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Compliance Circulation Notification

Micro-Businessowners Program

Circular Number

BP-2020-01

Effective Date

These changes are applicable to all policies effective on or after

July 1, 2020

WSRB Reference Filing Numbers

BP-2019-OFR19

BP-2019-RRU19

BP-2019-RLC19

Got Questions?

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Changes

These filings introduce Micro-Businessowners Coverage forms, rules and loss costs in Washington.

Company Action

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

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

In all correspondence with the Insurance Department regarding this revision, include the WSRB Reference Filing Number, not this Circular number.

Manual Distribution

Insurance Services Office, Inc. will print and distribute revised manual pages prior to the effective date. A complete copy of the filing is available on the WSRB website using the Compliance Filings Library. Circular notification is available by e-mail only.

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State:	Washington	Filing Company:	Washington Surveying and Rating Bureau
TOI/Sub-TOI:	05.0 CMP Liability and Non-Liability/05.0002 Businessowners		
Product Name:	Micro-Businessowners Program Loss Costs		
Project Name/Number:	Micro-Businessowners Program Loss Costs/BP-2019-RLC19		

Filing at a Glance

Company:	Washington Surveying and Rating Bureau
Product Name:	Micro-Businessowners Program Loss Costs
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Sub-TOI:	05.0002 Businessowners
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State: Washington **Filing Company:** Washington Surveying and Rating Bureau
TOI/Sub-TOI: 05.0 CMP Liability and Non-Liability/05.0002 Businessowners
Product Name: Micro-Businessowners Program Loss Costs
Project Name/Number: Micro-Businessowners Program Loss Costs/BP-2019-RLC19

General Information

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Created By: Jim Antush Submitted By: Jim Antush
Corresponding Filing Tracking Number: BP-2019-OFR19, BP-2019-RRU19

Filing Description:

This filing introduces loss costs that correspond to the companion Micro-Businessowners Coverage forms filed concurrently

Company and Contact

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Filing Company Information

Washington Surveying and Rating Bureau	CoCode:	State of Domicile: Washington
2101 4th Avenue, Suite 300	Group Code:	Company Type: Rating
Seattle, WA 98121	Group Name:	Organization - Property
(206) 217-9772 ext. [Phone]	FEIN Number: 74-3049163	State ID Number: 1425

Filing Fees

Fee Required? No

Retaliatory? No

Fee Explanation:

State Specific

Is the Co Tracking # field populated on the General Information Tab? (yes/no): Yes

Form Tab Only - Are the Form # and Form Description fields populated corresponding to the attached form? (yes/no): N/A

**COMMERCIAL LINES MANUAL
DIVISION TEN
MICRO-BUSINESSOWNERS
LOSS COST PAGES**

**SECTION VI
MICRO-BUSINESSOWNERS PROGRAM**

**RULE 74.
PREMIUM DEVELOPMENT – MANDATORY
COVERAGES**

Loss Cost (Per \$100)
\$ 0.57

Table 74.B.2.a.(1)(LC) Business Personal Property Loss Cost

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 Retail Sales	\$300/\$600	\$ 49.00	\$ 115.00	\$ 212.00	\$ 361.00
	\$500/\$1,000	53.00	125.00	232.00	394.00
	\$1,000/\$2,000	58.00	137.00	256.00	434.00
	\$2,000/\$4,000	64.00	151.00	283.00	479.00
Direct Retail Sales	\$300/\$600	41.00	91.00	149.00	254.00
	\$500/\$1,000	44.00	99.00	163.00	278.00
	\$1,000/\$2,000	49.00	110.00	181.00	306.00
	\$2,000/\$4,000	54.00	121.00	200.00	339.00
Online Retail Sales	\$300/\$600	12.00	27.00	45.00	78.00
	\$500/\$1,000	13.00	30.00	50.00	87.00
	\$1,000/\$2,000	15.00	34.00	57.00	99.00
	\$2,000/\$4,000	17.00	39.00	66.00	113.00
Services	\$300/\$600	84.00	147.00	225.00	380.00
	\$500/\$1,000	93.00	162.00	249.00	420.00
	\$1,000/\$2,000	104.00	183.00	281.00	473.00
	\$2,000/\$4,000	118.00	207.00	318.00	535.00

