

LOSS COSTS – INFORMATION

NOVEMBER 28, 2018

COMMERCIAL PROPERTY

LI-CF-2018-130

CALIFORNIA COMMERCIAL FIRE AND ALLIED LINES LOSS COST LEVEL ANALYSIS FURNISHED FOR INFORMATION; EXCEL WORKBOOK NEWLY INCLUDED

KEY MESSAGE

This analysis is provided for your information. We are NOT revising the current loss costs based on this analysis.

BACKGROUND

In circular [LI-CF-2018-105](#), we provided you with information about the Commercial Fire and Allied Lines loss cost level experience review.

ISO ACTION

We are NOT implementing any changes, at this time, to the current Commercial Fire and Allied Lines advisory prospective loss costs for this jurisdiction.

SUPPLEMENTARY INFORMATION

We are including the following supplementary information:

- An Actuarial Analysis Supplement which provides discussion and analysis of changes in the experience and adjustments used to derive the loss cost level analysis.
- The loss cost exhibits contained in the loss cost level analysis in a Microsoft® Excel workbook.

NOTE: This supplementary information is not part of the loss cost level analysis.

COMPANY ACTION

You may wish to evaluate your rate level needs.

Some calculations included in the attached analysis involve areas of ISO staff judgment. You should carefully review and evaluate your own experience in order to determine whether the indications are appropriate for your use.

If you decide to independently file a rate or loss cost revision based on this analysis, you must:

- Comply with the applicable regulatory filing requirements; and
- Advise your production forces about implementation of your revised rates or loss cost adjustments.

REFERENCE(S)

[LI-CF-2018-105](#) (09/12/2018) Commercial Fire And Allied Lines Experience Level Indications Reviewed By ISO Staff

ATTACHMENT(S)

- Loss Cost Level Analysis
 - Actuarial Analysis Supplement
 - Excel Workbook
-

FILES AVAILABLE FOR DOWNLOAD

To download all files associated with this circular, including attachments in the full circular PDF and/or any additional files not included in the PDF, search for the circular number on [ISOnet Circulars](#). Then click the Word/Excel link under the Full Circular column on the Search Results screen.

Please note that in some instances, not all files listed in the Attachment(s) block (if applicable) are included in the PDF.

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ACKNOWLEDGMENT OF ACTUARIAL QUALIFICATIONS

The American Academy of Actuaries' "Qualification 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 loss cost document a Statement of Actuarial Opinion; therefore we are including the following acknowledgment:

I, Rimma Maasbach, am an Actuarial Consultant in Actuarial Operations for ISO and I, Bei Zhou, am an Actuarial Product Director for Commercial Property 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.

XACTWARE SOLUTIONS, INC.

This filing incorporates the use of pricing data from Xactware Solutions, Inc., to estimate trends in building costs for commercial properties. Xactware provides computer software solutions for professionals involved in estimating all phases of building construction and repair. The company has been providing building cost data, estimate tracking and data trending to the insurance repair market since 1986. Insurance carriers using Xactware data are responsible for settlement of the majority of property claims in the USA and Canada.

For more information concerning Xactware Solutions, Inc., please see the Contact Information block.

CONTACT INFORMATION

If you have any questions concerning:

- The actuarial content of this circular, please contact:
Yinglu Fan
Actuarial Operations
201-469-2134
Yinglu.Fan@verisk.com
propertyactuarial@verisk.com
- The non-actuarial content of this circular, please contact:
Evan Dattolo
Production Operations, Compliance and Product Services
201-469-2895
Evan.Dattolo@verisk.com
propertyactuarial@verisk.com
- PCS catastrophe information, please contact:
Joe Louwagie
Property Claim Services
201-469-3126
Joseph.Louwagie@verisk.com
- Xactware Solutions, Inc., please contact:
Xactware Solutions, Inc.
1100 West Traverse Parkway
Lehi, UT 84043
801-764-5900
www.xactware.com
xsales@xactware.com

- Other issues for this circular, please contact Customer Support:

E-mail: info@verisk.com

Phone: 800-888-4476

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CALIFORNIA

COMMERCIAL FIRE AND ALLIED LINES INSURANCE PROSPECTIVE LOSS COST LEVEL INFORMATION EXECUTIVE SUMMARY

PURPOSE

This document:

- provides advisory prospective loss cost information. The indicated loss cost level represents a +1.5% statewide change from the current ISO level.
 - provides the analyses used to derive the prospective loss costs based on experience through calendar/accident year ending 09/30/2017, evaluated as of 12/31/2017.
-

DEFINITION OF THE ISO PROSPECTIVE LOSS COST

Advisory prospective loss costs in this document are the expected value of that portion of a rate that does not include provisions for expenses (other than loss adjustment expenses) or profit, and are based on historical aggregate losses and loss adjustment expenses adjusted and projected through trending to a future point in time.

LOSS COST LEVEL CHANGES

The statewide monoline prospective loss cost level changes are:

Coverage	Indicated
Basic Group I	+2.4%
Basic Group II	-20.8%
Special Causes of Loss	+8.6%
Total	+1.5%

Indicated loss cost level changes are changes from the current loss cost level.

PRIOR ISO
REVISIONS

The latest revisions in this state are:

<u>Reference Document or Filing</u>	CF-2013-RLA1 13-7547	CF-2011-RLA1 12-8526
<u>Rates/ Loss Costs</u>	Loss Costs	Loss Costs
<u>Dates Implemented</u>	07/01/2014	07/01/2013
<u>Changes</u>		
Basic Group I	-5.6%	-13.2%
Basic Group II	-12.2%	-2.2%
Special Causes of Loss	+3.9%	+1.0%
Total	-2.6%	-6.6%

HISTORICAL
SOURCE DATA

The data used in this review is:

- Voluntary experience for ISO reporting companies.
 - Five calendar/accident years ending 09/30/2017 for Basic Group I and Special Causes of Loss.
 - Ten calendar/accident years ending 09/30/2017 for Basic Group II.
-

DISTRIBUTION
OF STATEWIDE
MONOLINE
LOSS COST
CHANGES

ISO has distributed the statewide monoline prospective loss cost changes as follows:

- by rating group and territory (where applicable) for Basic Group I.
- by category (building coverage and occupancy type) for Special Causes of Loss.

This has been done based on the experience of each rating group and territory (where applicable), or category for Basic Group I and Special Causes of Loss. Therefore, the resulting changes will vary by rating group and territory (where applicable) for Basic Group I and by category for Special Causes of Loss.

TREND AND
OTHER
ADJUSTMENTS

Loss Trend

For trend purposes, the period of use for this revision is assumed to begin on 04/01/2019. To adjust the loss experience to the levels expected to prevail while the revised loss costs are in effect, trend factors have been applied to the historical incurred losses. These trend factors are based on:

- external cost indices published by the U.S. Government and information provided by Xactware Solutions, Inc.
- changes in multistate average claim costs through fourth quarter 2016.

The "historic" trend factors based on the external indices, i.e. the factors based on historic changes in the indices, vary by year. The latest annual rates of change based on these indices are:

<u>Coverage</u>	<u>Annual Rate of Change</u>
Buildings	2.7%
Contents	1.4%
Time Element	0.5%

Incurred losses are also multiplied by loss trend adjustment factors (LTA's) to reflect trends in claim frequency and claim costs that are different from those exhibited by the external indices. The annual loss trend adjustments are:

<u>Line of Business</u>	<u>Buildings</u>	<u>Contents</u>	<u>Time Element</u>
Basic Group I	-0.4%	0.5%	2.5%
Basic Group II	0.5%	0.8%	2.2%
Special Causes of Loss	0.3%	0.5%	2.5%

This produces a total annual loss trend of:

<u>Line of Business</u>	<u>Buildings</u>	<u>Contents</u>	<u>Time Element</u>
Basic Group I	2.3%	1.9%	3.0%
Basic Group II	3.2%	2.2%	2.7%
Special Causes of Loss	3.0%	1.9%	3.0%

Premium Trend

Over time, insureds tend to purchase increased amounts of insurance in order to compensate for inflation, which results in increased premium revenue.

TREND AND
OTHER
ADJUSTMENTS
(cont'd)

In order to reflect this increase in revenue, ISO uses a premium trend procedure. The premium trend factors are based on observed changes in the annual amount of insurance written for BG I renewal policies for a group of selected companies. The selected annual trends in the amount of insurance are:

Buildings	2.0%
Contents	1.7%
Time Element	1.0%

Other Adjustments

Standard actuarial procedures have been used in calculating the loss costs including loss development and the reflection of all loss adjustment expense. In addition, smoothing procedures have been applied to stabilize the effects of large or excess losses.

TEN LARGEST
COMPANY
GROUPS IN
ISO DATA BASE

COMMERCIAL MULTIPERIL - NON-LIABILITY (ASLOB 51)

1. Travelers Indemnity Company
2. Tokio Marine Companies
3. AMCO (Allied Group)
4. Fireman's Fund Insurance Company
5. Allstate Insurance Company
6. Hartford Accident & Indemnity Company
7. Zurich American Insurance Company
8. Liberty Mutual Insurance Company
9. Kookmin Best Insurance Company
10. Great American Insurance Company

Statement

Insurers are listed in descending order based on the percent of statewide written premium volume from Annual Statement Page 15 for year ending 12/31/2017 for Annual Line of Business (ASLOB) 51, Commercial Multiperil - Non-liability.

Although ASLOB 51 includes coverages in addition to commercial fire and allied lines, e.g., crime, inland marine, fidelity, the largest percentage of premium volume is due to fire and allied lines (Basic Group I, Basic Group II, and Special Causes of Loss coverages). ASLOB 51 does not include data reported under monoline fire and allied lines (ASLOBs 10 and 21), which includes both commercial and personal property experience.

SIZE OF ISO
DATA BASE

The market share of all insurers reporting to ISO in this state and included in the ratemaking experience underlying this review as measured by Annual Statement Page 15 written premium for year ending 12/31/2017 is:

Commercial Multi-peril - Non-liability (ASLOB 51) - 26.0%

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 judgments.

The data underlying the enclosed material comes from companies reporting to Insurance Services Office, Inc. Therefore, the ISO experience permits the establishment of a much broader statistical ratemaking base than could be employed by using any individual company's data. A broader data base enhances the validity of ratemaking analysis derived therefrom. At the same time, however, an individual company may benefit from comparison of its own experience to the aggregate ISO experience, and may reach valid conclusions with respect to the manner in which its own costs can be expected to differ from ISO's projections based on the aggregate data.

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.

