

RULES – IMPLEMENTATION

FEBRUARY 5, 2021

BUSINESSOWNERS

LI-BP-2021-018

## NEW MEXICO BUSINESSOWNERS RULE 23. REVISION TO BE IMPLEMENTED

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### KEY MESSAGE

Businessowners revised annual individual payroll amounts specific to New Mexico to be implemented.

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### UPGRADE TO WORD AND EXCEL DOCUMENTS

ISO is currently implementing changes to our authoring and delivery systems so that **newly created** documents will be delivered in Office 365 .docx/.xlsx format. These changes will be phased in by product/service tentatively beginning in second quarter 2021. We are providing advance notification so that you may prepare your internal systems. Products impacted include, but are not limited to, documents delivered/accessed via Circulars, CLM, EFD, ERC, Filings, FIRST, Forms Library (including PolicyWriting Support Forms Instructional Supplement), IntegRater, PRM, Statistical Plans and Suite +.

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### CONSIDERATION OF COVID-19

While there will almost certainly be long-term behavioral, social and economic changes as a result of COVID-19, we expect, based on the information currently available, that those changes will have negligible and/or offsetting effects on prospective loss costs for Businessowners. Therefore, ISO is not making any explicit adjustment to the prospective loss costs referenced in this filing due to COVID-19. Additionally, the loss costs referenced in this filing do not contemplate the possibility of widespread viral resurgence or the renewal of stay-at-home orders during the period in which the newly filed loss costs will be in effect. We have assumed that any recurrence of such extreme and unpredictable circumstances would generally be addressed, as appropriate, by individual carriers.

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### ISO ACTION

Filing BP-2020-RPAY revises the annual individual payroll for executive officers and individual insured and copartners in Rule 23.B.8.a.(2)(c) to \$34,800.

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

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### EFFECTIVE DATE

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

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### COMPANY ACTION

ISO has not filed this revision on behalf of insurers.

You must independently determine what revision to make and when to make any revision effective. If you decide to use all or any part of our revision, you are NOT required to file anything with the Insurance Department.

You must document your files in case the Insurance Department wishes to review the information at a later date. In all internal correspondence on this revision, you should refer to ISO Filing Number BP-2020-RPAY, NOT this circular number. Communications with the regulator concerning a filing affecting multiple lines of business (i.e., CL, PL, AL filing designation) should specify the line(s) of business that you are addressing.

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## **RATING SOFTWARE IMPACT**

No new attributes are being introduced with this revision.

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## **POLICYHOLDER NOTIFICATION**

If you decide to implement this revision, you should check all applicable laws for the state(s) to which this revision applies, to determine whether or not a specific policyholder notice requirement may apply. Please note that circular [LI-CL-2019-057](#) contains the ISO Guide To Renewals With Changed Conditions For Commercial Lines, which is available only as a guide to assist participating companies in complying with various conditional renewal statutes or regulations, for the major commercial lines of insurance serviced by ISO. The information in the Guide does not necessarily reflect all requirements or exceptions that may apply, and it is not intended as a substitute for your review of all applicable statutes and regulations concerning policyholder notification.

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## **REVISION DISTRIBUTION**

We will issue a Notice to Manualholders with an edition date of 7-21 (or the earliest possible subsequent date), along with any new and/or revised manual pages.

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## **RELATED LOSS COSTS REVISION**

We are announcing in a separate circular the implementation of a corresponding loss costs revision. Please refer to the Reference(s) block for identification of that circular.

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## **REFERENCE(S)**

- [LI-BP-2021-017](#) (02/05/2021) New Mexico Businessowners Advisory Prospective Loss Cost Revision To Be Implemented; Exhibits Presented In Excel
  - [LI-CL-2019-057](#) (12/10/2019) Revised Lead Time Requirements Listing
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## **ATTACHMENT(S)**

Filing BP-2020-RPAY

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## **FILES AVAILABLE FOR DOWNLOAD**

To download all files associated with this circular, including attachments in the full circular PDF and/or any additional files not included in the PDF, search for the circular number on [ISOnet Circulars](#). Then click the Word/Excel link under the Full Circular column on the Search Results screen.

Please note that in some instances, not all files listed in the Attachment(s) block (if applicable) are included in the PDF.

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## DATA QUALITY

Statistical plan data reported to ISO is first processed through a system of rigorous automated data verification procedures so that only valid data would be used for ratemaking. Subsequent to this initial data submission review, additional analyses on the statistical plan data involving an even more customized data review for this line were performed by staff. During these processes, various data records were excluded from the review. The ISO staff responsible for this circular also reviewed the data for reasonableness.

