D. of the endorsement explains the determination of premium and the circumstances surrounding such determination and advises that additional or return premium may later be indicated depending on the disposition of the federal program and continuation or termination of coverage after termination of the federal program.

New Forms

- ◆ BP 23 01 04 20 – Micro-Businessowners Disclosure Pursuant To Terrorism Risk Insurance Act
- ◆ BP 23 02 04 20 – Micro-Businessowners Cap On Losses From Certified Acts Of Terrorism
- ◆ BP 23 03 04 20 – Micro-Businessowners Exclusion Of Certified Acts Of Terrorism
- ◆ BP 23 04 04 20 – Micro-Businessowners Exclusion Of Certified Acts Of Terrorism Involving Nuclear, Biological, Chemical Or Radiological Terrorism, Cap On Covered Certified Acts Losses
- ◆ BP 23 05 04 20 – Micro-Businessowners Limitations Of Coverage For Certified Acts Of Terrorism
- ◆ BP 23 06 04 20 – Micro-Businessowners Exclusion Of Other Acts Of Terrorism Committed Outside The United States; Cap On Losses From Certified Acts Of Terrorism
- ◆ BP 23 07 04 20 – Micro-Businessowners Exclusion Of Certified Acts Of Terrorism And Exclusion Of Other Acts Of Terrorism Committed Outside The United States
- ◆ BP 23 08 04 20 – Micro-Businessowners Exclusion Of Punitive Damages Related To A Certified Act Of Terrorism
- ◆ BP 23 09 04 20 – Micro-Businessowners Conditional Exclusion Of Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act)

- ◆ BP 23 10 04 20 – Micro-Businessowners Conditional Exclusion Of Terrorism Involving Nuclear Biological Or Chemical Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act)
- ◆ BP 23 11 04 20 – Micro-Businessowners Conditional Limitation Of Coverage For Terrorism – Sub Limit On Annual Aggregate Basis (Relating To Disposition Of Federal Terrorism Risk Insurance Act)
- ◆ BP 23 12 04 20 – Micro-Businessowners Exclusion Of Terrorism
- ◆ BP 23 13 04 20 – Micro-Businessowners Exclusion Of Terrorism Involving Nuclear, Biological, Or Chemical Terrorism
- ◆ BP 23 14 04 20 – Micro-Businessowners Limitation Of Coverage For Terrorism – Sub Limit On Annual Aggregate Basis
- ◆ BP 23 15 04 20 – Micro-Businessowners Disclosure Of Premium Through End Of Year For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act)
- ◆ BP 23 16 04 20 – Micro-Businessowners Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act)

Part IV – Attachment of Forms

This part contains a complete copy of the new coverage form and endorsements as listed below. The coverage form and endorsements are attached as follows.

Form Number	Title
BP 00 04 04 20	Micro-Businessowners Coverage Form
BP 20 01 04 20	Micro-Businessowners Retail
BP 20 02 04 20	Micro-Businessowners Service
BP 21 01 04 20	Micro-Businessowners Abuse Or Molestation Exclusion
BP 21 02 04 20	Micro-Businessowners Employment-Related Practices Exclusion
BP 21 03 04 20	Micro-Businessowners Professional Services Exclusion
BP 22 01 04 20	Micro-Businessowners Policy Changes
BP 22 02 04 20	Micro-Businessowners Professional Liability
BP DS 20 04 20	Micro-Businessowners Policy Declarations
BP 23 01 04 20	Micro-Businessowners Disclosure Pursuant To Terrorism Risk Insurance Act
BP 23 02 04 20	Micro-Businessowners Cap On Losses From Certified Acts Of Terrorism
BP 23 03 04 20	Micro-Businessowners Exclusion Of Certified Acts Of Terrorism
BP 23 04 04 20	Micro-Businessowners Exclusion Of Certified Acts Of Terrorism Involving Nuclear, Biological, Chemical Or Radiological Terrorism, Cap On Covered Certified Acts Losses
BP 23 05 04 20	Micro-Businessowners Limitations Of Coverage For Certified Acts Of Terrorism
BP 23 06 04 20	Micro-Businessowners Exclusion Of Other Acts Of Terrorism Committed Outside The United States; Cap On Losses From Certified Acts Of Terrorism
BP 23 07 04 20	Micro-Businessowners Exclusion Of Certified Acts Of Terrorism And Exclusion Of Other Acts Of Terrorism Committed Outside The United States
BP 23 08 04 20	Micro-Businessowners Exclusion Of Punitive Damages Related To A Certified Act Of Terrorism
BP 23 09 04 20	Micro-Businessowners Conditional Exclusion Of Terrorism

	(Relating To Disposition Of Federal Terrorism Risk Insurance Act)
BP 23 10 04 20	Micro-Businessowners Conditional Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act)
BP 23 11 04 20	Micro-Businessowners Conditional Limitation Of Coverage For Terrorism – Sub Limit On Annual Aggregate Basis (Relating To Disposition Of Federal Terrorism Risk Insurance Act)
BP 23 12 04 20	Micro-Businessowners Exclusion Of Terrorism
BP 23 13 04 20	Micro-Businessowners Exclusion Of Terrorism Involving Nuclear, Biological, Or Chemical Terrorism
BP 23 14 04 20	Micro-Businessowners Limitation Of Coverage For Terrorism – Sub Limit On Annual Aggregate Basis
BP 23 15 04 20	Micro-Businessowners Disclosure Of Premium Through End Of Year For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act)
BP 23 16 04 20	Micro-Businessowners Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act)

Mississippi Supplement to the Introduction Of The Micro-Businessowners Program

About This Filing

This supplement addresses state-specific provisions to complement the introduction of a Micro-Businessowners Coverage form and related multistate endorsements in the multistate portion of this filing.

New Forms

We are introducing the following forms:

- ◆ BP 49 01 04 20 – Mississippi Changes – Micro-Businessowners

Related Filing(s)

BP-2019-RRU19 (Rules)

BP-2019-RLC19 (Loss Costs)

Background

In the multistate section of this filing, we are introducing the Micro-Businessowners Coverage Form BP 00 04 and corresponding multi-state endorsements for use with our Micro-Businessowners program.

Explanation of Changes

BP 49 01 04 20 – Mississippi Changes – Micro-Businessowners

We are introducing this Mississippi specific endorsement to modify multistate Micro-Businessowners Policy BP 00 04 as follows:

- Under Section I – Property, based on MISS. CODE ANN. § 15-1-49 Paragraph E.4.b. of the Legal Action Against Us Property Loss Conditions is amended to provide the statutory three year period.
- Under Section III – Common Policy Conditions, based on MISS. CODE ANN. § 83-5-28 Paragraph A.7. is added to address the cancellation notice requirements for named creditor loss payees.

