



LOSS COSTS - FILING OR SUBMISSION

JULY 3, 2014

FROM: TIM MCDONNELL, INSURANCE LINES CONSULTANT

BUSINESSOWNERS

LI-BP-2014-095

BUSINESSOWNERS OPTIONAL CYBER INSURANCE ENDORSEMENTS MULTISTATE LOSS COSTS FILED; IMPLEMENTATION PENDING

This circular announces the submission of a filing that introduces advisory loss costs for the new optional cyber insurance endorsements.

JURISDICTIONS

Alabama	Iowa	Oregon
Arizona	Kentucky	Tennessee
Delaware	Michigan	Virginia
District of Columbia	Nevada	West Virginia
Georgia	New Mexico	Wisconsin
Indiana	North Dakota	Wyoming

SPECIAL NOTE

In future circulars, we will announce the submission of state-specific filings which introduce advisory loss costs for the new optional cyber insurance endorsements in additional jurisdictions.

BACKGROUND

In circulars:

- [LI-BP-2014-093](#), we announced the introduction of optional endorsements for use with the Businessowners Coverage Form, addressing coverage for cyber/data breach liability and related first-party expenses; and
- [LI-BP-2014-094](#), we announced the revision of various rules to reference the new optional cyber insurance endorsements.

ISO ACTION

Loss costs filing BP-2014-RISLC:

- Introduces advisory loss costs for the new optional cyber insurance endorsements;
- Explains the methodologies used to derive these advisory loss costs; and
- Introduces optional rating factors and risk characteristics factors for use with the new optional cyber insurance endorsements.

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

In accordance with individual state requirements, we have submitted, or will submit the attached multistate material to the respective Insurance Department in each applicable ISO jurisdiction.

PROPOSED EFFECTIVE DATE

Alabama, Arizona, District of Columbia, Georgia, Indiana, Iowa, Michigan, North Dakota, Oregon, Tennessee, Virginia, West Virginia and Wisconsin

These changes are applicable to all policies **written** on or after March 1, 2015.

This effective date applies only to those insurers who have filed their Businessowners loss cost adjustments to be automatically applicable to future ISO loss cost revisions.

Delaware, Kentucky, Nevada, New Mexico and Wyoming

We do not establish an effective date for Businessowners loss cost revisions in these states. Each insurer that elects to utilize this revision is responsible for determining its own effective date.

FUTURE ISO ACTION

In future circulars, we will:

- Provide you with state-specific filings; and
 - Update the status of this revision. This status report will be updated periodically to provide you with the latest status. For interim updates, please check the Insurance Lines Services web site (www.iso.com/ils/). In addition to other information, this web site contains copies of major multistate filing status reports that are updated approximately every two weeks.
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IMPACT ON STATISTICAL REPORTING

ISO does not require Rate Departure Factors or company Loss Cost Multiplier information for the Businessowners Policy. Therefore, there is no impact on statistical reporting for the Businessowners line of insurance.

RATING SOFTWARE IMPACT

New attributes being introduced with this revision:

- New, additional loss costs are being introduced.
-

CAUTION

This filing has not been approved or implemented. You should not submit any filing referencing this material until we inform you in subsequent circulars of approval and implementation plans for each jurisdiction.

RELATED FORMS AND RULES REVISIONS

We are announcing in separate circulars the filing or submission of corresponding forms and rules revisions. Please refer to the **Reference(s)** block for identification of those circulars.

REFERENCE(S)

- [LI-BP-2014-093](#) (07/03/2014) Introduction Of Businessowners Multistate Optional Cyber Insurance Endorsements Filed; Implementation Pending
- [LI-BP-2014-094](#) (07/03/2014) Businessowners Multistate Rules Revision To Accommodate New Optional Cyber Insurance Endorsements Filed; Implementation Pending

ATTACHMENT(S)

Filing [BP-2014-RISLC](#)

ACKNOWLEDGMENT OF ACTUARIAL QUALIFICATIONS

The American Academy of Actuaries' "Qualifications Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" requires that an actuary issuing a Statement of Actuarial Opinion should include an acknowledgment with the opinion that he/she has met the qualification standards of the AAA. ISO considers this loss costs filing a Statement of Actuarial Opinion; therefore we are including the following acknowledgment:

I, Igor Pogrebinsky, am an Assistant Vice President and Associate Actuary for ISO and I, Victoria Imperato, am an Actuarial Manager for ISO. We are jointly responsible for the content of this Statement of Actuarial Opinion. We are both members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

EMERGING ISSUES

ISO actively pursues emerging issues and long-term trends that may affect the United States and international insurance industry.

