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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?

Compliance Department
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Seattle, WA 98121

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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 Rules		
Project Name/Number:	Micro-Businessowners Program Rules/BP-2019-RRU19		

Filing at a Glance

Company:	Washington Surveying and Rating Bureau
Product Name:	Micro-Businessowners Program Rules
State:	Washington
TOI:	05.0 CMP Liability and Non-Liability
Sub-TOI:	05.0002 Businessowners
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Author(s):	Jim Antush
Reviewer(s):	Dan Forsman (primary)
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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 Rules
Project Name/Number: Micro-Businessowners Program Rules/BP-2019-RRU19

General Information

Project Name: Micro-Businessowners Program Rules

Project Number: BP-2019-RRU19

Reference Organization:

Reference Title:

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Company Status Changed: 02/06/2020

Deemer Date:

Submitted By: Jim Antush

Filing Description:

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

Company and Contact

Filing Contact Information

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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

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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**

**SECTION VI
MICRO-BUSINESSOWNERS PROGRAM**

**RULE 61.
APPLICATION OF SECTION VI – MICRO-
BUSINESSOWNERS PROGRAM**

A. Coverages

The Micro-Businessowners Program provides both business personal property and liability coverages for eligible risks. Separate property and liability rates are provided for the mandatory coverages. Endorsements may be added for additional charges where indicated.

B. Policy

The rules, forms and classifications in Section VI constitute the entire Micro-Businessowners Program and must not be amended except as specifically permitted in accordance with these rules or as filed by the company.

C. State Exceptions

Refer to the state exceptions for any exception to the rules in this Section.

D. Company Rates/ISO Loss Costs

1. Definition

This Section contains either ISO loss costs or individual company rates. A loss cost is that portion of the premium which covers only losses and the costs associated with settling losses.

2. Company Rates

All rules in this Section are designed to be utilized with rates. All references in the rules to rates and/or premiums (including base premiums) shall be interpreted to mean those established by the individual insurance company.

3. Loss Cost Conversion

Each insurance company must provide manualholders with either its own rates or with procedures to convert ISO loss costs to rates and/or premiums. If an insurer provides its own rates, use them in place of the ISO loss costs in this Section. If an insurer does not provide its own rates, manualholders must convert ISO loss costs in this Section to rates and/or premiums before applying any of the rules. Refer to the company for special instructions, including rounding procedures, on how to do this.

E. Statistical Codes

Refer to the Businessowners Module of the Commercial Statistical Plan for statistical codes.

**RULE 62.
REFERRALS TO COMPANY**

Refer to the company for:

- A.** Rating or classifying any risk or exposure for which there is no manual rate or applicable classification.
- B.** Any applicable rating plan modification.
- C.** Situations where liability increased limits are provided and the risk is reinsured on a facultative basis.

The following rating procedure is available for the determination of the applicable premium:

- 1.** Manual rules and rates shall apply to the portion of the limits of liability retained by the company.
- 2.** For limits of liability obtained by means of facultative reinsurance, the premium shall be the facultative cost for such insurance increased by a charge up to but not exceeding 50% of the facultative cost. The charge shall not be inadequate, excessive or unfairly discriminatory.

- D.** Situations where property coverage or a portion of coverage is reinsured on a facultative basis.

The following rating procedure is available for the determination of the applicable premium:

- 1.** Manual rules and rates shall apply to the portion of the limit of insurance retained by the company.
- 2.** For any portion of the Limit of Insurance obtained by means of facultative reinsurance, the premium shall be the facultative cost for such coverage, increased by a charge up to but not exceeding 50% of the facultative cost. The charge shall not be inadequate, excessive or unfairly discriminatory.

With respect to premium developed in accordance with Paragraphs C. and D.2., the company is responsible for maintaining complete files, including all details relating to selection of the premium charge.

Whenever a risk is rated on a refer-to-company basis, each company is responsible for complying with regulatory or statutory rate filing or disclosure requirements.

**COMMERCIAL LINES MANUAL
DIVISION TEN
MICRO-BUSINESSOWNERS**

**RULE 63.
POLICY TERM**

- A. The Micro-Businessowners Policy may be written for a period of one year and may be renewed on an annual basis.
- B. A policy may be renewed by renewal certificate. When a renewal certificate is used, it must conform to current rules, rates and forms at the time of renewal.
- C. Compute the premium at inception using the rates in effect at that time. At each renewal, compute the premium using the rates in effect at each renewal.

**RULE 64.
FACTORS OR MULTIPLIERS**

Factors or multipliers are to be applied consecutively and not added together unless otherwise specified.

**RULE 65.
ROUNDING PROCEDURE**

- A. **Rates**
Round rates, factors and multipliers after the final calculation to three decimal places. Five tenths or more of a mil shall be considered one mil, for example, .1245 = .125.
- B. **Premium**
Round the premium for each coverage for which a separate premium is calculated to the nearest whole dollar. Round a premium involving \$.50 or over to the next higher whole dollar.

**RULE 66.
POLICYWRITING MINIMUM PREMIUM**

Refer to company for policywriting minimum premium.

**RULE 67.
ADDITIONAL PREMIUM CHANGES**

- A. **Calculation Of Premium**
 - 1. Prorate all changes requiring additional premium.
 - 2. Compute additional premium for any changes made after policy inception by using the rates in effect as of the date of the change.

The additional premium developed is in addition to any applicable policywriting minimum premium.

B. Waiver Of Premium

Refer to company for the additional premium amounts to be waived. This waiver applies only to that portion of the company premium due on the effective date of the policy change.

C. New Rates

Because of materially changed conditions, an existing rate may be inequitable. If so, a new rate may be established and policies in force may be changed. The effective date of the new rate is the date the company receives notification of the changed conditions.

A policy endorsed to take advantage of a liberalized form shall be further endorsed to reflect all current rules, rates and forms.

**RULE 68.
RETURN PREMIUM CHANGES**

A. Premium Computation

- 1. Compute return premium at the rates used to calculate the policy premium.
- 2. Compute return premium pro rata and round to the next higher whole dollar when any coverage or exposure is deleted or a limit of insurance is reduced. Retain the policywriting minimum premium.

B. Waiver Of Premium

Refer to company for return premium amounts to be waived. Grant any return company premium if requested by the insured. This waiver applies only to that portion of the premium due on the effective date of the policy change.

C. New Rates

Because of materially changed conditions, an existing rate may be inequitable. If so, a new rate may be established and policies in force may be changed. The effective date of the new rate is the date the company receives notification of the changed conditions.

A policy endorsed to take advantage of a reduced rate or liberalized form shall be further endorsed to reflect all current rules, rates and forms.

D. Deletion Of Mandatory Coverage

Deletion of a mandatory coverage is not permitted unless the entire policy is cancelled. Refer to Rule 69.

**COMMERCIAL LINES MANUAL
DIVISION TEN
MICRO-BUSINESSOWNERS**

**RULE 69.
POLICY CANCELLATION**

A. Pro Rata Cancellation

Compute return premium pro rata and round to the next higher whole dollar when a policy is cancelled at the company's request.

B. Fully Earned Premium

The premium will be deemed fully earned when a policy is cancelled at the first Named Insured's request.

**RULE 70.
RESTRICTIONS OF COVERAGE OR INCREASED RATE**

Policies may be issued with special restrictions or at increased premium if:

- A.** The insured agrees in writing; and
- B.** The policy would not be written otherwise.

**RULE 71.
MANDATORY FORMS, COVERAGE AND LIMITS**

A. Mandatory Coverages

The Micro-Businessowners Policy must be written to provide:

- 1. Coverage on all Business Personal Property.
- 2. Business Liability Insurance.

B. Forms

Micro-Businessowners Coverage Form BP 00 04

1. Property Coverage

Business Personal Property for direct physical loss or damage is provided.

2. Liability And Medical Expenses Coverage

Liability and Medical Expenses Coverage is provided on a comprehensive occurrence basis for all operations. Coverage includes bodily injury, property damage, medical expenses (subject to an additional "per person" limit), personal and advertising injury and Tenant's Fire Liability Coverage (subject to a separate limit).

3. Limits Of Insurance

- a.** Liability and Medical Expenses Coverage is provided at a basic limit of insurance of \$300,000 per occurrence which may be increased to either \$500,000, \$1,000,000 or \$2,000,000. An aggregate limit of twice the per occurrence limit applies.
- b.** An aggregate limit of twice the Liability and Medical Expenses limit applies to the products/completed operations hazard.

c. Tenant's Fire Liability Coverage is provided at a basic limit of \$50,000 and is a separate limit. This limit may be increased and should be indicated in the Declarations. Refer to Rule **77.B.** for increased limits options.

d. A "per person" Medical Expenses limit of \$5,000 applies which may be increased to \$10,000. This limit may be shown in the Declarations. Refer to Rule **77.B.** for increased limits options.

**C. Micro-Businessowners Policy Declarations
BP DS 20**

Micro-Businessowners Policy Declarations **BP DS 20** may be used when it is necessary to provide additional policywriting information that is not shown on the forms.

**D. Micro-Businessowners Policy Changes
Endorsement BP 22 01**

Micro-Businessowners Policy Changes Endorsement **BP 22 01** may be used to describe policy changes.

1. Description

This endorsement may be used to describe policy changes. Specifically, this endorsement is used to change the following items of a policy:

- a.** Insured's Name;
- b.** Insured's Address;
- c.** Policy Number;
- d.** Company;
- e.** Effective/Expiration Date;
- f.** Insured's Legal Status/Business of Insured;
- g.** Payment Plan;
- h.** Premium Determination;
- i.** Additional Interested Parties;
- j.** Coverage Forms and Endorsements;
- k.** Limits/Exposures;
- l.** Deductibles;
- m.** Covered Property/Located Description;
- n.** Classification/Class Codes;
- o.** Rates; or
- p.** Underlying Insurance.

2. Endorsement

Use Endorsement **BP 22 01.**

**COMMERCIAL LINES MANUAL
DIVISION TEN
MICRO-BUSINESSOWNERS**

**RULE 72.
FORMS PORTFOLIO REFERENCE**

Refer to the forms portfolio for information on:

- A.** Sample forms; and
- B.** Applicability and edition dates of forms in each jurisdiction.

**RULE 73.
ELIGIBILITY**

A. Eligible Operations

The following are eligible operations for the Micro-Businessowners Program subject to the criteria listed below. Specific classes within these groups are further defined and listed in the Micro-Businessowners Classification Table in Paragraph **C**.

Unless otherwise noted eligible operations may not exceed \$500,000 in annual gross sales or four employees, including owner, and with respect to Paragraphs **A.1.**, **A.2.** and **A.3.**, must occur in-home, at a shared space, at a temporary commercial location or at a mobile space (such as a kiosk or cart).

1. Artisan Manufacturing (Retail Sales)

Businesses selling eligible craft/food products. Artisan Manufacturing classes are subject to the following additional eligibility requirements:

- a.** Food products must be prepared or manufactured in either a commercially certified kitchen, cottage food kitchen or equivalent in-home kitchen in accordance with state and local regulations.
- b.** Products may be sold by Direct Retail Sales or Online Retail Sales.
- c.** No more than 10% of annual gross sales may be derived from other Micro-Businessowners eligible operations.

2. Direct Retail Sales

Businesses selling eligible products directly to customers. Direct Retail Sales classes may not have more than 10% of annual gross sales derived from other Micro-Businessowners eligible operations.

3. Online Retail Sales

Businesses selling eligible products through online transactions. Online Retail Sales classes may not have more than 10% of annual gross sales derived from other Micro-Businessowners eligible operations.

4. Service

Businesses involved in eligible services. Service classes are subject to the following additional eligibility requirements:

- a.** No more than 10% of annual gross sales may be derived from other Micro-Businessowners eligible operations.
- b.** Food products must be prepared or manufactured in either a commercially certified kitchen, cottage food kitchen or equivalent in-home kitchen in accordance with state and local regulations.

5. Definitions

- a.** A shared space is a single location occupied by two or more businesses with no permanent walls separating businesses.
- b.** A temporary commercial location is a single location occupied for 90 consecutive days or less.
- c.** A commercially certified kitchen is a kitchen that is inspected and licensed based on local health department regulations.

B. Ineligible Operations

1. General

- a.** Risks operating out of a commercial space that is owned or leased by the insured for a period of over 90 consecutive days. This does not include a shared space that is leased by the insured for eligible operations as specified in Paragraph **A**.
- b.** Renting or leasing equipment to others.
- c.** Sales of alcohol.
- d.** Any operation not specifically listed in the Micro-Businessowners Class Table.

2. Artisan Manufacturing

Manufacturing of personal care products such as shampoo, hair color, soap, perfume or other like items applied to the body or consumed.

3. Online Sales

Wholesale distribution.

4. Service

- a.** Licensed building contractors.
- b.** Risks who utilize any subcontracted work.
- c.** Automobile repair.

**COMMERCIAL LINES MANUAL
DIVISION TEN
MICRO-BUSINESSOWNERS**

**RULE 73.
ELIGIBILITY (Cont'd)**

C. Micro-Businessowners Classification Table

This Classification Table provides an alphabetical listing of classification and rating information for businesses eligible for the Micro-Businessowners Program. For each eligible class, there is a Description, Class Code, Standard Industrial Classification (SIC) Code and North American Industry Classification System (NAICS) Code. Any asterisks (*) in the SIC Code or NAICS Code columns indicate that there could be more than one SIC Code or NAICS Code applied.

Artisan Manufacturing (Retail Sales)				
Description	Class Code	SIC Code	2017 NAICS Code	Liability Hazard Group (Low/Medium/High)
Baking	78407	5461	311811	High
Clothing and Accessories	78411	23**	315210	Low
Gifts and Home Décor	78433	Various	Various	Low
Jewelry	78446	3961*	339910	Low
Pet Supplies	78463	Various	Various	Low

Table 73.C.#1 Artisan Manufacturing (Retail Sales)

Direct Retail Sales				
Description	Class Code	SIC Code	2017 NAICS Code	Liability Hazard Group (Low/Medium/High)
Art Dealers	78404	5999	453920	Low
Clothing and Accessories	78412	5963	454390	Low
Consignment Shops	78417	5693	454390	Low
Cosmetics	78419	5963	454390	Medium
Gifts and Home Décor	78434	5963	454390	Low
Grocery Specialties	78438	5411	454390	Medium
Jewelry	78444	5963	454390	Low
Pet Supplies	78464	5963	454930	Low
Snacks or Non-alcoholic Drinks	78472	5812	722515	Medium

Table 73.C.#2 Direct Retail Sales

Online Retail Sales				
Description	Class Code	SIC Code	2017 NAICS Code	Liability Hazard Group (Low/Medium/High)
Clothing and Accessories	78413	5961	454110	Low
Consignment Shops	78418	5961	454110	Low
Cosmetics	78420	5961	454110	Medium
Gifts and Home Décor	78435	5961	454110	Low
Grocery Specialties	78439	5961	454110	Medium
Jewelry	78445	5961	454110	Low
Pet Supplies	78465	5961	454110	Low

Table 73.C.#3 Online Retail Sales

**COMMERCIAL LINES MANUAL
DIVISION TEN
MICRO-BUSINESSOWNERS**

**RULE 73.
ELIGIBILITY (Cont'd)**

Service					
Description	Class Code	SIC Code	2017 NAICS Code	Liability Hazard Group (Low/Medium/High)	Professional Liability Hazard Group (Low/High)
Accounting Services	78400	8721	54121*	Low	High
Acting or Musicians, Freelance	78401	7929	711***	Medium	Low
Appraisal Services	78402	8999	541990	Medium	High
Aquarium Cleaning Services	78403	0752	812910	Medium	Low
Artist, Freelance	78405	8999	711510	Low	Low
Auctioneer, Independent	78406	7389	561990	Low	High
Building Inspections	78408	7389	541350	Medium	High
Catering	78409	5812	722320	High	High
Clothing Alterations	78410	7219	811490	Low	Low
Coffee Cart Services	78414	5963	722330	Medium	Low
Computer Repair	78415	7378	811212	Low	Low
Concession Stand Food Contractor	78416	5812	722310	High	Low
Data Entry Services	78421	7374	518210	Low	High
Dietitian	78422	8049	621399	High	High
Disc Jockey	78423	7929	711510	Low	Low
Document Preparation Services	78424	73**	561410	Low	High
Drafting	78425	7389	541340	Low	High
Editorial Services	78426	7389	561410	Low	High
Estate Sale Management	78427	7299	561990	Low	High
Event Performance, Freelance	78428	7929	711510	Medium	Low
Event Planning	78429	7299	812990	Medium	High
Fitness Instruction	78430	7299	812990	High	Low
Furniture Repair	78431	4581	811420	Medium	Low
Genealogy Investigation	78432	7299	812990	Low	High
GIS and Mapping Services	78436	1081	541360	Low	High
Graphic Design Services	78437	7336	541430	Low	High
Hair Services	78440	72**	81211*	High	Low
House Cleaning	78441	7349	561720	Medium	Low
House Sitting	78442	7299	812990	Medium	Low
Interior Design Services	78443	7389	541410	Medium	High
Job Recruiter	78447	7361	561312	Low	High
Key Duplication	78448	7699	811490	Low	Low
Language Instruction	78449	8299	611630	Low	Low

**COMMERCIAL LINES MANUAL
DIVISION TEN
MICRO-BUSINESSOWNERS**

**RULE 73.
ELIGIBILITY (Cont'd)**

Service					
Description	Class Code	SIC Code	2017 NAICS Code	Liability Hazard Group (Low/Medium/High)	Professional Liability Hazard Group (Low/High)
Lawn and Yard Maintenance (No pesticide or herbicide applications)	78450	0782	561730	Medium	Low
Life/Career Coaching	78451	8299	611430	Low	High
Local Delivery	78452	4215	492210	Low	Low
Locksmith	78453	7699	561622	Low	Low
Makeup Services	78454	72**	81211*	High	Low
Marketing and Social Media Services	78455	7311	541810	Low	High
Masseuse (Licensed)	78456	8049	621399	High	Low
Music Lessons	78457	8299	611610	Medium	Low
Office Machine Repair	78458	7629	811212	Low	Low
Personal Concierge/Assistant	78459	7299	812990	Medium	High
Personal Organization	78460	7299	812990	Low	Low
Personal Shopping	78461	7299	812990	Low	Low
Pet Grooming	78462	0752	812910	Medium	Low
Pet Walking and Sitting	78466	0752	812910	High	Low
Photo Booth Rental	78467	7999	812990	Medium	Low
Photography	78468	7335	541922	Medium	Low
Resumé Writing Services	78470	7389	561410	Low	High
Shoe Shine and Repair	78471	7251	812990	Low	Low
Sports Coach (Amateur)	78473	7999	611620	High	High
Taxidermist	78474	8999	711510	Low	Low
Translation or Interpretation Services	78475	7389	541930	Low	High
Travel Planning	78476	4724	561510	Low	High
Tutoring and Exam Prep	78477	8299	611691	Low	High
Watch and Jewelry Repair	78478	7631	811490	Medium	Low
Wedding Officiant	78479	7299	561990	Low	High
Window Display Decorating	78480	7311	541810	Medium	Low
Writing, Freelance	78481	8999	711510	Low	Low
Yoga Instruction	78482	7299	812990	High	Low

Table 73.C.#4 Service

**COMMERCIAL LINES MANUAL
DIVISION TEN
MICRO-BUSINESSOWNERS**

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

A. General Rules

1. All loss costs and premiums referred to in this division are for an annual period.
2. Compute premium separately for mandatory property and liability coverages.
3. For mandatory Business Personal Property coverage, the rates apply per \$100 of the limit of insurance.
4. For mandatory liability coverage, the rates are based on ranges of annual gross sales.

