

# Recent Insurance Rating Changes – Insurance Service Office (ISO)

Some association members may have already felt the financial pain from recent changes in rating methods adopted by the Insurance Service Office (ISO). This article is designed to explain what these changes mean and offer some suggestions in dealing with your Insurance Program.

## Who is ISO? & What Changes have recently occurred?

ISO stands for the Insurance Service Office and is the statistical rating organization utilized by most Insurers to develop rates and coverage forms. Insurers subscribe to ISO's large database of information and avoid the expense of developing their own rates & forms.

ISO developed an alternative rating mechanism in the late 1990's that favored using the Commercial General Liability Policy rating basis in lieu of the traditional Garage Policy Format.

## How Does It Effect Our Membership?

Adoption of the ISO General Liability Format **changes the Premium Development to a Sales Based formula in Lieu of Number of Full Time Employees**. This change could cause a spike in insurance premiums since sales could include gasoline, convenience store items, tires, towing etc in addition to general repair operations. Please keep in mind that these policies are auditable.

In addition a Separate Automobile Policy must be maintained to cover any owned vehicles. Separate Auto Policies are typically more expensive, and in some cases towing operations can be double-dipped since they pay on the sales based formula and the auto policy.

## What Can Be Done To Offset The Cost?

While more and more Insurance Companies are adopting the new format, luckily, not all have done so. Association members should check with their Agents to determine which format their policy's renew on. Should your Insurer adopt this new format, you are entitled to 60 Day Advance Notice/Warning Under New York State Law. Association members are encouraged to contact their agents upon receipt of this notice.

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