Currently available to all ISO participating insurers via ISOnet is the Emerging Issues portal. The portal features in-depth information on a variety of emerging topics of interest to insurance industry professionals. To help you remain up-to-date on important issues, the portal includes Today's Hot Link and a News Feed to highlight new developments. The Emerging Issues portal can be accessed without additional charge by clicking [HERE](#).

PERSON(S) TO CONTACT

If you have any questions concerning:

- actuarial information on advisory prospective loss cost analysis BP-2014-RISLC, contact:

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BUSINESSOWNERS
INFORMATION SECURITY PROTECTION
ADVISORY LOSS COSTS

FILING BP-2014-RISLC

EXECUTIVE SUMMARY

PURPOSE

This document:

- introduces advisory loss costs for the new ISO Businessowners Information Security Protection (ISP) Endorsement.
 - explains the methodologies used to derive these advisory loss costs.
 - introduces optional rating factors and risk characteristics factors for use with this new Endorsement and complementary optional Endorsements.
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DEFINITION OF
ISO ADVISORY
PROSPECTIVE
LOSS COSTS

Advisory prospective loss costs in this document are that portion of a rate that does not include provisions for expenses (other than loss adjustment expenses) or profit, and are based on historical data projected through trending to a future point in time.

COVERAGES OFFERED

The following Coverage Options are introduced in the Businessowners Information Security Protection Endorsement:

1. Tier 1
 - Replacement or Restoration of Electronic Data
 - Public Relations Expense
 - Security Breach Expense
 2. Tier 2
 - Security Breach Liability
 3. Tier 3
 - Extortion Threats
 - Business Income and Extra Expense
 - Website Publishing Liability
-

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EXECUTIVE SUMMARY

OPTIONAL RATING
FACTORS

The following optional rating factors are introduced for use with the Businessowners Information Security Protection Endorsement:

1. Optional Eight-hour Waiting Period Factor
 2. Pre-security Breach Services Contract Factor
 3. Post-security Breach Services Contract Factor
 4. Pre-and Post-security Breach Services Contract Factor
 5. Payment Card Industry Coverage Endorsement Factor
 6. Dishonest, Malicious or Fraudulent Acts Committed by Employees Coverage Endorsement Factor
 7. Risk Characteristics Factors
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CONCURRENT FILINGS

FILING BP-2014-OISRU – Rules Filing
FILING BP-2014-OISFR – Forms Filing

Important note: The calculations in this loss cost filing (BP-2014-RISLC) also assume the implementation of the factors in rules filing BP-2014-OISRU.

HISTORICAL
SOURCE DATA

Due to the lack of historical insurance data related to this coverage, we have utilized the loss costs and rating factors from the ISO E-Commerce Program.

COMPANY
DECISION

We encourage each insurer to decide independently whether the judgments made and the procedures or data used by Insurance Services Office, Inc. (ISO) in developing the loss costs contained herein are appropriate for its use. We have included within this document the information upon which ISO relied in order to enable companies to make such independent judgments.

Some calculations included in this document involve areas of ISO staff judgment. Each insurer should carefully review and evaluate its own experience in order to determine whether the ISO selected loss costs are appropriate for its use.

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

INSURANCE SERVICES OFFICE, INC.

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ADVISORY LOSS COSTS

FILING BP-2014-RISLC

TABLE OF CONTENTS

SECTION A - CALCULATION OF PROPOSED LOSS COSTS

Table of Contents	A-1
Overview	A-2-4
Proposed Loss Costs.....	A-5
Calculation of Proposed Loss Costs.....	A-6-11

SECTION B - OPTIONAL RATING FACTORS

Table of Contents	B-1
Overview	B-2-3
Optional Rating Factors and Risk Characteristics Factors.....	B-4
Calculation of Optional Rating Factors and Risk Characteristics Factors.....	B-5-6

SECTION C – MULTISTATE LOSS COSTS

Table of Contents	C-1
Multistate Loss Costs	C-2

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ADVISORY LOSS COSTS

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CALCULATION OF PROPOSED LOSS COSTS

SECTION A - CALCULATION OF PROPOSED LOSS COSTS

Overview	A-2-4
Proposed Loss Costs.....	A-5
Calculation of Proposed Loss Costs	A-6-11

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ADVISORY LOSS COSTS

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CALCULATION OF PROPOSED LOSS COSTS

OVERVIEW

INTRODUCTION

The attached material provides loss costs for three Coverage Options at various limit and deductible combinations for the new Businessowners Information Security Protection Endorsement.