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CALIFORNIA
COMMERCIAL PROPERTY INSURANCE

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CALIFORNIA
COMMERCIAL PROPERTY INSURANCE

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CALIFORNIA

TABLE 1 - SUMMARY OF MONOLINE PROSPECTIVE LOSS COST CHANGES (A)

COVERAGE	INDICATIONS	AGGREGATE LOSS COSTS AT CURRENT LEVEL
BASIC GROUP I	+2.4%	65,510,678
TERRITORY 01	-18.8%	
TERRITORY 02	-0.8%	
TERRITORY 03	-6.3%	
TERRITORY 04	+6.6%	
TERRITORY 05	+1.7%	
TERRITORY 06	-8.7%	
TERRITORY 07	-5.6%	
TERRITORY 08	+7.4%	
BASIC GROUP II	-20.8%	15,415,070
SPECIAL CAUSES OF LOSS	+8.6%	40,134,612
ALL COVERAGES COMBINED	+1.5%	121,060,360

TERRITORY DEFINITIONS

- 01 City of Los Angeles
- 02 Long Beach
- 03 Oakland
- 04 City of Sacramento
- 05 City of San Diego
- 06 San Francisco
- 07 San Jose
- 08 Balance of State

(A) FOR TREND PURPOSES, THE PERIOD OF USE FOR THIS REVISION IS ASSUMED TO BEGIN ON 04/01/2019.

CALIFORNIA

TABLE 2 - BASIC GROUP I PROSPECTIVE LOSS COST CHANGES
BY RATING GROUP AND TERRITORY (A)

RATING GROUP DESCRIPTION	City of Los Angeles	Long Beach
	INDICATED	INDICATED
01 APARTMENTS	-18.0%	+0.6%
02 OTHER HABITATIONAL	-14.9%	+4.3%
03 RESTAURANTS & BARS	-3.4%	+18.4%
04 OTHER MERCANTILE RISKS	-14.9%	+4.4%
05 PUBLIC BUILDINGS	-17.9%	+0.7%
06 CHURCHES	-36.0%	-21.6%
07 SCHOOLS	-29.7%	-13.8%
08 OFFICES AND BANKS	-22.6%	-5.2%
09 RECREATIONAL FACILITIES	-10.5%	+9.7%
10 HOTELS & MOTELS	-16.9%	+1.9%
11 HOSPITALS & NURSING HOMES	-17.6%	+1.1%
12 BLDGS UNDER CONSTRUCTION	-16.2%	+2.8%
13 MOTOR VEHICLE RISKS	-13.1%	+6.6%
14 OTHER NON-MANUFACTURING	-16.2%	+2.8%
15 STORAGE	-13.0%	+6.7%
17 FOOD MANUFACTURING	-17.8%	+0.8%
18 WOOD MANUFACTURING	-17.8%	+0.8%
19 WEARING APPAREL	-17.8%	+0.8%
20 CHEMICAL MANUFACTURING	-17.2%	+1.6%
21 METAL MANUFACTURING	-17.6%	+1.1%
22 OTHER MANUFACTURING	-16.9%	+1.9%
TOTAL	-18.8%	-0.8%

(A) FOR EACH RATING GROUP, THE LOSS COST CHANGE FOR EACH CSP CLASS IN THE RATING GROUP, BY COVERAGE AND CONSTRUCTION, IS IDENTICAL TO THE OVERALL CHANGE SHOWN FOR THE RATING GROUP.

CALIFORNIA

TABLE 2 - BASIC GROUP I PROSPECTIVE LOSS COST CHANGES
BY RATING GROUP AND TERRITORY (A)

RATING GROUP DESCRIPTION	Oakland	City of Sacramento
	INDICATED	INDICATED
01 APARTMENTS	-4.3%	+7.4%
02 OTHER HABITATIONAL	-0.7%	+11.4%
03 RESTAURANTS & BARS	+12.7%	+26.5%
04 OTHER MERCANTILE RISKS	-0.6%	+11.5%
05 PUBLIC BUILDINGS	-4.2%	+7.5%
06 CHURCHES	-25.4%	-16.2%
07 SCHOOLS	-17.9%	-7.9%
08 OFFICES AND BANKS	-9.7%	+1.3%
09 RECREATIONAL FACILITIES	+4.4%	+17.2%
10 HOTELS & MOTELS	-3.0%	+8.8%
11 HOSPITALS & NURSING HOMES	-3.8%	+8.0%
12 BLDGS UNDER CONSTRUCTION	-2.2%	+9.8%
13 MOTOR VEHICLE RISKS	+1.5%	+13.8%
14 OTHER NON-MANUFACTURING	-2.2%	+9.8%
15 STORAGE	+1.6%	+14.0%
17 FOOD MANUFACTURING	-4.1%	+7.6%
18 WOOD MANUFACTURING	-4.1%	+7.6%
19 WEARING APPAREL	-4.1%	+7.6%
20 CHEMICAL MANUFACTURING	-3.3%	+8.5%
21 METAL MANUFACTURING	-3.8%	+8.0%
22 OTHER MANUFACTURING	-3.0%	+8.8%
TOTAL	-6.3%	+6.6%

(A) FOR EACH RATING GROUP, THE LOSS COST CHANGE FOR EACH CSP CLASS IN THE RATING GROUP, BY COVERAGE AND CONSTRUCTION, IS IDENTICAL TO THE OVERALL CHANGE SHOWN FOR THE RATING GROUP.

CALIFORNIA

TABLE 2 - BASIC GROUP I PROSPECTIVE LOSS COST CHANGES
BY RATING GROUP AND TERRITORY (A)

RATING GROUP DESCRIPTION	City of San Diego	San Francisco
	INDICATED	INDICATED
01 APARTMENTS	+1.1%	-8.7%
02 OTHER HABITATIONAL	+4.8%	-5.3%
03 RESTAURANTS & BARS	+19.0%	+7.6%
04 OTHER MERCANTILE RISKS	+4.9%	-5.2%
05 PUBLIC BUILDINGS	+1.2%	-8.6%
06 CHURCHES	-21.2%	-28.8%
07 SCHOOLS	-13.3%	-21.7%
08 OFFICES AND BANKS	-4.7%	-13.8%
09 RECREATIONAL FACILITIES	+10.2%	-0.4%
10 HOTELS & MOTELS	+2.4%	-7.5%
11 HOSPITALS & NURSING HOMES	+1.6%	-8.2%
12 BLDGS UNDER CONSTRUCTION	+3.3%	-6.7%
13 MOTOR VEHICLE RISKS	+7.1%	-3.2%
14 OTHER NON-MANUFACTURING	+3.3%	-6.7%
15 STORAGE	+7.2%	-3.1%
17 FOOD MANUFACTURING	+1.3%	-8.5%
18 WOOD MANUFACTURING	+1.3%	-8.5%
19 WEARING APPAREL	+1.3%	-8.5%
20 CHEMICAL MANUFACTURING	+2.1%	-7.7%
21 METAL MANUFACTURING	+1.6%	-8.2%
22 OTHER MANUFACTURING	+2.4%	-7.5%
TOTAL	+1.7%	-8.7%

(A) FOR EACH RATING GROUP, THE LOSS COST CHANGE FOR EACH CSP CLASS IN THE RATING GROUP, BY COVERAGE AND CONSTRUCTION, IS IDENTICAL TO THE OVERALL CHANGE SHOWN FOR THE RATING GROUP.

CALIFORNIA

TABLE 2 - BASIC GROUP I PROSPECTIVE LOSS COST CHANGES
BY RATING GROUP AND TERRITORY (A)

RATING GROUP DESCRIPTION	San Jose	Balance of State (California)
	INDICATED	INDICATED
01 APARTMENTS	-3.6%	+7.3%
02 OTHER HABITATIONAL	-0.1%	+11.3%
03 RESTAURANTS & BARS	+13.5%	+26.4%
04 OTHER MERCANTILE RISKS	+0.0%	+11.4%
05 PUBLIC BUILDINGS	-3.5%	+7.4%
06 CHURCHES	-24.9%	-16.3%
07 SCHOOLS	-17.4%	-8.0%
08 OFFICES AND BANKS	-9.1%	+1.2%
09 RECREATIONAL FACILITIES	+5.1%	+17.1%
10 HOTELS & MOTELS	-2.4%	+8.7%
11 HOSPITALS & NURSING HOMES	-3.2%	+7.9%
12 BLDGS UNDER CONSTRUCTION	-1.5%	+9.7%
13 MOTOR VEHICLE RISKS	+2.1%	+13.7%
14 OTHER NON-MANUFACTURING	-1.5%	+9.7%
15 STORAGE	+2.2%	+13.8%
17 FOOD MANUFACTURING	-3.4%	+7.5%
18 WOOD MANUFACTURING	-3.4%	+7.5%
19 WEARING APPAREL	-3.4%	+7.5%
20 CHEMICAL MANUFACTURING	-2.7%	+8.4%
21 METAL MANUFACTURING	-3.2%	+7.9%
22 OTHER MANUFACTURING	-2.4%	+8.7%
TOTAL	-5.6%	+7.4%

(A) FOR EACH RATING GROUP, THE LOSS COST CHANGE FOR EACH CSP CLASS IN THE RATING GROUP, BY COVERAGE AND CONSTRUCTION, IS IDENTICAL TO THE OVERALL CHANGE SHOWN FOR THE RATING GROUP.