B. Premium Determination

1. Risk Classification

Refer to Rule **73.C.** to obtain:

- a. Classification descriptions and codes;
- b. The rating group of Artisan Manufacturing (Retail Sales), Direct Retail Sales, Online Retail Sales or Service;
- c. The Liability Hazard Group assignment applicable to the classification.

2. Premium Determination

a. Business Personal Property

- (1) Business Personal Property coverage is available at limits between \$2,500 and \$25,000. Refer to Table **74.B.2.a.(1)(LC)** to determine the Business Personal Property base loss cost.
- (2) If an optional deductible of \$500 is selected, multiply the loss cost from Paragraph **B.2.a.(1)** by the Property Deductible Option Factor from Table **75.** to determine the Business Personal Property rate. If no optional deductible is selected, the Business Personal Property rate is the Business Personal Property base loss cost.
- (3) Multiply the Business Personal Property rate determined in Paragraph **B.2.a.(2)** by the Business Personal Property limit of insurance (per \$100) to determine the Business Personal Property premium.

b. Liability And Medical Expenses

- (1) Determine the range of annual gross sales applicable to the insured's business. If the business is new and annual gross sales are unknown, select the \$0 – \$50,000 range.

- (2) Select the loss cost from Table **74.B.2.b.(2)(LC)** based on the rating group, range of annual gross sales, and per occurrence/aggregate limits applicable to the policy.
- (3) Multiply the loss cost determined in Paragraph **B.2.b.(2)** by the applicable Liability Hazard Group Factor from Table **74.B.2.b.(3)** to determine the Liability and Medical Expenses premium.

Liability Hazard Group	Factor
Low	1.00
Medium	1.20
High	1.50

Table 74.B.2.b.(3) Liability Hazard Group Factors

- (4) For Artisan Manufacturing classes, if sales are primarily conducted through online transactions with no more than 10% of annual gross sales derived from direct selling, multiply the premium determined in Paragraph **B.2.b.(3)** by the Artisan Manufacturing Online Sales Factor from Table **74.B.2.b.(4).**

Factor
0.305

Table 74.B.2.b.(4) Artisan Manufacturing Online Sales Factor

**RULE 75.
DEDUCTIBLES**

A \$250 per occurrence base property deductible is contemplated for all causes of loss and may be shown in the Declarations. This deductible may be increased to \$500 and must be indicated in the Declarations. If this optional deductible is selected, refer to Table **75.** to obtain the deductible factor.

Deductible	Factor
\$ 500	0.952

Table 75. \$500 Property Deductible Option Factor

**RULE 76.
RESERVED FOR FUTURE USE**

**COMMERCIAL LINES MANUAL
DIVISION TEN
MICRO-BUSINESSOWNERS**

**RULE 77.
OPTIONAL COVERAGES**

The following optional coverages are included in Micro-Businessowners Coverage Form **BP 00 04** (except as noted) and are activated by entry in the Declarations:

A. Property Coverages

Electronic Data

1. Description

Electronic data is Property Not Covered, except as provided under this Additional Coverage, which provides coverage for the cost to replace or restore electronic data that has been destroyed or corrupted by a Covered Cause Of Loss. Coverage is subject to an annual aggregate limit of \$1,000, which may be increased. The aggregate limit is the maximum payable in any one policy year, regardless of the number of occurrences of loss or damage or the number of computer systems involved.

2. Premium Determination

Develop the additional premium for Electronic Data Coverage by multiplying the Business Personal Property rate determined in Rule **74.B.2.a.(2)** by the applicable factor shown in Table **77.A.2**. Multiply the result by the applicable limit of insurance (per \$100) in excess of \$1,000.

Factor
0.500

Table 77.A.2. Electronic Data Factor

B. Liability And Medical Expenses Coverage

1. Damage To Premises Rented To You

a. Description

Coverage is automatically provided in the Liability Section of the Micro-Businessowners Coverage Form for Damage To Premises Rented To You insurance subject to a basic limit of \$50,000.

b. Optional Higher Limits Of Insurance

The \$50,000 limit may be increased to an amount not to exceed \$1,000,000.

c. Premium Determination

Develop the additional premium by multiplying the loss cost shown in Table **77.B.1.c.(LC)** by the limit of insurance (per \$100) in excess of \$50,000.

2. Optional Per Person Medical Expenses Limit

a. Description

Medical Expenses coverage is automatically provided in the Liability Section of the Micro-Businessowners Coverage Form subject to an occurrence and aggregate limit as well as a "per person" limit of \$5,000.

b. Optional Higher Limits Of Insurance

The \$5,000 limit may be increased to \$10,000. This limit may be shown in the Declarations.

c. Premium Determination

Develop the additional premium by multiplying the Liability and Medical Expenses premium determined in Rule **74.B.2.b.(3)** by the factor shown in Table **77.B.2.c**. The result is the additional premium for selecting the \$10,000 limit medical payments option.

Factor
0.020

Table 77.B.2.c. \$10,000 Limit Per Person Medical Expenses Factor

**RULE 78.
ENDORSEMENTS**

The following endorsements may be attached to the Micro-Businessowners Policy:

A. Liability Endorsements

1. Micro-Businessowners Abuse Or Molestation Exclusion

a. Description

This endorsement amends Micro-Businessowners Liability Coverage by excluding abuse or molestation by anyone of any person while in the care, custody or control of any insured.

b. Endorsement

Use Micro-Businessowners Abuse Or Molestation Exclusion Endorsement **BP 21 01**.

c. Premium Determination

Refer to company.

2. Micro-Businessowners Employment-related Practices Exclusion Endorsement

a. Description

This endorsement amends Micro-Businessowners Liability Coverage by excluding bodily injury and personal and advertising injury arising out of employment-related practices.

b. Endorsement

Use Micro-Businessowners Employment-related Practices Exclusion Endorsement **BP 21 02**.

c. Premium Determination

Refer to company.

**COMMERCIAL LINES MANUAL
DIVISION TEN
MICRO-BUSINESSOWNERS**

**RULE 78.
ENDORSEMENTS (Cont'd)**

3. Micro-Businessowners Professional Services Exclusion Endorsement

a. Description

This endorsement amends Micro-Businessowners Liability Coverage by excluding bodily injury, property damage and personal and advertising injury arising out of the rendering or failure to render professional services.

b. Endorsement

Use Micro-Businessowners Professional Services Exclusion Endorsement **BP 21 03**.

c. Premium Determination

Refer to company.

B. Endorsements Applicable To Specific Classes

Policies covering eligible Micro-Businessowners risks may contain one or more of the following endorsements:

**1. Micro-Businessowners Retail Endorsement
BP 20 01**

a. Description

This endorsement amends the Micro-Businessowners Policy to provide coverage for insureds involved in direct or online retail sales or artisan manufacturing. It provides coverage for stock and adds theft as a covered cause of loss. It also includes as additional insureds 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:

- (1) In connection with the insured's ongoing operations performed for that additional insured; or
- (2) 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.

If required by the contract or agreement, such person(s) or organization(s) may be specifically identified in the Declarations.

b. Endorsement

Use Micro-Businessowners Retail Endorsement **BP 20 01**.

c. Premium Determination

- (1) Refer to Table **78.B.1.c.(1)(LC)** to determine the base loss cost for this endorsement.
- (2) If a stock limit of insurance is entered in the Schedule, select the stock loss cost from Table **78.B.1.c.(2)(LC)** that corresponds to the theft deductible entered in the Declarations.
- (3) Multiply the stock limit of insurance (per \$100) by the loss cost determined in Paragraph **B.1.c.(2)** to determine the additional premium for stock.
- (4) Add the results of Paragraph **B.1.c.(1)** and Paragraph **B.1.c.(3)** to determine the total premium for this endorsement.

**2. Micro-Businessowners Service Endorsement
BP 20 02**

a. Description

This endorsement amends the Micro-Businessowners Policy to provide coverage for insureds involved in the service industry. It adds theft as a covered cause of loss with respect to property of others that is in the insured's care, custody or control. Reward Payment and Key And Lock Replacement Additional Coverages are also provided. It also includes as additional insureds 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:

- (1) In connection with the insured's ongoing operations performed for that additional insured; or
- (2) 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.

If required by the contract or agreement, such person(s) or organization(s) may be specifically identified in the Declarations.

b. Endorsement

Use Micro-Businessowners Service Endorsement **BP 20 02**.

**COMMERCIAL LINES MANUAL
DIVISION TEN
MICRO-BUSINESSOWNERS**

**RULE 78.
ENDORSEMENTS (Cont'd)**

c. Premium Determination

- (1) Refer to Table **78.B.2.c.(1)(LC)** to determine the base loss cost for this endorsement.
- (2) Multiply the total Business Personal Property premium determined in Rule **74.B.2.a.(3)** by the factor from Table **78.B.2.c.(2)** to determine the additional premium for theft coverage for property of others that is in the insured's care, custody, or control.

Factor
0.022

Table 78.B.2.c.(2) Property Of Others Theft Factor

- (3) For classes listed in Table **78.B.2.c.(3)**, multiply the total Liability and Medical Expenses premium determined in Rule **74.B.2.b.(3)** by the applicable factor from the table to determine the additional premium for animals in the insured's care, custody, or control.

Class Code	Class Description	Factor
78403	Aquarium Cleaning Services	0.05
78462	Pet Grooming	0.05
78466	Pet Walking and Sitting	0.05

Table 78.B.2.c.(3) Animals Factor

- (4) Add the results of Paragraphs **B.2.c.(1)** through Paragraphs **B.2.c.(3)** to determine the total premium for this endorsement.

3. Micro-Businessowners Professional Liability Endorsement BP 22 02

a. Description

This endorsement provides coverage with respect to liability for claims made as a result of wrongful acts which occur in the rendering of or failure to render professional services described in the Schedule. Coverage is provided on a claims-made and reported basis. Defense is within limits. This coverage is available for insureds involved in the service industry.

b. Endorsement

Use Micro-Businessowners Professional Liability Endorsement **BP 22 02**.

c. Retroactive Date

- (1) The Retroactive Date is a specific date entered in the Schedule of the endorsement. Any wrongful act which occurred prior to the Retroactive Date is not covered, even if a claim for such wrongful act is first made during the policy period, the Basic Extended Reporting Period or the Supplemental Extended Reporting Period (if purchased).
- (2) If "None" is entered in the Schedule of the endorsement, there is no Retroactive Date. In such case, coverage may be afforded for wrongful acts occurring prior to the inception date of the policy.

d. Basic Extended Reporting Period

- (1) If the circumstances related to cancellation or nonrenewal of coverage specified in the Extended Reporting Periods Condition of the endorsement are met, a Basic Extended Reporting Period is automatically provided at no additional charge. This period starts with the end of the policy period and lasts for 30 days.
- (2) The Basic Extended Reporting Period does not apply to claims that are covered under subsequent insurance purchased or to claims that would be covered but for the exhaustion of the aggregate limit of insurance applicable to such claims.
- (3) There is no separate or additional aggregate limit of insurance for the Basic Extended Reporting Period. The limit of insurance available during the Basic Extended Reporting Period shall be the remaining amount, if any, of the Information Security Protection Aggregate Limit of Insurance available at the end of the policy period.

e. Limits Of Insurance

Micro-Businessowners Miscellaneous Professional Liability may be written with an aggregate limit of insurance of \$100,000, \$300,000, \$500,000 or \$1,000,000.

**COMMERCIAL LINES MANUAL
DIVISION TEN
MICRO-BUSINESSOWNERS**

**RULE 78.
ENDORSEMENTS (Cont'd)**

f. Deductible

The deductible will be shown in the Schedule and is available in amounts of \$0, \$500, \$1,000, \$2,500 or \$5,000.

g. Premium Determination

- (1) Select the loss cost from Table **78.B.3.g.(1)(LC)** based on the range of annual gross sales applicable to the insured's business and the per claim/aggregate limits and deductible applicable to this endorsement.
- (2) Refer to Table **73.C.#4** to determine the Professional Liability Hazard Group assignment applicable to the classification.
- (3) Multiply the loss cost determined in Paragraph **B.3.g.(1)** by the applicable Professional Liability Hazard Group Factor from Table **78.B.3.g.(3)** to determine the Professional Liability Endorsement premium.

Liability Hazard Group	Factor
Low	1.00
High	1.35

Table 78.B.3.g.(3) Liability Hazard Group Factors

h. Supplemental Extended Reporting Period

- (1) If the circumstances related to cancellation or nonrenewal of coverage specified in the Extended Reporting Periods Condition of the endorsement are met, an optional Supplemental Extended Reporting Period is available, but only for an additional charge. The Named Insured must request the Supplemental Extended Reporting Period in writing within 30 days after the end of the policy period or the effective date of cancellation, whichever comes first. The Supplemental Extended Reporting Period will begin after the 30-day Basic Extended Reporting Period expires and will last for one year.
- (2) Refer to company for rating. However, the premium charged for the Supplemental Extended Reporting Period may not exceed 1.00 times the annual premium for Endorsement **BP 22 02**.

- (3) There is no separate or additional aggregate limit of insurance for the Supplemental Extended Reporting Period. The limit of insurance available during the Supplemental Extended Reporting Period shall be the remaining amount, if any, of the Micro-Businessowners Professional Liability Limit of Insurance available at the end of the Basic Extended Reporting Period.

**RULE 79.
TERRORISM**

A. Introduction

The "Terrorism Risk Insurance Act" ("TRIA") establishes a program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance industry. Federal participation will be triggered when the Secretary of the Treasury certifies an act of terrorism, in accordance with the provisions of TRIA, to be an act of terrorism pursuant to the Act, provided the terrorist act results in aggregate losses in excess of an amount stated in the Act. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for a percentage of losses (as stated in the Act) in excess of the insurer's retention, which is based on a specified percentage of the insurer's earned premium for the year preceding the loss. Insured losses covered by the Program are capped at \$100 billion per year; this provision serves to limit insurers' liability for losses. If a terrorism event pierces the cap of a given year, insured losses paid (amounts below the cap) under the federal Program may be subject to pro rata allocation in accordance with procedures established by the Treasury. All insurers providing commercial property or casualty insurance are required to participate in the Program to the extent of making available coverage for certified acts of terrorism in accordance with the terms and conditions of coverage.

For all new and renewal business, an insurer must make available to insureds coverage for losses caused by certified acts of terrorism. The insurer must disclose to the policyholder the premium for losses covered, the federal share of compensation for such losses under the Program and the existence of the \$100 billion cap, at the time of offer and renewal of the policy. Refer to Paragraph **C.2.d. Disclosure Of Premium** for information on disclosure forms and federal share percentages by year.