Due to the lack of historical insurance data related to this coverage, we have utilized the loss costs developed in the ISO E-Commerce Program and adjusted these loss costs to reflect expected differences for the Businessowners Endorsement. For areas where information was not available, underwriting and actuarial judgment were used.

COVERAGE OPTIONS

The endorsement contains seven insuring agreements provided in three Coverage Tiers. The Coverage Tiers are activated by Schedule entry. Tier 1 is always provided when this endorsement is attached to the policy. Tier 1 must be selected if Tier 2 is selected. Tiers 1 and 2 must be selected if Tier 3 is selected.

TIER 1 COVERAGE

Tier 1 is composed of the following coverages:

- Insuring Agreement A - Replacement or Restoration of Electronic Data. This insuring agreement provides coverage for the costs to replace or restore electronic data or computer programs as well as the costs for data entry, reprogramming and computer consultation services resulting directly from an e-commerce incident sustained during the policy period.
 - Insuring Agreement B - Public Relations Expense. This insuring agreement provides coverage for fees and costs of a public relations firm and any other reasonable expenses incurred by the insured, with the insurer's written consent, to protect or restore its reputation in response to negative publicity resulting from an e-commerce incident or security breach.
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ADVISORY LOSS COSTS

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CALCULATION OF PROPOSED LOSS COSTS

OVERVIEW

TIER 1 COVERAGE
(Cont'd)

- Insuring Agreement C - Security Breach Expense. This insuring agreement provides coverage for expenses incurred by the insured, including:
 1. costs to establish whether a security breach has occurred or is occurring;
 2. costs to investigate the cause, scope and extent of the security breach and to identify any affected parties;
 3. costs to determine any action necessary to correct or remediate the conditions that led to or results from a security breach, including, but not limited to, fees paid for legal and other professional advice on how to respond to the security breach;
 4. costs to notify all parties affected by a security breach, including, but not limited to, notice to be transmitted through media required by privacy regulations;
 5. overtime salaries paid to employees assigned to handle inquiries from parties affected by security breach;
 6. fees and expenses of a company hired by the insured to operate a call center to handle inquiries from parties affected by a security breach;
 7. costs for post-event monitoring for parties affected by a security breach for up to one year from the date of notification to those affected parties of such security breach and;
 8. any other reasonable expenses incurred by the insured with the insurer's written consent.

TIER 2 COVERAGE

Tier 2 is composed of the following coverage:

- Insuring Agreement D - Security Breach Liability. This insuring agreement applies to the insured's liability arising out of claims for wrongful acts committed by the insured with respect to its failure to maintain the security of personal information it holds. It provides coverage for loss that the insured becomes legally obligated to pay and defense expenses as a result of a claim first made against the insured during the policy period or Extended Reporting Period for a wrongful act or series of interrelated wrongful acts taking place on or after the Retroactive Date. Coverage may also be provided for both loss (meaning fines or penalties assessed against the insured to the extent such fines or penalties are insurable by law) and defense expenses in connection with a regulatory proceeding as a result of a wrongful act covered under the insuring agreement.

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ADVISORY LOSS COSTS

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CALCULATION OF PROPOSED LOSS COSTS

OVERVIEW

TIER 3 COVERAGE

Tier 3 is composed of the following coverages:

- Insuring Agreement E - Extortion Threats. This insuring agreement provides coverage for extortion expenses and ransom payments incurred by the insured resulting directly from an extortion threat.
 - Insuring Agreement F - Business Income and Extra Expense. This insuring agreement provides coverage for the actual loss of business income and/or extra expense incurred by the insured resulting directly from an e-commerce incident or extortion threat.
 - Insuring Agreement G - Web Site Publishing Liability. This insuring agreement provides coverage for claims for wrongful acts committed by the insured with respect to the content an insured posts on its website. It provides coverage for both losses that the insured becomes legally obligated to pay and defense expenses as a result of a claim first made against the insured during the policy period or Extended Reporting Period for a wrongful act or series of interrelated wrongful acts taking place on or after the Retroactive Date.
-

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CALCULATION OF PROPOSED LOSS COSTS