**Table 74.B.2.b.(2)(LC) Liability And Medical Expenses
Loss Costs**

**RULE 77.
OPTIONAL COVERAGES**

Loss Cost (Per \$100)
\$ 0.02

**Table 77.B.1.c.(LC) Damage To Premises Rented To
You Loss Cost**

**COMMERCIAL LINES MANUAL
DIVISION TEN
MICRO-BUSINESSOWNERS
LOSS COST PAGES**

**RULE 78.
ENDORSEMENTS**

Loss Cost
\$ 16.71

Table 78.B.1.c.(1)(LC) Retail Endorsement Loss Cost

Theft Deductible	Loss Cost (Per \$100)
\$ 500	\$ 0.725
750	0.721
1,000	0.717

Table 78.B.1.c.(2)(LC) Stock Loss Costs

Loss Cost
\$ 22.71

Table 78.B.2.c.(1)(LC) Service Endorsement Loss Cost

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	\$ 42.00	\$ 138.00	\$ 310.00	\$ 596.00
	2,500	45.00	147.00	330.00	635.00
	1,000	47.00	154.00	345.00	663.00
	500	48.00	156.00	351.00	674.00
	0	49.00	159.00	357.00	685.00
\$300/\$300	5,000	60.00	196.00	440.00	845.00
	2,500	63.00	205.00	460.00	884.00
	1,000	65.00	212.00	475.00	912.00
	500	66.00	214.00	480.00	923.00
	0	67.00	217.00	486.00	934.00
\$500/\$500	5,000	69.00	224.00	502.00	966.00
	2,500	71.00	233.00	523.00	1,004.00
	1,000	73.00	240.00	537.00	1,032.00
	500	74.00	242.00	543.00	1,043.00
	0	75.00	245.00	549.00	1,054.00
\$1,000/\$1,000	5,000	79.00	257.00	575.00	1,106.00
	2,500	81.00	266.00	596.00	1,145.00
	1,000	83.00	272.00	610.00	1,173.00
	500	84.00	275.00	616.00	1,184.00
	0	85.00	277.00	622.00	1,195.00

**Table 78.B.3.g.(1)(LC) Professional Liability
Endorsement Loss Costs**

**COMMERCIAL LINES MANUAL
DIVISION TEN
MICRO-BUSINESSOWNERS
LOSS COST PAGES**

**RULE 79.
TERRORISM**

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

**Table 79.C.2.a.(LC) Business Personal Property
Certified Acts Of Terrorism Coverage Loss Costs**

79. TERRORISM

Territory	TRIA	Full (Post-TRIA)
City of Seattle	.017	.020
Balance of King County, Clark and Thurston Counties	.005	.005
Remainder of State	.001	.001

Table 79.C.2.a.(LC) Business Personal Property Certified Acts Of Terrorism Coverage Loss Costs

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)

Copyright Explanation

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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 $1.024 / 1.017 = \mathbf{1.007}$.

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) x (4) / 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:

- 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.

- 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

- 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.

- 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.

- 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**

- 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
Incurred 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: $(2,116 / 18,000)^{1/2} = \mathbf{0.343}$

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

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

- 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:

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

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:

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

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.

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

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

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

Washington Supplement To The 2019 Micro-Businessowners Program

About This Filing

This supplement provides state exceptions to Section VI of Division Ten – Businessowners which is being introduced to accommodate ISO's new Micro-Businessowners Program. The new multistate loss costs correspond to companion Businessowners multistate forms filing BP-2019-OFR19 and rules filing BP-2019-RRU19.

New Loss Costs

We are introducing a state exception to:

- ◆ 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)

Background

In the multistate section of this filing, we are introducing Section VI to the Division Ten Businessowners manual to provide loss costs related to the Micro-Businessowners Coverage form BP 00 04 and related multistate endorsements which are being introduced in companion filing BP-2019-OFR19.

Explanation of Changes

Rule 79. Terrorism

In the Businessowners Terrorism Supplement to the Commercial Lines Manual, the Business Personal Property Certified Acts Of Terrorism Coverage loss costs for Washington are found in a state-specific version of **Table A#.C.2.a.(LC)**. This table was originally derived by applying a factor of **1.20** to the analogous Commercial Property Terrorism loss costs to account for time element coverage, as discussed in filing BP-2009-RPTLC. Since the Micro-Businessowners policy form does not include time element coverage, this loading was removed to

produce the Micro-Businessowners **Table 79** loss costs. The relevant Businessowners and Micro-Businessowners loss costs are summarized below.

Territory	Businessowners Table A#.C.2.a.(LC)		Micro-Businessowners Table 79.C.2.a.(LC)	
	TRIA	Full (Post-TRIA)	TRIA	Full (Post-TRIA)
City of Seattle	.020	.024	.017	.020
Balance of King County, Clark and Thurston Counties	.006	.006	.005	.005
Remainder of State	.001	.001	.001	.001

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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.