**COMMERCIAL LINES MANUAL
DIVISION TEN
MICRO-BUSINESSOWNERS**

**RULE 79.
TERRORISM (Cont'd)**

B. Coverage Options

1. THE FOLLOWING PARAGRAPHS IN THIS SECTION, B.1., INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO POLICIES THAT BECOME EFFECTIVE WHILE THE TERRORISM RISK INSURANCE PROGRAM IS IN EFFECT. REFER TO PARAGRAPH 2. OF THIS RULE FOR ADDITIONAL INSTRUCTIONS REGARDING THOSE POLICIES THAT WILL CONTINUE PAST THE ANTICIPATED TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM. POLICIES THAT BEGIN IN THE LAST CALENDAR YEAR OF THE FEDERAL PROGRAM MAY REQUIRE THE USE OF TWO ENDORSEMENTS DUE TO THE ANTICIPATED MID-TERM TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

- a.** When coverage for certified acts of terrorism is provided, use Micro-Businessowners Cap On Losses From Certified Acts Of Terrorism Endorsement **BP 23 02**. Coverage for certified acts of terrorism is subject to the statutory cap on liability for losses and subject to the nuclear hazard exclusion and all other underlying policy exclusions. Coverage for acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal Program) is not subject to the statutory cap.
- b.** To provide liability coverage for acts of terrorism (subject to the cap on liability for losses for certified acts of terrorism and subject to underlying policy provisions), **except** those acts committed outside of the jurisdictional boundaries of the federal Program, use Micro-Businessowners Exclusion Of Other Acts Of Terrorism Committed Outside The United States; Cap On Losses From Certified Acts Of Terrorism Endorsement **BP 23 06** in addition to Endorsement **BP 23 02**. The exclusion for acts of terrorism committed outside the United States is subject to a \$25 million threshold (valued in US dollars) for events other than nuclear, biological, chemical or radiological events. For nuclear, biological, chemical or radiological events, no dollar threshold applies.

c. When coverage for certified acts of terrorism is not provided (or is provided with a specific limitation), the following options are available:

- (1)** Exclude coverage for certified acts of terrorism by using Micro-Businessowners Exclusion Of Certified Acts Of Terrorism Endorsement **BP 23 03**. The exclusion does not extend to acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal Program).
- (2)** To exclude all liability losses arising out of certified acts of terrorism and acts of terrorism committed outside the jurisdictional boundaries of the federal Program, use Micro-Businessowners Exclusion Of Certified Acts Of Terrorism And Exclusion Of Other Acts Of Terrorism Committed Outside The United States Endorsement **BP 23 07** in addition to **BP 23 03**. The exclusion for acts of terrorism committed outside the United States is subject to a \$25 million threshold (valued in US dollars) for events other than nuclear, biological, chemical or radiological events. For nuclear, biological, chemical or radiological events committed outside the United States, no dollar threshold applies.
- (3)** Exclude coverage for certified acts of terrorism only when such acts qualify as a nuclear, biological, chemical or radiological terrorism event, and cover other acts of terrorism subject to underlying policy exclusions. Use Micro-Businessowners Exclusion Of Certified Acts Of Terrorism Involving Nuclear, Biological, Chemical Or Radiological Terrorism; Cap On Covered Certified Acts Losses Endorsement **BP 23 04**. Coverage for certified acts of terrorism under this endorsement is subject to the statutory cap on liability for losses provided by the Act. **This option may be offered to the insured, at the insurer's option, only when the insured initially rejects certified acts coverage.**

**COMMERCIAL LINES MANUAL
DIVISION TEN
MICRO-BUSINESSOWNERS**

**RULE 79.
TERRORISM (Cont'd)**

- (4) Limit coverage for certified acts of terrorism by writing coverage:
- (a) Under Section I – Property at a sub-limit (lower limit than the limit that applies to other perils). The sub-limit applies on an annual aggregate basis. Coverage for acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal Program) remains subject to full underlying limits; and
 - (b) Under Section II – Liability subject to a certified acts of terrorism aggregate limit. Coverage for other acts of terrorism remains subject to full underlying limits.
- Use Micro-Businessowners Limitations Of Coverage For Certified Acts Of Terrorism Endorsement **BP 23 05**. **This option may be offered to the insured, at the insurer's option, only when the insured initially rejects certified acts coverage.**
- d. To also exclude punitive damages arising out of a certified act of terrorism when Endorsement **BP 23 02**, **BP 23 04**, **BP 23 05** or **BP 23 06** is attached to a policy, use Micro-Businessowners Exclusion Of Punitive Damages Related To A Certified Act Of Terrorism Endorsement **BP 23 08**.
- e. The exclusions and sub-limit addressed in Paragraph c. do not extend to fire following an act of terrorism, with respect to states which have a Standard Fire Policy (SFP) statute or similar statute prohibiting such exclusion or limitation. Under Endorsements **BP 23 03**, **BP 23 04** and **BP 23 05**, use the Schedule to indicate applicability of the Exception Covering Certain Fire Losses. That Exception is contained in the aforementioned endorsements.
- Refer to the most current Notice To Manualholders in the Businessowners Terrorism Supplement for a chart of SFP status by state and line of business.

- f. The federal Program does not include Canada, and therefore endorsements relating to certified acts of terrorism are not relevant to acts of terrorism occurring in Canada. The federal Program in general encompasses losses that occur within the United States, with State defined in the Act to include U.S. territories and possessions and the commonwealth of Puerto Rico. The coverage territory, with respect to Section I – Property, as addressed in Micro-Businessowners Coverage Form **BP 00 04** is the United States, its territories and possessions, Puerto Rico and Canada. The foregoing is for information only; this rule does not address policywriting outside the aforementioned coverage territory.
2. **THE FOLLOWING PARAGRAPHS, B.2.a. THROUGH B.2.c., INSTRUCT ON THE USAGE OF CONDITIONAL TERRORISM ENDORSEMENT OPTIONS FOR:**
- **POLICIES THAT BECOME EFFECTIVE DURING THE LAST CALENDAR YEAR OF THE FEDERAL PROGRAM, WITH A POLICY TERM THAT EXTENDS PAST THE TERMINATION DATE OF THAT PROGRAM.**
 - **POLICIES WRITTEN TO BECOME EFFECTIVE AFTER THE SCHEDULED TERMINATION DATE OF THE FEDERAL PROGRAM, IF THE DISPOSITION OF SUCH PROGRAM IS UNCERTAIN AT THE TIME THE POLICY IS WRITTEN.**

THESE CONDITIONAL ENDORSEMENTS ARE DESIGNED TO BE USED IN CONJUNCTION WITH (ON THE SAME POLICY AS) THE ENDORSEMENTS DESCRIBED ABOVE AND CAN ALSO BE USED IN THE ABSENCE OF SUCH ENDORSEMENTS. REFER TO PARAGRAPH 3. OF THIS RULE FOR POLICIES THAT BECOME EFFECTIVE AFTER THE TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

The following information is based on a scheduled termination date of December 31, 2020. However, if there is an extension of the federal Program beyond 2020, then the following information would apply instead to the last calendar year enacted via the extension, provided the federal Program will end on a specified date with respect to all policies for this line of business (a so-called hard ending).

**COMMERCIAL LINES MANUAL
DIVISION TEN
MICRO-BUSINESSOWNERS**

**RULE 79.
TERRORISM (Cont'd)**

Policies that become effective on or after January 1, 2020 may not have the federal backstop apply throughout the entire policy period. The following conditional endorsement options provide insurers with tools to address terrorism exposures given the anticipated termination of the federal Program, which may occur during the policy period. The provisions of the conditional endorsement will apply commencing when the federal Program terminates or is extended without "make available" requirements and with certain changes (revised definition of terrorism; or terrorism coverage made subject to terms or conditions different from those that apply to other events; or increase in insurer retention of or participation in losses). **If the aforementioned conditions do not occur, the provisions of the conditional endorsement will not become effective on the policy.**

- a. To exclude terrorism coverage upon the termination of the Federal Terrorism Risk Insurance Program, attach Micro-Businessowners Conditional Exclusion Of Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement **BP 23 09**.
- b. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material) upon the termination of the Federal Terrorism Risk Insurance Program, attach Micro-Businessowners Conditional Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement **BP 23 10**.
- c. To provide coverage for terrorism subject to a Terrorism Aggregate Limit (and subject to underlying policy provisions) upon the termination of the Federal Terrorism Risk Insurance Program, attach Micro-Businessowners Conditional Limitation Of Coverage For Terrorism – Sub-Limit On Annual Aggregate Basis (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement **BP 23 11**.

If this conditional endorsement is used along with terrorism aggregate limit described in Paragraph **B.1**, do **not** enter a Terrorism Aggregate Limit amount for the conditional endorsement. A footnote in the Schedule of the conditional endorsement makes reference to relevant text within the endorsement, which in turn explains how the Terrorism Aggregate applies.

3. THE FOLLOWING PARAGRAPHS, B.3.a. THROUGH B.3.c., INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO:

- **POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN THE TERRORISM RISK INSURANCE PROGRAM HAS TERMINATED;**
- **POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN AN EXTENSION OF THE TERRORISM RISK INSURANCE PROGRAM HAS GONE INTO EFFECT, IF THE PROGRAM WAS EXTENDED WITHOUT MAKE-AVAILABLE REQUIREMENTS AND WITH CERTAIN CHANGES (REVISED DEFINITION OF TERRORISM; OR TERRORISM COVERAGE MADE SUBJECT TO TERMS OR CONDITIONS DIFFERENT FROM THOSE THAT APPLY TO OTHER EVENTS; OR INCREASE IN INSURER RETENTION OF OR PARTICIPATION IN LOSSES).**

- a. To exclude terrorism coverage, attach Micro-Businessowners Exclusion Of Terrorism Endorsement **BP 23 12**.
- b. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Micro-Businessowners Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism Endorsement **BP 23 13**.
- c. To provide coverage for terrorism subject to a Terrorism Aggregate Limit (and subject to underlying policy provisions), attach Micro-Businessowners Limitation Of Coverage For Terrorism – Sub-Limit On Annual Aggregate Basis Endorsement **BP 23 14**.

C. Pricing

1. Rates And Factors For Certified Acts Of Terrorism

Rates for business personal property certified acts of terrorism coverage are provided in Table **79.C.2.a.(LC)**. Factors for liability and medical expenses certified acts of terrorism coverage are provided in Table **79.C.2.b**.

Rates and factors that are identified as:

- a. TRIA rates and factors recognize federal participation in covering losses; and
- b. Full rates and factors reflect the absence of federal participation in losses following termination of the federal Program.

Refer to Paragraph **C.2.c**. for information on prorating.

**COMMERCIAL LINES MANUAL
DIVISION TEN
MICRO-BUSINESSOWNERS**

**RULE 79.
TERRORISM (Cont'd)**

2. Premium Determination

a. Business Personal Property Certified Acts Of Terrorism Coverage

When coverage is provided for certified acts, develop the additional premium for business personal property certified acts of terrorism coverage using business personal property rates from Table **79.C.2.a.(LC)** in the multistate rates. Adjust the rates by applying deductible rate modification factor, refer to Table **75.** for the Optional Deductible Factor. Multiply the adjusted rates by the appropriate limits of insurance in hundreds to obtain the additional premium for certified acts of terrorism coverage.

b. Liability And Medical Expenses Certified Acts Of Terrorism Coverage

Develop the additional premium for liability and medical expenses certified acts of terrorism coverage using liability and medical expenses factors from Table **79.C.2.b.** Multiply the otherwise applicable liability and medical expenses premium by the appropriate factor in Table **79.C.2.b.** to obtain the additional premium for certified acts of terrorism coverage.

Territory	TRIA	Full (Post-TRIA)
Entire State	0.004	0.004

Table 79.C.2.b. Liability And Medical Expenses Certified Acts Of Terrorism Coverage Factors

c. Prorating

(1) When Certified Exclusion And Conditional Exclusion Are Not Used

If rates differ by calendar year, prorate the rate based on the proportion of time the policy is in effect in each calendar year of the federal Program.

For annual policies with a term that begins in the last calendar year of the federal Program and extends into the following year, prorate the rate using applicable TRIA and Full rates, based on the proportion of time the policy will be in effect before and after the Program's termination. If such a policy is rated prior to a Congressional decision on extension of the federal Program, the insurer may:

- (a)** Prorate as indicated above, based on the federal Program's anticipated termination date. If the federal Program is extended, recalculate the premium and refund the excess premium, unless such amount falls within the waiver of return premium, if any, on file for the insurer in this state; or
- (b)** Use the applicable TRIA rates for the entire annual policy period, instead of prorating. If the federal Program terminates, recalculate the premium and charge additional premium. If the federal Program is extended with changes in the backstop, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of additional or return premium, if any, on file for the insurer in this state.

**COMMERCIAL LINES MANUAL
DIVISION TEN
MICRO-BUSINESSOWNERS**

**RULE 79.
TERRORISM (Cont'd)**

(2) When Terrorism Coverage Applies Subject To Conditional Exclusion

When a conditional exclusion is attached, the duration of coverage and the commensurate premium are not fully determined until the disposition of the federal Program is decided. When a conditional exclusion is used, prorate the applicable TRIA rate based on the proportion of time that coverage will apply. Make no charge for the portion of time that coverage will be excluded. Example: Annual policy begins on 6/01/20; exclusion is anticipated to become effective on 1/01/21. The rate would be 59% (214/365 days) of the rate applicable to the 2020 calendar year.

If such a policy is rated prior to a Congressional decision on extension of the federal Program, the insurer may:

- (a)** Prorate as indicated above, based on the federal Program's anticipated termination date. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable, and coverage continues to apply, recalculate the premium and charge additional premium unless such amount falls within the waiver of additional premium, if any, on file for the insurer in this state; or
- (b)** Calculate the premium using the applicable TRIA rate for the entire policy term. If the federal Program terminates, recalculate the premium by prorating that applicable TRIA rate and refund the excess premium. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable, and coverage continues to apply, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of additional or return premium, if any, on file for the insurer in this state.

d. Disclosure Of Premium

Disclosure of premium attributable to coverage for certified acts of terrorism, and disclosure of federal participation in payment of potential terrorism losses and existence of the \$100 billion cap, is a condition for reimbursement under the federal Program. The disclosure endorsements described in Paragraphs **d.(1)**, **d.(2)(a)** and **d.(2)(b)** require entry of the applicable federal share percentage for each calendar year of the policy term. The federal share percentages for the duration of the federal Program pursuant to the Terrorism Risk Insurance Program Reauthorization Act Of 2015 are as follows:

Calendar Year	Federal Share Percentage
2015	85%
2016	84%
2017	83%
2018	82%
2019	81%
2020	80%

Example: For a policy with a term of March 1, 2015 through March 1, 2016, complete Part II of the Schedule of the disclosure endorsement by showing calendar years 2015 and 2016 along with the respective percentage for each of those years.

If the federal Program is reauthorized past 12/31/2020 and there are no further changes to the federal share, then the percentage shown for 2020 would continue to apply beyond 12/31/2020.

(1) For Policies That Begin Prior To The Last Calendar Year Of The Federal Program

Use Micro-Businessowners Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement **BP 23 01**, which responds to the Treasury Guidance on line item disclosure.

**COMMERCIAL LINES MANUAL
DIVISION TEN
MICRO-BUSINESSOWNERS**

**RULE 79.
TERRORISM (Cont'd)**

(2) For Policies That Begin In The Last Calendar Year Of The Federal Program

(a) Use Micro-Businessowners Disclosure Of Premium Through End Of Year For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement **BP 23 15** for policies that begin in the last calendar year of the federal Program and extend into the following year, when a conditional exclusion is used and premium is being disclosed only for the period during which the federal Program is in effect. This is the situation described in Paragraph **C.2.c.(2)(a)**. This endorsement recognizes the possibility of a mid-term additional premium charge.

(b) Use Micro-Businessowners Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement **BP 23 16** for policies that begin in the last calendar year of the federal Program and extend into the following year, when premium is being disclosed for the period during which the federal Program is in effect and estimated premium is being disclosed for the remainder of the policy term. This situation is described in Paragraphs **C.2.c.(1)(a)**, **C.2.c.(1)(b)** and **C.2.c.(2)(b)**. This endorsement recognizes the possibility of a mid-term additional premium charge or return of excess premium.

3. Certified Acts Of Terrorism – Limited Coverage

a. General

Rates and factors for certified acts of terrorism coverage are provided in various tables in this rule. These rates and factors applicable to the Terrorism Risk Insurance Program under TRIA recognize federal participation in covering losses. The TRIA rates and factors apply to the current calendar year of the federal Program and to successive calendar years unless the rates and factors displayed are differentiated by specific calendar years. Rates and factors are also displayed for the time period following termination of the federal Program; such rates and factors are designated as Full rates and factors, to reflect the absence of federal participation in losses. Refer to Paragraph **C.2.c.** for information on prorating.

b. Premium Determination

(1) Coverage For Certified Acts Of Terrorism Excluding Nuclear, Biological, Chemical And Radiological (NBCR) Events

(a) Business Personal Property Coverage

Develop a state rate for certified acts of terrorism coverage as indicated in Paragraph **C.2.a**. Adjust that state rate by multiplying by the appropriate factor shown in Table **79.C.3.b.(1)(a)**. Multiply the adjusted state rate by the appropriate limit of insurance in hundreds to obtain the additional premium for this limited form of certified acts coverage.

Territory	Property Adjustment Factor(s) For Certified Acts Coverage With Exclusion Of NBCR Events
Entire State	.50

Table 79.C.3.b.(1)(a) Property Adjustment Factor(s) For Certified Acts Coverage With Exclusion Of NBCR Events

**COMMERCIAL LINES MANUAL
DIVISION TEN
MICRO-BUSINESSOWNERS**

**RULE 79.
TERRORISM (Cont'd)**

(b) Liability And Medical Expenses Coverage

Determine the additional premium for certified acts of terrorism as described in Paragraph **C.2.b.** Multiply the additional premium by the appropriate factor shown in Table **79.C.3.b.(1)(b)**.

Territory	Liability Adjustment Factor(s) For Certified Acts Coverage With Exclusion Of NBCR Events
Entire State	0.58

Table 79.C.3.b.(1)(b) Liability Adjustment Factor(s) For Certified Acts Coverage With Exclusion Of NBCR Events

(2) Sub-limit On Certified Acts Of Terrorism Coverage

(a) Business Personal Property Coverage

Multiply the state rate for certified acts of terrorism coverage as indicated in Paragraph **C.2.a.** by the sub-limit (in hundreds) to obtain the additional premium for this limited form of certified acts coverage.