TABLE A
 PROPOSED LOSS COSTS

Tier 1 Coverages

Deductibles	Limit Of Insurance				
	\$ 10,000	\$ 25,000	\$ 50,000	\$ 75,000	\$ 100,000
\$ 500	\$16	\$39	\$79	\$118	\$157
1,000	15	38	76	114	152
2,500	14	36	71	107	142
5,000	13*	34	68	102	136

* Loss cost has been judgmentally modified to maintain consistency

Tier 1 and Tier 2 Coverages

Deductibles	Limit Of Insurance				
	\$ 10,000	\$ 25,000	\$ 50,000	\$ 75,000	\$ 100,000
\$ 500	\$149	\$269	\$412	\$544	\$653
1,000	139	259	401	532	640
2,500	118	236	377	506	613
5,000	90	208	347	475	580

Tier 1, Tier 2 and Tier 3 Coverages

Deductibles	Limit Of Insurance				
	\$ 10,000	\$ 25,000	\$ 50,000	\$ 75,000	\$ 100,000
\$ 500	\$170	\$318	\$507	\$682	\$836
1,000	160	306	493	665	816
2,500	137	280	463	630	777
5,000	107	249	428	593	736

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ADVISORY LOSS COSTS

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CALCULATION OF PROPOSED LOSS COSTS

CALCULATION OF
PROPOSED LOSS COSTS

The proposed loss costs in Table A are determined by adding together the individual Insuring Agreement loss costs that compose the Coverage Tier(s), then applying a package and aggregation discount factor to the total loss cost. The discount factor is used to address the likely possibility that not all insuring agreements will be utilized by the insured as well as the possibility that the limit of insurance will be exhausted by losses sustained under some but not all applicable coverages. The discount factors are 0.60 for Tier 1, 0.45 for Tiers 1 and 2 combined and 0.40 for Tiers 1, 2 and 3 combined and have been judgmentally selected.

To calculate the lost cost by individual Insuring Agreement, the procedures in Rule 24.A. of the ISO Commercial Lines Manual for E-Commerce are followed. For the purpose of calculating Businessowners ISP loss costs, it is assumed that:

- the annual revenue of the insured is \$1,000,000 or less;
- the insured has been in the Claims-made program for two years indicating the use of a 0.90 factor;
- the insured is classified as being an Office, which has a Classification Rating Factor of 1.00 and;
- the Hazard Group is classified as "Medium" with a modifying factor of 1.10.

When calculating the loss cost for Insuring Agreement D. Security Breach Liability, the Regulatory Proceeding Defense Expenses And Fines Or Penalties Coverage Factor from the E-Commerce program is applied to account for the fact that these losses are covered in the Businessowners Information Security Protection Endorsement.

Example loss cost calculations are provided for the three Coverage Options assuming a \$500 deductible and \$10,000 limit.

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 INFORMATION SECURITY PROTECTION
 ADVISORY LOSS COSTS

FILING BP-2014-RISLC

CALCULATION OF PROPOSED LOSS COSTS

CALCULATION OF PROPOSED LOSS COSTS (Cont'd)	Tier 1 Loss Cost Calculation:	BOP ISP		
		Insuring Agreement		
		<u>A</u>	<u>B</u>	<u>C</u>
a.	Base loss cost per \$1,000 coverage from the Multistate Loss Costs Section of the E-Commerce manual for similar Insuring Agreements.	\$0.67	\$0.33	\$1.63
b.	Multiply the result determined in Paragraph a. by the applicable classification rating factor from the E-Commerce manual.	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>
		\$0.67	\$0.33	\$1.63
c.	Multiply the result determined in Paragraph b. by the applicable revenue factor from the E-Commerce manual.	<u>0.811</u>	<u>0.811</u>	<u>0.763</u>
		\$0.54	\$0.27	\$1.24
d.	Multiply the result determined in Paragraph c. by the applicable deductible factor from the E-Commerce manual.*	<u>1.16</u>	<u>1.16</u>	<u>1.16</u>
		\$0.63	\$0.31	\$1.44
e.	Multiply the result determined in Paragraph d. by the appropriate hazard group modifier from the E-Commerce manual.	<u>1.10</u>	<u>1.10</u>	<u>1.10</u>
		\$0.69	\$0.34	\$1.59
f.	Multiply the result determined in Paragraph e. by any appropriate rating modifiers from the E-Commerce manual. The result is the final loss cost.	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>
		\$0.69	\$0.34	\$1.59

* Deductible Factors (and Increased Limit Factors for Liability Insuring Agreements) for amounts not currently utilized within the E-Commerce program have been determined using the same methodology and model parameters as those employed in the E-Commerce Program.

