

RULES – IMPLEMENTATION

JULY 23, 2021

GENERAL LIABILITY

LI-GL-2021-229

KENTUCKY GENERAL LIABILITY RULE 24. REVISION FILED AND TO BE IMPLEMENTED

KEY MESSAGE

General Liability revised annual individual payroll amounts for executive officers and individual insureds and co-partners specific to Kentucky to be implemented.

UPGRADE TO WORD AND EXCEL DOCUMENTS

As previously noted, ISO is implementing changes to our authoring and delivery systems so that **newly created** documents will be delivered in Office 365 .docx/.xlsx format to be phased in by product/service. In addition to **form** documents, we are pleased to announce that during the third quarter 2021, you will be receiving **circular cover letter** and **Notice To Manualholders (NTM)** documents in .docx format delivered/accessed via Circulars, CLM, EFD, ERC, Filings, FIRST, Forms Library, PRM and Suite +. Changes continue for other document types to be phased in by product/service. 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), PRM, Statistical Plans and Suite +.

ISO ACTION

Filing GL-2021-RBOP revises the annual individual payroll for executive officers and individual insureds and co-partners in Rule 24.E.2.m. to \$33,700 for Kentucky.

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

EFFECTIVE DATE

The ISO revision is subject to the following rule of application:

These changes are applicable to all policies written on or after February 1, 2022.

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.

For guidance on submission requirements, consult the ISO State Filing Handbook.

In all correspondence with the Insurance Department on this revision, you should refer to ISO Filing Designation Number [GL-2021-RBOP](#), 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.

EFFECT OF ISO REVISION ON FLEX RATING

This revision does not result in any change which would increase or decrease supplementary rating information for any classification of risks within any territory more than 25%.

A company that decides to revise its supplementary rating information should determine the overall rate level impact of its revision and any other revision that it has implemented over the preceding 12 months. ISO has made the following revision(s) of supplementary rating information for General Liability over the preceding 12 months which result in percent indications different than those contained in the attached filing:

Filing [GL-2021-IALL1](#): Revision of Increased Limit Factors

Filing [GL-2020-IALL1](#): Revision of Increased Limit Factors

Filing [GL-2018-RRU18](#): Revision of General Liability Multistate Manual Rules

RATING SOFTWARE IMPACT

No new attributes are being introduced with this revision.

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-2021-004](#) 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.

REVISION DISTRIBUTION

We will issue a Notice to Manualholders with an edition date of 2-22 (or the earliest possible subsequent date), along with any new and/or revised manual pages.

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.

REFERENCE(S)

- [LI-GL-2021-228](#) (07/23/2021) Kentucky General Liability Advisory Prospective Loss Cost Revision Filed And To Be Implemented
- [LI-CL-2021-004](#) (02/17/2021) Revised Lead Time Requirements Listing

ATTACHMENT(S)Filing GL-2021-RBOP

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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.

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 rules filing a Statement of Actuarial Opinion; therefore, we are including the following acknowledgment:

I, Chun Lam, am an Actuarial Associate for ISO, and I, Timothy McCarthy, am an Actuarial Product Director for Commercial Liability 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.

CONTACT INFORMATION

If you have any questions concerning:

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Revision of Executive Officers, Individual Insureds and Co-Partners Payroll Amounts (Rule 24)

About This Filing

This filing revises the annual individual payroll for executive officers and individual insureds and co-partners in Rule 24.E.2.m (Bases of Premium) in Division Six General Liability of the Commercial Lines Manual (CLM) to \$33,700. The revised payroll amount in this filing is specific to the state of Kentucky and is with respect to premium computation purposes.

Revised Rule

We are revising Rule 24. Bases of Premium in the state of Kentucky.

- ◆ Rule 24.E.2.m (Bases of Premium)

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)

- ◆ GL-2021-BGL1 (Loss Costs)

Background

The premium computation applicable to most Contracting classes of business is based on payroll as outlined in Rule 24.E. For executive officers, individual insureds and co-partners however, the payroll amount used in premium determination as described in Rule 24.E.2.m. 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 24E.2.m. for executive officers, individual insureds and co-partners to reflect current wages.

Actuarial Support

The Kentucky 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:

State	Current Individual Annual Payroll Rule 24.E.2.m.	BLS		Selected % Change	Revised Individual Annual Payroll Rule 24.E.2.m.
		Average Annual Wage	% Change		
Kentucky	\$27,000	\$47,000	74%	25%	\$33,700

Since the intention is to introduce this change on a revenue neutral basis, an adjustment of 0.990 has been applied to the related proposed loss costs in companion filing GL-2021-BGL1 to offset the increase in the payroll amount in Rule 24E.2.m. 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 affected are predominantly 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 General Liability insured distribution.

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Important Note

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24. BASES OF PREMIUM

The following is added to Paragraph E.2.m.:

For premium computation purposes, use ~~\$27,000~~33,700 as the annual individual payroll for executive officers.

For premium computation purposes, use ~~\$27,000~~33,700 as the annual individual payroll for individual insureds or co-partners.