(b) Liability And Medical Expenses Coverage

Step 1. Determine the additional premium for certified acts of terrorism for liability coverage as described in Paragraph **C.2.b.**

Step 2. Determine the Liability and Medical Expenses Terrorism Sub-limit factor from Table **79.C.3.b.(2)(b)** for the applicable aggregate policy limit and Terrorism Sub-limit.

Step 3. Multiply the additional premium determined in Step 1. by the factor determined in Step 2.

Policy Aggregate Limit For Liability And Medical Expenses (000's)	Terrorism Sub-limit (000's)	Factor
\$ 1,000	\$ 600	0.969
2,000	600	0.931
2,000	1,000	0.961
4,000	600	0.895
4,000	1,000	0.924
4,000	2,000	0.962

Table 79.C.3.b.(2)(b) Liability and Medical Expenses Terrorism Sub-limit Factors

c. Prorating

Refer to Paragraph **C.2.c.**

d. Disclosure Of Premium

Refer to Paragraph **C.2.d.**

D. Individual Risk Situations

Rule **62.** Referrals To Company may be used for rating any risk or exposure for which the manual rate or factor is clearly demonstrated to be inappropriate because of the nature of the exposure to terrorist acts, whether higher or lower, relative to other risks within the same territory.

A1. WASHINGTON EFFICIENT PROXIMATE CAUSE RELATED AGGREGATE LIMIT ENDORSEMENT

A. Explanation

To address the Washington Supreme Court's application of the efficient proximate cause rule in response to *Xia v. ProBuilders Specialty Insurance Co.*, No. 92436-8, 2017 WL 1532219 (Apr. 27, 2017 Wash.), the endorsement referenced in Paragraph **B.** is available.

B. Endorsement

Use Washington – Limited Coverage For Bodily Injury, Property Damage Or Personal And Advertising Injury Involving Efficient Proximate Cause (Defense Within Limits) – Micro-Businessowners Endorsement **BP 74 05**.

A2. STOP GAP – EMPLOYER'S LIABILITY COVERAGE

A. Description Of Coverage

This endorsement provides Employer's Liability Coverage for those situations where an employer can be held liable for an employee's occupational injuries. Such coverage is not provided by the state insurance fund that provides workers' compensation in this state.

B. Endorsement

Use Washington – Stop Gap – Employer's Liability Coverage – Micro-Businessowners Endorsement **BP 74 06**.

C. Premium Determination

1. If the Each Accident and Each Person Disease Limits are the same, the premium for this endorsement is calculated as follows:
 - a. Using the Each Accident and Each Person Disease Limit as the per occurrence limit and the Each Disease Aggregate Limit as the aggregate limit, determine the applicable liability premium as described in multistate Rule **74.B.2.b**.
 - b. Multiply the liability premium by the applicable factor shown in Table **A2.C.1.b.** to determine the additional premium.

Type Of Risk	Factor
Service	.03
Retail	.02

Table A2.C.1.b. Stop Gap – Employer's Liability Coverage Factors

2. If the Each Accident and Each Person Disease Limits differ or if limits other than what is provided in Table **74.B.2.b.(2)(LC)** are used, then refer to company for rating.

62. REFERRALS TO COMPANY

Paragraph **C.2.** is replaced by the following:

- C.** Situations where liability increased limits are provided and the risk is reinsured on a facultative basis.

The following rating procedure is available for the determination of the applicable premium:

2. For limits of liability obtained by means of facultative reinsurance, the premium shall be the facultative cost for such reinsurance, increased by the actual expenses incurred in obtaining the reinsurance, not exceeding 50% of the cost for such reinsurance.

Paragraph **D.2.** is replaced by the following:

- D.** Situations where property coverage or a portion of coverage is reinsured on a facultative basis.

The following rating procedure is available for the determination of the applicable premium:

2. For any portion of the Limit of Insurance obtained by means of facultative reinsurance, the premium shall be the facultative cost for such reinsurance, increased by the actual expenses incurred in obtaining the reinsurance, not exceeding 50% of the cost for such reinsurance.

68. RETURN PREMIUM CHANGES

Paragraph **B.** is replaced by the following:

B. Waiver Of Premium

Grant any return premium due the insured.

69. POLICY CANCELLATION

Paragraph **B.** is replaced by the following:

B. Other Calculations

If Paragraph **A.** of Rule **69.** does not apply, compute return premium at a factor of the pro rata unearned premium found in Table **69.B.** and round to the next higher whole dollar.

Factor
0.90

Table 69.B. Return Premium Factor

71. MANDATORY FORMS, COVERAGE AND LIMITS

The following is added to Rule **71.**:

E. Washington Changes – Micro-Businessowners Endorsement BP 74 01

Attach Washington Changes – Micro-Businessowners Endorsement **BP 74 01** to all policies.

F. Washington Changes – Domestic Abuse – Micro-Businessowners Endorsement BP 74 02

Attach Washington Changes – Domestic Abuse – Micro-Businessowners Endorsement **BP 74 02** to all policies.

G. Washington Changes – Defense Costs – Micro-Businessowners Endorsement BP 74 04

Attach Washington Changes – Defense Costs – Micro-Businessowners Endorsement **BP 74 04** to all policies.

74. PREMIUM DEVELOPMENT – MANDATORY COVERAGES

Paragraph **B.2.b.(1)** is replaced by the following:

B. Premium Determination

2. Premium Determination

b. Liability And Medical Expenses

- (1) Determine the range of annual gross sales applicable to the insured's business. Refer to company for procedures to determine the appropriate gross sales range if the business is new and annual gross sales are unknown.

79. TERRORISM

The following is added to Paragraph **B.1.**:

B. Coverage Options

In the situation where a terrorism exclusion is endorsed to (or is otherwise part of) the policy, also attach Washington – Amendment Of Terrorism Exclusions – Micro-Businessowners **BP 74 03**. This endorsement brings the terrorism exclusion into compliance with state law on efficient proximate causation of loss.

The following is added to Paragraph **B.2.**:

If Endorsement **BP 23 09** or **BP 23 10** is endorsed to (or is otherwise part of) the policy, also attach Washington – Amendment Of Terrorism Exclusions – Micro-Businessowners **BP 74 03**. This endorsement brings the terrorism exclusion into compliance with state law on efficient proximate causation of loss.

The following is added to Paragraph **B.3.**:

If Endorsement **BP 23 12** or **BP 23 13** is endorsed to (or is otherwise part of) the policy, also attach Washington – Amendment Of Terrorism Exclusions – Micro-Businessowners **BP 74 03**. This endorsement brings the terrorism exclusion into compliance with state law on efficient proximate causation of loss.

Paragraph **C.1.a.** is replaced by the following:

C. Pricing

1. Rates And Factors For Certified Acts Of Terrorism

- a. Applicable to the Terrorism Risk Insurance Program under TRIA recognize federal participation in covering losses. The TRIA rates and factors apply to the current calendar year of the federal Program and to successive calendar years unless the rates and factors displayed are differentiated by specific calendar years.

Paragraph **C.2.a.** is replaced by the following:

2. Premium Determination

a. Business Personal Property Certified Acts Of Terrorism Coverage

When coverage is provided for certified acts, develop the additional premium for business personal property certified acts of terrorism coverage using business personal property rates from Table **79.C.2.a.** in the state loss costs. Adjust the rates by applying deductible rate modification factor, refer to Table **75.** for the Optional Deductible Factor. Multiply the adjusted rates by the appropriate limits of insurance in hundreds to obtain the additional premium for certified acts of terrorism coverage.

If the insured rejects coverage for certified acts of terrorism, that rejection does not apply to fire following a certified act of terrorism, due to a state statutory requirement. To develop a rate only for such fire coverage, multiply the territory rate by the appropriate factor in Table **79.C.2.a.**

Territory	Adjustment Factor(s) For Certified Acts Exclusion With Fire Exception (Fire-only Coverage)
City of Seattle	.30
Balance of King County, Clark and Thurston Counties	.10
Remainder of State	.40

Table 79.C.2.a. Business Personal Property Certified Acts Of Terrorism – Adjustment Factor(s) For Certified Acts Exclusion With Fire Exception (Fire-only Coverage)

Paragraph **C.2.b.** is replaced by the following:

2. Premium Determination

b. Liability And Medical Expenses Certified Acts Of Terrorism Coverage

Develop the additional premium for liability and medical expenses certified acts of terrorism coverage using liability and medical expenses factors from Table **79.C.2.b.** Multiply the otherwise applicable liability and medical expenses premium by the appropriate factor in Table **79.C.2.b.** to obtain the additional premium for certified acts of terrorism coverage. Refer to the Territory section of the Businessowners manual to determine the applicable territory number.

Territory	TRIA	Full (Post-TRIA)
701	0.020	0.022
702	0.004	0.004

Table 79.C.2.b. Liability And Medical Expenses Certified Acts Of Terrorism Coverage Factors

Paragraphs **C.3.b.(1)(a)** and **C.3.b.(2)(a)** are replaced by the following:

3. Certified Acts Of Terrorism – Limited Coverage**b. Premium Determination****(1) Coverage For Certified Acts Of Terrorism Excluding Nuclear, Biological, Chemical And Radiological (NBCR) Events****(a) Business Personal Property Coverage**

Develop a state rate for certified acts of terrorism coverage as indicated in Paragraph **C.2.a.** Adjust that state rate by multiplying by the appropriate factor shown in Table **79.C.3.b.(1)(a)**. Multiply the adjusted state rate by the appropriate limit of insurance in hundreds to obtain the additional premium for this limited form of certified acts coverage.

Territory	Property Adjustment Factor(s) For Certified Acts Coverage With Exclusion Of NBCR Events
City of Seattle	.45
Balance of King County, Clark and Thurston Counties	.10
Remainder of State	.50

Table 79.C.3.b.(1)(a) Property Adjustment Factor(s) For Certified Acts Coverage With Exclusion Of NBCR Events

Do not apply the factor provided in Table **79.C.2.a.**

(2) Sub-limit On Certified Acts Or Terrorism Coverage**(a) Business Personal Property Coverage**

Multiply the state rate for certified acts of terrorism coverage as indicated in Paragraph **C.2.a.** by the sub-limit (in hundreds) to obtain the additional premium for this limited form of certified acts coverage.

Do not apply the factor provided in Table **79.C.2.a.**

Paragraph **D.** is replaced by the following:

D. Individual Risk Situations

The Company should rate or classify any risk or exposure for which:

1. The manual rate or applicable Class of Business cannot be used because the risk is clearly demonstrated inappropriate because of the nature of the exposure to terrorist acts, whether higher or lower, relative to other risks within the same territory and documented to be beyond the scope of the manual rate or contains one or more components not within the scope of the Class of Business or any other Class of Business contained in this manual because of a unique or unusual feature of the risk; or
2. The coverage to be written is broader than that contained in the applicable standard policy; or
3. The policy providing the insurance contemplated by an applicable Class of Business and rate is endorsed to restrict coverage for hazards not common to all risks within the class.

**COMMERCIAL LINES MANUAL
DIVISION TEN
BUSINESSOWNERS**

**SECTION I
GENERAL RULES**

**RULE 1.
APPLICATION OF THIS DIVISION**

A. Contents

Division Ten contains the rules, ISO advisory prospective loss costs and/or individual company rates, rating procedures, state exceptions and Businessowners Classification Table for use with the Businessowners Program and the Micro-Businessowners Program. Section VI contains the rules, ISO advisory loss costs and/or individual company rates, rating procedures, state exceptions and classifications related to the Micro-Businessowners Program.

B. Sections

This division is divided into separate sections for:

1. Manual Rules Cross Reference Guide
2. Section I – General Rules
3. Section II – Coverage Form Rules
4. Section III – Rating and Eligibility Rules
5. Section IV – Optional Coverage Rules
6. Section V – Class-specific Endorsements Rules
7. Section VI – Micro-Businessowners Program
8. Multistate Rating Relativities and Factors
9. Multistate Loss Costs
10. Businessowners Classification Table
11. Rating Examples Appendix

C. Coverages

The Businessowners Program provides both property and liability coverages for eligible risks. Separate property and liability rates are provided for the mandatory coverages. Optional coverages and endorsements may be added for additional charges where indicated.

D. Policy

The rules, forms and classifications in this division constitute the entire Businessowners Program and must not be amended except as specifically permitted in accordance with these rules or as filed by the company.

E. State Exceptions

Refer to the state exceptions for any exception to the rules in this division.

F. Company Rates/ISO Loss Costs

1. Definition

This division contains either ISO loss costs or individual company rates. A loss cost is that portion of the premium which covers only losses and the costs associated with settling losses.

2. Company Rates

All rules in this division are designed to be utilized with rates. All references in the rules and examples to rates and/or premiums (including base premiums) shall be interpreted to mean those established by the individual insurance company.

3. Loss Cost Conversion

Each insurance company must provide manualholders with either its own rates or with procedures to convert ISO loss costs to rates and/or premiums. If an insurer provides its own rates, use them in place of the ISO loss costs in this manual. If an insurer does not provide its own rates, manualholders must convert ISO loss costs in this manual to rates and/or premiums before applying any of the rules. Refer to the company for special instructions – including rounding procedures – on how to do this.

G. Statistical Codes

Refer to the Businessowners Module of the Commercial Statistical Plan for statistical codes.

**RULE 2.
REFERRALS TO COMPANY**

Refer to the company for:

- A. Rating or classifying any risk or exposure for which there is no manual rate or applicable classification.
- B. Any applicable rating plan modification.
- C. Situations where liability increased limits are provided and the risk is reinsured on a facultative basis.

The following rating procedure is available for the determination of the applicable premium:

1. Manual rules and rates shall apply to the portion of the limits of liability retained by the company.
 2. For limits of liability obtained by means of facultative reinsurance, the premium shall be the facultative cost for such insurance increased by a charge up to but not exceeding 50% of the facultative cost. The charge shall not be inadequate, excessive or unfairly discriminatory.
- D. Situations where property coverage or a portion of coverage is reinsured on a facultative basis.

The following rating procedure is available for the determination of the applicable premium:

1. Manual rules and rates shall apply to the portion of the limit of insurance retained by the company.
2. For any portion of the Limit of Insurance obtained by means of facultative reinsurance, the premium shall be the facultative cost for such coverage, increased by a charge up to but not exceeding 50% of the facultative cost. The charge shall not be inadequate, excessive or unfairly discriminatory.

**COMMERCIAL LINES MANUAL
DIVISION TEN
BUSINESSOWNERS**

**RULE 44.
PHOTOGRAPHY CLASS-SPECIFIC ENDORSEMENTS
(Cont'd)**

b. Form

Use Schedule **BP DS 07**.

4. Photography – Makeup And Hairstyling

a. Description

The Photography – Makeup And Hairstyling endorsement makes the liability coverage of Form **BP 00 03** applicable to losses caused by the rendering of or the failure to render "hairstyling services" or "makeup application" in connection with the Named Insured's business as a photographer.

b. Endorsement

Use Photography – Makeup And Hairstyling Endorsement **BP 07 84**.

c. Premium Determination

Refer to company.

5. Abuse Or Molestation

When Endorsement **BP 07 83** is attached to the policy, attach either Endorsement **BP 04 39** or Endorsement **BP 14 11**.

a. Abuse Or Molestation Exclusion

(1) Description

This endorsement amends Businessowners Liability Coverage by excluding abuse or molestation by anyone of any person while in the care, custody or control of any insured.

(2) Endorsement

Use Endorsement **BP 04 39**.

(3) Rating

Refer to company.

b. Abuse Or Molestation Exclusion – Specified Professional Services

(1) Description

This endorsement amends Businessowners Liability Coverage by excluding abuse or molestation in the course of providing specified services by anyone of any person while in the care, custody, or control of any insured.

(2) Endorsement

Use Endorsement **BP 14 11**.

(3) Rating

Refer to company.

C. Eligible Classifications

1. Any photographer described in the Businessowners Classification Table is eligible for the Photography endorsements.
2. Any of the classifications referenced in Paragraph 1. of this rule are eligible even if they also engage in any other types of operations for which an additional classification in the Businessowners Classification Table is required.

**RULES 45. – 60.
RESERVED FOR FUTURE USE**

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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Table of Contents

About This Filing	1
Related Filing(s)	1
Copyright Explanation	1
Important Note	1
Section I – General Rules	3
Rule 45. - 60. Reserved For Future Use Description Of Rule	4
Section VI – Micro-Businessowners Program.....	5
Actuarial Support For Rules And Rating Factors	10
Exhibit Of Multistate Rules	14

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	$1.000 / 1.032 = \mathbf{0.969}$
2,000	600	$1.000 / 1.074 = \mathbf{0.931}$
2,000	1,000	$1.032 / 1.074 = \mathbf{0.961}$
4,000	600	$1.000 / 1.117 = \mathbf{0.895}$
4,000	1,000	$1.032 / 1.117 = \mathbf{0.924}$
4,000	2,000	$1.074 / 1.117 = \mathbf{0.962}$

Exhibit Of Multistate Rules

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 rules correspond to the companion Businessowners' multistate forms filing BP-2019-OFR19. In addition, we are introducing additional rules to the Division Ten – Businessowners manual.

Additional Rules:

We are introducing the following additional rules:

- ◆ Rule A1. Washington Efficient Proximate Cause Related Aggregate Limit Endorsement
- ◆ Rule A2. Stop Gap – Employers Liability Coverage

New Rules:

We are introducing state exceptions to:

- ◆ Rule 62. Referrals To Company
- ◆ Rule 68. Return Premium Changes
- ◆ Rule 71. Mandatory Forms, Coverage And Limits
- ◆ Rule 79. Terrorism

We have used a format of underlining additions and inserting a revision bar in the left margin to indicate changes.