INDICATED TIER 1 LOSS COST BEFORE DISCOUNT = (Insuring Agreement A Loss Cost + Insuring Agreement B Loss Cost + Insuring Agreement C Loss Cost)(Amount of Insurance/\$1,000)
 = [(\$0.69+\$0.34+\$1.59)(\$10,000/\$1,000)] = \$26

INDICATED TIER 1 LOSS COST AFTER DISCOUNT = Tier 1 Loss Cost * Tier 1 Discount Factor
 = \$26 * 0.60
 = \$16

SELECTED TIER 1 LOSS COST The selected loss cost equals the indicated loss cost.

BUSINESSOWNERS
 INFORMATION SECURITY PROTECTION
 ADVISORY LOSS COSTS

FILING BP-2014-RISLC

CALCULATION OF PROPOSED LOSS COSTS

CALCULATION OF PROPOSED LOSS COSTS (Cont'd)	Tiers 1 and 2 Loss Cost Calculation:	BOP ISP Insuring Agreement <u>D</u>
	a. Loss Cost from the Multistate Loss Costs Section of the E-Commerce manual for the similar Insuring Agreement.	\$2,325
	b. Multiply the result determined in Paragraph a. by the applicable classification rating factor from the E-Commerce manual.	<u>1.00</u>
		\$2,325
	c. Multiply the result determined in Paragraph b. by the difference between the applicable increased limit factor and deductible factor from the E-Commerce manual.*	<u>0.12</u>
		\$279
	d. Multiply the result determined in Paragraph c. by the appropriate hazard group modifier from the E-Commerce manual.	<u>1.10</u>
		\$307
	e. Multiply the result determined in Paragraph d. by any appropriate rating modifiers from the E-Commerce manual. The result is the final loss cost.	<u>0.90</u>
		\$276
	f. Multiply the final loss cost determined in Paragraph e. by the Regulatory Proceeding Defense Expenses and Fines or Penalties Coverage Factor from the E-Commerce manual assuming the sublimit equals the Tier 2 aggregate limit.	<u>1.10</u>
		\$304

* Deductible Factors (and Increased Limit Factors for Liability Insuring Agreements) for amounts not currently utilized within the E-Commerce program have been determined using the same methodology and model parameters as those employed in the E-Commerce Program.

INDICATED TIERS 1 AND 2 = Tier 1 Loss Cost before the Discount + Insuring Agreement D Loss Cost
 LOSS COST BEFORE = \$26 + \$304= \$330
 DISCOUNT

INDICATED TIERS 1 AND 2 = Tiers 1 and 2 Loss Cost * Tiers 1 and 2 Discount Factor
 LOSS COST AFTER = \$330 * 0.45
 DISCOUNT = \$149

SELECTED TIERS 1 AND 2 LOSS COST The selected loss cost equals the indicated loss cost.

BUSINESSOWNERS
INFORMATION SECURITY PROTECTION
ADVISORY LOSS COSTS

FILING BP-2014-RISLC

CALCULATION OF PROPOSED LOSS COSTS

CALCULATION OF PROPOSED LOSS COSTS (Cont'd)	Tiers 1, 2 and 3 Loss Cost Calculation:	BOP ISP	
		<u>E</u>	<u>F</u>
	a. Base loss cost per \$1,000 coverage from the Multistate Loss Costs Section of the E-Commerce manual for similar Insuring Agreements.	\$0.81	\$3.70
	b. Multiply the result determined in Paragraph a. by the applicable classification rating factor from the E-Commerce manual.	<u>1.00</u>	<u>1.00</u>
		\$0.81	\$3.70
	c. Multiply the result determined in Paragraph b. by the applicable revenue factor from the E-Commerce manual.	<u>0.811</u>	<u>0.811</u>
		\$0.66	\$3.00
	d. Multiply the result determined in Paragraph c. by the applicable deductible factor from Rule the E-Commerce manual.*	<u>1.16</u>	<u>1.16</u>
		\$0.76	\$3.48
	e. Multiply the result determined in Paragraph d. by the appropriate hazard group modifier from the E-Commerce manual.	<u>1.10</u>	<u>1.10</u>
		\$0.84	\$3.83
	f. Multiply the result determined in paragraph e. by any appropriate rating modifiers from the E-Commerce manual. The result is the final loss cost.	<u>1.00</u>	<u>1.00</u>
		\$0.84	\$3.83

* Deductible Factors (and Increased Limit Factors for Liability Insuring Agreements) for amounts not currently utilized within the E-Commerce program have been determined using the same methodology and model parameters as those employed in the E-Commerce Program.

