

RULES – IMPLEMENTATION

SEPTEMBER 13, 2021

BUSINESSOWNERS

LI-BP-2021-106

MARYLAND BUSINESSOWNERS RULE 23. REVISION TO BE IMPLEMENTED

KEY MESSAGE

Businessowners revised annual individual payroll amounts specific to Maryland have been acknowledged.

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 +.

CONSIDERATION OF COVID-19

In anticipation of 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 a modest but material impact on prospective loss costs for certain risks. In this filing, we have accounted for the impact that the COVID-19 pandemic had on the March-June 2020 data by adjusting the yearly weights used in the calculation of the statewide loss cost level indications for all Liability risks so that experience year 2020 receives less weight.

While there is still great uncertainty around COVID-19, the above referenced adjustment does 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.

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 \$35,100.

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

EFFECTIVE DATE

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

These changes are applicable to all policies effective on or after March 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.

WE WILL SUBMIT THIS REVISION TO THE INSURANCE DEPARTMENT ON FEBRUARY 1, 2022. IF STATE FILING REQUIREMENTS DICTATE THAT YOU MAKE A SUBMISSION WITH THE INSURANCE DEPARTMENT, DO NOT SUBMIT IT PRIOR TO THIS DATE.

In all correspondence with the Insurance Department 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.

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 3-22 (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-BP-2021-105](#) (09/13/2021) Maryland Businessowners Advisory Prospective Loss Cost Revision To Be Implemented; Exhibits Presented In Excel
- [LI-CL-2021-004](#) (02/17/2021) Revised Lead Time Requirements Listing

ATTACHMENT(S)

Filing [BP-2020-RPAY](#)

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.

COPYRIGHT EXPLANATION

The material distributed by Insurance Services Office, Inc. is copyrighted. All rights reserved. Possession of these pages does not confer the right to print, reprint, publish, copy, sell, file, or use same in any manner without the written permission of the copyright owner. Permission is hereby granted to members, subscribers, and service purchasers to reprint, copy, or otherwise use the enclosed material for purposes of their own business use relating to that territory or line or kind of insurance, or subdivision thereof, for which they participate, provided that:

- (A) Where ISO copyrighted material is reprinted, copied, or otherwise used **as a whole**, it must reflect the copyright notice actually shown on such material.
- (B) Where ISO copyrighted material is reprinted, copied, or otherwise used **in part**, the following credit legend must appear at the bottom of each page so used:
Includes copyrighted material of Insurance Services Office, Inc., with its permission.

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 and AIR Hurricane Model 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 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.

CONTACT INFORMATION

If you have any questions concerning:

- The actuarial content of this circular, please contact:
Tiffany Fan
Actuarial Operations
(201) 469-3288
Tiffany.Fan@verisk.com
casualtyactuarial@verisk.com
- The non-actuarial content of this circular, please contact:
Vincent Barila
Production Operations, Compliance and Product Services
(201) 469-2751
prodops@verisk.com
- Other issues for this circular, please contact Customer Support:
E-mail: info@verisk.com
Phone: 800-888-4476

Callers outside the United States, Canada, and the Caribbean may contact us using our global toll-free number (International Access Code + 800 48977489). For information on all ISO products, visit us at www.verisk.com/iso. To keep abreast of the latest Insurance Lines Services updates, view www.verisk.com/ils.

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

About This Filing

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 \$35,100. The revised payroll amount in this filing is specific to the state of Maryland and is with respect to premium computation purposes.

Revised Rules

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

- ◆ 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)

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

- ◆ BP-2021-RLA1 (Loss Costs)

Background

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

The Maryland 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 Annual Payroll Rule	BLS Average Annual Wage	% Change	Selected % Change	Revised Individual Annual Payroll Rule
<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>
Maryland	\$28,100	\$50,700	80%	25%	\$35,100

Since the intention is to introduce this change on a revenue neutral basis, an adjustment of 0.941 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.

Copyright Explanation

The material distributed by Insurance Services Office, Inc. is copyrighted. All rights reserved. Possession of these pages does not confer the right to print, reprint, publish, copy, sell, file or use same in any manner without the written permission of the copyright owner.

Important Note

Insurance Services Office, Inc. (ISO) makes available advisory services to property/casualty insurers. ISO has no adherence requirements. ISO rules and explanatory materials are intended solely for the information and use of ISO's participating insurers and their representatives, and insurance regulators. Neither ISO's general explanations of rules intent nor opinions expressed by members of ISO's staff necessarily reflect every insurer's view or control any insurer's application of manual rules.

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 ~~\$35,100~~^{28,100} as the annual individual payroll for executive officers.

For premium computation purposes, use ~~\$35,100~~^{28,100} as the annual individual payroll for individual insureds or co-partners.

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

Territory	Building Limit Of Insurance Relativity Group
701	A
702	A
704	A
705	A

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