- Under Section III – Common Policy Conditions, based on MISS. CODE ANN. § 83-5-28 the Nonrenewal provisions were added to address requirements for nonrenewal of a policy and notification.

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Introduction Of The Micro-Businessowners Program

About This Filing

This filing introduces a new Section of Division Ten – Businessowners to accommodate ISO's new Micro-Businessowners Program. The new rules correspond to the companion Businessowners' multistate forms filing BP-2019-OFR19.

Each revision is addressed in the filing, as outlined in the Table of Contents, and contains a detailed explanation of the changes.

Related Filing(s)

- ◆ BP-2019-OFR19 (Forms)
- ◆ BP-2019-RLC19 (Loss Costs)

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Section I – General Rules

Rule 1. Application of the Division

Description of Rule

This rule describes the contents, sections and format of Division Ten – Businessowners.

Explanation of Changes

This rule is revised to reference and provide guidance with respect to new Section VI – Micro-Businessowners Program.

Rule 45. - 60. Reserved For Future Use

Description Of Rule

This rule is reserved for future use.

Explanation of Changes

We are introducing this rule to the manual to be used, if needed, in the future.

Section VI – Micro-Businessowners Program

Description of Rules

These rules are being introduced to provide instruction on the Micro-Businessowners Program. The following is a general description of each rule contained in this section:

Rule 61. Application

This new rule describes the contents and format of the Section VI – Micro-Businessowners Program.

Rule 62. Referrals to Company

This rule advises the user to refer to company for any applicable rating plan modification and for rating or classifying any risks for which there is no manual rate or applicable classification.

Rule 63. Policy Term

This rule specifies the time period for which policies may be written and indicates that policies may be renewed by renewal certificates. This rule also refers to the computation of premium in general.

Rule 64. Factors or Multipliers

This rule states that, unless otherwise specified, factors or multipliers are to be applied consecutively and not added together.

Rule 65. Rounding Procedure

This rule provides the rounding procedures for rates, factors, multipliers and premiums.

Rule 66. Policywriting Minimum Premium

This rule refers to policywriting minimum premiums.

Rule 67. Additional Premium Changes

This rule describes the rating procedures for calculating additional premium when changes are made to a policy during the policy period.

Rule 68. Return Premium Changes

This rule describes the rating procedures for calculating return premium when changes are made to a policy during the policy period.

Rule 69. Policy Cancellation

This rule describes the rating procedures for calculating return premium when the policy is cancelled by the insurer.

This rule also states that premium will be deemed fully earned when the policy is cancelled at the first Named Insured's request.

Rule 70. Restrictions of Coverage or Increased Rate

This rule describes when policies may be issued with special restrictions or increased premium.

Rule 71. Mandatory Forms, Coverage, and Limits

This rule provides a description of the basic property and liability coverages contained in the Micro-Businessowners Coverage Form BP 00 04.

This rule also references and instructs on the usage of Micro-Businessowners Policy Declarations BP DS 20 and Micro-Businessowners Policy Changes Endorsement BP 22 01.

Rule 72. Forms Portfolio Reference

This rule refers the user to the forms portfolio for information on sample forms and the applicability and edition dates of forms in each jurisdiction.

Rule 73. Eligibility

This rule specifies the operations that are eligible and ineligible for the Micro-Businessowners Program. This rule also contains the Micro-Businessowners Classification Tables, which provide Class Codes, corresponding SIC and NAICS codes as well hazard groups.

Micro-Businessowners eligibility includes those insureds that are involved in Artisan Manufacturing Retail Sales, Direct Retail Sales, Online Retail Sales, and Service. Eligible operations may not exceed \$500,000 in annual gross sales and must not exceed four employees, including owner. Additional eligibility requirements can be found in this rule.

Rule 74. Premium Development - Mandatory Coverages

This rule describes how to calculate the premium for a Micro-Businessowners policy.

Rule 75. Deductibles

This rule describes the deductible options available under this program. A standard \$250 per occurrence-based property deductible is contemplated for all causes of loss. An optional \$500 deductible is available and discussed in this rule.

Rule 76. Reserved For Future Use

This rule is reserved for future use.

Rule 77. Optional Coverages

This rule describes the optional coverages which may be used with the Micro-Businessowners Program. The rule contains separate paragraphs for Property Coverages and Liability and Medical Expense Coverages.

Specifically, this rule addresses higher limit options for the Electronic Data Additional Coverage, the Damage To Premises Rented To You coverage and the Per Person Medical Expenses.

Rule 78. Endorsements

This rule specifies the various endorsements which may be used with the Micro-Businessowners Program. This rule is broken into separate paragraphs for Liability Endorsements and Endorsements Applicable to Specific Classes.

Specifically, this rule references and instructs on the usage of:

- ◆ BP 21 01 – Micro-Businessowners Abuse or Molestation Exclusion;
- ◆ BP 21 02 – Micro-Businessowners Employment Related Practices Exclusion;
- ◆ BP 21 03 – Micro-Businessowners Professional Services Exclusion;
- ◆ BP 20 01 – Micro-Businessowners Retail;
- ◆ BP 20 02 – Micro-Businessowners Service;
- ◆ BP 22 02 – Micro-Businessowners Professional Liability;

Rule 79. Terrorism

This rule generally describes the following terrorism endorsements introduced in companion forms filing BP-2019-OFR19:

- ◆ BP 23 01 04 20 – Micro-Businessowners Disclosure Pursuant To Terrorism Risk Insurance Act
- ◆ BP 23 02 04 20 – Micro-Businessowners Cap On Losses From Certified Acts Of Terrorism
- ◆ BP 23 03 04 20 – Micro-Businessowners Exclusion Of Certified Acts Of Terrorism
- ◆ BP 23 04 04 20 – Micro-Businessowners Exclusion Of Certified Acts Of Terrorism Involving Nuclear, Biological Chemical Or Radiological Terrorism; Cap On Covered Certified Acts Losses
- ◆ BP 23 05 04 20 – Micro-Businessowners Limitations Of Coverage For Certified Acts Of Terrorism
- ◆ BP 23 06 04 20 – Micro-Businessowners Exclusion Of Other Acts Of Terrorism Committed Outside The United States; Cap On Losses From Certified Acts Of Terrorism
- ◆ BP 23 07 04 20 – Micro-Businessowners Exclusion Of Certified Acts Of Terrorism And Exclusion Of Other Acts Of Terrorism Committed Outside The United States
- ◆ BP 23 08 04 20 – Micro-Businessowners Exclusion Of Punitive Damages Related To A Certified Act Of Terrorism
- ◆ BP 23 09 04 20 – Micro-Businessowners Conditional Exclusion Of Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act)
- ◆ BP 23 10 04 20 – Micro-Businessowners Conditional Exclusion Of Terrorism Involving Nuclear Biological Or Chemical Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act)
- ◆ BP 23 11 04 20 – Micro-Businessowners Conditional Limitation Of Coverage For Terrorism – Sub-Limit On Annual Aggregate Basis (Relating To Disposition Of Federal Terrorism Risk Insurance Act)
- ◆ BP 23 12 04 20 – Micro-Businessowners Exclusion Of Terrorism

- ◆ BP 23 13 04 20 – Micro-Businessowners Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism
- ◆ BP 23 14 04 20 – Micro-Businessowners Limitation Of Coverage For Terrorism – Sub-Limit On Annual Aggregate Basis
- ◆ BP 23 15 04 20 – Micro-Businessowners Disclosure Of Premium Through End Of Year For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act)
- ◆ BP 23 16 04 20 – Micro-Businessowners Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act)

It also instructs insurers when each endorsement option can be used and provides applicable rules and rating factors.