BUSINESSOWNERS
 INFORMATION SECURITY PROTECTION
 ADVISORY LOSS COSTS

FILING BP-2014-RISLC

CALCULATION OF PROPOSED LOSS COSTS

CALCULATION OF PROPOSED LOSS COSTS (Cont'd)	Tiers 1, 2 and 3 Loss Cost Calculation (Cont'd):	BOP ISP Insuring Agreement <u>G</u>
	a. Base loss cost from the Multistate Loss Costs Section of the E-Commerce manual for the similar Insuring Agreement.	\$321
	b. Multiply the result determined in Paragraph a. by the applicable classification rating factor from the E-Commerce manual.	<u>1.00</u>
		\$321
	c. Multiply the result determined in Paragraph b. by the difference between the applicable increased limit factor and deductible factor from the E-Commerce manual.*	<u>0.155</u>
		\$49.76
	d. Multiply the result determined in Paragraph c. by the appropriate hazard group modifier from the E-Commerce manual.	<u>1.10</u>
		\$54.73
	e. Multiply the result determined in paragraph d. by any appropriate rating modifiers from the E-Commerce manual. The result is the final loss cost.	<u>0.90</u>
		\$49

* Deductible Factors (and Increased Limit Factors for Liability Insuring Agreements) for amounts not currently utilized within the E-Commerce program have been determined using the same methodology and model parameters as those employed in the E-Commerce Program.

BUSINESSOWNERS
INFORMATION SECURITY PROTECTION
ADVISORY LOSS COSTS

FILING BP-2014-RISLC

CALCULATION OF PROPOSED LOSS COSTS

CALCULATION OF
PROPOSED LOSS
COSTS (Cont'd)

Tiers 1, 2 and 3 Loss Cost Calculation (Cont'd):

INDICATED TIERS 1, 2
AND 3 LOSS COST
BEFORE DISCOUNT = Tiers 1 and 2 Loss Cost before the Discount + [(Insuring Agreement E Loss
Cost + Insuring Agreement F Loss Cost)*(Amount of Insurance/\$1,000)] +
Insuring Agreement G Loss Cost
= \$330 + [(\$0.84 + \$3.83)(\$10,000/\$1,000)] + \$49
= \$426

INDICATED TIERS 1, 2
AND 3 LOSS COST AFTER
DISCOUNT = Tiers 1, 2 and 3 Loss Cost * Tiers 1, 2 and 3 Discount Factor
= \$426 * 0.40
= \$170

SELECTED TIERS 1, 2 AND
3 LOSS COST The selected loss cost equals the indicated loss cost.

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ADVISORY LOSS COSTS

FILING BP-2014-RISLC

OPTIONAL RATING FACTORS AND
RISK CHARACTERISTICS FACTORS

SECTION B – OPTIONAL RATING FACTORS

Overview	B-2-3
Optional Rating Factors and Risk Characteristics Factors	B-4
Calculation of Optional Rating Factors and Risk Characteristics Factors.....	B-5-6

BUSINESSOWNERS
INFORMATION SECURITY PROTECTION
ADVISORY LOSS COSTS

FILING BP-2014-RISLC

OPTIONAL RATING FACTORS AND
RISK CHARACTERISTICS FACTORS

OVERVIEW

INTRODUCTION

To reflect various coverage and service options being introduced for the Businessowners Information Security Protection Endorsement, corresponding optional rating factors have been developed. These rating factors are introduced in companion rules filing BP-2014-OISRU.

The rating factors are:

- Optional Eight-Hour Waiting Period Factor;
- Pre-security Breach Services Contract Factor;
- Post-Security Breach Services Contract Factor;
- Pre- and Post-Security Breach Services Contract Factor;
- Payment Card Industry Coverage Endorsement Factor;
- Dishonest, Malicious or Fraudulent Acts Committed by Employees Coverage Endorsement Factor; and
- Risk Characteristics Factors.

