

ISO Form Changes

Thursday, February 28, 2013, 1:30 p.m.

Andrew Blancher
Senior Manager, Commercial Auto Division
ISO
Jersey City, N.J.

Andrew Blancher is senior manager of the commercial automobile line at Insurance Services Office. He is responsible for overseeing the development, revision, and maintenance of ISO's commercial automobile forms and rules programs. He is also responsible for supporting commercial automobile loss costs.

Andrew earned a bachelor's degree in marketing from Binghamton University's School of Management in 1987. He earned his CPCU designation in 1995.

Session Description:

This session will provide an overview of the extensive changes taking place in the ISO Commercial Auto line of insurance in 2013. The forms will be emphasized, and rules and loss costs will also be discussed.

Top Three Session Ideas

Tools or tips you learned from this session and can apply back at the office.



1. _____

2. _____

3. _____

ISO Form Changes

Session Outline

Overview

Multistate Fillings

- General Information
- Commercial Auto Multistate Revision
- Process

2013 Forms, Rules and Loss Costs

- Program Overview
- Notable 2013 Forms Changes
 - Auto Dealers Coverage Form
 - Coverage Form Structure
 - Section I- Covered Autos Coverages
 - Section II – General Liability Coverages
 - Tracks More Closely with ISO's Commercial General Liability Program
 - Incorporates the Coverages from Broadened Coverage – Garages Endorsement CA 25 14
 - Incorporates Auto Dealer Locations and Operations Medical Payments Coverage from Endorsement CA 25 05
 - General Liability Endorsement Options
 - Section III – Acts, Errors or Omissions Coverages
 - New Coverage
 - Aggregate Limit
 - Optional E&O Endorsements
 - 26 New Optional Endorsements

Additional 2013 Multistate Revisions

- State Supplements
- Big Picture

Auto Dealers Rules and Loss Costs

Multistate Rules Revisions: State Supplements

Multistate Filing

- Status
- Approach

Upcoming Plans

What's on our Radar?

- Emerging Commercial Auto Issues
 - Predictive Modeling
 - Vehicle Generated Data
- Location Risk
- Unique in Market: GeoMetric® Concept
 - Loss Cost Bands
 - Rule

Questions & Answers



$$\sum_{k=1}^N [n_k \ln n_k]$$

NAMIC 2013 Commercial Lines Seminar ISO Commercial Auto Changes

Today's Speaker

Andrew Blancher, CPCU
Senior Manager
ISO's Commercial Auto Division

- Responsible for overseeing the development, revision and maintenance of ISO's Commercial Automobile forms and rules programs
- Also responsible for supporting Commercial Automobile loss costs
- Over 20 years of Commercial Auto insurance experience
- Earned bachelor's degree in marketing from Binghamton University's School of Management
- CPCU designation in 1995

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Today's Presentation

- ISO new Auto Dealers Program
- Additional 2013 Multistate Revisions
- What's On Our Radar?
- Q & A

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Multistate Filings

In general:

- Submitted every 3-5 years
- Consider input from insurers & agents
- Target ISO multistate products
- Primarily responsive to industry, technology and societal changes
- Typically do not respond to state-specific law changes

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2013 Multistate Revision

- Commercial Auto Multistate Revision

- Changes consist of:

- Multistate forms, endorsements and Decs
- Multistate rules
- Individual state supplements for each of the above
- State loss costs



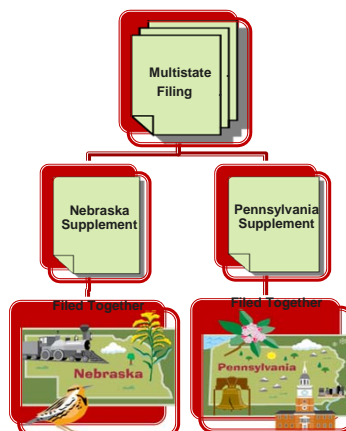
- Effective in most jurisdictions

- On or about 10/1/2013

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Multistate Filing Process



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2013 Forms, Rules and Loss Costs

- Program Overview
 - New Coverage Form, Declarations and Optional Endorsements
 - New, Revised and Withdrawn Rules and Loss Costs
 - Garage Program Withdrawn



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Notable 2013 Forms Changes

- Auto Dealers Coverage Form introduced
- Many new Auto Dealer endorsements
- Garage Coverage Form withdrawn
- Business Auto Physical Damage Coverage Form withdrawn

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A Closer Look



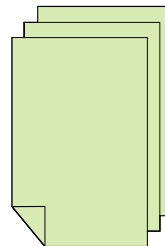
Auto Dealers Coverage Form

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Auto Dealers Coverage Form

- Coverage Form Structure:
 - 3 “Self-Contained” Coverage Sections:
 - Covered Autos
 - General Liability
 - Acts, Errors Or Omissions
 - Conditions Section
 - Definitions Section



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Auto Dealers Coverage Form

- Section I – Covered Autos Coverages

- Covered Autos Liability Coverage
- Garagekeepers Coverage
- Physical Damage Coverage



No significant changes as compared to the “auto” coverages provided under the current Garage Form.