CALIFORNIA

TABLE 3 - SPECIAL CAUSES OF LOSS PROSPECTIVE LOSS COST CHANGES BY CATEGORY

CATEGORY DESCRIPTION	ENTIRE STATE
-----	-----
01 BUILDINGS	+15.8%
02 RES. APTS. AND CONDOS	-1.0%
03 OFFICES	+9.3%
04 MERCANTILE - HIGH	+1.6%
05 MERCANTILE - MEDIUM	+28.8%
06 MERCANTILE - LOW	+2.7%
07 MOTELS AND HOTELS	+0.3%
08 INSTITUTIONAL - HIGH	+5.5%
09 INSTITUTIONAL - LOW	+2.7%
10 INDUST-PROC - HIGH	+15.7%
11 INDUST-PROC - LOW	-11.3%
12 SERVICE - HIGH	-3.4%
13 SERVICE - LOW	+9.3%
14 CONTRACTORS	-52.5%
STATEWIDE TOTAL	+8.6%

CALIFORNIA
TABLE 4

POTENTIAL IMPACT OF BG I, BG II, AND SCL MONOLINE REVISIONS
ON COMMERCIAL PACKAGE POLICY

(1)		(2)	(3)	(4)
TYPE OF POLICY		BASIC GROUP I	BASIC GROUP II	SPECIAL CAUSES OF LOSS

31	MOTEL/HOTEL	+1.9%	-20.8%	+10.2%
32	APARTMENT	-2.7%	-20.8%	+12.1%
33	OFFICE	-0.5%	-20.8%	+13.0%
34	MERCANTILE	+6.0%	-20.8%	+13.7%
35	INSTITUTIONAL	+1.0%	-20.8%	+9.0%
36	SERVICES	+7.2%	-20.8%	+2.3%
37	INDUST/PROCESSING	+1.8%	-20.8%	+4.5%
38	CONTRACTORS	+4.8%	-20.8%	-24.0%

BASIC GROUP I, BASIC GROUP II, AND SPECIAL CAUSES OF LOSS MONOLINE CHANGES BY TYPE OF POLICY (TOP) ARE DISPLAYED. THEY ARE CALCULATED BY TAKING A WEIGHTED AVERAGE OF THE LOSS COST CHANGES BY TERRITORY (WHERE APPLICABLE) AND RATING GROUP (FOR BG I), OR BY CATEGORY (FOR SCL), USING THE LATEST YEAR MULTILINE TOP AGGREGATE LOSS COSTS AS WEIGHTS. BASIC GROUP II MONOLINE CHANGES DO NOT VARY BY TOP BECAUSE THE SAME MONOLINE LOSS COST CHANGE IS APPLIED STATEWIDE.

CALIFORNIA
COMMERCIAL PROPERTY INSURANCE

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OVERVIEW OF ISO ACTUARIAL PROCEDURES - COMMERCIAL PROPERTY

INTRODUCTION

Commercial Property prospective loss costs are determined by evaluating the adequacy of the current ISO loss costs to pay for our best estimate of losses and all loss adjustment expenses that will be incurred in the prospective (or future) period. This evaluation is done separately for Basic Group I, Basic Group II, and Special Causes of Loss.

STEP 1: DETERMINATION OF INDICATED STATEWIDE LOSS COST LEVEL CHANGE

The first step in this process is the determination of the indicated statewide loss cost level change. This indicated statewide loss cost level change is the average percentage change which must be made to the current ISO loss costs in order to achieve adequacy for the prospective conditions. The percentage changes are presented on the exhibits labeled "Statewide Coverage Loss Cost Level Evaluation".

STEP 2: DISTRIBUTION OF CHANGES

Based on the experience, ISO then distributes the indicated statewide loss cost level change by territory (where applicable), type of policy and rating group for Basic Group I; by type of policy for Basic Group II; and by type of policy and category for Special Causes of Loss.

STEP 3: CALCULATION OF REVISED LOSS COSTS

The last step is the calculation of the prospective ISO loss costs. This is achieved by applying the indicated monoline changes to the current ISO loss costs. For Basic Group I, for those states without BG I rating territories, the statewide loss cost changes by rating group are applied to the current manual loss costs. For those states with rating territories, the Balance of State loss cost changes by rating group are applied to the current manual loss costs. The revised territory multipliers are calculated by multiplying the current territory multipliers by the indicated territory changes. For specifically-rated properties, the appropriate changes are applied to the current experience level adjustment factors and territory multipliers. For Basic Group II, revised loss costs are calculated by applying the indicated statewide monoline change to the current ISO loss costs, and where applicable, adding the hurricane modeled loss costs. For Special Causes of Loss, revised loss costs are calculated by applying the indicated monoline changes by category to the current ISO loss costs.

COMMERCIAL PROPERTY INSURANCE
CALCULATION OF STATEWIDE ADVISORY LOSS COST LEVEL CHANGES IN TABLES 5, 6 AND 7

OBJECTIVE	<p>The objective of this procedure is to determine the indicated statewide advisory loss cost level change. This procedure answers the question: What average percentage change must be made to the current ISO loss costs in order for them to be adequate to cover indemnity losses and all loss adjustment expenses incurred in the prospective period in which the revised loss costs are assumed to be in effect?</p>
DESCRIPTION	<p>This procedure compares the trended and developed incurred losses and loss adjustment expenses with the trended aggregate loss costs at current ISO level. The aggregate loss costs at current level are the amounts that would have been collected for losses and all loss adjustment expenses if the current ISO loss costs had been in effect during the experience period.</p> <p>Experience ratios (losses and all loss adjustment expenses divided by aggregate loss costs, both trended to the prospective experience period) are calculated by year, and a weighted average of the yearly experience ratios is calculated. For Basic Group I (BG I) and Special Causes of Loss (SCL), the five year weights vary by year, giving greater weight to the more recent experience. For Basic Group II (BG II), because of the more volatile nature of the data, the ten individual years are given equal weight.</p> <p>The average experience ratio is then credibility-weighted with the expected experience ratio in order to minimize the impact of random variation in the observed losses. The resulting credibility-weighted experience ratio is the indicated statewide advisory loss cost level change in decimal form.</p>
EXPERIENCE BASE	<p>The experience used in this review is the latest available data reported under the ISO Commercial Statistical Plan for BG I, BG II and SCL. The data are aggregated on an accident year basis.</p>

CALIFORNIA
TABLE 5

STATEWIDE BASIC GROUP I
COVERAGE LOSS COST LEVEL EVALUATION

(1)	(2)	(3)	(4)	(5)
YEAR	AGGREGATE* LOSS COSTS	ADJUSTED** INCURRED LOSSES	EXPERIENCE RATIO (3) / (2)	WEIGHTS
2013	96,874,450	110,709,283	1.143	0.10
2014	105,202,845	101,123,755	0.961	0.15
2015	86,882,048	90,838,785	1.046	0.20
2016	71,113,201	75,208,326	1.058	0.25
2017	65,510,678	73,286,179	1.119	0.30

(6) WEIGHTED EXPERIENCE RATIO	= 1.068
(7) CREDIBILITY	= 0.639
(8) EXPECTED EXPERIENCE RATIO	= 1.004
(9) CREDIBILITY WEIGHTED EXPERIENCE RATIO (0.639 X 1.068) + (0.361 X 1.004)	= 1.045
(10) INDICATED COVERAGE LOSS COST CHANGE	= 1.045
	OR +4.5%

* AGGREGATE LOSS COSTS ARE ADJUSTED TO CURRENT ISO LOSS COST LEVEL
AND 10/01/2019 AMOUNT OF INSURANCE LEVELS.

** INCURRED LOSSES ARE ADJUSTED TO 04/01/2020 COST LEVELS INCLUDING LOSS
DEVELOPMENT AND ALL LOSS ADJUSTMENT EXPENSES.

CALIFORNIA
TABLE 6

STATEWIDE BASIC GROUP II
COVERAGE LOSS COST LEVEL EVALUATION

(1)	(2)	(3)	(4)
YEAR	AGGREGATE* LOSS COSTS	ADJUSTED** INCURRED LOSSES	EXPERIENCE RATIO (3) / (2)
2008	18,100,562	27,579,885	1.524
2009	20,835,270	8,767,826	0.421
2010	22,309,573	12,905,544	0.578
2011	21,194,812	12,753,926	0.602
2012	21,311,954	17,462,459	0.819
2013	22,314,240	11,917,297	0.534
2014	22,532,979	8,286,106	0.368
2015	18,605,451	12,221,399	0.657
2016	15,626,284	15,429,736	0.987
2017	15,415,070	20,458,616	1.327

(5) WEIGHTED EXPERIENCE RATIO (EQUAL WEIGHTS) = 0.782

(6) CREDIBILITY = 0.971

(7) EXPECTED EXPERIENCE RATIO = 1.011

(8) CREDIBILITY WEIGHTED EXPERIENCE RATIO = 0.789
(0.971 x 0.782) + (0.029 x 1.011)

(9) INDICATED COVERAGE LOSS COST CHANGE = 0.789

OR -21.1%

* AGGREGATE LOSS COSTS ARE ADJUSTED TO CURRENT ISO LOSS COST LEVEL
AND 10/01/2019 AMOUNT OF INSURANCE LEVELS.

** INCURRED LOSSES ARE ADJUSTED TO 04/01/2020 COST LEVELS INCLUDING LOSS
DEVELOPMENT AND ALL LOSS ADJUSTMENT EXPENSES.

CALIFORNIA
TABLE 7

STATEWIDE SPECIAL CAUSES OF LOSS
COVERAGE LOSS COST LEVEL EVALUATION

(1)	(2)	(3)	(4)	(5)
YEAR	AGGREGATE* LOSS COSTS	ADJUSTED** INCURRED LOSSES	EXPERIENCE RATIO (3) / (2)	WEIGHTS
2013	66,196,135	75,860,737	1.146	0.10
2014	68,820,438	84,111,167	1.222	0.15
2015	53,426,994	82,617,591	1.546	0.20
2016	42,576,376	41,702,081	0.979	0.25
2017	40,134,612	44,989,840	1.121	0.30

(6) WEIGHTED EXPERIENCE RATIO = 1.188

(7) CREDIBILITY = 0.657

(8) EXPECTED EXPERIENCE RATIO = 1.007

(9) CREDIBILITY WEIGHTED EXPERIENCE RATIO = 1.126
(0.657 X 1.188) + (0.343 X 1.007)

(10) INDICATED COVERAGE LOSS COST CHANGE = 1.126

OR +12.6%

* AGGREGATE LOSS COSTS ARE ADJUSTED TO CURRENT ISO LOSS COST LEVEL
AND 10/01/2019 AMOUNT OF INSURANCE LEVELS.

** INCURRED LOSSES ARE ADJUSTED TO 04/01/2020 COST LEVELS INCLUDING LOSS
DEVELOPMENT AND ALL LOSS ADJUSTMENT EXPENSES.

EXPLANATORY NOTES TO TABLES 5, 6 AND 7

STATEWIDE BASIC GROUP I, BASIC GROUP II AND
SPECIAL CAUSES OF LOSS COVERAGE LOSS COST LEVEL EVALUATION

COLUMN (1)

EXPERIENCE PERIOD

Experience for the five most recent accident years is used for BG I and SCL.
Experience for the ten most recent accident years is used for BG II.

COLUMN (2)

AGGREGATE LOSS COSTS

Since the objective of the ratemaking procedure is to test the adequacy of the current ISO loss costs, premium data for each year in the experience period are adjusted to the loss cost level which would have been earned had the current loss costs been in effect. This is accomplished by using either an extension-of-exposures (PPR or premium at present rates/loss costs) approach or an on-level approach. Where appropriate, certain reported data elements have been adjusted prior to being used in the calculations.