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## ACKNOWLEDGMENT OF ACTUARIAL QUALIFICATIONS

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

I, Nancy A. Narisi, am a Senior Actuarial Associate of Strategic Actuarial Operations for ISO, and I, Michael Doyle, am an Actuarial Product Director for Specialty Lines for ISO. We are jointly responsible for the content of this Statement of Actuarial Opinion. We are both members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

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## CONTACT INFORMATION

If you have any questions concerning:

- The actuarial content of this circular, please contact:

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# Revision of Executive Officers, Individual Insureds and Co-Partners Payroll Amounts (Rule 23)

## About This Filing

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This filing revises the annual individual payroll for executive officers and individual insured and co-partners in Rule 23.B.8.a.(2)(c) (Premium Development – Mandatory Coverages) in Division Ten – Businessowners of the Commercial Lines Manual (CLM) to \$34,800. The revised payroll amount in this filing is specific to the state of New Mexico and is with respect to premium computation purposes.

## Revised Rules

We are revising Rule 23. Premium Development – Mandatory Coverages in the state of New Mexico.

- ◆ Rule 23.B.8.a.(2)(c) (Premium Development – Mandatory Coverages)

We have used a format of ~~striking-through~~ deletions, underlining additions and inserting a revision bar in the left margin to indicate changes.

## Related Filing(s)

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The following companion filing is being filed with a concurrent effective date:

- ◆ BP-2021-RLA1 (Loss Costs)

## Background

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The premium computation applicable to Contracting classes of business is based on payroll as outlined in Rule 23.B.8. For executive officers, individual insureds and co-partners however, the payroll amount used in premium determination as described in Rule 23.B.8.a.(2)(c) is a fixed (flat) amount that varies by state. These payroll amounts have not been recently revised. This filing provides an update to the payroll amounts in Rule 23.B.8.a.(2)(c) for executive officers, individual insureds and co-partners to reflect current wages.

## Actuarial Support

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The New Mexico individual state payroll amounts for executive officers, individual insureds and co-partners have not been revised in over 20 years. Given that the increases in payroll since the last revision are significant, payroll amounts will be revised in annual increments in coordination with the state basic limit loss cost experience review until an appropriate level is achieved. Average annual wage data for Construction Occupations as of May 2018 from the Bureau of Labor Statistics was used. For executive officers, individual insureds and co-partners, the revised payroll amount in this filing is determined as follows:

	Current Individual	BLS			Revised
	Annual Payroll	Average		Selected	Individual
	Rule	Annual	%	%	Annual Payroll
<u>State</u>	<u>23.B.8.a.(2)(c)</u>	<u>Wage</u>	<u>Change</u>	<u>Change</u>	<u>23.B.8.a.(2)(c)</u>
New Mexico	\$27,900	\$44,400	59%	25%	\$34,800

Since the intention is to introduce this change on a revenue neutral basis, an adjustment of 0.938 has been applied to the related proposed loss costs in companion filing BP-2021-RLA1 to offset the increase in the payroll amount in Rule 23.B.8.a.(2)(c). The ISO statistical plan data does not separately identify payroll for executive officers, individual insureds, and co-partners from other employees. As a result, data from the Census Bureau was analyzed to estimate the impact of the revision in payroll amount (2016 Statistics of US Business Annual Data Tables by Establishment Industry). Specifically, since the classes currently affected are construction classes, data for Construction (NAIC Code 23) was used to estimate the impact. Given the limited detail available, assumptions were made to develop the offset. Estimates for the average number of executive officers, individual insureds and co-partners per firm in each firm size range were made. Additional assumptions were made regarding individuals doing clerical work, percent of contractors who are insured, and how the firm size distribution compares to the Businessowners insured distribution.

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## **Important Note**

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23. PREMIUM DEVELOPMENT – MANDATORY COVERAGES

Paragraph **B.8.a.(2)(c)** is replaced by the following:

**B. Special Rules**

**8. Contractors**

**a. Payroll**

**(2) Executive Officers**

**(c) Rule**

~~For premium computation purposes, Use \$34,80027,900 as the annual individual payroll of each for executive officers.~~

~~For premium computation purposes, use \$34,80027,900 as the annual individual payroll of each individual insured or co partner for individual insureds or copartners covered under the policy.~~

Use the following table to determine the Building Limit of Insurance Relativity Group for the applicable territory:

<b>Territory</b>	<b>Building Limit Of Insurance Relativity Group</b>
702	C
703	C
704	C

**Table 23.C.6.a.(2)(b) Building Limit Of Insurance Relativity Group**