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Auto Dealers Coverage Form

- Section II – General Liability Coverages

- Tracks more closely with ISO's Commercial General Liability Program, e.g.:
 - Impaired property exclusion
 - Exclusion of personal and advertising injury liability to fellow employees
 - Executive officers and managers of limited liability companies are included as insureds
 - Separate aggregate limit for Products and Work You Performed



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Auto Dealers Coverage Form

- Section II – General Liability Coverages

Incorporates the coverages from Broadened Coverage – Garages Endorsement CA 25 14:

- Personal And Advertising Injury Liability
- Damages To Rented Premises Liability
- Host Liquor Liability
- Incidental Medical Malpractice
- Non-Owned Watercraft Coverage
- Automatic Coverage For Newly Acquired Businesses
- Limited Worldwide Liability

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Auto Dealers Coverage Form

- Section II – General Liability Coverages

– Incorporates Auto Dealer Locations And Operations Medical Payments Coverage from endorsement CA 25 05



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Auto Dealers Coverage Form

- Section II – General Liability Coverages

- Many GL endorsement options available including:

- Options to delete some of the built-in coverages, e.g., Personal and Advertising Injury Liability
- Employee Benefit Liability Coverage
- Limited Products Withdrawal Expense Coverage
- New Additional Insured Endorsements

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Auto Dealers Coverage Form

- Section III – Acts, Errors Or Omissions Coverages



- New coverage for acts, errors or omissions (E&O) relating to:

- An insured's failure to comply with laws or regulations concerning the disclosure of credit or lease terms
- An insured's failure to comply with laws or regulations concerning the disclosure of accurate odometer mileage
- A title defect in sold or leased auto
- An insured's capacity as an insurance agent or broker

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Auto Dealers Coverage Form

- Section III – Acts, Errors Or Omissions



- Acts, Errors Or Omissions Aggregate Limit
- No “per act, error or omission” limit
- Base Limit of \$50,000 (\$1k per claim ded)
- Coverage excess to other insurance specifically written to apply as primary insurance for acts, errors or omissions

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Auto Dealers Coverage Form

- Section III – Acts, Errors Or Omissions



- Optional E & O endorsements, including:
 - Endorsements to delete one or more of the 4 built-in E&O coverages
 - Customer Complaint Legal Defense Coverage

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Auto Dealers Coverage Form

- 26 New Optional Endorsements, notably:
 - Employee Benefit Liability Coverage – provides E&O coverage related to administration of employee benefits program. Claims-made basis, with ERP option.
 - Limited Products Withdrawal Expense Coverage – generally provides reimbursement for certain expenses incurred because of product withdrawal with respect to a recall or tampering.
 - Additional Insured Endorsements - Affording insured status. E.g. concessionaires trading under your name, lessor of leased equipment, and co-owner of premises.

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Auto Dealers Coverage Form

- 26 New Optional Endorsements, notably:
 - Customer Complaint Legal Defense Coverage –
 - Defense expense Only
 - No indemnification
 - Coverage for customer complaints arising from the sale, service or repair of an auto
 - Claims-Made Coverage (no ERP option)
 - Per complaint limit
 - Aggregate limit



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Multistate Forms Revision

- State supplements
 - State forms supplements included in every jurisdiction where multistate changes have been filed
 - Approximately 5 state-specific endorsements were included in each filing
 - Many changes made for compatibility with Auto Dealers Coverage Form
 - A host of other changes necessary to reflect other multistate changes



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Multistate Forms Revision

Big Picture

- Introduces the Auto Dealers Coverage Form and related endorsements
- Withdraws the Garage Coverage Form
- Revises *most* of the endorsements in the Commercial Auto forms portfolio to replace references to the “Garage Coverage Form” with the “Auto Dealer Coverage Form”
- Removes “Truckers Coverage Form” references to correspond with the withdrawal of this form in the 2010 Multistate Filing

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Auto Dealers Rules & Loss Costs



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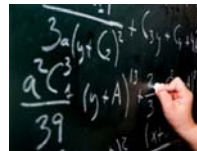