Exhibit of New Loss Costs

74. PREMIUM DEVELOPMENT – MANDATORY COVERAGES

<u>Loss Cost (Per \$100)</u>
\$ 0.57

Table 74.B.2.a.(1)(LC) Business Personal Property Loss Cost

<u>Rating Group</u>	<u>Per Occurrence Limit/Aggregate Limit (\$000s)</u>	<u>Annual Gross Sales Range</u>			
		<u>\$0 – \$50,000</u>	<u>\$50,001 – \$100,000</u>	<u>\$100,001 – \$250,000</u>	<u>\$250,001 – \$500,000</u>
<u>Artisan Manufacturing Retail Sales</u>	<u>\$300/\$600</u>	\$ 49.00	\$ 115.00	\$ 212.00	\$ 361.00
	<u>\$500/\$1,000</u>	53.00	125.00	232.00	394.00
	<u>\$1,000/\$2,000</u>	58.00	137.00	256.00	434.00
	<u>\$2,000/\$4,000</u>	64.00	151.00	283.00	479.00
<u>Direct Retail Sales</u>	<u>\$300/\$600</u>	41.00	91.00	149.00	254.00
	<u>\$500/\$1,000</u>	44.00	99.00	163.00	278.00
	<u>\$1,000/\$2,000</u>	49.00	110.00	181.00	306.00
	<u>\$2,000/\$4,000</u>	54.00	121.00	200.00	339.00
<u>Online Retail Sales</u>	<u>\$300/\$600</u>	12.00	27.00	45.00	78.00
	<u>\$500/\$1,000</u>	13.00	30.00	50.00	87.00
	<u>\$1,000/\$2,000</u>	15.00	34.00	57.00	99.00
	<u>\$2,000/\$4,000</u>	17.00	39.00	66.00	113.00
<u>Services</u>	<u>\$300/\$600</u>	84.00	147.00	225.00	380.00
	<u>\$500/\$1,000</u>	93.00	162.00	249.00	420.00
	<u>\$1,000/\$2,000</u>	104.00	183.00	281.00	473.00
	<u>\$2,000/\$4,000</u>	118.00	207.00	318.00	535.00

Table 74.B.2.b.(2)(LC) Liability And Medical Expenses Loss Costs

77. OPTIONAL COVERAGES

<u>Loss Cost (Per \$100)</u>
\$ 0.02

Table 77.B.1.c.(LC) Damage To Premises Rented To You Loss Cost

78. ENDORSEMENTS

<u>Loss Cost</u>
\$ 16.71

Table 78.B.1.c.(1)(LC) Retail Endorsement Loss Cost

<u>Theft Deductible</u>	<u>Loss Cost (Per \$100)</u>
\$ 500	\$ 0.725
750	0.721
1,000	0.717

Table 78.B.1.c.(2)(LC) Stock Loss Costs

<u>Loss Cost</u>
\$ 22.71

Table 78.B.2.c.(1)(LC) Service Endorsement Loss Cost

<u>Per Occurrence Limit/Aggregate Limit (\$000s)</u>	<u>Deductible</u>	<u>Annual Gross Sales Range</u>			
		<u>\$0 – \$50,000</u>	<u>\$50,001 – \$100,000</u>	<u>\$100,001 – \$250,000</u>	<u>\$250,001 – \$500,000</u>
<u>\$100/\$100</u>	\$ 5,000	\$ 42.00	\$ 138.00	\$ 310.00	\$ 596.00
	2,500	45.00	147.00	330.00	635.00
	1,000	47.00	154.00	345.00	663.00
	500	48.00	156.00	351.00	674.00
	0	49.00	159.00	357.00	685.00
<u>\$300/\$300</u>	5,000	60.00	196.00	440.00	845.00
	2,500	63.00	205.00	460.00	884.00
	1,000	65.00	212.00	475.00	912.00
	500	66.00	214.00	480.00	923.00
	0	67.00	217.00	486.00	934.00
<u>\$500/\$500</u>	5,000	69.00	224.00	502.00	966.00
	2,500	71.00	233.00	523.00	1,004.00
	1,000	73.00	240.00	537.00	1,032.00
	500	74.00	242.00	543.00	1,043.00
	0	75.00	245.00	549.00	1,054.00
<u>\$1,000/\$1,000</u>	5,000	79.00	257.00	575.00	1,106.00
	2,500	81.00	266.00	596.00	1,145.00
	1,000	83.00	272.00	610.00	1,173.00
	500	84.00	275.00	616.00	1,184.00
	0	85.00	277.00	622.00	1,195.00

Table 78.B.3.g.(1)(LC) Professional Liability Endorsement Loss Costs

79. TERRORISM

<u>Territory</u>	<u>TRIA</u>	<u>Full (Post-TRIA)</u>
Entire State	.001	.001

Table 79.C.2.a.(LC) Business Personal Property Certified Acts Of Terrorism Coverage Loss Costs

79. TERRORISM

<u>Territory</u>	<u>TRIA</u>	<u>Full (Post-TRIA)</u>
City of Seattle	<u>.017</u>	<u>.020</u>
Balance of King County, Clark and Thurston Counties	<u>.005</u>	<u>.005</u>
Remainder of State	<u>.001</u>	<u>.001</u>

Table 79.C.2.a.(LC) Business Personal Property Certified Acts Of Terrorism Coverage Loss Costs