Related Filing(s)

BP-2019-OFR19 (Forms)

BP-2019-RLC19 (Loss Costs)

Background

In the multistate section of this filing, we are introducing Section VI to the Division Ten Businessowners manual to provide instruction on 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

The following additional rules are added to the Division Ten – Businessowners manual:

Rule A1. Washington Efficient Proximate Cause Related Aggregate Limit Endorsement

We are introducing an additional rule to reference and instruct on the usage of the Washington Limited Coverage For Bodily Injury, Property Damage Or Personal And Advertising Injury Involving Efficient Proximate Cause (Defense Within Limits) – Micro-Businessowners Endorsement BP 74 05.

Rule A2. Stop Gap – Employers Liability Coverage

We are introducing a Washington additional rule to provide the description of coverage and premium determination for BP 74 06 – Washington – Stop Gap – Employer's Liability Coverage – Micro-Businessowners Endorsement.

We are introducing the following state exceptions to Section VI Micro-Businessowners Program:

Rule 62. Referrals To Company

We are introducing an exception to Paragraph D.2. based on a request from the Washington Department of Insurance.

Rule 68. Return Premium Changes

We are introducing an exception to Paragraph B. to provide that any return premium be granted to the insured.

Rule 71. Mandatory Forms, Coverage And Limits

We are introducing an additional Paragraph E. which provides for the mandatory attachment of BP 74 01 Washington Changes – Micro-Businessowners Endorsement to all policies.

We are introducing an additional Paragraph F. which provides for the mandatory attachment of BP 74 02 Washington Changes – Domestic Abuse – Micro-Businessowners Endorsement to all policies.

We are introducing an additional Paragraph G. which provides for the mandatory attachment of BP 74 04 Washington Changes – Defense Costs – Micro-Businessowners Endorsement to all policies.

Rule 79. Terrorism

B.1., B.2., B.3. Coverage Options

We are introducing an exception to Paragraphs B.1., B.2. and B.3. to provide for the attachment of BP 74 03 Washington – Amendment Of Terrorism Exclusions – Micro-Businessowners Endorsement to the policy.

C.1.a. Pricing, Rates And Factors For Certified Acts Of Terrorism

We are introducing an exception to Rule 79.C.1.a. Rates And Factors For Certified Acts Of Terrorism to reflect that the TRIA rates and factors apply to the current and successive calendar years of the program unless they are differentiated by specific calendar years.

C.2.a. Pricing, Premium Determination, Business Personal Property Certified Acts Of Terrorism Coverage

We are introducing an exception to Rule 79.C.2.a. Business Personal Property Certified Acts Of Terrorism Coverage to provide premium determination instructions for developing a rate for fire following a certified act of terrorism.

C.2.b. Pricing, Premium Determination – Liability And Medical Expenses Certified Acts Of Terrorism Coverage

We are introducing an exception to Rule 79.C.2.b. to provide Washington-specific Liability And Medical Expenses Certified Acts Of Terrorism Coverage Factors.

C.3.b.(1)(a) Pricing, Certified Acts Of Terrorism – Limited Coverage, Premium Determination, Coverage For Certified Acts Of Terrorism Excluding Nuclear, Biological, Chemical And Radiological (NBCR) Events, Business Personal Property Coverage

We are introducing an exception to Rule 79.C.3.b.(1)(a) to provide Washington-specific Property Adjustment Factor(s) For Certified Acts Coverage With Exclusion Of NBCR Events and to provide that the Business Personal Property Certified Acts Of Terrorism – Adjustment Factor(s) For Certified Acts Exclusion With Fire Exception (Fire-Only Coverage) should not be applied.

C.3.b.(2)(a) Pricing, Certified Acts Of Terrorism – Limited Coverage, Premium Determination, Sub-Limit On Certified Acts Of Terrorism Coverage, Business Personal Property Coverage

We are introducing an exception to Rule 79.C.3.b.(2)(a) to provide that the Business Personal Property Certified Acts Of Terrorism – Adjustment Factor(s) For Certified Acts Exclusion With Fire Exception (Fire-Only Coverage) should not be applied.

1. APPLICATION OF THIS DIVISION

A. Contents

Division Ten contains the rules, ISO advisory prospective loss costs and/or individual company rates, rating procedures, state exceptions and Businessowners Classification Table for use with the Businessowners Program and the Micro-Businessowners Program. Section VI contains the rules, ISO advisory loss costs and/or individual company rates, rating procedures, state exceptions and classifications related to the Micro-Businessowners Program.

B. Sections

This division is divided into separate sections for:

1. Manual Rules Cross Reference Guide
2. Section I – General Rules
3. Section II – Coverage Form Rules
4. Section III – Rating and Eligibility Rules
5. Section IV – Optional Coverage Rules
6. Section V – Class-specific Endorsements Rules
7. Section VI – Micro-Businessowners Program

~~78.~~ Multistate Rating Relativities and Factors

~~89.~~ Multistate Loss Costs

~~910.~~ Businessowners Classification Table

~~1011.~~ Rating Examples Appendix

C. Coverages

The Businessowners Program provides both property and liability coverages for eligible risks. Separate property and liability rates are provided for the mandatory coverages. Optional coverages and endorsements may be added for additional charges where indicated.

D. Policy

The rules, forms and classifications in this division constitute the entire Businessowners Program and must not be amended except as specifically permitted in accordance with these rules or as filed by the company.

E. State Exceptions

Refer to the state exceptions for any exception to the rules in this division.

F. Company Rates/ISO Loss Costs

1. Definition

This division contains either ISO loss costs or individual company rates. A loss cost is that portion of the premium which covers only losses and the costs associated with settling losses.

2. Company Rates

All rules in this division are designed to be utilized with rates. All references in the rules and examples to rates and/or premiums (including base premiums) shall be interpreted to mean those established by the individual insurance company.

3. Loss Cost Conversion

Each insurance company must provide manualholders with either its own rates or with procedures to convert ISO loss costs to rates and/or premiums. If an insurer provides its own rates, use them in place of the ISO loss costs in this manual. If an insurer does not provide its own rates, manualholders must convert ISO loss costs in this manual to rates and/or premiums before applying any of the rules. Refer to the company for special instructions – including rounding procedures – on how to do this.

G. Statistical Codes

Refer to the Businessowners Module of the Commercial Statistical Plan for statistical codes.

45. – 60. RESERVED FOR FUTURE USE

SECTION VI – MICRO-BUSINESSOWNERS PROGRAM

61. APPLICATION OF SECTION VI – MICRO-BUSINESSOWNERS PROGRAM

A. Coverages

The Micro-Businessowners Program provides both business personal property and liability coverages for eligible risks. Separate property and liability rates are provided for the mandatory coverages. Endorsements may be added for additional charges where indicated.

B. Policy

The rules, forms and classifications in Section VI constitute the entire Micro-Businessowners Program and must not be amended except as specifically permitted in accordance with these rules or as filed by the company.

C. State Exceptions

Refer to the state exceptions for any exception to the rules in this Section.

D. Company Rates/ISO Loss Costs

1. Definition

This Section contains either ISO loss costs or individual company rates. A loss cost is that portion of the premium which covers only losses and the costs associated with settling losses.

2. Company Rates

All rules in this Section are designed to be utilized with rates. All references in the rules to rates and/or premiums (including base premiums) shall be interpreted to mean those established by the individual insurance company.

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Each insurance company must provide manualholders with either its own rates or with procedures to convert ISO loss costs to rates and/or premiums. If an insurer provides its own rates, use them in place of the ISO loss costs in this Section. If an insurer does not provide its own rates, manualholders must convert ISO loss costs in this Section to rates and/or premiums before applying any of the rules. Refer to the company for special instructions, including rounding procedures, on how to do this.

E. Statistical Codes

Refer to the Businessowners Module of the Commercial Statistical Plan for statistical codes.

62. REFERRALS TO COMPANY

Refer to the company for:

A. Rating or classifying any risk or exposure for which there is no manual rate or applicable classification.

B. Any applicable rating plan modification.

C. Situations where liability increased limits are provided and the risk is reinsured on a facultative basis.

The following rating procedure is available for the determination of the applicable premium:

1. Manual rules and rates shall apply to the portion of the limits of liability retained by the company.

2. For limits of liability obtained by means of facultative reinsurance, the premium shall be the facultative cost for such insurance increased by a charge up to but not exceeding 50% of the facultative cost. The charge shall not be inadequate, excessive or unfairly discriminatory.

D. Situations where property coverage or a portion of coverage is reinsured on a facultative basis.

The following rating procedure is available for the determination of the applicable premium:

1. Manual rules and rates shall apply to the portion of the limit of insurance retained by the company.

2. For any portion of the Limit of Insurance obtained by means of facultative reinsurance, the premium shall be the facultative cost for such coverage, increased by a charge up to but not exceeding 50% of the facultative cost. The charge shall not be inadequate, excessive or unfairly discriminatory.

With respect to premium developed in accordance with Paragraphs C. and D.2., the company is responsible for maintaining complete files, including all details relating to selection of the premium charge.

Whenever a risk is rated on a refer-to-company basis, each company is responsible for complying with regulatory or statutory rate filing or disclosure requirements.

63. POLICY TERM

- A. The Micro-Businessowners Policy may be written for a period of one year and may be renewed on an annual basis.
- B. A policy may be renewed by renewal certificate. When a renewal certificate is used, it must conform to current rules, rates and forms at the time of renewal.
- C. Compute the premium at inception using the rates in effect at that time. At each renewal, compute the premium using the rates in effect at each renewal.

64. FACTORS OR MULTIPLIERS

Factors or multipliers are to be applied consecutively and not added together unless otherwise specified.

65. ROUNDING PROCEDURE

A. Rates

Round rates, factors and multipliers after the final calculation to three decimal places. Five tenths or more of a mil shall be considered one mil, for example, .1245 = .125.

B. Premium

Round the premium for each coverage for which a separate premium is calculated to the nearest whole dollar. Round a premium involving \$.50 or over to the next higher whole dollar.

66. POLICYWRITING MINIMUM PREMIUM

Refer to company for policywriting minimum premium.

67. ADDITIONAL PREMIUM CHANGES

A. Calculation Of Premium

1. Prorate all changes requiring additional premium.
2. Compute additional premium for any changes made after policy inception by using the rates in effect as of the date of the change.

The additional premium developed is in addition to any applicable policywriting minimum premium.

B. Waiver Of Premium

Refer to company for the additional premium amounts to be waived. This waiver applies only to that portion of the company premium due on the effective date of the policy change.

C. New Rates

Because of materially changed conditions, an existing rate may be inequitable. If so, a new rate may be established and policies in force may be changed. The effective date of the new rate is the date the company receives notification of the changed conditions.

A policy endorsed to take advantage of a liberalized form shall be further endorsed to reflect all current rules, rates and forms.

68. RETURN PREMIUM CHANGES

A. Premium Computation

1. Compute return premium at the rates used to calculate the policy premium.
2. Compute return premium pro rata and round to the next higher whole dollar when any coverage or exposure is deleted or a limit of insurance is reduced. Retain the policywriting minimum premium.

B. Waiver Of Premium

Refer to company for return premium amounts to be waived. Grant any return company premium if requested by the insured. This waiver applies only to that portion of the premium due on the effective date of the policy change.

C. New Rates

Because of materially changed conditions, an existing rate may be inequitable. If so, a new rate may be established and policies in force may be changed. The effective date of the new rate is the date the company receives notification of the changed conditions.

A policy endorsed to take advantage of a reduced rate or liberalized form shall be further endorsed to reflect all current rules, rates and forms.

D. Deletion Of Mandatory Coverage

Deletion of a mandatory coverage is not permitted unless the entire policy is cancelled. Refer to Rule 69.

69. POLICY CANCELLATION

A. Pro Rata Cancellation

Compute return premium pro rata and round to the next higher whole dollar when a policy is cancelled at the company's request.

B. Fully Earned Premium

The premium will be deemed fully earned when a policy is cancelled at the first Named Insured's request.

70. RESTRICTIONS OF COVERAGE OR INCREASED RATE

Policies may be issued with special restrictions or at increased premium if:

- A. The insured agrees in writing; and
- B. The policy would not be written otherwise.

71. MANDATORY FORMS, COVERAGE AND LIMITS

A. Mandatory Coverages

The Micro-Businessowners Policy must be written to provide:

1. Coverage on all Business Personal Property.
2. Business Liability Insurance.

B. Forms

Micro-Businessowners Coverage Form BP 00 04

1. Property Coverage

Business Personal Property for direct physical loss or damage is provided.

2. Liability And Medical Expenses Coverage

Liability and Medical Expenses Coverage is provided on a comprehensive occurrence basis for all operations. Coverage includes bodily injury, property damage, medical expenses (subject to an additional "per person" limit), personal and advertising injury and Tenant's Fire Liability Coverage (subject to a separate limit).

3. Limits Of Insurance

- a. Liability and Medical Expenses Coverage is provided at a basic limit of insurance of \$300,000 per occurrence which may be increased to either \$500,000, \$1,000,000 or \$2,000,000. An aggregate limit of twice the per occurrence limit applies.
- b. An aggregate limit of twice the Liability and Medical Expenses limit applies to the products/completed operations hazard.
- c. Tenant's Fire Liability Coverage is provided at a basic limit of \$50,000 and is a separate limit. This limit may be increased and should be indicated in the Declarations. Refer to Rule **77.B.** for increased limits options.
- d. A "per person" Medical Expenses limit of \$5,000 applies which may be increased to \$10,000. This limit may be shown in the Declarations. Refer to Rule **77.B.** for increased limits options.

C. Micro-Businessowners Policy Declarations BP DS 20

Micro-Businessowners Policy Declarations **BP DS 20** may be used when it is necessary to provide additional policywriting information that is not shown on the forms.

D. Micro-Businessowners Policy Changes Endorsement BP 22 01

Micro-Businessowners Policy Changes Endorsement **BP 22 01** may be used to describe policy changes.

1. Description

This endorsement may be used to describe policy changes. Specifically, this endorsement is used to change the following items of a policy:

- a. Insured's Name;
- b. Insured's Address;
- c. Policy Number;
- d. Company;
- e. Effective/Expiration Date;
- f. Insured's Legal Status/Business of Insured;
- g. Payment Plan;
- h. Premium Determination;
- i. Additional Interested Parties;
- j. Coverage Forms and Endorsements;
- k. Limits/Exposures;
- l. Deductibles;
- m. Covered Property/Located Description;
- n. Classification/Class Codes;
- o. Rates; or
- p. Underlying Insurance.

2. Endorsement

Use Endorsement **BP 22 01.**

72. FORMS PORTFOLIO REFERENCE

Refer to the forms portfolio for information on:

- A. Sample forms; and
- B. Applicability and edition dates of forms in each jurisdiction.

73. ELIGIBILITY

A. Eligible Operations

The following are eligible operations for the Micro-Businessowners Program subject to the criteria listed below. Specific classes within these groups are further defined and listed in the Micro-Businessowners Classification Table in Paragraph C.

Unless otherwise noted eligible operations may not exceed \$500,000 in annual gross sales or four employees, including owner, and with respect to Paragraphs A.1., A.2. and A.3., must occur in-home, at a shared space, at a temporary commercial location or at a mobile space (such as a kiosk or cart).

1. Artisan Manufacturing (Retail Sales)

Businesses selling eligible craft/food products. Artisan Manufacturing classes are subject to the following additional eligibility requirements:

- a. Food products must be prepared or manufactured in either a commercially certified kitchen, cottage food kitchen or equivalent in-home kitchen in accordance with state and local regulations.
- b. Products may be sold by Direct Retail Sales or Online Retail Sales.
- c. No more than 10% of annual gross sales may be derived from other Micro-Businessowners eligible operations.

2. Direct Retail Sales

Businesses selling eligible products directly to customers. Direct Retail Sales classes may not have more than 10% of annual gross sales derived from other Micro-Businessowners eligible operations.

3. Online Retail Sales

Businesses selling eligible products through online transactions. Online Retail Sales classes may not have more than 10% of annual gross sales derived from other Micro-Businessowners eligible operations.

4. Service

Businesses involved in eligible services. Service classes are subject to the following additional eligibility requirements:

- a. No more than 10% of annual gross sales may be derived from other Micro-Businessowners eligible operations.
- b. Food products must be prepared or manufactured in either a commercially certified kitchen, cottage food kitchen or equivalent in-home kitchen in accordance with state and local regulations.

5. Definitions

- a. A shared space is a single location occupied by two or more businesses with no permanent walls separating businesses.
- b. A temporary commercial location is a single location occupied for 90 consecutive days or less.
- c. A commercially certified kitchen is a kitchen that is inspected and licensed based on local health department regulations.

B. Ineligible Operations

1. General

- a. Risks operating out of a commercial space that is owned or leased by the insured for a period of over 90 consecutive days. This does not include a shared space that is leased by the insured for eligible operations as specified in Paragraph A.
- b. Renting or leasing equipment to others.
- c. Sales of alcohol.
- d. Any operation not specifically listed in the Micro-Businessowners Class Table.

2. Artisan Manufacturing

Manufacturing of personal care products such as shampoo, hair color, soap, perfume or other like items applied to the body or consumed.

3. Online Sales

Wholesale distribution.

4. Service

- a. Licensed building contractors.
- b. Risks who utilize any subcontracted work.
- c. Automobile repair.

C. Micro-Businessowners Classification Table

This Classification Table provides an alphabetical listing of classification and rating information for businesses eligible for the Micro-Businessowners Program. For each eligible class, there is a Description, Class Code, Standard Industrial Classification (SIC) Code and North American Industry Classification System (NAICS) Code. Any asterisks (*) in the SIC Code or NAICS Code columns indicate that there could be more than one SIC Code or NAICS Code applied.