Extension of Exposures Approach

Where feasible, aggregate loss costs at current level (ALCCL) are developed using an extension-of-exposures approach. That is, the exposure (amount of insurance per \$100) for each policy is multiplied by the current manual loss cost for that state, territory, subline, coverage, construction, occupancy and by any other applicable rating factors, such as limit of insurance factors and deductible relativities.

On-Level Approach

The on-level approach is applied on an individual policy basis. The first step in the process is to multiply the reported premiums by the product of all loss cost level changes that have become effective subsequent to the inception date of the policy. The premiums are divided by the reported Rating Modification Factors and Loss Cost Multipliers to bring them to current ISO monoline manual loss cost level.

For premium records with inception dates prior to the effective date of the implementation of Limit of Insurance (LOI) curves, premiums are multiplied by off-balance factors and limit of insurance factors to bring them to a post-LOI loss cost level.

The on-level approach is used to adjust those premium records which cannot be adjusted using the extension-of-exposures techniques, for example, premium records for Basic Group I specifically-rated properties, for which manual loss costs do not exist. In addition, records failing an exposure edit which checks for a reasonable relationship between reported premium and exposure amount have also been on-leveled.

STATEWIDE BASIC GROUP I, BASIC GROUP II AND
SPECIAL CAUSES OF LOSS COVERAGE LOSS COST LEVEL EVALUATION (cont'd)

COLUMN (2)
(cont'd)

Current IPMF and Prospective Amount of Insurance Levels

Premiums are also adjusted to prospective amount of insurance levels by exposure trend factors to reflect the impact of inflation on the average amount of insurance written (Table 24). After multiline premiums are brought to current ISO monoline manual level, they are further adjusted to implicit package modification factor (IPMF) level by the application of Commercial Package Policy (CPP) IPMF's which vary by the eight CPP types of policy. (Both the adjustments to prospective amount of insurance level and to current IPMF level are done on an aggregate basis.) For a more complete description of the IPMF's and the other premium adjustments, refer to Tables 18 through 20 in the supporting material.

COLUMN (3)

ADJUSTED INCURRED LOSSES

In order to assure the adequacy of the proposed loss cost level, incurred losses are adjusted to reflect the effect of inflation and other trends on loss costs. The adjustment of past losses to prospective levels is accomplished on an individual loss basis by application of current cost factors, loss projection factors and loss trend adjustments (Tables 21 through 23). In addition to adjusting losses to prospective cost level, the effect of inflation on the deductible portion of the loss incurred is reflected.

For each subline, incurred losses are further adjusted by an excess loss procedure which smoothes fluctuations due to large loss occurrences. The procedure removes any losses determined to be excess from the total incurred losses, resulting in normal incurred losses. These normal incurred losses (total - excess) are then multiplied by excess loss factors to calculate adjusted incurred losses (Tables 29 through 32). The resulting adjusted incurred losses are then developed to their ultimate settlement value and loaded by a factor to include all loss adjustment expenses. Loss development factors can be found on Table 28, and loss adjustment expense factors on Table 41. Where appropriate, certain reported data elements have been adjusted prior to being used in the calculations.

COLUMN (4)

EXPERIENCE RATIO

The experience ratio is the ratio of adjusted incurred losses to aggregate loss costs for each year.

STATEWIDE BASIC GROUP I, BASIC GROUP II AND
SPECIAL CAUSES OF LOSS COVERAGE LOSS COST LEVEL EVALUATION (cont'd)

COLUMN (5) - BG I, SCL WEIGHTS

For Basic Group I and Special Causes of Loss, the yearly experience ratios are weighted using weights of 10%, 15%, 20%, 25%, and 30% with the greatest weight assigned to the most recent year. These weights recognize the need to balance stability and responsiveness. The ten Basic Group II experience ratios are equally weighted, each given 10% weight.

LINE (6) - BG I, SCL WEIGHTED EXPERIENCE RATIO
LINE (5) - BG II

For Basic Group I and Special Causes of Loss, the weights are applied to the experience ratios to yield the weighted experience ratio. For Basic Group II, the experience ratios are equally weighted. These weighted experience ratios represent a projection of the experience which would result if future policies were written without a loss cost level revision.

LINE (7) - BG I, SCL CREDIBILITY
LINE (6) - BG II

The standards for 100% credibility are discussed in detail in Tables 33, 33A, and 34 for Basic Group I, Basic Group II, and Special Causes of Loss, respectively.

LINE (8) - BG I, SCL EXPECTED EXPERIENCE RATIO
LINE (7) - BG II

The expected experience ratio is ISO's best prediction of the experience ratio if the actual incurred experience were not available. For this review, we have assumed that the current loss costs were adequate when implemented and will be inadequate for the prospective period only to the extent of the net trend. The expected experience ratio is represented by the net (loss/amount of insurance) trend factor.

LINE (9) - BG I, SCL CREDIBILITY WEIGHTED EXPERIENCE RATIO
LINE (8) - BG II

The credibility weighted experience ratio is a weighted average of the weighted experience ratio (line (6) for BG I and SCL; line (5) for BG II) and the expected experience ratio (line (8) for BG I and SCL; line (7) for BG II) using the credibility factor and its complement as respective weights. For more detailed information regarding the development of the credibility factors, refer to Tables 33, 33A, and 34.

LINE (10) - BG I, SCL INDICATED COVERAGE LOSS COST CHANGE
LINE (9) - BG II

The credibility weighted experience ratio yields the overall coverage loss cost level change for Basic Group I (see Table 5), Basic Group II (see Table 6), and Special Causes of Loss (see Table 7).

COMPOSITION OF THE RATEMAKING DATA BASE

DATA INCLUDED

BASIC GROUP I

- . CSP Subline 010 (Commercial Fire)
- . CSP Subline 015 (Basic Group I, i.e., Fire, Lightning, Explosion, Vandalism, Sprinkler Leakage)
- . CSP Subline 016 (BG I excluding Vandalism)
- . CSP Subline 017 (BG I excluding Sprinkler Leakage)
- . CSP Subline 018 (BG I excluding Vandalism and Sprinkler Leakage)

BASIC GROUP II

- . CSP Subline 020 (Extended Coverage)
- . CSP Subline 025 (Basic Group II, i.e., Windstorm or Hail, Smoke, Aircraft or Vehicles, Riot or Civil Commotion, Sinkhole Collapse and Volcanic Action)
- . CSP Subline 027 (Basic Group II Causes of Loss, i.e., Windstorm or Hail, Smoke, Aircraft or Vehicles, Riot or Civil Commotion, Sinkhole Collapse and Volcanic Action)
- . CSP Subline 029 (Basic Group II Causes of Loss excluding Windstorm or Hail)

SPECIAL CAUSES OF LOSS

- . CSP Subline 028 (All Other Perils Special Coverage Forms & Endorsements)
- . CSP Subline 035 (Causes of Loss Special Form Including Theft)
- . CSP Subline 045 (Causes of Loss Special Form Excluding Theft)

NOTES ON DATA INCLUDED

All CSP data are reviewed for CSP Types of Policy 10 (monoline), 3X, 70, and 7X (multiline).

For BG I, BG II and SCL, the reviewed experience is for property damage and time element coverages (coverage codes 1-7, as well as coverage code 9 reported under pre-simplification sublines 010, 020, and 028).

COMPOSITION OF THE RATEMAKING DATA BASE (cont'd)

<u>DATA EXCLUDED</u>	<u>TYPE OF DATA</u>	<u>BG I</u>	<u>BG II</u>	<u>SCL</u>
	• Non-voluntary experience (e.g. FAIR Plans)	X	X	NA
	• Dwelling experience	X	X	X
	• Farm experience	X	X	NA
	• Countrywide rated risks	X	X	X
	• Highly protected risks	X	X	X
	• Experience for policies with large deductibles	X	X	X

X indicates that experience is excluded.

Separately identifiable terrorism premium and loss records have been excluded from the ratemaking experience.

OVERVIEW OF ISO ACTUARIAL PROCEDURES - COMMERCIAL PROPERTY

STEP 2 - DISTRIBUTION OF LOSS COST LEVEL CHANGES

OBJECTIVE

The objective of this procedure is to distribute the indicated statewide loss cost level change for Basic Group I, Basic Group II, and Special Causes of Loss among the various rating variables used in each subline. These procedures are used to answer the question: What percentage change for each rating variable must be made to the current ISO loss costs in order to achieve adequacy for the prospective conditions?

BASIC GROUP I

For Basic Group I, a consolidated simultaneous iterative procedure is used to calculate the type of policy, territory and rating group relativities. More detail on this procedure is given in Table 8. The type of policy relativities serve to price Commercial Package policies relative to monoline policies, via the Package Modification Factors (PMF), while the rating group and territory relativities serve to price the various rating groups and territories relative to one another.

The indicated monoline loss cost level changes shown on Table 2 are calculated for each rating group/territory combination by taking the product of the monoline type of policy relativity, the rating group relativity, the territory relativity and the statewide loss cost level change.

The overall monoline loss cost level change is a weighted average of the rating group/territory combination changes. In calculating this weighted average, the latest year aggregate monoline and multiline combined loss costs at current level are used as weights.

BASIC GROUP II

The purpose of the Basic Group II relativity analysis is to determine monoline loss cost level needs, to obtain marginal relativities displayed on Table 12 and to price CPP policies relative to monoline policies via the PMFs. Unlike the BG I and SCL relativity analyses, the BG II relativity analysis does not employ a simultaneous review procedure because the overall loss cost change is distributed across type of policy only. The indicated statewide monoline change is the product of the monoline type of policy relativity times the statewide loss cost level change.

OVERVIEW OF ISO ACTUARIAL PROCEDURES - COMMERCIAL PROPERTY

STEP 2 - DISTRIBUTION OF LOSS COST LEVEL CHANGES (cont'd)

SPECIAL CAUSES OF LOSS

For Special Causes of Loss, a simultaneous iterative procedure is used as for BG I to arrive at a set of type of policy and category relativities (as displayed on Table 9) that best represent the experience within each state. The type of policy relativities serve to price CPP policies relative to monoline policies via the PMFs, while the category relativities serve to price the various categories relative to one another.

The indicated monoline loss cost level changes are calculated for each category by taking the product of the monoline type of policy relativity, the category relativity and the statewide coverage loss cost change. See Table 9 for the monoline loss cost indications.

The overall monoline loss cost level change is a weighted average of the 14 monoline category changes. In calculating this weighted average, the latest year monoline and multiline combined loss costs at current level are used as weights.