OPTIONAL RATING
FACTORS

The following identifies the optional rating factors being introduced and provides a brief description of the corresponding coverages offered:

- Optional Eight-Hour Waiting Period Factor - Application of this factor revises the loss cost if Tier 3 is selected by adjusting the Business Income and Extra Expense's coverage from the 24 hour waiting period deductible to an 8 hour waiting period deductible.
- Pre-Security Breach Services Contract Factor, Post-Security Breach Services Contract Factor, or Pre-and Post-Security Breach Services Contract Factor - Application of this factor revises the loss cost for any Tier selected if the insured participates in pre-security breach services, post-security breach services or both pre-and post-security breach services.

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OPTIONAL RATING FACTORS AND
RISK CHARACTERISTICS FACTORS

OVERVIEW

OPTIONAL RATING
FACTORS (Cont'd)

- Payment Card Industry Coverage Endorsement Factor - Application of this factor to Tier 2 or Tier 3 loss costs reflects coverage for both loss (including fines or penalties assessed against the insured to the extent such fines or penalties are insurable by law) and defense expenses as a result of a claim in the form of an action taken by a card company (meaning Visa Inc., MasterCard, American Express, Discover or JCB) for noncompliance with the Payment Card Industry (PCI) Data Security Standards first made against the insured during the policy period or during the applicable Extended Reporting Period, in response to a covered wrongful act in Insuring Agreement D. Security Breach Liability.
- Dishonest, Malicious or Fraudulent Acts Committed by Employees Coverage Factor - Application of this factor to the Tier 1, 2 or 3 loss costs reflects coverage for dishonest, malicious or fraudulent acts committed by an employee under all Insuring Agreements.

The selected optional rating factors are shown in Table B.

RISK CHARACTERISTICS
FACTORS

Rating modifiers are used to reflect differences in expected costs among insureds. These factors are based on individual characteristics of the insured and are not reflected in any of the previous factors. Applicable factors are summed, added to 1.00, and then multiplied by the base loss cost in Table A, Section A to generate the final loss cost.

The selected risk characteristics factors are shown in Table C.

BUSINESSOWNERS
INFORMATION SECURITY PROTECTION
ADVISORY LOSS COSTS

FILING BP-2014-RISLC

TABLE B
OPTIONAL RATING FACTORS

	Factor
Optional Eight-hour Waiting Period Factor	1.01
Pre-security Breach Services Contract Factor	0.90
Post-security Breach Services Contract Factor	0.90
Pre- and Post-security Breach Services Contract Factor	0.85
Payment Card Industry Coverage Endorsement Factor	0.07
Dishonest, Malicious or Fraudulent Acts Committed by Employees Coverage Endorsement Factor	0.02

TABLE C
RISK CHARACTERISTICS FACTORS

	Factor
Insured conducts online transactions	0.02
Remote access to insured's computer system(s) is granted to authorized third parties (employees, customers and/or business partners)	0.02
Insured does not have a website	-0.05
Insured has active social media profiles	0.02
Insured collects data from customers or visitors to their website(s) that is required by law to be protected	0.02
Insured collects and retains information on minors	0.02
Insured utilizes medical records in daily business	0.05
Insured utilizes background and/or credit checks in daily business and retains this information	0.05
Insured employs encryption in customer communications	-0.10
High Hazard Classifications, including: <ul style="list-style-type: none"> • Accounting Services • Collection Agencies • Credit Reporting Agencies • Detective or Investigative Agencies • Employment Agencies • Financial Planners • Insurance Agents • Lawyers • Mailing or Addressing Companies • Medical Offices/Health Maintenance Organizations • Payroll Accounting Services 	0.10

BUSINESSOWNERS
INFORMATION SECURITY PROTECTION
ADVISORY LOSS COSTS

FILING BP-2014-RISLC

OPTIONAL RATING FACTORS AND
RISK CHARACTERISTICS FACTORS

CALCULATION OF OPTIONAL RATING FACTORS
AND RISK CHARACTERISTICS FACTORS

OPTIONAL EIGHT-HOUR WAITING PERIOD FACTOR This factor is determined by calculating the average increase in loss costs across the limit/deductible combinations when the Eight-Hour Waiting Period is selected for Business Income and Extra Expense Coverage. The Eight-Hour Waiting Period factor of 1.05 is applied to the Business Income and Extra Expense Coverage loss cost in accordance with the E-Commerce Program, Rule 24.A. and averaged across all applicable coverages.