Artisan Manufacturing (Retail Sales)				
Description	Class Code	SIC Code	2017 NAICS Code	Liability Hazard Group (Low/Medium/High)
Baking	78407	5461	311811	High
Clothing and Accessories	78411	23**	315210	Low
Gifts and Home Décor	78433	Various	Various	Low
Jewelry	78446	3961*	339910	Low
Pet Supplies	78463	Various	Various	Low

Table 73.C.#1 Artisan Manufacturing (Retail Sales)

Direct Retail Sales				
Description	Class Code	SIC Code	2017 NAICS Code	Liability Hazard Group (Low/Medium/High)
Art Dealers	78404	5999	453920	Low
Clothing and Accessories	78412	5963	454390	Low
Consignment Shops	78417	5693	454390	Low
Cosmetics	78419	5963	454390	Medium
Gifts and Home Décor	78434	5963	454390	Low
Grocery Specialties	78438	5411	454390	Medium
Jewelry	78444	5963	454390	Low
Pet Supplies	78464	5963	454930	Low
Snacks or Non-alcoholic Drinks	78472	5812	722515	Medium

Table 73.C.#2 Direct Retail Sales

Online Retail Sales				
Description	Class Code	SIC Code	2017 NAICS Code	Liability Hazard Group (Low/Medium/High)
Clothing and Accessories	78413	5961	454110	Low
Consignment Shops	78418	5961	454110	Low
Cosmetics	78420	5961	454110	Medium
Gifts and Home Décor	78435	5961	454110	Low
Grocery Specialties	78439	5961	454110	Medium
Jewelry	78445	5961	454110	Low
Pet Supplies	78465	5961	454110	Low

Table 73.C.#3 Online Retail Sales

Service					
Description	Class Code	SIC Code	2017 NAICS Code	Liability Hazard Group (Low/Medium/High)	Professional Liability Hazard Group (Low/High)
Accounting Services	78400	8721	54121*	Low	High
Acting or Musicians, Freelance	78401	7929	711***	Medium	Low
Appraisal Services	78402	8999	541990	Medium	High
Aquarium Cleaning Services	78403	0752	812910	Medium	Low
Artist, Freelance	78405	8999	711510	Low	Low
Auctioneer, Independent	78406	7389	561990	Low	High
Building Inspections	78408	7389	541350	Medium	High
Catering	78409	5812	722320	High	High
Clothing Alterations	78410	7219	811490	Low	Low
Coffee Cart Services	78414	5963	722330	Medium	Low
Computer Repair	78415	7378	811212	Low	Low
Concession Stand Food Contractor	78416	5812	722310	High	Low
Data Entry Services	78421	7374	518210	Low	High
Dietitian	78422	8049	621399	High	High
Disc Jockey	78423	7929	711510	Low	Low
Document Preparation Services	78424	73**	561410	Low	High
Drafting	78425	7389	541340	Low	High
Editorial Services	78426	7389	561410	Low	High
Estate Sale Management	78427	7299	561990	Low	High
Event Performance, Freelance	78428	7929	711510	Medium	Low
Event Planning	78429	7299	812990	Medium	High
Fitness Instruction	78430	7299	812990	High	Low
Furniture Repair	78431	4581	811420	Medium	Low
Genealogy Investigation	78432	7299	812990	Low	High
GIS and Mapping Services	78436	1081	541360	Low	High
Graphic Design Services	78437	7336	541430	Low	High
Hair Services	78440	72**	81211*	High	Low
House Cleaning	78441	7349	561720	Medium	Low
House Sitting	78442	7299	812990	Medium	Low
Interior Design Services	78443	7389	541410	Medium	High
Job Recruiter	78447	7361	561312	Low	High
Key Duplication	78448	7699	811490	Low	Low
Language Instruction	78449	8299	611630	Low	Low
Lawn and Yard Maintenance (No pesticide or herbicide applications)	78450	0782	561730	Medium	Low

<u>Life/Career Coaching</u>	<u>78451</u>	<u>8299</u>	<u>611430</u>	<u>Low</u>	<u>High</u>
<u>Local Delivery</u>	<u>78452</u>	<u>4215</u>	<u>492210</u>	<u>Low</u>	<u>Low</u>
<u>Locksmith</u>	<u>78453</u>	<u>7699</u>	<u>561622</u>	<u>Low</u>	<u>Low</u>
<u>Makeup Services</u>	<u>78454</u>	<u>72**</u>	<u>81211*</u>	<u>High</u>	<u>Low</u>
<u>Marketing and Social Media Services</u>	<u>78455</u>	<u>7311</u>	<u>541810</u>	<u>Low</u>	<u>High</u>
<u>Masseuse (Licensed)</u>	<u>78456</u>	<u>8049</u>	<u>621399</u>	<u>High</u>	<u>Low</u>
<u>Music Lessons</u>	<u>78457</u>	<u>8299</u>	<u>611610</u>	<u>Medium</u>	<u>Low</u>
<u>Office Machine Repair</u>	<u>78458</u>	<u>7629</u>	<u>811212</u>	<u>Low</u>	<u>Low</u>
<u>Personal Concierge/Assistant</u>	<u>78459</u>	<u>7299</u>	<u>812990</u>	<u>Medium</u>	<u>High</u>
<u>Personal Organization</u>	<u>78460</u>	<u>7299</u>	<u>812990</u>	<u>Low</u>	<u>Low</u>
<u>Personal Shopping</u>	<u>78461</u>	<u>7299</u>	<u>812990</u>	<u>Low</u>	<u>Low</u>
<u>Pet Grooming</u>	<u>78462</u>	<u>0752</u>	<u>812910</u>	<u>Medium</u>	<u>Low</u>
<u>Pet Walking and Sitting</u>	<u>78466</u>	<u>0752</u>	<u>812910</u>	<u>High</u>	<u>Low</u>
<u>Photo Booth Rental</u>	<u>78467</u>	<u>7999</u>	<u>812990</u>	<u>Medium</u>	<u>Low</u>
<u>Photography</u>	<u>78468</u>	<u>7335</u>	<u>541922</u>	<u>Medium</u>	<u>Low</u>
<u>Resumé Writing Services</u>	<u>78470</u>	<u>7389</u>	<u>561410</u>	<u>Low</u>	<u>High</u>
<u>Shoe Shine and Repair</u>	<u>78471</u>	<u>7251</u>	<u>812990</u>	<u>Low</u>	<u>Low</u>
<u>Sports Coach (Amateur)</u>	<u>78473</u>	<u>7999</u>	<u>611620</u>	<u>High</u>	<u>High</u>
<u>Taxidermist</u>	<u>78474</u>	<u>8999</u>	<u>711510</u>	<u>Low</u>	<u>Low</u>
<u>Translation or Interpretation Services</u>	<u>78475</u>	<u>7389</u>	<u>541930</u>	<u>Low</u>	<u>High</u>
<u>Travel Planning</u>	<u>78476</u>	<u>4724</u>	<u>561510</u>	<u>Low</u>	<u>High</u>
<u>Tutoring and Exam Prep</u>	<u>78477</u>	<u>8299</u>	<u>611691</u>	<u>Low</u>	<u>High</u>
<u>Watch and Jewelry Repair</u>	<u>78478</u>	<u>7631</u>	<u>811490</u>	<u>Medium</u>	<u>Low</u>
<u>Wedding Officiant</u>	<u>78479</u>	<u>7299</u>	<u>561990</u>	<u>Low</u>	<u>High</u>
<u>Window Display Decorating</u>	<u>78480</u>	<u>7311</u>	<u>541810</u>	<u>Medium</u>	<u>Low</u>
<u>Writing, Freelance</u>	<u>78481</u>	<u>8999</u>	<u>711510</u>	<u>Low</u>	<u>Low</u>
<u>Yoga Instruction</u>	<u>78482</u>	<u>7299</u>	<u>812990</u>	<u>High</u>	<u>Low</u>

Table 73.C.#4 Service

74. PREMIUM DEVELOPMENT – MANDATORY COVERAGES

A. General Rules

1. All loss costs and premiums referred to in this division are for an annual period.
2. Compute premium separately for mandatory property and liability coverages.
3. For mandatory Business Personal Property coverage, the rates apply per \$100 of the limit of insurance.
4. For mandatory liability coverage, the rates are based on ranges of annual gross sales.

B. Premium Determination

1. Risk Classification

Refer to Rule 73.C. to obtain:

- a. Classification descriptions and codes;
- b. The rating group of Artisan Manufacturing (Retail Sales), Direct Retail Sales, Online Retail Sales or Service;
- c. The Liability Hazard Group assignment applicable to the classification.

2. Premium Determination

a. Business Personal Property

- (1) Business Personal Property coverage is available at limits between \$2,500 and \$25,000. Refer to Table 74.B.2.a.(1)(LC) to determine the Business Personal Property base loss cost.
- (2) If an optional deductible of \$500 is selected, multiply the loss cost from Paragraph B.2.a.(1) by the Property Deductible Option Factor from Table 75. to determine the Business Personal Property rate. If no optional deductible is selected, the Business Personal Property rate is the Business Personal Property base loss cost.
- (3) Multiply the Business Personal Property rate determined in Paragraph B.2.a.(2) by the Business Personal Property limit of insurance (per \$100) to determine the Business Personal Property premium.

b. Liability And Medical Expenses

- (1) Determine the range of annual gross sales applicable to the insured's business. If the business is new and annual gross sales are unknown, select the \$0 – \$50,000 range.
- (2) Select the loss cost from Table 74.B.2.b.(2)(LC) based on the rating group, range of annual gross sales, and per occurrence/aggregate limits applicable to the policy.
- (3) Multiply the loss cost determined in Paragraph B.2.b.(2) by the applicable Liability Hazard Group Factor from Table 74.B.2.b.(3) to determine the Liability and Medical Expenses premium.

<u>Liability Hazard Group</u>	<u>Factor</u>
<u>Low</u>	<u>1.00</u>
<u>Medium</u>	<u>1.20</u>
<u>High</u>	<u>1.50</u>

Table 74.B.2.b.(3) Liability Hazard Group Factors

- (4) For Artisan Manufacturing classes, if sales are primarily conducted through online transactions with no more than 10% of annual gross sales derived from direct selling, multiply the premium determined in Paragraph B.2.b.(3) by the Artisan Manufacturing Online Sales Factor from Table 74.B.2.b.(4).

<u>Factor</u>
<u>0.305</u>

Table 74.B.2.b.(4) Artisan Manufacturing Online Sales Factor

75. DEDUCTIBLES

A \$250 per occurrence base property deductible is contemplated for all causes of loss and may be shown in the Declarations. This deductible may be increased to \$500 and must be indicated in the Declarations. If this optional deductible is selected, refer to Table 75. to obtain the deductible factor.

<u>Deductible</u>	<u>Factor</u>
\$ 500	0.952

Table 75. \$500 Property Deductible Option Factor

76. RESERVED FOR FUTURE USE

77. OPTIONAL COVERAGES

The following optional coverages are included in Micro-Businessowners Coverage Form **BP 00 04** (except as noted) and are activated by entry in the Declarations:

A. Property Coverages

Electronic Data

1. Description

Electronic data is Property Not Covered, except as provided under this Additional Coverage, which provides coverage for the cost to replace or restore electronic data that has been destroyed or corrupted by a Covered Cause Of Loss. Coverage is subject to an annual aggregate limit of \$1,000, which may be increased. The aggregate limit is the maximum payable in any one policy year, regardless of the number of occurrences of loss or damage or the number of computer systems involved.

2. Premium Determination

Develop the additional premium for Electronic Data Coverage by multiplying the Business Personal Property rate determined in Rule 74.B.2.a.(2) by the applicable factor shown in Table 77.A.2. Multiply the result by the applicable limit of insurance (per \$100) in excess of \$1,000.

<u>Factor</u>
0.500

Table 77.A.2. Electronic Data Factor

B. Liability And Medical Expenses Coverage

1. Damage To Premises Rented To You

a. Description

Coverage is automatically provided in the Liability Section of the Micro-Businessowners Coverage Form for Damage To Premises Rented To You insurance subject to a basic limit of \$50,000.

b. Optional Higher Limits Of Insurance

The \$50,000 limit may be increased to an amount not to exceed \$1,000,000.

c. Premium Determination

Develop the additional premium by multiplying the loss cost shown in Table 77.B.1.c.(LC) by the limit of insurance (per \$100) in excess of \$50,000.

2. Optional Per Person Medical Expenses Limit

a. Description

Medical Expenses coverage is automatically provided in the Liability Section of the Micro-Businessowners Coverage Form subject to an occurrence and aggregate limit as well as a "per person" limit of \$5,000.

b. Optional Higher Limits Of Insurance

The \$5,000 limit may be increased to \$10,000. This limit may be shown in the Declarations.

c. Premium Determination

Develop the additional premium by multiplying the Liability and Medical Expenses premium determined in Rule **74.B.2.b.(3)** by the factor shown in Table **77.B.2.c.** The result is the additional premium for selecting the \$10,000 limit medical payments option.

Factor
0.020

Table 77.B.2.c. \$10,000 Limit Per Person Medical Expenses Factor

78. ENDORSEMENTS

The following endorsements may be attached to the Micro-Businessowners Policy:

A. Liability Endorsements

1. Micro-Businessowners Abuse Or Molestation Exclusion

a. Description

This endorsement amends Micro-Businessowners Liability Coverage by excluding abuse or molestation by anyone of any person while in the care, custody or control of any insured.

b. Endorsement

Use Micro-Businessowners Abuse Or Molestation Exclusion Endorsement **BP 21 01.**

c. Premium Determination

Refer to company.

2. Micro-Businessowners Employment-related Practices Exclusion Endorsement

a. Description

This endorsement amends Micro-Businessowners Liability Coverage by excluding bodily injury and personal and advertising injury arising out of employment-related practices.

b. Endorsement

Use Micro-Businessowners Employment-related Practices Exclusion Endorsement **BP 21 02.**

c. Premium Determination

Refer to company.

3. Micro-Businessowners Professional Services Exclusion Endorsement

a. Description

This endorsement amends Micro-Businessowners Liability Coverage by excluding bodily injury, property damage and personal and advertising injury arising out of the rendering or failure to render professional services.

b. Endorsement

Use Micro-Businessowners Professional Services Exclusion Endorsement **BP 21 03.**

c. Premium Determination

Refer to company.

B. Endorsements Applicable To Specific Classes

Policies covering eligible Micro-Businessowners risks may contain one or more of the following endorsements:

1. Micro-Businessowners Retail Endorsement BP 20 01

a. Description

This endorsement amends the Micro-Businessowners Policy to provide coverage for insureds involved in direct or online retail sales or artisan manufacturing. It provides coverage for stock and adds theft as a covered cause of loss. It also includes as additional insureds 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:

- (1) In connection with the insured's ongoing operations performed for that additional insured; or
- (2) 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.

If required by the contract or agreement, such person(s) or organization(s) may be specifically identified in the Declarations.

b. Endorsement

Use Micro-Businessowners Retail Endorsement **BP 20 01.**

c. Premium Determination

- (1) Refer to Table **78.B.1.c.(1)(LC)** to determine the base loss cost for this endorsement.
- (2) If a stock limit of insurance is entered in the Schedule, select the stock loss cost from Table **78.B.1.c.(2)(LC)** that corresponds to the theft deductible entered in the Declarations.
- (3) Multiply the stock limit of insurance (per \$100) by the loss cost determined in Paragraph **B.1.c.(2)** to determine the additional premium for stock.
- (4) Add the results of Paragraph **B.1.c.(1)** and Paragraph **B.1.c.(3)** to determine the total premium for this endorsement.

2. Micro-Businessowners Service Endorsement BP 20 02

a. Description

This endorsement amends the Micro-Businessowners Policy to provide coverage for insureds involved in the service industry. It adds theft as a covered cause of loss with respect to property of others that is in the insured's care, custody or control. Reward Payment and Key And Lock Replacement Additional Coverages are also provided. It also includes as additional insureds 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:

- (1) In connection with the insured's ongoing operations performed for that additional insured; or
- (2) 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.

If required by the contract or agreement, such person(s) or organization(s) may be specifically identified in the Declarations.

b. Endorsement

Use Micro-Businessowners Service Endorsement **BP 20 02.**

c. Premium Determination

- (1) Refer to Table **78.B.2.c.(1)(LC)** to determine the base loss cost for this endorsement.
- (2) Multiply the total Business Personal Property premium determined in Rule **74.B.2.a.(3)** by the factor from Table **78.B.2.c.(2)** to determine the additional premium for theft coverage for property of others that is in the insured's care, custody, or control.

Factor
<u>0.022</u>

Table 78.B.2.c.(2) Property Of Others Theft Factor

- (3) For classes listed in Table **78.B.2.c.(3)**, multiply the total Liability and Medical Expenses premium determined in Rule **74.B.2.b.(3)** by the applicable factor from the table to determine the additional premium for animals in the insured's care, custody, or control.

Class Code	Class Description	Factor
<u>78403</u>	<u>Aquarium Cleaning Services</u>	<u>0.05</u>
<u>78462</u>	<u>Pet Grooming</u>	<u>0.05</u>
<u>78466</u>	<u>Pet Walking and Sitting</u>	<u>0.05</u>

Table 78.B.2.c.(3) Animals Factor

- (4) Add the results of Paragraphs **B.2.c.(1)** through Paragraphs **B.2.c.(3)** to determine the total premium for this endorsement.