CALIFORNIA

TABLE 8 - BASIC GROUP I RELATIVITY ANALYSIS

	(1)	(2)	(3)	(4)	STATEWIDE COVERAGE
	\$ LST SQ FORMULA	CREDIBILITY Z	Z-WTD. RELATIVITY	BALANCED RELATIVITY	LOSS COST CHANGE OF 1.045
TOP	RELATIVITY				OR +4.5%
10	0.920	0.347	0.971	0.977	
31	0.798	0.136	0.970	0.976	
32	0.963	0.444	0.983	0.989	
33	1.054	0.149	1.008	1.014	
34	0.878	0.519	0.935	0.940	
35	1.320	0.356	1.104	1.111	
36	0.918	0.278	0.976	0.982	
37	1.084	0.350	1.029	1.035	
38	1.049	0.037	1.002	1.008	

RATING GROUP	(5)				
	INDICATED				
	MONOLINE				
	LOSS	COST	LEVEL		
	CHANGE				
01	0.989	0.621	0.993	1.003	-2.3
02	1.094	0.323	1.029	1.040	+8.8
03	1.605	0.331	1.170	1.181	+21.7
04	1.043	0.709	1.030	1.041	+7.3
05	0.693	0.016	0.994	1.004	+4.2
06	0.560	0.441	0.774	0.782	-19.7
07	0.450	0.201	0.852	0.860	-12.6
08	0.880	0.516	0.936	0.946	-3.3
09	1.281	0.323	1.083	1.094	+14.5
10	1.017	0.318	1.005	1.016	+5.6
11	0.977	0.069	0.998	1.008	+4.8
13	1.238	0.238	1.052	1.063	+10.5
14	1.056	0.266	1.015	1.025	+6.5
15	1.215	0.266	1.053	1.064	+10.7
17	0.978	0.236	0.995	1.005	+5.3
18	0.964	0.141	0.995	1.005	+2.7
19	0.949	0.094	0.995	1.005	-0.7
20	1.106	0.027	1.003	1.013	+4.6
21	0.993	0.299	0.998	1.008	+4.4
22	1.022	0.275	1.006	1.016	+5.3

STATEWIDE MONOLINE LOSS COST LEVEL CHANGE	+2.4%
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CALIFORNIA

TABLE 8 - BASIC GROUP I RELATIVITY ANALYSIS

	(1)	(2)	(3)	(4)
TERRITORY	\$ LST SQ FORMULA RELATIVITY	CREDIBILITY Z	Z-WTD. RELATIVITY	BALANCED RELATIVITY
City of Los Angeles	0.655	0.480	0.816	0.801
Long Beach	1.017	0.063	1.001	0.982
Oakland	0.671	0.120	0.953	0.935
City of Sacramento	1.815	0.113	1.070	1.049
City of San Diego	1.036	0.179	1.006	0.987
San Francisco	0.700	0.266	0.909	0.892
San Jose	0.811	0.196	0.960	0.941
Balance of State (California)	1.081	0.850	1.068	1.048

	(5) INDICATED MONOLINE LOSS COST LEVEL CHANGE
TERRITORY	
City of Los Angeles	-18.8
Long Beach	-0.8
Oakland	-6.3
City of Sacramento	+6.6
City of San Diego	+1.7
San Francisco	-8.7
San Jose	-5.6
Balance of State (California)	+7.4

LOSS COST CHANGES BY INDIVIDUAL TERRITORY AND RATING GROUP
ARE SHOWN ON TABLE 2.

CALIFORNIA

TABLE 8 - BASIC GROUP I RELATIVITY ANALYSIS

EXAMPLE OF AN INDIVIDUAL LOSS COST CHANGE CALCULATION
FOR City of Los Angeles

STATEWIDE COVERAGE LOSS COST LEVEL CHANGE	=	+4.5%
TERRITORIAL RELATIVITY	=	0.801
MONOLINE (TOP 10) RELATIVITY	=	0.977
RATING GROUP 01 RELATIVITY	=	1.003

INDICATED MONOLINE LOSS COST LEVEL CHANGE FOR RATING GROUP 01

$$= 1.045 \quad \times \quad 0.801 \quad \times \quad 0.977 \quad \times \quad 1.003 \quad = 0.820$$

OR -18.0%

CALIFORNIA

TABLE 8 - CALCULATION OF INDICATED TERRITORIAL MULTIPLIERS

(1)	(2)	(3)	(4)
TERRITORY	TERRITORY RELATIVITY	OFF- BALANCE FACTOR	CURRENT TERRITORIAL MULTIPLIER

City of Los Angeles	0.801	1.000	1.913
Long Beach	0.982	1.000	1.343
Oakland	0.935	1.000	1.240
City of Sacramento	1.049	1.000	0.845
City of San Diego	0.987	1.000	0.731
San Francisco	0.892	1.000	1.198
San Jose	0.941	1.000	1.744
Balance of State (California)	1.048	1.000	1.000

(5)
INDICATED TERRITORIAL MULTIPLIER
((2) X (3) X (4) / (1.048 X 1.000))

TERRITORY	

City of Los Angeles	1.462
Long Beach	1.258
Oakland	1.106
City of Sacramento	0.846
City of San Diego	0.688
San Francisco	1.020
San Jose	1.566
Balance of State (California)	1.000

CALIFORNIA

TABLE 9 - SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS

	(1)	(2)	(3)	(4)	STATEWIDE COVERAGE LOSS COST CHANGE OF 1.126 OR +12.6%
TOP	\$ LST SQ FORMULA RELATIVITY	CREDIBILITY Z	Z-WTD. RELATIVITY	BALANCED RELATIVITY	
<hr/>					
10	0.907	0.501	0.952	0.964	
31	1.473	0.173	1.069	1.083	
32	1.209	0.354	1.069	1.083	
33	0.962	0.298	0.989	1.001	
34	0.923	0.618	0.952	0.964	
35	0.849	0.477	0.925	0.937	
36	1.192	0.478	1.088	1.101	
37	0.941	0.509	0.970	0.982	
38	0.539	0.103	0.938	0.950	
<hr/>					
CATEGORY					(5) INDICATED MONOLINE LOSS COST LEVEL CHANGE
01	1.093	0.898	1.083	1.067	+15.8
02	0.738	0.254	0.926	0.912	-1.0
03	1.052	0.425	1.022	1.007	+9.3
04	0.919	0.606	0.950	0.936	+1.6
05	1.513	0.451	1.205	1.187	+28.8
06	0.843	0.235	0.961	0.946	+2.7
07	0.688	0.172	0.938	0.924	+0.3
08	0.962	0.350	0.987	0.972	+5.5
09	0.923	0.504	0.960	0.946	+2.7
10	1.226	0.386	1.082	1.066	+15.7
11	0.732	0.598	0.830	0.817	-11.3
12	0.796	0.447	0.903	0.890	-3.4
13	1.082	0.273	1.022	1.007	+9.3
14	0.087	0.332	0.445	0.438	-52.5
<hr/>					
OVERALL MONOLINE LOSS COST LEVEL CHANGE					+8.6%
<hr/>					

CALIFORNIA

TABLE 9 - SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS

EXAMPLE OF A LOSS COST CHANGE CALCULATION

STATEWIDE COVERAGE LOSS COST LEVEL CHANGE	=	+12.6%
MONOLINE (TOP 10) RELATIVITY	=	0.964
CATEGORY 01 RELATIVITY	=	1.067

INDICATED MONOLINE LOSS COST LEVEL CHANGE FOR CATEGORY 01

= 1.126	X	0.964	X	1.067	=	1.158
					OR	+15.8%

EXPLANATORY NOTES TO TABLES 8 AND 9

BASIC GROUP I AND SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS

INTRODUCTION

The explanations which follow clarify Tables 8 and 9, the Basic Group I relativity analysis and the Special Causes of Loss relativity analysis, respectively. The purpose of these analyses is to:

- (1) determine monoline classification and territorial loss cost level needs for Basic Group I;
- (2) determine monoline category loss cost level needs for Special Causes of Loss;
- (3) determine indicated changes to the eight CPP package modification factors (PMFs) based on Basic Group I/Special Causes of Loss experience.

COLUMN (1)

LEAST SQUARES FORMULA RELATIVITIES

The least squares formula relativities are the marginal relativities which result from the application of the simultaneous review procedure to the raw experience (where marginal refers to the relativities for a given rating variable, e.g. type of policy, across all subsets of any other rating variables, i.e. rating group and territory for Basic Group I, and category for Special Causes of Loss).

The purpose of such a simultaneous review procedure is to arrive at a set of type of policy relativities (which will serve to price CPP policies relative to monoline policies via the PMFs); a set of rating group/territory relativities for Basic Group I; and a set of category relativities for Special Causes of Loss that best represent the experience. This procedure is in contrast to a review of each rating variable's experience separately. Such one-way types of review do not take into account differing percentages of monoline and multiline experience in each rating variable, nor differing percentages of a particular rating variable's experience in the monoline and multiline types of policy. The simultaneous relativity procedure accounts for these different distributions in generating relativities for the various rating variables.

EXPLANATORY NOTES TO TABLES 8 AND 9 (cont'd)

COLUMN (1)
(Cont'd)

The procedure follows an iterative technique to determine a set of marginal relativities by rating variable that is a best fit to the individual cell relativities, with each cell being defined as the cross-section of specific values of each rating variable. The process uses the relativity of the five year experience ratios by rating cell to the overall statewide experience ratio and the latest year aggregate loss costs for each rating cell. (This experience is shown in Table 10 for Basic Group I and Table 11 for Special Causes of Loss.) Specifically, the iteration procedure uses the following formulas:

BASIC GROUP I:

$$TOP_i = \frac{\sum_{j=1}^n \sum_{k=1}^t W_{ijk}^2 R_{ijk} RG_j TER_k}{\sum_{j=1}^n \sum_{k=1}^t W_{ijk}^2 RG_j^2 TER_k^2}, \quad \text{where } 1 \leq i \leq m;$$

$$RG_j = \frac{\sum_{i=1}^m \sum_{k=1}^t W_{ijk}^2 R_{ijk} TOP_i TER_k}{\sum_{i=1}^m \sum_{k=1}^t W_{ijk}^2 TOP_i^2 TER_k^2}, \quad \text{where } 1 \leq j \leq n;$$

$$TER_k = \frac{\sum_{i=1}^m \sum_{j=1}^n W_{ijk}^2 R_{ijk} TOP_i RG_j}{\sum_{i=1}^m \sum_{j=1}^n W_{ijk}^2 TOP_i^2 RG_j^2}, \quad \text{where } 1 \leq k \leq t;$$

SPECIAL CAUSES OF LOSS:

$$TOP_i = \frac{\sum_{j=1}^n w_{ij}^2 R_{ij} CAT_j}{\sum_{j=1}^n w_{ij}^2 CAT_j^2}, \quad \text{where } 1 \leq i \leq m;$$

$$CAT_j = \frac{\sum_{i=1}^m w_{ij}^2 R_{ij} TOP_i}{\sum_{i=1}^m w_{ij}^2 TOP_i^2}, \quad \text{where } 1 \leq j \leq n;$$

EXPLANATORY NOTES TO TABLES 8 AND 9 (cont'd)

COLUMN (1)
(cont'd)

- TOP_i is the relativity for the i th type of policy;
- RG_j is the relativity for the j th rating group;
- CAT_j is the relativity for the j th category;
- TER_k is the relativity for the k th territory;
- W_{ijk} is the loss cost volume at current level for the i th type of policy, j th rating group and k th territory;
- R_{ijk} is the experience ratio relativity for the i th type of policy, j th rating group and k th territory;
- R_{ij} is the experience ratio relativity for the i th type of policy, and j th category;
- m is the number of types of policy in the analysis;
- n is the number of rating groups or categories in the analysis;
- t is the number of territories in the analysis.