PRE-SECURITY BREACH, POST-SECURITY BREACH, OR PRE- AND POST-SECURITY BREACH SERVICES CONTRACT FACTOR Engaging with qualified providers of pre-security breach and post-security breach services are likely to decrease both the frequency and severity of security breaches. Pre-security breach services may include:

- Data security education and reference resources
- Security Compliance Assessment
- Network Vulnerability Assessment
- Review of Business Security Practices
- Data Risk Assessment

Post-security breach services may include:

- Breach Severity Assessment
- Forensic Analysis
- Breach Containment
- Regulatory Compliance
- Assistance with Breach Regulatory filings
- Victim Notifications
- Credit/other monitoring

Due to the lack of relevant data, these factors were judgmentally selected based on input provided by company underwriters, cyber incident services providers and ISO staff.

BUSINESSOWNERS
INFORMATION SECURITY PROTECTION
ADVISORY LOSS COSTS

FILING BP-2014-RISLC

OPTIONAL RATING FACTORS AND
RISK CHARACTERISTICS FACTORS

CALCULATION OF OPTIONAL RATING FACTORS
AND RISK CHARACTERISTICS FACTORS

PAYMENT CARD INDUSTRY (PCI) COVERAGE ENDORSEMENT FACTOR	The PCI factor is calculated by determining the average increase in loss costs across the limit/deductible combinations when PCI is selected. To determine the Security Breach Liability loss cost when PCI is selected, the pricing rules in E-Commerce Program, Rule 24.A. are followed. Because this ISP endorsement offers an aggregate limit and no sublimit provisions, a one to one ratio of endorsement sublimit to insuring agreement limit was selected, which corresponds to the PCI factor of 0.10 from the E-Commerce manual, averaged across all coverages.
DISHONEST, MALICIOUS OR FRAUDULENT ACTS COMMITTED BY EMPLOYEES COVERAGE ENDORSEMENT FACTOR	The Dishonest, Malicious or Fraudulent Acts Committed by Employees Coverage Endorsement factor is calculated by determining the average increase in loss costs across the limit/deductible combinations when this coverage is selected. To determine the loss cost for Website Publishing Liability Coverage when this endorsement is selected, the rating rules in E-Commerce Program, Rule 24.A. are followed. Similar to the PCI Coverage Endorsement pricing above, a one to one ratio of endorsement sublimit to insuring agreement limit was selected, which corresponds to the Dishonest, Malicious or Fraudulent Acts Committed by Employees Coverage factor of 0.05 from the E-Commerce manual, averaged across all applicable coverages.
RISK CHARACTERISTICS FACTORS	Due to lack of relevant data, these factors were judgmentally selected based on input provided by company underwriters, cyber incident services providers and ISO staff.

INSURANCE SERVICES OFFICE, INC.

BUSINESSOWNERS
INFORMATION SECURITY PROTECTION
ADVISORY LOSS COSTS

FILING BP-2014-RISLC

MULTISTATE LOSS COSTS

SECTION C MULTISTATE LOSS COSTS

Multistate Loss Costs C-2

BUSINESSOWNERS
INFORMATION SECURITY PROTECTION
ADVISORY LOSS COSTS

FILING BP-2014-RISLC

MULTISTATE LOSS COSTS

29. ENDORSEMENTS

Deductibles	Limit Of Insurance				
	\$ 10,000	\$ 25,000	\$ 50,000	\$ 75,000	\$ 100,000
\$ 500	\$16	\$39	\$79	\$118	\$157
1,000	15	38	76	114	152
2,500	14	36	71	107	142
5,000	13	34	68	102	136

Table 29.E.1.g.(1)(LC) Information Security Protection – Tier 1 Coverages

Deductibles	Limit Of Insurance				
	\$ 10,000	\$ 25,000	\$ 50,000	\$ 75,000	\$ 100,000
\$ 500	\$149	\$269	\$412	\$544	\$653
1,000	139	259	401	532	640
2,500	118	236	377	506	613
5,000	90	208	347	475	580

Table 29.E.1.g.(2)(LC) Information Security Protection – Tier 1 And Tier 2 Coverages

Deductibles	Limit Of Insurance				
	\$ 10,000	\$ 25,000	\$ 50,000	\$ 75,000	\$ 100,000
\$ 500	\$170	\$318	\$507	\$682	\$836
1,000	160	306	493	665	816
2,500	137	280	463	630	777
5,000	107	249	428	593	736

Table 29.E.1.g.(3)(LC) Information Security Protection – Tier 1, Tier 2 And Tier 3 Coverages