

ISRB CIRCULAR

IDAHO COMMERCIAL EARTHQUAKE LOSS COST LEVEL REVISIONS - FILED AND APPROVED BY THE IDAHO DEPARTMENT OF INSURANCE (DOI) ON April 11, 2024.

April 16, 2024

2024-CF-2

CF-2023-REQL1-ID

SERFF# ISRB - 134051818

Loss Costs

LOSS COST IMPLEMENTATION

This information is intended exclusively for Idaho Surveying and Rating Bureau, Inc. affiliated companies.

BACKGROUND

The Bureau announced planned revisions to Earthquake Insurance Loss Cost Levels in circular 2023-CF-8. The following changes have been finalized and will be placed into effect on November 1, 2024. This filing compliments CF-2023- RDEQR (Rules) SERFF # ISRB-134067970, and CF-2023-ODEQF (Forms) SERFF # ISRB-134038961

CHANGES

Territory	Indicated Earthquake Loss Cost Change*	Selected Earthquake Loss Cost Change*	Commercial Property Impact**
Territory 1	-49.4%	-49.4%	-2.6%
Territory 2	98.0%	98.0%	4.8%
Territory 2A	260.0%	100.0%	1.4%
Total	-10.1%	-10.1%	-0.6%

* The indicated loss cost level changes are average changes from the current ISO loss costs for Earthquake coverage only. Changes vary by construction, coverage (building/personal property), and prior Earthquake territory.

** Each territory's commercial property impact is calculated as the change in total Commercial Property loss cost -- i.e., BG I, BG II, SCL and Earthquake loss costs combined. See page A-2 for more detail regarding this calculation.

EFFECTIVE DATE

The effective date for this change is November 1, 2024.

COMPANY ACTIONS

All correspondence with the Idaho Department of Insurance should refer to CF-2023-REQL1-ID.

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 Idaho Department of Insurance.



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- To use our revision with a different effective date, to use our revision with modifications or to not use our revision, then you must make an appropriate submission with the Idaho Department of Insurance.
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ATTACHMENT

An advance copy of the manual pages is attached for your information.

PERSON TO CONTACT

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IDAHO

COMMERCIAL EARTHQUAKE INSURANCE LOSS COST LEVEL REVISION EXECUTIVE SUMMARY

PURPOSE

This document:

- revises advisory prospective loss costs for Commercial Earthquake. ISO used an earthquake model developed by AIR to develop revised territories and loss costs. These loss costs represent a -10.1% statewide average change from the current ISO Earthquake loss costs.
- provides loss costs for revised Building Classes. The revised building classification definitions are provided in the companion rules filing CF-2023-RDEQR.
- provides loss costs for revised Earthquake territories. The revised territory definitions are provided in the companion rules filing CF-2023-RDEQR.
- revises Earthquake Personal Property rating procedure
- describes the procedure used to derive these prospective loss costs.

DEFINITION OF THE ISO PROSPECTIVE LOSS COSTS

Advisory prospective loss costs in this document are that portion of a rate that does not include provisions for expenses (other than loss adjustment expenses) or profit.

LOSS COST LEVEL CHANGES

The territory loss cost level changes are:

Territory	Indicated Earthquake Loss Cost Change*	Selected Earthquake Loss Cost Change*	Commercial Property Impact**
Territory 1	-49.4%	-49.4%	-2.6%
Territory 2	98.0%	98.0%	4.8%
Territory 2A	260.0%	100.0%	1.4%
Total	-10.1%	-10.1%	-0.6%

* The indicated loss cost level changes are average changes from the current ISO loss costs for Earthquake coverage only. Changes vary by construction, coverage (building/personal property), and prior Earthquake territory.

** Each territory's commercial property impact is calculated as the change in total Commercial Property loss cost -- i.e., BG I, BG II, SCL and Earthquake loss costs combined. See page A-2 for more detail regarding this calculation.