The procedure determines m type of policy relativities using the above formulas. Then, using those results, a set of n rating group and t territory relativities are determined. These steps form an iterative process which continues until there is no appreciable difference in results from one iteration to the next.

COLUMN (2)

CREDIBILITY

The credibility of the experience for each rating variable is determined from the formula:

$$Z = \frac{P}{P + K} ,$$

where P represents the five-year aggregate adjusted loss costs for a given rating variable, and K is a constant value. For Basic Group I, K equals an aggregate loss cost volume of \$55,000,000 for territory, \$40,000,000 for rating group, and \$100,000,000 for type of policy. For Special Causes of Loss, K equals an aggregate loss cost volume of \$15,000,000.

EXPLANATORY NOTES TO TABLES 8 AND 9 (cont'd)

COLUMN (3)

CREDIBILITY-WEIGHTED RELATIVITIES

Credibility-weighted relativities are calculated based on the formula

$$W = R^Z,$$

where Z is the credibility, R is the least squares formula relativity and W is the credibility weighted relativity for a given rating variable.

This formula implicitly assigns the complement of credibility to a relativity of unity.

COLUMN (4)

BALANCED RELATIVITIES

The credibility-weighted relativities are balanced to assure that the average relativity across all rating variables remains at unity.

COLUMN (5)

INDICATED MONOLINE LOSS COST LEVEL CHANGE

For Basic Group I, the indicated monoline loss cost changes are calculated for each rating group and territory by taking the product of the monoline type of policy (TOP 10) relativity, the territory relativity, the rating group relativity and the statewide loss cost level change. (An example of such a calculation appears on Table 8.)

The indicated monoline loss cost changes by rating group shown in Table 8 of this analysis are the aggregate loss cost weighted averages of the monoline loss cost changes for the rating group across all territories.

EXPLANATORY NOTES TO TABLES 8 AND 9 (cont'd)

COLUMN (5)
(cont'd)

Similarly, the indicated monoline loss cost changes by territory shown on the second page are aggregate loss cost-weighted averages of the monoline loss cost changes for the territory across all rating groups. The indicated overall statewide monoline loss cost level change shown at the bottom of the first page of Table 8 is the aggregate loss cost-weighted average of the individual rating group changes across all territories.

For Special Causes of Loss, the indicated monoline loss cost changes are calculated for each category by taking the product of the monoline type of policy (TOP 10) relativity, the category relativity, and the statewide loss cost level change. (An example of such a calculation is included in Table 9.) The indicated overall statewide loss cost level change shown at the bottom of Table 9 is the aggregate loss cost-weighted average of the individual category changes.

In all cases, the loss costs used in these calculations are the latest year's monoline and multiline combined adjusted loss costs.

MULTILINE
CONSIDERATIONS

The type of policy (TOP) relativities are used to generate multiline indications which apply to the current implicit package modification factors (IPMF's). The indicated IPMF's are calculated as follows:

$$\frac{\text{TOP y indicated IPMF}}{\text{IPMF}} = \frac{(\text{TOP y current IPMF})(\text{TOP y relativity})}{\text{monoline relativity}}$$

For each CPP type of policy, the indicated IPMF is subject to a minimum value of 0.50 and a maximum value of 1.50. If an indicated IPMF falls outside one of those limits, it is capped at that amount, the loss costs for that type of policy are adjusted to the capped IPMF level, and the entire relativity review as described above is re-performed to take this into account. If an IPMF has been capped, it is so noted at the bottom of Table 8 and Table 9.

It should be noted that although this procedure generates multiline indications, this filing only addresses monoline loss cost levels. That is, upon implementation of this filing only the monoline loss costs will be revised. The multiline indications developed here will be combined with those of the other component coverages, e.g. GL Premises and Operations in the CPP review for the purpose of revising the package modification factors.

City of Los Angeles

CALIFORNIA
BASIC GROUP I RELATIVITY ANALYSIS
TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
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10 MONOLINE	01 APARTMENTS	39,686	294,753	0.236	2.120	2.070
	02 OTHER HABITATIONAL	15,835	127,441	0.000	2.133	2.083
	03 RESTAURANTS & BARS	36,313	236,992	0.645	2.213	2.161
	04 OTHER MERCANTILE RS	196,447	1,218,720	5.172	3.341	3.263
	05 PUBLIC BUILDINGS	1,826	9,537	0.781	2.295	2.241
	06 CHURCHES	19,543	101,542	0.000	2.143	2.093
	07 SCHOOLS	10,371	77,226	1.006	2.314	2.260
	08 OFFICES AND BANKS	65,847	502,212	3.586	2.787	2.722
	09 REC. FACILITIES	35,191	248,572	0.321	2.150	2.100
	10 HOTELS AND MOTELS	10,551	32,613	0.000	2.168	2.117
	11 HOSPITALS/NURS HOME	1,085	42,033	0.000	2.165	2.114
	13 MOTOR VEHICLE RISKS	49,513	221,429	0.000	2.100	2.051
	14 OTHER NON-MANUF.	86,290	233,158	0.564	2.199	2.147
	15 STORAGE	31,561	153,470	0.235	2.164	2.113
	17 FOOD MANUFACTURING	724	24,900	0.000	2.171	2.120
	18 WOOD MANUFACTURING	9,302	136,735	0.091	2.146	2.096
	19 WEARING APPAREL	22,870	115,206	1.811	2.439	2.382
	20 CHEM. MANUFACTURING	5,914	41,838	0.000	2.165	2.114
	21 METAL MANUFACTURING	22,507	168,922	6.771	3.297	3.220
	22 OTHER MANUFACTURING	17,445	94,822	4.713	2.917	2.849
	TOTAL*	678,821	4,082,121	2.418	2.632	2.570
31 MULTILINE MOTEL/HOTEL	10 HOTELS AND MOTELS	249,818	1,076,365	0.398	0.731	0.714
	TOTAL*	249,818	1,076,365	0.398	0.731	0.714
32 MULTILINE APARTMENT	01 APARTMENTS	2,885,569	13,545,740	0.319	0.434	0.424
	02 OTHER HABITATIONAL	149,621	793,788	0.000	0.634	0.619
	TOTAL*	3,035,190	14,339,528	0.303	0.444	0.433
33 MULTILINE OFFICE	08 OFFICES AND BANKS	326,630	2,144,585	0.552	0.744	0.727
	TOTAL*	326,630	2,144,585	0.552	0.744	0.727
34 MULTILINE MERCANTILE	03 RESTAURANTS & BARS	153,576	1,664,444	1.194	1.013	0.989
	04 OTHER MERCANTILE RS	1,103,405	9,133,172	1.797	1.556	1.520
	08 OFFICES AND BANKS	32,763	298,157	0.029	0.710	0.693
	13 MOTOR VEHICLE RISKS	24,001	60,809	4.575	1.520	1.484
	14 OTHER NON-MANUF.	21,152	190,474	0.005	0.722	0.705
	15 STORAGE	137,406	951,480	1.697	1.145	1.118
	TOTAL*	1,472,303	12,298,536	1.705	1.430	1.396

City of Los Angeles

CALIFORNIA
BASIC GROUP I RELATIVITY ANALYSIS
TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
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35 MULTILINE	02 OTHER HABITATIONAL	17,116	91,670	1.489	0.999	0.976
INSTITUTIONAL	05 PUBLIC BUILDINGS	9,058	30,404	3.219	1.276	1.246
	06 CHURCHES	684,767	3,621,424	1.062	0.986	0.963
	07 SCHOOLS	260,766	1,445,334	1.752	1.214	1.186
	08 OFFICES AND BANKS	211,969	1,209,433	0.078	0.613	0.599
	09 REC. FACILITIES	34,910	169,169	0.000	0.724	0.707
	11 HOSPITALS/NURS HOME	51,137	270,682	0.201	0.750	0.732
	13 MOTOR VEHICLE RISKS	4,301	33,679	0.000	0.747	0.729
	14 OTHER NON-MANUF.	27,919	150,299	0.002	0.728	0.711
	TOTAL*	1,301,943	7,022,094	0.972	0.950	0.928
36 MULTILINE	03 RESTAURANTS & BARS	26,379	187,884	0.000	1.019	0.995
SERVICES	04 OTHER MERCANTILE RS	40,641	311,865	6.659	1.909	1.864
	08 OFFICES AND BANKS	71,694	427,451	0.897	1.137	1.110
	09 REC. FACILITIES	158,040	956,683	1.232	1.183	1.155
	13 MOTOR VEHICLE RISKS	112,254	688,006	0.002	1.013	0.989
	14 OTHER NON-MANUF.	74,818	557,183	0.188	1.040	1.016
	15 STORAGE	28,824	267,289	1.808	1.259	1.229
	21 METAL MANUFACTURING	1,734	16,865	6.466	1.866	1.822
	22 OTHER MANUFACTURING	14,718	162,963	0.000	1.019	0.995
	TOTAL*	529,102	3,576,189	1.148	1.170	1.142
37 MULTILINE	04 OTHER MERCANTILE RS	38,600	373,099	1.677	1.242	1.213
INDUST/PROCESS	08 OFFICES AND BANKS	14,317	118,365	0.000	1.020	0.996
	13 MOTOR VEHICLE RISKS	0	867	0.000	1.021	0.997
	14 OTHER NON-MANUF.	3,643	42,582	0.000	1.021	0.997
	15 STORAGE	0	576	0.000	1.021	0.997
	17 FOOD MANUFACTURING	97,112	1,001,374	0.279	1.048	1.023
	18 WOOD MANUFACTURING	86,465	857,205	0.023	1.013	0.989
	19 WEARING APPAREL	85,414	1,111,095	0.866	1.131	1.104
	20 CHEM. MANUFACTURING	12,002	70,958	0.000	1.020	0.996
	21 METAL MANUFACTURING	178,398	1,469,696	2.053	1.304	1.273
	22 OTHER MANUFACTURING	111,612	1,055,910	2.256	1.328	1.297
	TOTAL*	627,563	6,101,727	1.252	1.188	1.160

