

LOSS COSTS/RULES – IMPLEMENTATION

MARCH 8, 2024

COMMERCIAL PROPERTY

LI-CF-2024-020

COMMERCIAL PROPERTY EARTHQUAKE RULES AND LOSS COST REVISIONS TO BE IMPLEMENTED IN KENTUCKY

KEY MESSAGE

We are implementing multistate and state-specific earthquake rules and loss costs revisions in Kentucky.

Effective Date: 3/1/2025

Filing IDs: [CF-2023-RDEQR](#) (Rules) and [CF-2023-REQL1](#) (Loss Costs)

BACKGROUND

In circular:

- [LI-CF-2024-013](#), we announced the submission of rules filing CF-2023-RDEQR which revises Commercial Property multistate rules to reflect various enhancements pertaining to Earthquake coverage and state-specific rules and territories as a result of a related review of Earthquake loss costs.
- [LI-CF-2024-014](#), we announced the submission of loss cost filing CF-2023-REQL1, providing loss costs for revised Building classes and Earthquake territories and revising the Earthquake Personal Property rating procedure.

INSURANCE DEPARTMENT ACTION

The Kentucky Insurance Department has acknowledged filings CF-2023-RDEQR and CF-2023-REQL1 as filed.

EFFECTIVE DATE

Rules:

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

These changes are applicable to all policies written on or after March 1, 2025.

Loss Costs:

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

EFFECT OF ISO REVISION ON FLEX RATING (RULES)

We have identified with an asterisk (*) any ISO supplementary rating information that is increasing or decreasing more than 25% for any classification of risks within any territory. Refer to page A2 and A3 in Section A of the companion loss costs filing CF-2023-REQL1. A company that decides to revise its supplementary rating information should determine the overall rate level impact of its revision and any other revisions that it has implemented over the preceding 12 months. ISO has not made any revision of supplementary rating information for Commercial Property over the preceding 12 months which would result in percent indications different than those contained in the filing.

COMPANY ACTION

Rules:

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 Kentucky 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 Kentucky Insurance Department.

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

In all correspondence with the Kentucky Insurance Department on this revision, you should refer to ISO Filing Number CF-2023-RDEQR and SERFF Tracking Number ISOF-133994079, 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.

Loss Costs:

You must independently determine the final rates you will use and the effective date of any rate change. If you decide to use our prospective loss costs to revise your rates, 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 correspondence on this revision, you should refer to ISO Filing Number CF-2023-REQL1, NOT this circular number.

RATING SOFTWARE IMPACT

New attributes being introduced with this revision:

- Additional information will be required from the policyholder to complete a rating calculation.
- A new code is being introduced.
- Current loss costs are being withdrawn.
- New loss costs are being introduced.
- Factors are being introduced and revised.
- Current factors are being withdrawn.
- New calculations are being introduced.
- An existing rating formula is being rewritten.

IMPACT ON STATISTICAL REPORTING

Statistical Plan Holders circular [SP-EQ-2022-001](#), entitled "Earthquake Coding Established", dated August 16, 2022, announced the establishment of Earthquake (EQ) Revised Building Classifications and Construction Codes as well as the establishment of a Soft Story Indicator in the Earthquake module of the CSP and CSP-i.

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 3-25 (or the earliest possible subsequent date), along with any new and/or revised manual pages.

REFERENCE(S)

- [LI-CF-2024-014](#) (02/27/2024) Kentucky Commercial Property Earthquake Loss Cost Revision Being Filed
- [LI-CF-2024-013](#) (02/27/2024) Commercial Property Earthquake Rules Revisions Being Submitted In Kentucky
- [LI-CL-2023-005](#) (02/21/2023) Commercial Lines Revised Lead Time Requirements Listing
- [SP-EQ-2022-001](#) (08/16/2022) Earthquake Coding Established

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