Actuarial Support For Rules And Rating Factors

Rule 74. Premium Development - Mandatory Coverages

Liability Hazard Groups

We are introducing Liability Hazard Group rating factors in Rule 74. as components in the determination of Liability and Medical Expenses premium, with corresponding Liability Hazard Group assignments by class found in Rule 73. Liability Hazard Groups were assigned to the Micro-Businessowners classes using actuarial judgment, and in consultation with coverage experts. The potential Bodily Injury and Property Damage exposures for each class were taken into account, and generally speaking, high hazard classes were those with high potential Bodily Injury and Property Damage exposure, while medium hazard classes had high potential Property Damage exposure.

The Liability Hazard Group factors were also judgmentally selected, while taking into account the hazard group factors available in ISO's Miscellaneous Professional Liability program. As the Micro-Businessowners program has three Liability Hazard Groups and two Professional Liability Hazard Groups, the Medium and High Hazard group factors of 1.2 and 1.5, respectively, were selected such that they average to the 1.35 High Professional Liability Hazard Group factor, described under Rule 78. below.

Artisan Manufacturing Online Sales

This factor applies to the Liability and Medical Expenses premium for Artisan Manufacturing classes with sales primarily conducted online in recognition of the fact that liability exposure for manufacturers varies based on the method of selling. This factor was selected based on an analysis of the ratios of Online Sales loss costs to Direct Sales loss costs. These ratios were computed for each revenue range and limit amount provided in the Liability and Medical Expenses loss cost table, as summarized in the table below.

Per Occurrence/Aggregate Limit (\$000s)	\$0 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$250,000	\$250,001 - \$500,000
\$300/\$600	\$12 / \$41 = 0.293	0.297	0.302	0.307
\$500/\$1,000	0.295	0.303	0.307	0.313
\$1,000/\$2,000	0.306	0.309	0.315	0.324
\$2,000/\$4,000	0.315	0.322	0.330	0.333

Overall Average ratio: 0.311

Average for \$300/\$600 Limit: 0.300

Average for \$0 - \$100,000 of Gross Sales: 0.305

Selected factor: **0.305**

Rule 75. Deductible

We are introducing a rating factor for an optional \$500 Business Personal Property deductible. The Businessowners base policy form contains a \$500 base property deductible, and **Table 24.C.4.c.(RF) \$250 Property Deductible Option Factor** provides a factor of **1.050** for a \$250 deductible option. (This and other referenced tables from the Businessowners manual are provided for convenience in an appendix to companion filing BP-2019-RLC19) Thus the \$500 deductible factor of **0.952** for the \$250 base Micro-Businessowners policy was computed as the inverse of this 1.050 factor.

Rule 77. Optional Coverages

In this rule, we are introducing rating factors for optional higher limits for Electronic Data and Per Person Medical Expenses.

Electronic Data

The current Businessowners program provides a factor of .10 for Electronic Data limits in excess of \$10,000 in **Table 28.A.7.b.(RF) Electronic Data Factor**, and for Valuable Papers and Records limits in excess of \$10,000 in **Table 28.A.15.b.(RF) Valuable Papers And Records Factor**. (The Electronic Data factor was taken directly from the Valuable Papers and Records factor when this coverage was broken out in filing BP-2004-RRU04.) Prior manual versions included a factor of 0.25 for limits of Valuable Papers and Records in excess of \$5,000, as described in filing BP-2001-RLC01. Based on these factors, a judgmental selection of **.50** was made for the Micro-Businessowners factor for limits in excess of the base \$1,000 or coverage.

Optional Per Person Medical Expenses Limit

A factor of **.020** to apply to the Liability and Medical Expenses premium for this coverage option was taken directly from **Table 28.B.3.c.(RF) Limit Per Person Medical Expenses Factor**, which applies to the analogous coverage in the Businessowners program.

Rule 78. Endorsements

Service Endorsement

This endorsement extends the Business Personal Property coverage for property of others that is in the insured's care, custody or control to include theft as a covered cause of loss. To determine the factor to apply to the Business Personal Property premium, we utilized the theft type of loss percentage of 22.2% which was assumed in the development of the Retail Endorsement Stock loss costs, as described in companion filing BP-2019-RLC19. This percentage was combined with a judgmental assumption that such property would constitute, on average, 10% of the Business Personal Property amount of insurance: **0.022** = .10 x .222.

In addition, this endorsement removes Liability Exclusion **B.1.j.** for Damage to Property in cases of animals that are in the care, custody or control of the insured only as a direct result of their services. Classes which involve care, custody or control of animals were identified, and a factor of **.05** to apply to the Liability and Medical Expenses premium was selected based on actuarial judgment.

Professional Liability Endorsement

We are introducing Professional Liability Hazard Group rating factors in Rule **78.** as components in the determination of Professional Liability Endorsement premium, with corresponding Professional Liability Hazard Group assignments by class found in Rule **73.** Professional Liability Hazard Groups were assigned to the Service classes using actuarial judgment, and in consultation with coverage experts. In many cases, analogous classes in the Miscellaneous Professional Liability program were identified, and the assignment was aligned with the respective Miscellaneous Professional Liability Hazard Group.

As most Micro-Businessowners classes would be expected to fall in the lower Miscellaneous Professional Liability Hazard Groups, the base Professional Liability Endorsement loss costs were developed at a Low Hazard level using the Miscellaneous Professional Liability Hazard Group 1 factor of 0.6. The Micro-Businessowners High Hazard Group factor was thus selected in consideration of the ratio of the Miscellaneous Professional Liability Hazard Group 2 and Hazard Group 1 factors, as shown below.