City of Los Angeles

CALIFORNIA
BASIC GROUP I RELATIVITY ANALYSIS
TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
38 MULTILINE	04 OTHER MERCANTILE RS	7,960	104,127	0.000	1.020	0.996
CONTRACTORS	08 OFFICES AND BANKS	2,885	82,675	0.000	1.020	0.996
	14 OTHER NON-MANUF.	9,538	29,125	0.000	1.021	0.997
	TOTAL*	20,383	215,927	0.000	1.021	0.997
TOTAL ALL TOPS*	01 APARTMENTS	2,925,255	13,840,493	0.318	0.457	0.446
	02 OTHER HABITATIONAL	182,572	1,012,899	0.140	0.799	0.780
	03 RESTAURANTS & BARS	216,268	2,089,320	0.956	1.215	1.187
	04 OTHER MERCANTILE RS	1,387,053	11,140,983	2.404	1.808	1.765
	05 PUBLIC BUILDINGS	10,884	39,941	2.810	1.447	1.413
	06 CHURCHES	704,310	3,722,966	1.033	1.018	0.994
	07 SCHOOLS	271,137	1,522,560	1.723	1.256	1.227
	08 OFFICES AND BANKS	726,105	4,782,878	0.686	0.935	0.913
	09 REC. FACILITIES	228,141	1,374,424	0.903	1.262	1.232
	10 HOTELS AND MOTELS	260,369	1,108,978	0.382	0.790	0.771
	11 HOSPITALS/NURS HOME	52,222	312,715	0.197	0.779	0.761
	13 MOTOR VEHICLE RISKS	190,069	1,004,790	0.579	1.354	1.322
	14 OTHER NON-MANUF.	223,360	1,202,821	0.282	1.417	1.384
	15 STORAGE	197,791	1,372,815	1.480	1.325	1.293
	17 FOOD MANUFACTURING	97,836	1,026,274	0.277	1.056	1.032
	18 WOOD MANUFACTURING	95,767	993,940	0.030	1.123	1.097
	19 WEARING APPAREL	108,284	1,226,301	1.066	1.407	1.374
	20 CHEM. MANUFACTURING	17,916	112,796	0.000	1.398	1.365
	21 METAL MANUFACTURING	202,639	1,655,483	2.615	1.530	1.494
	22 OTHER MANUFACTURING	143,775	1,313,695	2.323	1.489	1.454
	TOTAL*	8,241,753	50,857,072	0.972	1.006	0.982

* TOTALS IN COLUMNS (3), (4) & (5) ARE AVERAGES USING COLUMN (1) AS WEIGHTS.

Long Beach

CALIFORNIA
BASIC GROUP I RELATIVITY ANALYSIS
TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
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10 MONOLINE	01 APARTMENTS	2,688	4,116	8.922	1.701	1.661
	02 OTHER HABITATIONAL	646	3,165	0.000	0.102	0.100
	03 RESTAURANTS & BARS	5,409	25,475	0.000	0.101	0.099
	04 OTHER MERCANTILE RS	17,674	116,270	0.000	0.094	0.092
	05 PUBLIC BUILDINGS	0	161	0.000	0.103	0.101
	07 SCHOOLS	168	1,475	0.000	0.102	0.100
	08 OFFICES AND BANKS	9,066	141,752	0.091	0.116	0.113
	09 REC. FACILITIES	2,755	23,054	0.000	0.101	0.099
	11 HOSPITALS/NURS HOME	1,928	5,939	0.000	0.102	0.100
	13 MOTOR VEHICLE RISKS	2,063	18,469	0.000	0.101	0.099
	14 OTHER NON-MANUF.	497	4,187	0.000	0.102	0.100
	15 STORAGE	6,479	31,907	0.251	0.149	0.146
	17 FOOD MANUFACTURING	0	2,071	0.000	0.102	0.100
	18 WOOD MANUFACTURING	0	1,421	0.000	0.102	0.100
	19 WEARING APPAREL	0	567	0.000	0.103	0.101
	21 METAL MANUFACTURING	443	70,818	0.000	0.097	0.095
	22 OTHER MANUFACTURING	0	12,107	0.000	0.102	0.100
	TOTAL*	49,816	462,954	0.531	0.194	0.189
31 MULTILINE	10 HOTELS AND MOTELS	21,417	122,071	0.089	0.383	0.374
MOTEL/HOTEL	TOTAL*	21,417	122,071	0.089	0.383	0.374
32 MULTILINE	01 APARTMENTS	147,579	638,668	1.137	1.137	1.110
APARTMENT	02 OTHER HABITATIONAL	12,495	69,341	0.030	0.465	0.454
	TOTAL*	160,074	708,009	1.051	1.084	1.059
33 MULTILINE	08 OFFICES AND BANKS	13,002	142,727	0.156	0.403	0.394
OFFICE	TOTAL*	13,002	142,727	0.156	0.403	0.394
34 MULTILINE	03 RESTAURANTS & BARS	14,477	130,099	14.256	10.717	10.466
MERCANTILE	04 OTHER MERCANTILE RS	63,787	576,835	0.180	0.257	0.251
	08 OFFICES AND BANKS	1,865	62,255	1.468	1.328	1.297
	13 MOTOR VEHICLE RISKS	10,263	22,756	0.000	0.691	0.675
	14 OTHER NON-MANUF.	3,162	20,574	0.000	0.710	0.693
	15 STORAGE	12,589	81,529	0.000	0.409	0.399
	TOTAL*	106,143	894,048	2.078	1.776	1.734

Long Beach

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BASIC GROUP I RELATIVITY ANALYSIS
TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
35 MULTILINE INSTITUTIONAL	02 OTHER HABITATIONAL	5,179	18,283	0.000	0.730	0.713
	05 PUBLIC BUILDINGS	328	3,966	0.000	0.888	0.867
	06 CHURCHES	75,472	373,887	0.004	0.138	0.135
	07 SCHOOLS	15,932	105,559	0.000	0.350	0.342
	08 OFFICES AND BANKS	7,797	46,358	0.000	0.541	0.528
	09 REC. FACILITIES	3,862	23,405	0.000	0.686	0.670
	11 HOSPITALS/NURS HOME	8,308	27,022	0.000	0.658	0.643
	14 OTHER NON-MANUF.	1,683	16,678	0.000	0.745	0.728
	TOTAL*	118,561	615,158	0.003	0.284	0.277
36 MULTILINE SERVICES	03 RESTAURANTS & BARS	898	15,281	37.340	17.747	17.331
	04 OTHER MERCANTILE RS	2,125	24,188	0.000	0.548	0.535
	08 OFFICES AND BANKS	3,123	16,977	0.000	0.640	0.625
	09 REC. FACILITIES	15,447	62,813	0.000	0.309	0.302
	13 MOTOR VEHICLE RISKS	16,176	68,839	3.574	3.021	2.950
	14 OTHER NON-MANUF.	10,448	50,891	0.120	0.442	0.432
	15 STORAGE	1,510	36,878	0.000	0.437	0.427
	21 METAL MANUFACTURING	230	3,896	0.000	0.921	0.899
	22 OTHER MANUFACTURING	73	1,955	0.000	0.986	0.963
	TOTAL*	50,030	281,718	1.851	1.565	1.528
37 MULTILINE INDUST/PROCESS	04 OTHER MERCANTILE RS	892	20,950	0.000	0.585	0.571
	08 OFFICES AND BANKS	1,086	9,268	0.000	0.780	0.762
	14 OTHER NON-MANUF.	0	129	0.000	1.055	1.030
	15 STORAGE	0	1,250	0.000	1.012	0.988
	17 FOOD MANUFACTURING	1,859	63,268	0.279	0.517	0.505
	18 WOOD MANUFACTURING	0	19,708	0.000	0.601	0.587
	19 WEARING APPAREL	59	19,862	0.000	0.599	0.585
	20 CHEM. MANUFACTURING	0	12,486	0.000	0.715	0.698
	21 METAL MANUFACTURING	19,942	195,103	0.332	0.422	0.412
	22 OTHER MANUFACTURING	1,255	70,832	0.000	0.283	0.276
	TOTAL*	25,093	412,856	0.285	0.444	0.433
38 MULTILINE CONTRACTORS	04 OTHER MERCANTILE RS	1,968	23,594	0.000	0.554	0.541
	08 OFFICES AND BANKS	490	18,263	0.000	0.621	0.606
	14 OTHER NON-MANUF.	0	556	0.000	1.038	1.014
	TOTAL*	2,458	42,413	0.000	0.568	0.554

Long Beach

CALIFORNIA
BASIC GROUP I RELATIVITY ANALYSIS
TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
TOTAL ALL TOPS*	01 APARTMENTS	150,267	642,784	1.276	1.147	1.120
	02 OTHER HABITATIONAL	18,320	90,789	0.020	0.527	0.515
	03 RESTAURANTS & BARS	20,784	170,855	11.544	8.258	8.064
	04 OTHER MERCANTILE RS	86,446	761,837	0.133	0.241	0.235
	05 PUBLIC BUILDINGS	328	4,127	0.000	0.888	0.867
	06 CHURCHES	75,472	373,887	0.004	0.138	0.135
	07 SCHOOLS	16,100	107,034	0.000	0.348	0.339
	08 OFFICES AND BANKS	36,429	437,600	0.153	0.443	0.433
	09 REC. FACILITIES	22,064	109,272	0.000	0.349	0.341
	10 HOTELS AND MOTELS	21,417	122,071	0.089	0.383	0.374
	11 HOSPITALS/NURS HOME	10,236	32,961	0.000	0.554	0.540
	13 MOTOR VEHICLE RISKS	28,502	110,064	2.028	1.971	1.924
	14 OTHER NON-MANUF.	15,790	93,015	0.079	0.517	0.505
	15 STORAGE	20,578	151,564	0.079	0.329	0.321
	17 FOOD MANUFACTURING	1,859	65,339	0.279	0.517	0.505
	18 WOOD MANUFACTURING	0	21,129	0.000	1.000	1.000
	19 WEARING APPAREL	59	20,429	0.000	0.599	0.585
	20 CHEM. MANUFACTURING	0	12,486	0.000	1.000	1.000
	21 METAL MANUFACTURING	20,615	269,817	0.321	0.421	0.411
	22 OTHER MANUFACTURING	1,328	84,894	0.000	0.322	0.314
	TOTAL*	546,594	3,681,954	0.950	0.933	0.911

* TOTALS IN COLUMNS (3), (4) & (5) ARE AVERAGES USING COLUMN (1) AS WEIGHTS.