Auto Dealers Rules and Loss Costs

- Updated manual rules to reflect revamped auto dealers' advisory premium development procedures and related endorsements

- New and Revised Loss Costs

- Based on latest available state specific loss costs, including those were pending at the time the Auto Dealer filings were submitted
- One combined Auto & GL loss cost
- State-specific, statewide loss cost E&O



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Multistate Rules Revisions

- State supplements

- State rules supplements included in every jurisdiction where multistate changes have been filed



- About 4 state exception rules were included in each supplement



- Many of the changes involved references to new endorsements and coverages

- A number of rules were editorially revised to track with the multistate changes

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2013 Multistate Filing Status



- Approved in 35 jurisdictions
- Pending in 8 jurisdictions

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Multistate Filing Approach

- No additional Commercial Auto multistate forms filings expected to be submitted for at least 2 years, unless absolutely necessary
- No additional auto dealer liability loss costs revisions expected to be submitted while the Auto Dealer filings are pending

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Upcoming Plans

In the coming months we plan to:

- File updates to the commercial umbrella and commercial excess forms and rules to correspond with the new Auto Dealers Program.
- File revisions to commercial lines interline endorsements to interact with the new Auto Dealers Coverage Form and related endorsements.
 - *To achieve concurrent implementation, we plan to file both for a proposed effective date October 1, 2013*
- Release an advisory notice to policyholders summarizing the major multistate changes.



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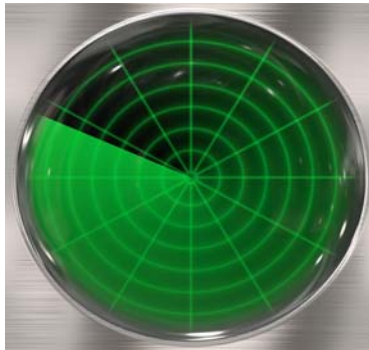
Questions



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What is on our radar?



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Emerging Commercial Auto Issues

- Predictive Modeling



- Application of generalized linear model
- Overhaul truck, tractor and trailer classification plan
 - Refinement of rating procedures
 - Multiplicative secondary factors
 - More fleet factors
 - Introduction of new rating variables (SIC Codes)

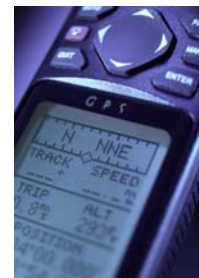
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Emerging Commercial Auto Issues

Vehicle Generated Data

- Considers GPS coordinates
- Compares principal garaging location to where vehicle actually travels.
- Allows for GeoMetric® rating discounts



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Location Risk

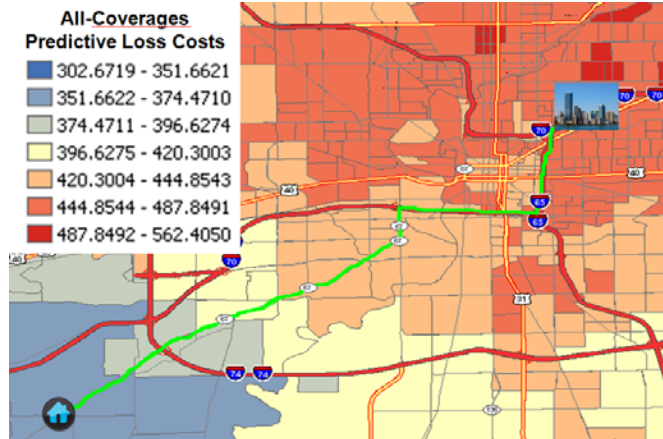


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Emerging Commercial Auto Issues

Unique in Market: GeoMetric® Concept

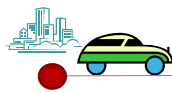


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GeoMetric® Loss Cost Bands

Example:



3 Mi
JFK Blvd.
Jersey City, NJ
Loss Cost = \$75

GeoMetric® Band 8



10 Mi
Route 78
Newark, NJ
Loss Cost = \$65

GeoMetric® Band 7



10 Mi
Route 78
Union, NJ
Loss Cost = \$55

GeoMetric® Band 6



4 Mi
Old Mill Road
Chester, NJ
Loss Cost = \$35

GeoMetric® Band 4

- Micro-territory loss costs translate to GeoMetric® Bands
- Each coverage is designed to be addressed separately

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Emerging Commercial Auto Issues

- **GeoMetric® Rule**

- Trucks, Tractors & Trailers and Private Passenger Types
- Liability, PIP, Collision & OTC
- 90-day minimum observation period
- Discounts are prospective and last for at least one policy period
- Discounts calculated at vehicle level, not at policy level

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Questions



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