Hazard Group 2 Factor / Hazard Group 1 Factor: $0.8 / 0.6 = 1.33$

Selected factor: **1.35**

Rule 79. Terrorism

Sub-Limit on Certified Acts of Terrorism Coverage

Rule **C.3.b.(2)(b)** of the Businessowners Terrorism Supplement to the Commercial Lines Manual refers users to take a quotient of Increased Limit Factors (ILF's) from Businessowners **Table 23.C.6.b.(2)(b)(ii)(RF) Increased Limits Factors** in order to determine the additional premium for this coverage. **Table A#.C.3.b.(2)(b) Liability and Medical Expenses Limits Combinations** in the Terrorism Supplement specifies combinations of Terrorism Sub-limits and Aggregate Liability and Medical Expenses limits available for this coverage option. In the interest of making the Micro-Businessowners manual self-contained, we have divided the ILF's from **23.C.6.b.(2)(b)(ii)(RF)** for the available limit combinations in order to produce the Micro-Businessowners **Table 79.C.3.b.(2)(b) Liability and Medical Expenses Terrorism Sub-limit Factors**, as shown in the table below.

Policy Aggregate Limit For Liability and Medical Expenses (\$000's)	Terrorism Sub-limit (\$000's)	Table 79.C.3.b.(2)(b) Factor
\$1,000	\$600	$1.000 / 1.032 = 0.969$
2,000	600	$1.000 / 1.074 = 0.931$
2,000	1,000	$1.032 / 1.074 = 0.961$
4,000	600	$1.000 / 1.117 = 0.895$
4,000	1,000	$1.032 / 1.117 = 0.924$
4,000	2,000	$1.074 / 1.117 = 0.962$

Exhibit Of Multistate Rules

62. REFERRALS TO COMPANY

Rule 62. does not apply.

70. RESTRICTIONS OF COVERAGE OR INCREASED RATE

Rule 70. is replaced by the following:

Policies may be issued with special restrictions provided no increase or reduction in premiums allowed if:

A. The insured agrees in writing; and

B. The policy would not be written otherwise.

71. MANDATORY FORMS, COVERAGE AND LIMITS

The following is added to Rule 71.:

E. Mississippi Changes – Micro-Businessowners Endorsement BP 49 01

Attach Mississippi Changes – Micro-Businessowners Endorsement BP 49 01 to all policies.

Introduction of The Micro-Businessowners Program

About This Filing

This filing introduces a new Section of Division Ten – Businessowners to accommodate ISO's new Micro-Businessowners Program. The new loss costs correspond to companion Businessowners multistate forms filing BP-2019-OFR19 and rules filing BP-2019-RRU19.

The development of the loss costs is explained in detail in the individual subsections corresponding to each coverage.

New Loss Costs

We are introducing loss costs relating to the following rules:

- ◆ Rule 74., Premium Development – Mandatory Coverages
- ◆ Rule 77., Optional Coverages
- ◆ Rule 78., Endorsements
- ◆ Rule 79., Terrorism

Related Filing(s)

The following companion filings are being filed with a concurrent effective date:

- ◆ BP-2019-OFR19 (Forms)
- ◆ BP-2019-RRU19 (Rules)

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Company Decision

We encourage each insurer to decide independently whether the judgments made and the procedures or data used by ISO in developing the enclosed loss costs are appropriate for its use. Some calculations included in this filing involve areas of ISO staff judgment. Each insurer should carefully review and evaluate its own experience in order to determine whether the ISO advisory loss costs are appropriate for its use.

The material has been developed exclusively by the staff of Insurance Services Office, Inc.

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Development of Loss Costs

Data Sources

The following data was used in deriving the new Micro-Businessowners loss costs:

- ISO Commercial Statistical Plan Businessowners data: Accident Year experience through 12/31/2017 (evaluated as of 3/31/2018); and
- ISO Commercial Statistical Plan General Liability data: Accident Year experience through 12/31/2016 (evaluated as of 3/31/2017).

Existing loss costs and rating factors from the ISO Businessowners, General Liability, Commercial Package Policy, and Miscellaneous Professional Liability programs were also utilized and adapted, as described in the subsections for the individual coverages.

Mandatory Coverages

Business Personal Property

The Business Personal Property coverage in the Micro-Businessowners program was developed based on the corresponding Business Personal Property coverage from the Businessowners base coverage form. As a result, the Micro-Businessowners Business Personal Property loss cost was derived from a countrywide average of Businessowners Business Personal Property loss costs weighted by five years of earned exposures.

Several Businessowners classes were selected for this average based on a matching of the Micro-Businessowners and Businessowners class tables, with consideration for the nature of business operations and types of property covered. For example, Businessowners classes 50141, 54606, and 71311 for Bakeries were used due to their expected similarity in Business Personal Property to the Micro-Businessowners class 78407 for Artisan Manufacturing - Baking.

The Businessowners Business Personal Property loss costs were trended to reflect a future average written date of 10/1/2020 based on the assumed effective date of 4/1/2020 for this filing. The trend from date varied by state and was equal to six months past the effective date for each state's latest approved loss costs.

Since the loss trends underlying the development of the Businessowners loss costs vary by type of loss group, we selected an average loss trend factor of **1.024** by weighting together the loss trend factors from the 2018 Businessowners experience reviews using countrywide Businessowners losses by type of loss

group. A premium trend factor of **1.017** was selected directly from the experience reviews, thus producing a net trend factor applied to the loss costs of $1.024 / 1.017 = 1.007$.

The loss cost averages were loaded for the Rate Number Relativities used to price standard Businessowners policies, as found in **Table 23.C.1.b.(RF) Rate Number Relativities**. This and other referenced tables from the Businessowners manual are provided for convenience in an appendix to this filing.

The Businessowners loss costs are state specific, and the Rate Number Relativities are multistate, but vary by Property Rate Number. The computation of the Business Personal Property average Micro-Businessowners loss cost is summarized in the table below.

(1) Property Rate Number	(2) Sum of Loss Costs x Earned Exposures	(3) Sum of Earned Exposures	(4) Rate Number Relativity	(5) Average Loss Cost = (2) x (4) / (3)
1	203,821,184	587,566,044	1.000	0.347
2	1,067,516	3,117,966	0.673	0.230
5	9,355,806	29,063,225	0.990	0.319
7	39,893,529	122,066,653	1.702	0.556
8	156,040,611	470,101,719	1.461	0.485
9	119,370,001	373,056,698	1.788	0.572
10	26,173,966	79,381,286	2.149	0.709
11	52,297,851	154,667,669	2.487	0.841
13	4,656,002	13,363,537	1.304	0.454
14	17,133,714	49,989,199	1.889	0.647
15	13,086,493	38,874,776	2.370	0.798
16	17,310,182	49,214,839	2.537	0.892
19	1,935,420	5,894,843	1.517	0.498
20	550,602	2,100,762	1.860	0.487
Total	662,692,874	1,978,459,217		0.519

Total (5) = $\sum (2) \times (4) / \text{Total (3)}$

The average Business Personal Property loss cost was multiplied by various adjustment factors in order to bring it to a level appropriate for the Micro-Businessowners coverage:

- o A factor of **0.7** to reflect the Named Perils basis of the Micro-Businessowners coverage form. Businessowners **Table 29.A.19.c.(2)(b)(RF) Named Perils – Business Personal Property Factor** provides a credit factor of **0.3** for Named Perils coverage, thus we selected the complement of this factor.