3. Micro-Businessowners Professional Liability Endorsement BP 22 02

a. Description

This endorsement provides coverage with respect to liability for claims made as a result of wrongful acts which occur in the rendering of or failure to render professional services described in the Schedule. Coverage is provided on a claims-made and reported basis. Defense is within limits. This coverage is available for insureds involved in the service industry.

b. Endorsement

Use Micro-Businessowners Professional Liability Endorsement **BP 22 02**.

c. Retroactive Date

- (1) The Retroactive Date is a specific date entered in the Schedule of the endorsement. Any wrongful act which occurred prior to the Retroactive Date is not covered, even if a claim for such wrongful act is first made during the policy period, the Basic Extended Reporting Period or the Supplemental Extended Reporting Period (if purchased).
- (2) If "None" is entered in the Schedule of the endorsement, there is no Retroactive Date. In such case, coverage may be afforded for wrongful acts occurring prior to the inception date of the policy.

d. Basic Extended Reporting Period

- (1) If the circumstances related to cancellation or nonrenewal of coverage specified in the Extended Reporting Periods Condition of the endorsement are met, a Basic Extended Reporting Period is automatically provided at no additional charge. This period starts with the end of the policy period and lasts for 30 days.
- (2) The Basic Extended Reporting Period does not apply to claims that are covered under subsequent insurance purchased or to claims that would be covered but for the exhaustion of the aggregate limit of insurance applicable to such claims.
- (3) There is no separate or additional aggregate limit of insurance for the Basic Extended Reporting Period. The limit of insurance available during the Basic Extended Reporting Period shall be the remaining amount, if any, of the Information Security Protection Aggregate Limit of Insurance available at the end of the policy period.

e. Limits Of Insurance

Micro-Businessowners Miscellaneous Professional Liability may be written with an aggregate limit of insurance of \$100,000, \$300,000, \$500,000 or \$1,000,000.

f. Deductible

The deductible will be shown in the Schedule and is available in amounts of \$0, \$500, \$1,000, \$2,500 or \$5,000.

g. Premium Determination

- (1) Select the loss cost from Table **78.B.3.g.(1)(LC)** based on the range of annual gross sales applicable to the insured's business and the per claim/aggregate limits and deductible applicable to this endorsement.
- (2) Refer to Table **73.C.#4** to determine the Professional Liability Hazard Group assignment applicable to the classification.
- (3) Multiply the loss cost determined in Paragraph **B.3.g.(1)** by the applicable Professional Liability Hazard Group Factor from Table **78.B.3.g.(3)** to determine the Professional Liability Endorsement premium.

<u>Liability Hazard Group</u>	<u>Factor</u>
<u>Low</u>	<u>1.00</u>
<u>High</u>	<u>1.35</u>

Table 78.B.3.g.(3) Liability Hazard Group Factors

h. Supplemental Extended Reporting Period

- (1) If the circumstances related to cancellation or nonrenewal of coverage specified in the Extended Reporting Periods Condition of the endorsement are met, an optional Supplemental Extended Reporting Period is available, but only for an additional charge. The Named Insured must request the Supplemental Extended Reporting Period in writing within 30 days after the end of the policy period or the effective date of cancellation, whichever comes first. The Supplemental Extended Reporting Period will begin after the 30-day Basic Extended Reporting Period expires and will last for one year.
- (2) Refer to company for rating. However, the premium charged for the Supplemental Extended Reporting Period may not exceed 1.00 times the annual premium for Endorsement **BP 22 02**.

- (3) There is no separate or additional aggregate limit of insurance for the Supplemental Extended Reporting Period. The limit of insurance available during the Supplemental Extended Reporting Period shall be the remaining amount, if any, of the Micro-Businessowners Professional Liability Limit of Insurance available at the end of the Basic Extended Reporting Period.

79. TERRORISM

A. Introduction

The "Terrorism Risk Insurance Act" ("TRIA") establishes a program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance industry. Federal participation will be triggered when the Secretary of the Treasury certifies an act of terrorism, in accordance with the provisions of TRIA, to be an act of terrorism pursuant to the Act, provided the terrorist act results in aggregate losses in excess of an amount stated in the Act. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for a percentage of losses (as stated in the Act) in excess of the insurer's retention, which is based on a specified percentage of the insurer's earned premium for the year preceding the loss. Insured losses covered by the Program are capped at \$100 billion per year; this provision serves to limit insurers' liability for losses. If a terrorism event pierces the cap of a given year, insured losses paid (amounts below the cap) under the federal Program may be subject to pro rata allocation in accordance with procedures established by the Treasury. All insurers providing commercial property or casualty insurance are required to participate in the Program to the extent of making available coverage for certified acts of terrorism in accordance with the terms and conditions of coverage.

For all new and renewal business, an insurer must make available to insureds coverage for losses caused by certified acts of terrorism. The insurer must disclose to the policyholder the premium for losses covered, the federal share of compensation for such losses under the Program and the existence of the \$100 billion cap, at the time of offer and renewal of the policy. Refer to Paragraph C.2.d. **Disclosure Of Premium** for information on disclosure forms and federal share percentages by year.

B. Coverage Options

1. THE FOLLOWING PARAGRAPHS IN THIS SECTION, B.1., INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO POLICIES THAT BECOME EFFECTIVE WHILE THE TERRORISM RISK INSURANCE PROGRAM IS IN EFFECT. REFER TO PARAGRAPH 2. OF THIS RULE FOR ADDITIONAL INSTRUCTIONS REGARDING THOSE POLICIES THAT WILL CONTINUE PAST THE ANTICIPATED TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM. POLICIES THAT BEGIN IN THE LAST CALENDAR YEAR OF THE FEDERAL PROGRAM MAY REQUIRE THE USE OF TWO ENDORSEMENTS DUE TO THE ANTICIPATED MID-TERM TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

- a. When coverage for certified acts of terrorism is provided, use Micro-Businessowners Cap On Losses From Certified Acts Of Terrorism Endorsement **BP 23 02**. Coverage for certified acts of terrorism is subject to the statutory cap on liability for losses and subject to the nuclear hazard exclusion and all other underlying policy exclusions. Coverage for acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal Program) is not subject to the statutory cap.
- b. To provide liability coverage for acts of terrorism (subject to the cap on liability for losses for certified acts of terrorism and subject to underlying policy provisions), **except** those acts committed outside of the jurisdictional boundaries of the federal Program, use Micro-Businessowners Exclusion Of Other Acts Of Terrorism Committed Outside The United States; Cap On Losses From Certified Acts Of Terrorism Endorsement **BP 23 06** in addition to Endorsement **BP 23 02**. The exclusion for acts of terrorism committed outside the United States is subject to a \$25 million threshold (valued in US dollars) for events other than nuclear, biological, chemical or radiological events. For nuclear, biological, chemical or radiological events, no dollar threshold applies.
- c. When coverage for certified acts of terrorism is not provided (or is provided with a specific limitation), the following options are available:
- (1) Exclude coverage for certified acts of terrorism by using Micro-Businessowners Exclusion Of Certified Acts Of Terrorism Endorsement **BP 23 03**. The exclusion does not extend to acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal Program).

(2) To exclude all liability losses arising out of certified acts of terrorism and acts of terrorism committed outside the jurisdictional boundaries of the federal Program, use Micro-Businessowners Exclusion Of Certified Acts Of Terrorism And Exclusion Of Other Acts Of Terrorism Committed Outside The United States Endorsement **BP 23 07** in addition to **BP 23 03**. The exclusion for acts of terrorism committed outside the United States is subject to a \$25 million threshold (valued in US dollars) for events other than nuclear, biological, chemical or radiological events. For nuclear, biological, chemical or radiological events committed outside the United States, no dollar threshold applies.

(3) Exclude coverage for certified acts of terrorism only when such acts qualify as a nuclear, biological, chemical or radiological terrorism event, and cover other acts of terrorism subject to underlying policy exclusions. Use Micro-Businessowners Exclusion Of Certified Acts Of Terrorism Involving Nuclear, Biological, Chemical Or Radiological Terrorism; Cap On Covered Certified Acts Losses Endorsement **BP 23 04**. Coverage for certified acts of terrorism under this endorsement is subject to the statutory cap on liability for losses provided by the Act. **This option may be offered to the insured, at the insurer's option, only when the insured initially rejects certified acts coverage.**

(4) Limit coverage for certified acts of terrorism by writing coverage:

(a) Under Section I – Property at a sub-limit (lower limit than the limit that applies to other perils). The sub-limit applies on an annual aggregate basis. Coverage for acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal Program) remains subject to full underlying limits; and

(b) Under Section II – Liability subject to a certified acts of terrorism aggregate limit. Coverage for other acts of terrorism remains subject to full underlying limits.

Use Micro-Businessowners Limitations Of Coverage For Certified Acts Of Terrorism Endorsement **BP 23 05**. **This option may be offered to the insured, at the insurer's option, only when the insured initially rejects certified acts coverage.**

d. To also exclude punitive damages arising out of a certified act of terrorism when Endorsement **BP 23 02**, **BP 23 04**, **BP 23 05** or **BP 23 06** is attached to a policy, use Micro-Businessowners Exclusion Of Punitive Damages Related To A Certified Act Of Terrorism Endorsement **BP 23 08**.

e. The exclusions and sub-limit addressed in Paragraph c. do not extend to fire following an act of terrorism, with respect to states which have a Standard Fire Policy (SFP) statute or similar statute prohibiting such exclusion or limitation. Under Endorsements **BP 23 03**, **BP 23 04** and **BP 23 05**, use the Schedule to indicate applicability of the Exception Covering Certain Fire Losses. That Exception is contained in the aforementioned endorsements.

Refer to the most current Notice To Manualholders in the Businessowners Terrorism Supplement for a chart of SFP status by state and line of business.

f. The federal Program does not include Canada, and therefore endorsements relating to certified acts of terrorism are not relevant to acts of terrorism occurring in Canada. The federal Program in general encompasses losses that occur within the United States, with State defined in the Act to include U.S. territories and possessions and the commonwealth of Puerto Rico. The coverage territory, with respect to Section I – Property, as addressed in Micro-Businessowners Coverage Form **BP 00 04** is the United States, its territories and possessions, Puerto Rico and Canada. The foregoing is for information only; this rule does not address policywriting outside the aforementioned coverage territory.

2. THE FOLLOWING PARAGRAPHS, B.2.a. THROUGH B.2.c., INSTRUCT ON THE USAGE OF CONDITIONAL TERRORISM ENDORSEMENT OPTIONS FOR:

- **POLICIES THAT BECOME EFFECTIVE DURING THE LAST CALENDAR YEAR OF THE FEDERAL PROGRAM, WITH A POLICY TERM THAT EXTENDS PAST THE TERMINATION DATE OF THAT PROGRAM.**

- **POLICIES WRITTEN TO BECOME EFFECTIVE AFTER THE SCHEDULED TERMINATION DATE OF THE FEDERAL PROGRAM, IF THE DISPOSITION OF SUCH PROGRAM IS UNCERTAIN AT THE TIME THE POLICY IS WRITTEN.**

THESE CONDITIONAL ENDORSEMENTS ARE DESIGNED TO BE USED IN CONJUNCTION WITH (ON THE SAME POLICY AS) THE ENDORSEMENTS DESCRIBED ABOVE AND CAN ALSO BE USED IN THE ABSENCE OF SUCH ENDORSEMENTS. REFER TO PARAGRAPH 3. OF THIS RULE FOR POLICIES THAT BECOME EFFECTIVE AFTER THE TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

The following information is based on a scheduled termination date of December 31, 2020. However, if there is an extension of the federal Program beyond 2020, then the following information would apply instead to the last calendar year enacted via the extension, provided the federal Program will end on a specified date with respect to all policies for this line of business (a so-called hard ending).

Policies that become effective on or after January 1, 2020 may not have the federal backstop apply throughout the entire policy period. The following conditional endorsement options provide insurers with tools to address terrorism exposures given the anticipated termination of the federal Program, which may occur during the policy period. The provisions of the conditional endorsement will apply commencing when the federal Program terminates or is extended without "make available" requirements and with certain changes (revised definition of terrorism; or terrorism coverage made subject to terms or conditions different from those that apply to other events; or increase in insurer retention of or participation in losses). If the aforementioned conditions do not occur, the provisions of the conditional endorsement will not become effective on the policy.

- a. To exclude terrorism coverage upon the termination of the Federal Terrorism Risk Insurance Program, attach Micro-Businessowners Conditional Exclusion Of Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement **BP 23 09**.
- b. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material) upon the termination of the Federal Terrorism Risk Insurance Program, attach Micro-Businessowners Conditional Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement **BP 23 10**.
- c. To provide coverage for terrorism subject to a Terrorism Aggregate Limit (and subject to underlying policy provisions) upon the termination of the Federal Terrorism Risk Insurance Program, attach Micro-Businessowners Conditional Limitation Of Coverage For Terrorism – Sub-Limit On Annual Aggregate Basis (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement **BP 23 11**.

If this conditional endorsement is used along with terrorism aggregate limit described in Paragraph **B.1**, do **not** enter a Terrorism Aggregate Limit amount for the conditional endorsement. A footnote in the Schedule of the conditional endorsement makes reference to relevant text within the endorsement, which in turn explains how the Terrorism Aggregate applies.

3. THE FOLLOWING PARAGRAPHS, B.3.a. THROUGH B.3.c., INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO:

- **POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN THE TERRORISM RISK INSURANCE PROGRAM HAS TERMINATED:**
- **POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN AN EXTENSION OF THE TERRORISM RISK INSURANCE PROGRAM HAS GONE INTO EFFECT, IF THE PROGRAM WAS EXTENDED WITHOUT MAKE-AVAILABLE REQUIREMENTS AND WITH CERTAIN CHANGES (REVISED DEFINITION OF TERRORISM; OR TERRORISM COVERAGE MADE SUBJECT TO TERMS OR CONDITIONS DIFFERENT FROM THOSE THAT APPLY TO OTHER EVENTS; OR INCREASE IN INSURER RETENTION OF OR PARTICIPATION IN LOSSES).**

- a. To exclude terrorism coverage, attach Micro-Businessowners Exclusion Of Terrorism Endorsement **BP 23 12**.
- b. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Micro-Businessowners Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism Endorsement **BP 23 13**.
- c. To provide coverage for terrorism subject to a Terrorism Aggregate Limit (and subject to underlying policy provisions), attach Micro-Businessowners Limitation Of Coverage For Terrorism – Sub-Limit On Annual Aggregate Basis Endorsement **BP 23 14**.

C. Pricing

1. Rates And Factors For Certified Acts Of Terrorism

Rates for business personal property certified acts of terrorism coverage are provided in Table **79.C.2.a.(LC)**. Factors for liability and medical expenses certified acts of terrorism coverage are provided in Table **79.C.2.b**.

Rates and factors that are identified as:

- a. TRIA rates and factors recognize federal participation in covering losses; and
- b. Full rates and factors reflect the absence of federal participation in losses following termination of the federal Program.

Refer to Paragraph **C.2.c**. for information on prorating.

2. Premium Determination

a. Business Personal Property Certified Acts Of Terrorism Coverage

When coverage is provided for certified acts, develop the additional premium for business personal property certified acts of terrorism coverage using business personal property rates from Table **79.C.2.a.(LC)** in the multistate rates. Adjust the rates by applying deductible rate modification factor, refer to Table **75.** for the Optional Deductible Factor. Multiply the adjusted rates by the appropriate limits of insurance in hundreds to obtain the additional premium for certified acts of terrorism coverage.

b. Liability And Medical Expenses Certified Acts Of Terrorism Coverage

Develop the additional premium for liability and medical expenses certified acts of terrorism coverage using liability and medical expenses factors from Table **79.C.2.b.** Multiply the otherwise applicable liability and medical expenses premium by the appropriate factor in Table **79.C.2.b.** to obtain the additional premium for certified acts of terrorism coverage.

<u>Territory</u>	<u>TRIA</u>	<u>Full (Post-TRIA)</u>
<u>Entire State</u>	<u>0.004</u>	<u>0.004</u>

Table 79.C.2.b. Liability And Medical Expenses Certified Acts Of Terrorism Coverage Factors

c. Prorating

(1) When Certified Exclusion And Conditional Exclusion Are Not Used

If rates differ by calendar year, prorate the rate based on the proportion of time the policy is in effect in each calendar year of the federal Program.

For annual policies with a term that begins in the last calendar year of the federal Program and extends into the following year, prorate the rate using applicable TRIA and Full rates, based on the proportion of time the policy will be in effect before and after the Program's termination. If such a policy is rated prior to a Congressional decision on extension of the federal Program, the insurer may:

- (a)** Prorate as indicated above, based on the federal Program's anticipated termination date. If the federal Program is extended, recalculate the premium and refund the excess premium, unless such amount falls within the waiver of return premium, if any, on file for the insurer in this state; or
- (b)** Use the applicable TRIA rates for the entire annual policy period, instead of prorating. If the federal Program terminates, recalculate the premium and charge additional premium. If the federal Program is extended with changes in the backstop, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of additional or return premium, if any, on file for the insurer in this state.

(2) When Terrorism Coverage Applies Subject To Conditional Exclusion

When a conditional exclusion is attached, the duration of coverage and the commensurate premium are not fully determined until the disposition of the federal Program is decided. When a conditional exclusion is used, prorate the applicable TRIA rate based on the proportion of time that coverage will apply. Make no charge for the portion of time that coverage will be excluded. Example: Annual policy begins on 6/01/20; exclusion is anticipated to become effective on 1/01/21. The rate would be 59% (214/365 days) of the rate applicable to the 2020 calendar year.