PRIOR ISO
REVISIONS

The latest revisions in this state are:

<u>Reference Document or Filing</u>	2009-CF-04	1998-CF-03
<u>Rates/ Loss Costs</u>	Loss Costs	Loss Costs
<u>Dates</u>		
Filed	09/14/2009	01/07/1998
Implemented	01/01/2010	02/01/1998
<u>Changes</u>		
Entire State	10.8%	-40%

BASIS FOR THE
INDICATED LOSS
COSTS

The loss costs in this revision are based on the expected earthquake loss costs generated by Earthquake model, Touchstone Version 8.2.0, from AIR. AIR is a pioneer in developing catastrophe modeling techniques, which are now widely used to estimate potential catastrophe losses and is today a leading modeling and technology firm for risks associated with natural and man-made catastrophes, weather and climate.

See Section B for more information on the AIR model.

ADJUSTMENTS TO
MODEL OUTPUT

The model output was adjusted to reflect the following:

- 80% Coinsurance Provision
- Loss Adjustment Expenses
- Personal Property Loss Cost Relativities

COMPANY
DECISION

We encourage each insurer to decide independently whether the judgments made and the procedures or data used by ISO in developing the loss costs contained herein are appropriate for its use. We have included within this document the information upon which ISO relied in order to enable companies to make such independent judgements.

An individual company may benefit from comparison of its own experience or other models to the ISO loss costs, and may reach valid conclusions with respect to the manner in which its own costs can be expected to differ from ISO loss costs based on the model.

Some calculations included in this document involve areas of ISO staff judgment. Each company should carefully review and evaluate its own experience in order to determine whether the ISO selected loss costs are appropriate for its use.

The material has been developed exclusively by the staff of Insurance Services Office, Inc. ISO staff has relied on information, and unique knowledge and expertise, provided by AIR (a wholly-owned subsidiary of ISO, Inc.) for the derivation of the modeled loss costs used in this document.

73. CAUSES OF LOSS – EARTHQUAKE FORM

E.1.a.(1) Earthquake Loss Costs (Subline Code 930)

Bldg. Class	Base Deduct.	Territory 1 Loss Costs					Territory 2 Loss Costs				
		Bldg.	Personal Property Grade				Bldg.	Personal Property Grade			
			1*	2*	3*	4*		1*	2*	3*	4*
A1	5 %	0.006	0.009	0.004	0.004	0.004	0.034	0.050	0.024	0.022	0.020
B1	5	0.005	0.009	0.004	0.004	0.003	0.024	0.047	0.020	0.018	0.016
C1	5	0.006	0.009	0.005	0.004	0.004	0.030	0.048	0.024	0.022	0.020
D1	5	0.007	0.010	0.006	0.005	0.005	0.040	0.052	0.030	0.027	0.025
D2	5	0.008	0.010	0.006	0.005	0.005	0.040	0.053	0.031	0.028	0.025
D3	5	0.008	0.010	0.007	0.006	0.005	0.046	0.052	0.035	0.031	0.028
E1	5	0.007	0.010	0.005	0.005	0.004	0.038	0.053	0.029	0.026	0.024
E2	5	0.014	0.014	0.011	0.010	0.009	0.084	0.079	0.062	0.056	0.050
E3	5	0.016	0.016	0.012	0.011	0.010	0.096	0.087	0.069	0.063	0.056

Bldg. Class	Base Deduct.	Territory 2A Loss Costs				
		Bldg.	Personal Property Grade			
			1*	2*	3*	4*
A1	5 %	0.020	0.029	0.013	0.012	0.011
B1	5	0.014	0.027	0.011	0.010	0.009
C1	5	0.017	0.028	0.014	0.012	0.011
D1	5	0.023	0.030	0.017	0.016	0.015
D2	5	0.023	0.031	0.018	0.016	0.015
D3	5	0.026	0.030	0.020	0.018	0.016
E1	5	0.022	0.031	0.017	0.015	0.014
E2	5	0.048	0.046	0.036	0.032	0.029
E3	5	0.055	0.050	0.040	0.036	0.032

These territories are assigned to deductible tier as follows:

Territories: 1, 2, 2A Tier: 1

These territories are assigned to height territory group as follows:

Territories: 1, 2, 2A Group: 1

* Personal Property Rate Grade – See Rule 73.D.5.