- Since the Businessowners policy is written at a \$500 property deductible base level and Micro-Businessowners assumes a \$250 property deductible basis, the \$250 deductible factor of **1.050** selected from Businessowners **Table 24.C.4.c.(RF) Property Deductible Option Factor**.
- A Limit of Insurance relativity factor of **1.767** for property limits under \$10,000 selected from Businessowners **Table 23.C.6.a.(2)(c)(iii)ii.(RF) Business Personal Property Limit of Insurance Relativity Factors**.
- A factor of **1.09** to reflect the availability of off-premises coverage for Business Personal Property under the Micro-Businessowners policy selected from **Table 29.A.34.d.(2)(RF) Specified Business Personal Property Temporarily Away From Premises – Named Perils Factor**.
- A factor of **0.823** to reflect that Business Income/Extra Expense (BI/EE) coverage is not included in Micro-Businessowners, unlike the standard Businessowners policy. In an analysis of countrywide Businessowners losses, it was determined that time element losses comprise 17.7% of overall losses, therefore the factor to account for the removal of this coverage is calculated as $1 - 0.177 = 0.823$.
- A factor of **0.95** to reflect the reduction of Electronic Data coverage included in the base property coverage to \$1,000 under Micro-Businessowners from \$10,000 under Businessowners. This factor was selected from an analysis estimating ratios of the charge for Electronic Data limits between \$1,000 and \$10,000 and total Business Personal Property loss costs at various Micro-Businessowners limits.

In summary, the final Business Personal Property loss cost was derived as follows:

$$\mathbf{\$0.57} = \$0.519 \times 0.70 \times 1.05 \times 1.767 \times 1.09 \times 0.823 \times 0.95$$

Liability And Medical Expenses

The Micro-Businessowners Liability And Medical Expenses loss costs were based on a countrywide average of loss costs from the General Liability program. Similar to Business Personal Property, classes from Micro-Businessowners were matched to classes from General Liability, and their loss costs were averaged over all states and classes weighted by earned exposures. For example, Micro-Businessowners class 78409 for Services - Catering was matched to General Liability class 11039 for Caterers.

Classes were segmented into and averaged over the Micro-Businessowners rating group categories of Artisan Manufacturing, Direct Retail Sales, Online Retail Sales, and Services. Loss costs for Premises/Operations and Products/Completed Operations were added to produce single Micro-Businessowners Liability loss costs.

Based on the likely unknown or variable nature of Gross Sales figures for target Micro-Businessowners insureds and the lack of specific data available for this new coverage, we are introducing fixed dollar charges by range of Annual Gross Sales for Liability. Loss costs are provided by rating group, with further pricing differentiation by Liability Hazard Group factors discussed in companion filing BP-2019-RRU19.

To derive loss costs for these ranges of Annual Gross Sales, we used ten years of General Liability exposure data to slot risks into size ranges by written exposures. We then calculated average exposures for each range, which were multiplied by the weighted average loss costs per \$1,000 of Gross Sales to produce an average fixed dollar charge for each range.

These average loss costs and exposures were loaded for the following adjustment factors.

- o As General Liability loss costs are based at a \$100,000/\$200,000 per occurrence/aggregate limit level, Increased Limit Factors (ILF's) from General Liability were applied to bring the loss costs to various policy limit levels found in Micro-Businessowners. The increased limit factors in General Liability vary by state and class group and were applied to the loss costs as appropriate. Below is a summary of the resulting overall average factors for each limit:

Per Occurrence Limit/Aggregate Limit (\$000s)	Average Premises/Operations ILF	Average Products/Completed Operations ILF
\$300/\$600	1.266	1.215
\$500/\$1,000	1.389	1.318
\$1,000/\$2,000	1.549	1.451
\$2,000/\$4,000	1.737	1.596

- o Implicit Package Modification Factors (IPMF's) from ISO's Commercial Package Policy program were applied by state and class group to convert monoline liability loss costs for use in a combined property and liability policy. These factors were also applied as appropriate by state and class group, resulting in an overall average IPMF of **0.910** for Premises/Operations loss costs and **1.106** for Products/Completed Operations loss costs.

- o Loss costs and exposures were adjusted by severity, frequency, and exposure trend factors from the General Liability 2019 experience reviews, as summarized in the table below. Similar to Business Personal Property, the severity trend factors were selected based on an average of factors by type of loss weighted by countrywide General Liability losses. Frequency and exposure trend factors do not vary by type of loss and were selected directly from the experience reviews.

Subline	(1) Severity Trend	(2) Frequency Trend	(3) Loss Trend = (1) x (2)	(4) Exposure Trend	(5) Net Trend = (3) / (4)
Manufacturers & Contractors	1.043	0.995	1.038	1.022	1.016
Owners, Landlords & Tenants	1.035	0.990	1.025	1.012	1.013
Products	1.053	0.985	1.037	1.022	1.015
Local Products	1.041	0.995	1.036	1.022	1.014

The average exposures and loss costs for each size range, rating group, and limit amount are summarized in the tables below.

Average Exposures (\$ of Gross Sales)

	Annual Gross Sales Range			
Rating Group	\$0 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$250,000	\$250,001 - \$500,000
Artisan Manufacturing	\$20,859	\$70,085	\$157,013	\$353,021
Direct Retail Sales	\$20,811	\$69,808	\$158,956	\$355,879
Online Retail Sales	\$20,396	\$70,052	\$155,661	\$353,715
Service	\$21,197	\$69,139	\$155,048	\$351,047

Average Loss Costs (per \$1,000 of Gross Sales)

Rating Group	Per Occurrence Limit/Aggregate Limit (\$000s)	Annual Gross Sales Range			
		\$0 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$250,000	\$250,001 - \$500,000
Artisan Manufacturing	\$300/\$600	\$1.00	\$1.03	\$1.17	\$1.16
	\$500/\$1,000	\$1.09	\$1.12	\$1.28	\$1.27
	\$1,000/\$2,000	\$1.19	\$1.23	\$1.41	\$1.39
	\$2,000/\$4,000	\$1.32	\$1.36	\$1.56	\$1.54
Direct Retail Sales	\$300/\$600	\$0.66	\$0.65	\$0.65	\$0.64
	\$500/\$1,000	\$0.72	\$0.71	\$0.71	\$0.70

	\$1,000/\$2,000	\$0.80	\$0.78	\$0.78	\$0.77
	\$2,000/\$4,000	\$0.89	\$0.87	\$0.87	\$0.86
Online Retail Sales	\$300/\$600	\$0.19	\$0.18	\$0.18	\$0.18
	\$500/\$1,000	\$0.21	\$0.20	\$0.21	\$0.20
	\$1,000/\$2,000	\$0.24	\$0.23	\$0.23	\$0.23
	\$2,000/\$4,000	\$0.27	\$0.26	\$0.27	\$0.27
Services	\$300/\$600	\$1.69	\$1.34	\$1.26	\$1.23
	\$500/\$1,000	\$1.87	\$1.48	\$1.39	\$1.35
	\$1,000/\$2,000	\$2.11	\$1.67	\$1.57	\$1.53
	\$2,000/\$4,000	\$2.39	\$1.88	\$1.77	\$1.73

The average loss costs were further adjusted to bring them more into line with expected Micro-Businessowners risks in the following ways.