If such a policy is rated prior to a Congressional decision on extension of the federal Program, the insurer may:

- (a)** Prorate as indicated above, based on the federal Program's anticipated termination date. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable, and coverage continues to apply, recalculate the premium and charge additional premium unless such amount falls within the waiver of additional premium, if any, on file for the insurer in this state; or
- (b)** Calculate the premium using the applicable TRIA rate for the entire policy term. If the federal Program terminates, recalculate the premium by prorating that applicable TRIA rate and refund the excess premium. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable, and coverage continues to apply, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of additional or return premium, if any, on file for the insurer in this state.

d. Disclosure Of Premium

Disclosure of premium attributable to coverage for certified acts of terrorism, and disclosure of federal participation in payment of potential terrorism losses and existence of the \$100 billion cap, is a condition for reimbursement under the federal Program. The disclosure endorsements described in Paragraphs **d.(1)**, **d.(2)(a)** and **d.(2)(b)** require entry of the applicable federal share percentage for each calendar year of the policy term. The federal share percentages for the duration of the federal Program pursuant to the Terrorism Risk Insurance Program Reauthorization Act Of 2015 are as follows:

<u>Calendar Year</u>	<u>Federal Share Percentage</u>
2015	85%
2016	84%
2017	83%
2018	82%
2019	81%
2020	80%

Example: For a policy with a term of March 1, 2015 through March 1, 2016, complete Part II of the Schedule of the disclosure endorsement by showing calendar years 2015 and 2016 along with the respective percentage for each of those years.

If the federal Program is reauthorized past 12/31/2020 and there are no further changes to the federal share, then the percentage shown for 2020 would continue to apply beyond 12/31/2020.

(1) For Policies That Begin Prior To The Last Calendar Year Of The Federal Program

Use Micro-Businessowners Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement **BP 23 01**, which responds to the Treasury Guidance on line item disclosure.

(2) For Policies That Begin In The Last Calendar Year Of The Federal Program

(a) Use Micro-Businessowners Disclosure Of Premium Through End Of Year For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement **BP 23 15** for policies that begin in the last calendar year of the federal Program and extend into the following year, when a conditional exclusion is used and premium is being disclosed only for the period during which the federal Program is in effect. This is the situation described in Paragraph **C.2.c.(2)(a)**. This endorsement recognizes the possibility of a mid-term additional premium charge.

(b) Use Micro-Businessowners Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement **BP 23 16** for policies that begin in the last calendar year of the federal Program and extend into the following year, when premium is being disclosed for the period during which the federal Program is in effect and estimated premium is being disclosed for the remainder of the policy term. This situation is described in Paragraphs **C.2.c.(1)(a)**, **C.2.c.(1)(b)** and **C.2.c.(2)(b)**. This endorsement recognizes the possibility of a mid-term additional premium charge or return of excess premium.

3. Certified Acts Of Terrorism – Limited Coverage

a. General

Rates and factors for certified acts of terrorism coverage are provided in various tables in this rule. These rates and factors applicable to the Terrorism Risk Insurance Program under TRIA recognize federal participation in covering losses. The TRIA rates and factors apply to the current calendar year of the federal Program and to successive calendar years unless the rates and factors displayed are differentiated by specific calendar years. Rates and factors are also displayed for the time period following termination of the federal Program; such rates and factors are designated as Full rates and factors, to reflect the absence of federal participation in losses. Refer to Paragraph **C.2.c.** for information on prorating.

b. Premium Determination

(1) Coverage For Certified Acts Of Terrorism Excluding Nuclear, Biological, Chemical And Radiological (NBCR) Events

(a) Business Personal Property Coverage

Develop a state rate for certified acts of terrorism coverage as indicated in Paragraph **C.2.a**. Adjust that state rate by multiplying by the appropriate factor shown in Table **79.C.3.b.(1)(a)**. Multiply the adjusted state rate by the appropriate limit of insurance in hundreds to obtain the additional premium for this limited form of certified acts coverage.

<u>Territory</u>	<u>Property Adjustment Factor(s) For Certified Acts Coverage With Exclusion Of NBCR Events</u>
Entire State	.50

Table 79.C.3.b.(1)(a) Property Adjustment Factor(s) For Certified Acts Coverage With Exclusion Of NBCR Events

(b) Liability And Medical Expenses Coverage

Determine the additional premium for certified acts of terrorism as described in Paragraph **C.2.b.**
Multiply the additional premium by the appropriate factor shown in Table **79.C.3.b.(1)(b)**.

<u>Territory</u>	<u>Liability Adjustment Factor(s) For Certified Acts Coverage With Exclusion Of NBCR Events</u>
Entire State	0.58

Table 79.C.3.b.(1)(b) Liability Adjustment Factor(s) For Certified Acts Coverage With Exclusion Of NBCR Events

(2) Sub-limit On Certified Acts Of Terrorism Coverage

(a) Business Personal Property Coverage

Multiply the state rate for certified acts of terrorism coverage as indicated in Paragraph **C.2.a.** by the sub-limit (in hundreds) to obtain the additional premium for this limited form of certified acts coverage.

(b) Liability And Medical Expenses Coverage

Step 1. Determine the additional premium for certified acts of terrorism for liability coverage as described in Paragraph **C.2.b.**

Step 2. Determine the Liability and Medical Expenses Terrorism Sub-limit factor from Table **79.C.3.b.(2)(b)** for the applicable aggregate policy limit and Terrorism Sub-limit.

Step 3. Multiply the additional premium determined in Step 1. by the factor determined in Step 2.

<u>Policy Aggregate Limit For Liability And Medical Expenses (000's)</u>	<u>Terrorism Sub-limit (000's)</u>	<u>Factor</u>
\$ 1,000	\$ 600	0.969
2,000	600	0.931
2,000	1,000	0.961
4,000	600	0.895
4,000	1,000	0.924
4,000	2,000	0.962

Table 79.C.3.b.(2)(b) Liability and Medical Expenses Terrorism Sub-limit Factors

c. Prorating

Refer to Paragraph **C.2.c.**

d. Disclosure Of Premium

Refer to Paragraph **C.2.d.**

D. Individual Risk Situations

Rule 62. Referrals To Company may be used for rating any risk or exposure for which the manual rate or factor is clearly demonstrated to be inappropriate because of the nature of the exposure to terrorist acts, whether higher or lower, relative to other risks within the same territory.

A1. WASHINGTON EFFICIENT PROXIMATE CAUSE RELATED AGGREGATE LIMIT ENDORSEMENT

A. Explanation

To address the Washington Supreme Court's application of the efficient proximate cause rule in response to *Xia v. ProBuilders Specialty Insurance Co.*, No. 92436-8, 2017 WL 1532219 (Apr. 27, 2017 Wash.), the endorsement referenced in Paragraph **B.** is available.

B. Endorsement

Use Washington – Limited Coverage For Bodily Injury, Property Damage Or Personal And Advertising Injury Involving Efficient Proximate Cause (Defense Within Limits) – Micro-Businessowners Endorsement **BP 74 05**.

A2. STOP GAP – EMPLOYER'S LIABILITY COVERAGE

A. Description Of Coverage

This endorsement provides Employer's Liability Coverage for those situations where an employer can be held liable for an employee's occupational injuries. Such coverage is not provided by the state insurance fund that provides workers' compensation in this state.

B. Endorsement

Use Washington – Stop Gap – Employer's Liability Coverage – Micro-Businessowners Endorsement **BP 74 06**.

C. Premium Determination

1. If the Each Accident and Each Person Disease Limits are the same, the premium for this endorsement is calculated as follows:
 - a. Using the Each Accident and Each Person Disease Limit as the per occurrence limit and the Each Disease Aggregate Limit as the aggregate limit, determine the applicable liability premium as described in multistate Rule **74.B.2.b**.
 - b. Multiply the liability premium by the applicable factor shown in Table **A2.C.1.b**. to determine the additional premium.

Type Of Risk	Factor
Service	.03
Retail	.02

Table A2.C.1.b. Stop Gap – Employer's Liability Coverage Factors

2. If the Each Accident and Each Person Disease Limits differ or if limits other than what is provided in Table **74.B.2.b.(2)(LC)** are used, then refer to company for rating.

62. REFERRALS TO COMPANY

Paragraph C.2. is replaced by the following:

C. Situations where liability increased limits are provided and the risk is reinsured on a facultative basis.

The following rating procedure is available for the determination of the applicable premium:

2. For limits of liability obtained by means of facultative reinsurance, the premium shall be the facultative cost for such reinsurance, increased by the actual expenses incurred in obtaining the reinsurance, not exceeding 50% of the cost for such reinsurance.

Paragraph D.2. is replaced by the following:

D. Situations where property coverage or a portion of coverage is reinsured on a facultative basis.

The following rating procedure is available for the determination of the applicable premium:

2. For any portion of the Limit of Insurance obtained by means of facultative reinsurance, the premium shall be the facultative cost for such reinsurance, increased by the actual expenses incurred in obtaining the reinsurance, not exceeding 50% of the cost for such reinsurance.

68. RETURN PREMIUM CHANGES

Paragraph **B.** is replaced by the following:

B. Waiver Of Premium

Grant any return premium due the insured.

69. POLICY CANCELLATION

Paragraph **B.** is replaced by the following:

B. Other Calculations

If Paragraph **A.** of Rule **69.** does not apply, compute return premium at a factor of the pro rata unearned premium found in Table **69.B.** and round to the next higher whole dollar.

<u>Factor</u>
<u>0.90</u>

Table 69.B. Return Premium Factor

71. MANDATORY FORMS, COVERAGE AND LIMITS

The following is added to Rule **71.**:

E. Washington Changes – Micro-Businessowners Endorsement BP 74 01

Attach Washington Changes – Micro-Businessowners Endorsement **BP 74 01** to all policies.

F. Washington Changes – Domestic Abuse – Micro-Businessowners Endorsement BP 74 02

Attach Washington Changes – Domestic Abuse – Micro-Businessowners Endorsement **BP 74 02** to all policies.

G. Washington Changes – Defense Costs – Micro-Businessowners Endorsement BP 74 04

Attach Washington Changes – Defense Costs – Micro-Businessowners Endorsement **BP 74 04** to all policies.

74. PREMIUM DEVELOPMENT – MANDATORY COVERAGES

Paragraph **B.2.b.(1)** is replaced by the following:

B. Premium Determination

2. Premium Determination

b. Liability And Medical Expenses

- (1)** Determine the range of annual gross sales applicable to the insured's business. Refer to company for procedures to determine the appropriate gross sales range if the business is new and annual gross sales are unknown.

79. TERRORISM

The following is added to Paragraph **B.1.**:

B. Coverage Options

In the situation where a terrorism exclusion is endorsed to (or is otherwise part of) the policy, also attach Washington – Amendment Of Terrorism Exclusions – Micro-Businessowners **BP 74 03**. This endorsement brings the terrorism exclusion into compliance with state law on efficient proximate causation of loss.

The following is added to Paragraph **B.2.**:

If Endorsement **BP 23 09** or **BP 23 10** is endorsed to (or is otherwise part of) the policy, also attach Washington – Amendment Of Terrorism Exclusions – Micro-Businessowners **BP 74 03**. This endorsement brings the terrorism exclusion into compliance with state law on efficient proximate causation of loss.

The following is added to Paragraph **B.3.**:

If Endorsement **BP 23 12** or **BP 23 13** is endorsed to (or is otherwise part of) the policy, also attach Washington – Amendment Of Terrorism Exclusions – Micro-Businessowners **BP 74 03**. This endorsement brings the terrorism exclusion into compliance with state law on efficient proximate causation of loss.

Paragraph **C.1.a.** is replaced by the following:

C. Pricing

1. Rates And Factors For Certified Acts Of Terrorism

- a. Applicable to the Terrorism Risk Insurance Program under TRIA recognize federal participation in covering losses. The TRIA rates and factors apply to the current calendar year of the federal Program and to successive calendar years unless the rates and factors displayed are differentiated by specific calendar years.

Paragraph **C.2.a.** is replaced by the following:

2. Premium Determination

a. Business Personal Property Certified Acts Of Terrorism Coverage

When coverage is provided for certified acts, develop the additional premium for business personal property certified acts of terrorism coverage using business personal property rates from Table **79.C.2.a.** in the state loss costs. Adjust the rates by applying deductible rate modification factor, refer to Table **75.** for the Optional Deductible Factor. Multiply the adjusted rates by the appropriate limits of insurance in hundreds to obtain the additional premium for certified acts of terrorism coverage.

If the insured rejects coverage for certified acts of terrorism, that rejection does not apply to fire following a certified act of terrorism, due to a state statutory requirement. To develop a rate only for such fire coverage, multiply the territory rate by the appropriate factor in Table **79.C.2.a.**

Territory	Adjustment Factor(s) For Certified Acts Exclusion With Fire Exception (Fire-only Coverage)
City of Seattle	.30
Balance of King County, Clark and Thurston Counties	.10
Remainder of State	.40

Table 79.C.2.a. Business Personal Property Certified Acts Of Terrorism – Adjustment Factor(s) For Certified Acts Exclusion With Fire Exception (Fire-only Coverage)

Paragraph **C.2.b.** is replaced by the following:

2. Premium Determination

b. Liability And Medical Expenses Certified Acts Of Terrorism Coverage

Develop the additional premium for liability and medical expenses certified acts of terrorism coverage using liability and medical expenses factors from Table **79.C.2.b.** Multiply the otherwise applicable liability and medical expenses premium by the appropriate factor in Table **79.C.2.b.** to obtain the additional premium for certified acts of terrorism coverage. Refer to the Territory section of the Businessowners manual to determine the applicable territory number.

Territory	TRIA	Full (Post-TRIA)
701	0.020	0.022
702	0.004	0.004

Table 79.C.2.b. Liability And Medical Expenses Certified Acts Of Terrorism Coverage Factors

Paragraphs **C.3.b.(1)(a)** and **C.3.b.(2)(a)** are replaced by the following:

3. Certified Acts Of Terrorism – Limited Coverage

b. Premium Determination

(1) Coverage For Certified Acts Of Terrorism Excluding Nuclear, Biological, Chemical And Radiological (NBCR) Events

(a) Business Personal Property Coverage

Develop a state rate for certified acts of terrorism coverage as indicated in Paragraph **C.2.a.** Adjust that state rate by multiplying by the appropriate factor shown in Table **79.C.3.b.(1)(a)**. Multiply the adjusted state rate by the appropriate limit of insurance in hundreds to obtain the additional premium for this limited form of certified acts coverage.

Territory	Property Adjustment Factor(s) For Certified Acts Coverage With Exclusion Of NBCR Events
City of Seattle	.45
Balance of King County, Clark and Thurston Counties	.10
Remainder of State	.50

Table 79.C.3.b.(1)(a) Property Adjustment Factor(s) For Certified Acts Coverage With Exclusion Of NBCR Events

Do not apply the factor provided in Table **79.C.2.a.**

(2) Sub-limit On Certified Acts Or Terrorism Coverage

(a) Business Personal Property Coverage

Multiply the state rate for certified acts of terrorism coverage as indicated in Paragraph **C.2.a.** by the sub-limit (in hundreds) to obtain the additional premium for this limited form of certified acts coverage.

Do not apply the factor provided in Table **79.C.2.a.**

Paragraph D. is replaced by the following:

D. Individual Risk Situations

The Company should rate or classify any risk or exposure for which:

1. The manual rate or applicable Class of Business cannot be used because the risk is clearly demonstrated inappropriate because of the nature of the exposure to terrorist acts, whether higher or lower, relative to other risks within the same territory and documented to be beyond the scope of the manual rate or contains one or more components not within the scope of the Class of Business or any other Class of Business contained in this manual because of a unique or unusual feature of the risk; or
2. The coverage to be written is broader than that contained in the applicable standard policy; or
3. The policy providing the insurance contemplated by an applicable Class of Business and rate is endorsed to restrict coverage for hazards not common to all risks within the class.

Amendment To Washington Supplement To The 2019 Micro- Businessowners Program

About This Filing

This amendment further revises the Washington's exceptions to ISO's new Micro-Businessowners Program in response to a Washington Office of the Insurance Commissioner objection.

Revised Rules

We are revising the state exceptions to:

- ◆ Rule 62. Referrals To Company
- ◆ Rule 69. Policy Cancellation
- ◆ Rule 74. Premium Development – Mandatory Coverages
- ◆ Rule 79. Terrorism

We have used a format of underlining additions and inserting a revision bar in the left margin to indicate changes.

Related Filing(s)

BP-2019-OFR19 (Forms)

BP-2019-RLC19 (Loss Costs)

Background

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

During review, the Washington Office of the Insurance Commissioner has requested Paragraph C.2. of Rule 62. Referrals To Company to be rewritten to mirror the exception to Paragraph 62.D.2.

The Washington OIC has taken the position that premium being deemed fully earned when the insured-initiates cancellation of a policy is inconsistent with BP 74 01 – Washington Changes – Micro-Businessowners.

The OIC has generally taken the position that under RCW 48.18.480 and 48.19.020, all insurers are required to obtain all information necessary to apply their entire rating plans equitably to all insureds to prevent unfair discrimination.

The Washington OIC has objected to Paragraph D. of Rule 79 regarding Individual Risk Situations stating that it could be interpreted as either an (a) rating rule under WAC 284-24-070 or as an individual risk rating rule.

Explanation of Changes

In response to the Department's position on this matter, we are amending the following state exceptions to Section VI Micro-Businessowners Program:

Rule 62. Referrals To Company

We are amending this rule to introduce an exception to Paragraph C.2. related to the rating procedure for any portion of the Limit of Insurance obtained by means of facultative reinsurance.

Rule 69. Policy Cancellation

Paragraph B. has been replaced to address the return premium calculation when Paragraph A. does not apply.

Rule 74. Premium Development – Mandatory Coverages

Paragraph B.2.b.(1) has been replaced to refer to company for procedures to determine gross sales range and annual gross sales for new businesses.

Rule 79. Terrorism

Paragraph D. has been replaced to appropriately address procedures for Individual Risk Situations.

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