

RULES – IMPLEMENTATION

MAY 26, 2023

GENERAL LIABILITY

LI-GL-2023-122

ARKANSAS GENERAL LIABILITY RULE 24. REVISION TO BE IMPLEMENTED

KEY MESSAGE

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

ISO ACTION

Filing [GL-2023-RBOP](#) revises the annual individual payroll for executive officers, individual insureds and co-partners in Rule 24.E.2.m. to \$30,000 for Arkansas.

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

For more information on the status of filings in a particular state, including filed and approved documents, associated circulars and links to Print Ready Manuals and Commercial Lines Manual, please feel free to access our [Filings](#) feature within the ISOnet Circulars product.

EFFECTIVE DATE

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

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 [GL-2023-RBOP](#) and SERFF Tracking Number [ISOF-133677584](#), 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-2023-005](#) 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 12-23 (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-2023-123](#) (05/26/2023) Arkansas General Liability Advisory Prospective Loss Cost Revision To Be Implemented
- [LI-CL-2023-005](#) (02/21/2023) Commercial Lines Revised Lead Time Requirements Listing

[ATTACHMENT\(S\)](#)

Filing [GL-2023-RBOP](#)

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 a Senior Actuarial Associate for ISO, and I, Timothy McCarthy, am an Actuarial Product Senior 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.

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CONTACT INFORMATION

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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, 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 \$30,000. The revised payroll amount in this filing is specific to the state of Arkansas and is with respect to premium computation purposes.

Revised Rule

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

- ◆ 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-2023-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 24.E.2.m. for executive officers, individual insureds and co-partners to reflect current wages.

Actuarial Support

The Arkansas 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:

<u>State</u>	<u>Current Individual Annual Payroll Rule 24.E.2.m.</u>	<u>BLS</u>		<u>Selected % Change</u>	<u>Revised Individual Annual Payroll Rule 24.E.2.m.</u>
		<u>Average Annual Wage</u>	<u>% Change</u>		
Arkansas	\$24,000	\$38,800	62%	25%	\$30,000

Since the intention is to introduce this change on a revenue neutral basis, an adjustment of 0.991 has been applied to the related proposed loss costs in companion filing GL-2023-BGL1 to offset the increase in the payroll amount in Rule 24.E.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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24. BASES OF PREMIUM

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

For premium computation purposes, use ~~\$24,000~~30,000 as the annual individual payroll for executive officers.

For premium computation purposes, use ~~\$24,000~~30,000 as the annual individual payroll for individual insureds or co-partners.