- o In order to adjust for the possibility that some General Liability loss costs include premises-based exposures not present in a Micro-Businessowners policy, a factor of **0.50** was applied to the Premises/Operations loss costs for selected classes. This factor was determined from an analysis comparing Businessowners Liability Class Group Relativities for retail and wholesale versions of otherwise equivalent classes. For example, for Businessowners Bakeries classes:

Class	Class Description	Liability Class Group	Occupants Liability Class Group Relativity
54606	Bakeries, Retail Stores	9	4.153
50141	Bakeries, Wholesaler Risks	16	2.174
Ratio			2.174 / 4.153 = 0.523

Average ratio for all class pairings: 0.539

Median ratio for all class pairings: 0.523

Selected ratio: **0.50**

- o In order to reflect the potential variations in frequency and severity of losses for smaller risks in proportion to their annual gross sales, we adjusted the loss costs by the factors shown in the table below.

Gross Sales Range	\$0 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$250,000	\$250,001 - \$500,000
Adjustment Factor	3.18	2.16	1.57	1.20

To derive these factors, we conducted an analysis comparing ten years of General Liability loss and exposure data for each size range to the overall (all sizes) loss experience of these General Liability classes, as summarized below.

Gross Sales Range	\$0 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$250,000	\$250,001 - \$500,000	All Sizes
Incurring Losses	\$19,553,327	\$15,599,106	\$23,335,376	\$16,985,638	\$208,732,628
Earned Exposures	\$4,788,467	\$6,408,516	15,860,941	\$19,294,246	\$375,792,851
Loss Costs	\$4.08 = \$19,553,327 / \$4,788,467	\$2.43	\$1.47	\$0.88	\$0.56
Loss Cost Size Relativity	7.35 = \$4.08 / \$0.56	4.38	2.65	1.58	

In order to temper the impact of these adjustments on the final loss costs, we credibility weighted the adjustment factors with a 1.00 (no size adjustment) factor using the General Liability Manufacturers and Contractors and Owners, Landlords and Tenants full credibility standards of 18,000 occurrences for a five-year period.

Five-year incurred claims for Micro-Businessowners classes: **2,116**

Credibility: $(2,116 / 18,000)^{1/2} = 0.343$

Computation example for the \$0 - \$50,000 adjustment factor:

3.18 = $0.343 \times 7.35 + (1 - 0.343) \times 1.00$

- o An exposure-weighted average Liability Hazard Group factor was calculated for each rating group based on the Liability Hazard Group factors and class assignments discussed in more detail in companion Rules filing BP-2019-RRU19. These average Liability Hazard Group factors were divided out from the loss costs in order to set them at a base Low Hazard level.

Rating Group	Artisan Manufacturing	Direct Sales	Online Sales	Services
Adjustment Factor	1.36	1.08	1.00	1.36

The final loss costs resulting from these calculations are summarized in the table below.

Rating Group	Per Occurrence Limit/Aggregate Limit (\$000s)	Annual Gross Sales Range			
		\$0 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$250,000	\$250,001 - \$500,000
Artisan Manufacturing	\$300/\$600	\$49	\$115	\$212	\$361
	\$500/\$1,000	\$53	\$125	\$232	\$394
	\$1,000/\$2,000	\$58	\$137	\$256	\$434
	\$2,000/\$4,000	\$64	\$151	\$283	\$479
Direct Retail Sales	\$300/\$600	\$41	\$91	\$149	\$254
	\$500/\$1,000	\$44	\$99	\$163	\$278
	\$1,000/\$2,000	\$49	\$110	\$181	\$306
	\$2,000/\$4,000	\$54	\$121	\$200	\$339
Online Retail Sales	\$300/\$600	\$12	\$27	\$45	\$78
	\$500/\$1,000	\$13	\$30	\$50	\$87
	\$1,000/\$2,000	\$15	\$34	\$57	\$99
	\$2,000/\$4,000	\$17	\$39	\$66	\$113
Services	\$300/\$600	\$84	\$147	\$225	\$380
	\$500/\$1,000	\$93	\$162	\$249	\$420
	\$1,000/\$2,000	\$104	\$183	\$281	\$473
	\$2,000/\$4,000	\$118	\$207	\$318	\$535

For example, the loss cost for the \$0 - \$50,000 range for the Artisan Manufacturing hazard group is computed as:

$$\$49 = \$20,859 / \$1,000 \times \$1.00 \times 3.18 / 1.36$$

Loss cost = Average exposure in \$0 - 50,000 range (\$000s)

x Average loss cost for Artisan Manufacturing classes

(loaded for state-specific IPMF's and \$300/\$600 ILF's)

x Micro-Businessowners size adjustment factor

/ Average Liability Hazard Group factor

Optional Coverages

Damage to Premises Rented To You

In the Businessowners program, the additional premium for increasing this coverage over the \$50,000 limit provided in the base form is determined by multiplying the additional limit by the Building state rate times a factor of .05. As

the Micro-Businessowners program has no Building coverage, we determined a countrywide average Building loss cost based on Businessowners Building exposure data, similar to the Business Personal Property average loss cost derivation described above for the base property coverage.

Similar to Business Personal Property, we selected an average loss trend factor of **1.031** and a premium trend factor of **1.020** based on the Businessowners experience reviews. Loss costs were trended based on each state's loss cost effective date using a net trend factor of $1.031 / 1.020 = 1.011$.

This calculation determined a countrywide average Building loss cost of **\$0.20**, which multiplied by the .05 factor, results in a loss cost of \$0.01. We judgmentally increased this to a loss cost of **\$0.02** for this coverage.

Endorsements

Retail Endorsement

The Retail Endorsement base loss cost provides a charge for the Additional Insured coverages offered under this endorsement. This charge of **\$16.71** was selected from the All Other loss cost in Businessowners multistate loss cost **Table 29.C.1.c.(LC) Additional Insured – Managers Or Lessors Of Premises Premium Determination**.

The Retail Endorsement also provides the option for insureds to extend property coverage for stock at a separate limit specified in the declarations. The loss cost for stock is derived from the Micro-Businessowners Business Personal Property loss cost with the following adjustments.

- The loss cost was multiplied by a loading factor of **1.286** to reflect the theft coverage provided for stock. This theft loading was derived by taking the ratio of the complements of the credits for the Businessowners Named Perils endorsement with and without the Burglary and Robbery Optional Coverage, from **Table 29.A.19.c.(1)(b)(RF)** and **Table 29.A.19.c.(2)(b)(RF)**, respectively:

$$1.286 = (1 - 0.10) / (1 - 0.30) = 0.90 / 0.70$$

- Since this endorsement provides deductibles between \$500 and \$1,000 for the theft portion of coverage, an adjustment for the higher average deductible was contemplated. We assumed a theft percentage of **22.2%**, based on the ratio of Named Perils factors with and without theft, as described in the prior bullet:

$$22.2\% = (0.90 - 0.70) / 0.90$$

We then weighted together the theft and non-theft deductible factors using this percentage. The non-theft deductible factor for a \$250 deductible was taken from **Table 24.C.4.c.(RF)**, as discussed above. The theft deductible factors were taken from the Flat Dollar Deductible factors for Limit of Insurance of Up to \$50,000 in Businessowners **Table 24.C.4.(RF) Optional Property Deductible Factors (Per Location)**. Per the guidance in the Businessowners manual, the factor for a \$750 deductible was interpolated from the \$500 and \$1,000 deductible factors.

Deductible	Factor
\$250	1.050
\$500	1.000
\$750	0.973
\$1,000	0.945

Finally, to develop the adjustment to the Micro-Businessowners loss cost, the deductible factors were rebased to the level of the \$250 Micro-Businessowners deductible. For example, for a \$500 theft deductible, the deductible adjustment factor is:

$$0.989 = 22.2\% \times 1.000 / 1.050 + (1 - 22.2\%) \times 1.050 / 1.050$$

The corresponding stock loss cost for a \$500 theft deductible is then:

$$\text{\$0.725} = \$0.57 \times 1.286 \times 0.989$$

Analogous calculations were performed to produce loss costs of **\$0.721** and **\$0.717** for the \$750 and \$1,000 theft deductible options, respectively.

Service Endorsement

The base loss cost for this endorsement includes the same **\$16.71** charge for Additional Insured coverage as the Retail endorsement. In addition, a charge of **\$5.00** for Key and Lock replacement coverage was added based the charge for this coverage contemplated in the Businessowners Residential Cleaning Services class-specific endorsement, as discussed in filing BP-2009-RLC09.

The Residential Cleaning Services endorsement, as well as other class-specific endorsements such as those for Photography and Apartment Buildings, includes a charge of \$2.50 for Reward Payment coverage provided with a \$5,000 limit. The Micro-Businessowners Service Endorsement provides this coverage at a \$500 limit, so the loss cost was divided by ten, and the resultant \$0.25 charge was judgmentally increased to **\$1.00**. This judgmental adjustment reflects the

fact that the full limit amount is expected to be exhausted more often at the lower \$500 limit, and it provides a more reasonable minimal charge for this coverage.

These charges were added together to produce the total Service Endorsement base loss cost:

$$\mathbf{\$22.71 = \$16.71 + \$5.00 + \$1.00}$$

Professional Liability Endorsement

For this coverage, we used the countrywide loss costs directly from ISO's Miscellaneous Professional Liability program of **\$6.78** for the \$0 - \$250,000 revenue range and **\$3.22** for the \$250,001 - \$500,000 revenue range. We adjusted these loss costs by the following factors:

- To set the loss costs at a base Low Hazard level, the Miscellaneous Professional Liability Hazard Group 1 factor of **0.60**.
- A Claims-made factor of **0.70**, assuming the average of the Miscellaneous Professional Liability 1- and 2- Years in Claims-made program factors of 0.65 and 0.75, respectively.
- The Increased Limit Factors and Retention factors shown below. With the exception of the Increased Limit Factor for a \$100/\$100 limit, these were taken directly from the Defense Within Limits factors in the Miscellaneous Professional Liability manual. The \$100/\$100 factor of 0.998 was extrapolated from the distribution of Miscellaneous Professional Liability Increased Limit Factors.

Per Occurrence Limit/Aggregate Limit (\$000s)	Increased Limit Factor
\$100/\$100	0.998
\$300/\$300	1.389
\$500/\$500	1.578
\$1,000/\$1,000	1.799

Retention	Retention Factor
\$5,000	-0.061*
\$2,500	0.000
\$1,000	0.044
\$500	0.061

\$0	0.079
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*Note: The negative factor for a \$5,000 retention reflects that due to a \$2,500 base retention, this factor is subtracted from the applicable Increased Limit Factor, while the factors for the other retentions are added.

- A factor of **0.75** that was judgmentally selected to reflect the lower expected frequency and severity for Micro-Businessowners risks compared to the risks written under the Miscellaneous Professional Liability program.

The loss costs adjusted as above were multiplied by the average exposure amounts for Service classes in each Gross Sales range, as shown on page 8.

The final loss costs resulting from these calculations are summarized in the table below.

Per Occurrence Limit/Aggregate Limit (\$000s)	Deductible	Annual Gross Sales Range			
		\$0 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$250,000	\$250,001 - \$500,000
\$100/\$100	\$5,000	\$42	\$138	\$310	\$596
	\$2,500	\$45	\$147	\$330	\$635
	\$1,000	\$47	\$154	\$345	\$663
	\$500	\$48	\$156	\$351	\$674
	\$0	\$49	\$159	\$357	\$685
\$300/\$300	\$5,000	\$60	\$196	\$440	\$845
	\$2,500	\$63	\$205	\$460	\$884
	\$1,000	\$65	\$212	\$475	\$912
	\$500	\$66	\$214	\$480	\$923
	\$0	\$67	\$217	\$486	\$934
\$500/\$500	\$5,000	\$69	\$224	\$502	\$966
	\$2,500	\$71	\$233	\$523	\$1,004
	\$1,000	\$73	\$240	\$537	\$1,032
	\$500	\$74	\$242	\$543	\$1,043
	\$0	\$75	\$245	\$549	\$1,054
\$1,000/\$1,000	\$5,000	\$79	\$257	\$575	\$1,106
	\$2,500	\$81	\$266	\$596	\$1,145
	\$1,000	\$83	\$272	\$610	\$1,173
	\$500	\$84	\$275	\$616	\$1,184
	\$0	\$85	\$277	\$622	\$1,195

For example, the loss cost for the \$250,001 - \$500,000 range for a \$5,000 deductible and \$100,000 per occurrence/aggregate limit is computed as shown below.

$$[\$250,000 / \$1,000 \times \$6.78 + (\$351,047 - \$250,000) / \$1,000 \times \$3.22] = \$2,020$$

$$\text{\$596} = \$2,020 \times .60 \times .70 \times (0.998 - .061) \times .75$$

Terrorism

The multistate Terrorism loss costs were taken directly from the Building and Business Personal Property Certified Acts of Terrorism Coverage loss costs in **Table A#.C.2.a.(LC)** of the Businessowners Terrorism manual.

Appendix: Businessowners Tables

The various rating factor and loss cost tables from the Businessowners manual used in the development of the Micro-Businessowners loss costs and rating factors are provided below for reference.

Rating Factors

Property Rate Numbers	Building Factor	Business Personal Property Factor
01	1.000	1.000
02	0.704	0.673
03	0.712	0.579
04	0.976	1.043
05	1.107	0.990
06	0.979	0.722
07	1.322	1.702
08	1.401	1.461
09	1.467	1.788
10	2.057	2.149
11	2.295	2.487
12	2.857	2.846
13	1.263	1.304
14	1.838	1.889
15	2.256	2.370
16	2.658	2.537
17	2.331	2.451
18	3.302	3.257
19	0.979	1.517
20	1.321	1.860
21	2.488	3.987
22	2.488	3.987
23	2.488	3.987
24	2.126	2.225
25	2.368	2.426
26	3.215	3.215
27	1.909	1.792
28	3.614	2.632
29	3.614	2.632

Table 23.C.1.b.(RF) Rate Number Relativities

Business Personal Property Limit (000's)	Limit Of Insurance Relativity Factor
\$ <10	1.767
10	1.767
15	1.531
20	1.383

25	1.278
30	1.198
35	1.135
40	1.082
45	1.038
50	1.000
60	0.938
70	0.888
80	0.842
90	0.798
100	0.762
110	0.730
120	0.702
130	0.677
140	0.655
150	0.635
160	0.617
170	0.601
180	0.585
190	0.571
200	0.558
210	0.546
220	0.535
230	0.525
240	0.515
250	0.505
Over 250	0.505

Table 23.C.6.a.(2)(c)(iii)ii.(RF) Business Personal Property Limit Of Insurance Relativity Factors

Liability And Medical Expenses Limit (000's)	Aggregate Limit For Products/ Completed Operations (000's)	Aggregate Limit For Liability And Medical Expenses (000's)	Increased Limits Factor
\$ 300	\$ 600	\$ 600	1.000
300	900	600	1.001
500	1,000	1,000	1.032
500	1,500	1,000	1.033
1,000	2,000	2,000	1.074
1,000	3,000	2,000	1.076
2,000	4,000	4,000	1.117
2,000	6,000	4,000	1.118

Table 23.C.6.b.(2)(b)(ii)(RF) Increased Limits Factors

Fixed Dollar Deductible	Total Building And Business Personal Property Limit Of Insurance	Fixed Dollar Deductible Factor	Windstorm Or Hail Percentage Deductible Factors*		
			1%	2%	5%
\$ 500	Up to \$50,000	1.000	N/A	0.998	0.994
	\$50,001 – 250,000	1.000	0.987	0.970	0.937
	\$250,001 – 500,000	1.000	0.969	0.944	0.905
	\$500,001 – 1,000,000	1.000	0.963	0.941	0.906

	Over \$1,000,000	1.000	0.942	0.919	0.886
1,000	Up to \$50,000	0.945	N/A	N/A	0.943
	\$50,001 – 250,000	0.964	0.958	0.943	0.910
	\$250,001 – 500,000	0.974	0.950	0.927	0.887
	\$500,001 – 1,000,000	0.982	0.950	0.928	0.893
	Over \$1,000,000	0.987	0.933	0.910	0.877
2,500	Up to \$50,000	0.815	N/A	N/A	N/A
	\$50,001 – 250,000	0.878	N/A	0.874	0.841
	\$250,001 – 500,000	0.912	0.902	0.879	0.839
	\$500,001 – 1,000,000	0.937	0.914	0.893	0.858
	Over \$1,000,000	0.957	0.910	0.886	0.853
5,000	Up to \$50,000	0.668	N/A	N/A	N/A
	\$50,001 – 250,000	0.773	N/A	N/A	0.760
	\$250,001 – 500,000	0.835	N/A	0.821	0.781
	\$500,001 – 1,000,000	0.879	0.870	0.848	0.813
	Over \$1,000,000	0.917	0.879	0.855	0.821
7,500	Up to \$50,000	0.574	N/A	N/A	N/A
	\$50,001 – 250,000	0.700	N/A	N/A	0.695
	\$250,001 – 500,000	0.778	N/A	0.775	0.740
	\$500,001 – 1,000,000	0.835	0.832	0.814	0.779
	Over \$1,000,000	0.886	0.854	0.831	0.797
10,000	Up to \$50,000	0.508	N/A	N/A	N/A
	\$50,001 – 250,000	0.646	N/A	N/A	0.644
	\$250,001 – 500,000	0.735	N/A	N/A	0.709
	\$500,001 – 1,000,000	0.801	N/A	0.789	0.754
	Over \$1,000,000	0.860	0.835	0.811	0.778
* Windstorm or Hail percentage deductibles do not apply if the product of the percentage and the Limit of Insurance applicable to the location being rated is less than the fixed dollar deductible.					

Table 24.C.4.(RF) Optional Property Deductible Factors (Per Location)

Deductible	Factor
\$ 250	1.050

Table 24.C.4.c.(RF) \$250 Property Deductible Option Factor

Factor
.10

Table 28.A.7.b.(RF) Electronic Data Factor

Factor
.10

Table 28.A.15.b.(RF) Valuable Papers And Records Factor

Factor
.020

Table 28.B.3.c.(RF) \$10,000 Limit Per Person Medical Expenses Factor

Factor
.10

Table 29.A.19.c.(1)(b)(RF) Named Perils – Business Personal Property Factor

Factor
.30

Table 29.A.19.c.(2)(b)(RF) Named Perils – Business Personal Property Factor

Factor
.09

Table 29.A.34.d.(2)(RF) Specified Business Personal Property Temporarily Away From Premises – Named Perils Factor

Policy Aggregate Limit For Liability And Medical Expenses (000's)	Terrorism Sub-limit (000's)		
\$ 600	N/A	N/A	N/A
\$ 1,000	\$ 600	N/A	N/A
\$ 2,000	\$ 600	\$ 1,000	N/A
\$ 4,000	\$ 600	\$ 1,000	\$ 2,000

Table A#.C.3.b.(2)(b) Liability And Medical Expenses Limits Combinations

Loss Costs

Type Of Risk	Loss Cost*
Apartment and Office	\$ 5.57
All Other	16.71
* The loss costs apply per each designated location and per each additional insured.	

Table 29.C.1.c.(LC) Additional Insured – Managers Or Lessors Of Premises Premium Determination

Territory	TRIA	Full (Post-TRIA)
Entire State	.001	.001

Table A#.C.2.a.(LC) Building And Business Personal Property Certified Acts Of Terrorism Coverage Rates



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