Oakland

CALIFORNIA
BASIC GROUP I RELATIVITY ANALYSIS
TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
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10 MONOLINE	01 APARTMENTS	3,494	19,220	3.992	2.041	1.993
	02 OTHER HABITATIONAL	1,313	11,340	0.000	0.149	0.146
	03 RESTAURANTS & BARS	3,821	17,163	0.000	0.131	0.128
	04 OTHER MERCANTILE RS	22,740	163,520	0.289	0.283	0.276
	06 CHURCHES	2,389	15,322	0.000	0.136	0.133
	07 SCHOOLS	1,513	12,527	0.000	0.145	0.142
	08 OFFICES AND BANKS	4,377	64,072	0.058	0.109	0.106
	09 REC. FACILITIES	1,774	10,207	0.000	0.153	0.149
	11 HOSPITALS/NURS HOME	395	2,590	0.000	0.186	0.182
	13 MOTOR VEHICLE RISKS	5,281	22,997	0.000	0.117	0.114
	14 OTHER NON-MANUF.	6,095	31,211	0.000	0.102	0.100
	15 STORAGE	7,231	62,138	0.000	0.068	0.066
	17 FOOD MANUFACTURING	434	2,787	0.000	0.185	0.181
	18 WOOD MANUFACTURING	0	67,170	0.000	0.065	0.063
	19 WEARING APPAREL	486	1,323	0.000	0.193	0.188
	20 CHEM. MANUFACTURING	101	5,339	0.000	0.172	0.168
	21 METAL MANUFACTURING	2,375	16,469	0.000	0.133	0.130
	22 OTHER MANUFACTURING	666	3,378	0.000	0.182	0.178
	TOTAL*	64,485	528,773	0.322	0.279	0.272
31 MULTILINE	10 HOTELS AND MOTELS	11,015	85,387	0.247	0.585	0.571
MOTEL/HOTEL	TOTAL*	11,015	85,387	0.247	0.585	0.571
32 MULTILINE	01 APARTMENTS	479,107	2,399,768	0.555	0.606	0.592
APARTMENT	02 OTHER HABITATIONAL	31,485	134,582	1.909	0.899	0.878
	TOTAL*	510,592	2,534,350	0.638	0.624	0.609
33 MULTILINE	08 OFFICES AND BANKS	16,708	276,352	0.000	0.512	0.500
OFFICE	TOTAL*	16,708	276,352	0.000	0.512	0.500
34 MULTILINE	03 RESTAURANTS & BARS	11,089	218,398	0.099	0.541	0.528
MERCANTILE	04 OTHER MERCANTILE RS	107,690	1,118,431	0.787	0.707	0.690
	08 OFFICES AND BANKS	10,109	129,973	1.421	0.804	0.785
	13 MOTOR VEHICLE RISKS	3,533	14,594	0.000	0.553	0.540
	14 OTHER NON-MANUF.	4,213	36,366	0.000	0.549	0.536
	15 STORAGE	13,468	86,305	0.000	0.541	0.528
	TOTAL*	150,102	1,604,067	0.668	0.678	0.662

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BASIC GROUP I RELATIVITY ANALYSIS
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35 MULTILINE INSTITUTIONAL	02 OTHER HABITATIONAL	0	761	0.000	0.555	0.542
	05 PUBLIC BUILDINGS	917	4,097	0.000	0.555	0.542
	06 CHURCHES	146,847	764,258	1.335	0.874	0.854
	07 SCHOOLS	31,373	166,959	0.000	0.528	0.516
	08 OFFICES AND BANKS	35,346	134,117	0.312	0.593	0.579
	09 REC. FACILITIES	16,266	78,147	0.141	0.567	0.554
	11 HOSPITALS/NURS HOME	8,168	30,613	0.000	0.550	0.537
	13 MOTOR VEHICLE RISKS	801	1,020	0.000	0.555	0.542
	14 OTHER NON-MANUF.	9,167	39,658	0.058	0.558	0.545
	TOTAL*	248,885	1,219,630	0.843	0.746	0.728
36 MULTILINE SERVICES	03 RESTAURANTS & BARS	1,408	12,767	0.000	1.638	1.600
	04 OTHER MERCANTILE RS	1,937	21,796	0.000	1.562	1.525
	08 OFFICES AND BANKS	3,474	28,642	0.635	1.681	1.642
	09 REC. FACILITIES	33,142	178,834	0.044	0.890	0.869
	13 MOTOR VEHICLE RISKS	14,966	125,588	0.000	1.019	0.995
	14 OTHER NON-MANUF.	12,219	75,083	0.406	1.392	1.359
	15 STORAGE	961	55,400	0.000	1.332	1.301
	21 METAL MANUFACTURING	0	124	0.000	1.758	1.717
	22 OTHER MANUFACTURING	2,223	20,547	0.000	1.573	1.536
	TOTAL*	70,330	518,781	0.123	1.105	1.079
37 MULTILINE INDUST/PROCESS	04 OTHER MERCANTILE RS	1,039	29,452	0.000	1.503	1.468
	08 OFFICES AND BANKS	68	5,173	0.000	1.708	1.668
	14 OTHER NON-MANUF.	0	7,304	0.000	1.688	1.648
	17 FOOD MANUFACTURING	9,404	333,659	0.000	0.600	0.586
	18 WOOD MANUFACTURING	9,620	72,350	0.000	1.240	1.211
	19 WEARING APPAREL	3,094	38,950	0.000	1.436	1.402
	21 METAL MANUFACTURING	5,961	120,412	3.778	2.922	2.854
	22 OTHER MANUFACTURING	4,804	110,778	12.698	7.192	7.023
	TOTAL*	33,990	718,078	2.457	2.226	2.174
38 MULTILINE CONTRACTORS	04 OTHER MERCANTILE RS	4,438	39,310	18.839	7.226	7.057
	08 OFFICES AND BANKS	109	3,569	0.000	1.724	1.684
	14 OTHER NON-MANUF.	791	4,736	0.000	1.713	1.673
	TOTAL*	5,338	47,615	15.666	6.297	6.149

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BASIC GROUP I RELATIVITY ANALYSIS
TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
TOTAL ALL TOPS*	01 APARTMENTS	482,601	2,418,988	0.580	0.616	0.602
	02 OTHER HABITATIONAL	32,798	146,683	1.833	0.869	0.849
	03 RESTAURANTS & BARS	16,318	248,328	0.067	0.540	0.527
	04 OTHER MERCANTILE RS	137,844	1,372,509	1.269	0.865	0.845
	05 PUBLIC BUILDINGS	917	4,097	0.000	0.555	0.542
	06 CHURCHES	149,236	779,580	1.314	0.863	0.842
	07 SCHOOLS	32,886	179,486	0.000	0.511	0.498
	08 OFFICES AND BANKS	70,191	641,898	0.397	0.631	0.616
	09 REC. FACILITIES	51,182	267,188	0.073	0.762	0.744
	10 HOTELS AND MOTELS	11,015	85,387	0.247	0.585	0.571
	11 HOSPITALS/NURS HOME	8,563	33,203	0.000	0.533	0.521
	13 MOTOR VEHICLE RISKS	24,581	164,199	0.000	0.743	0.726
	14 OTHER NON-MANUF.	32,485	194,358	0.169	0.813	0.794
	15 STORAGE	21,660	203,843	0.000	0.418	0.408
	17 FOOD MANUFACTURING	9,838	336,446	0.000	0.582	0.568
	18 WOOD MANUFACTURING	9,620	139,520	0.000	1.240	1.211
	19 WEARING APPAREL	3,580	40,273	0.000	1.267	1.238
	20 CHEM. MANUFACTURING	101	5,339	0.000	0.172	0.168
	21 METAL MANUFACTURING	8,336	137,005	2.702	2.127	2.078
	22 OTHER MANUFACTURING	7,693	134,703	7.930	4.961	4.845
	TOTAL*	1,111,445	7,533,033	0.752	0.743	0.726

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City of Sacramento

CALIFORNIA
BASIC GROUP I RELATIVITY ANALYSIS
TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
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10 MONOLINE	01 APARTMENTS	8,993	25,370	0.000	0.093	0.091
	02 OTHER HABITATIONAL	6,895	22,924	0.764	0.333	0.325
	03 RESTAURANTS & BARS	6,114	30,379	0.000	0.089	0.087
	04 OTHER MERCANTILE RS	27,411	253,301	0.211	0.193	0.188
	05 PUBLIC BUILDINGS	129	1,169	0.000	0.115	0.112
	06 CHURCHES	2,177	8,531	0.000	0.107	0.104
	07 SCHOOLS	1,765	9,746	0.000	0.106	0.104
	08 OFFICES AND BANKS	15,462	188,365	0.020	0.055	0.054
	09 REC. FACILITIES	1,459	17,913	0.000	0.099	0.097
	10 HOTELS AND MOTELS	5,558	16,985	0.732	0.303	0.296
	11 HOSPITALS/NURS HOME	195	1,663	15.487	2.768	2.703
	13 MOTOR VEHICLE RISKS	7,692	40,875	0.120	0.131	0.128
	14 OTHER NON-MANUF.	13,716	47,108	0.000	0.079	0.077
	15 STORAGE	4,505	56,396	0.000	0.075	0.073
	17 FOOD MANUFACTURING	80	1,261	0.000	0.115	0.112
	18 WOOD MANUFACTURING	2,514	37,887	0.348	0.219	0.214
	20 CHEM. MANUFACTURING	1,418	15,551	0.000	0.101	0.099
	21 METAL MANUFACTURING	6,229	121,710	0.000	0.053	0.052
	22 OTHER MANUFACTURING	4,435	53,880	0.000	0.076	0.074
	TOTAL*	116,747	951,014	0.173	0.141	0.137
31 MULTILINE	10 HOTELS AND MOTELS	31,254	210,327	0.090	1.081	1.056
MOTEL/HOTEL	TOTAL*	31,254	210,327	0.090	1.081	1.056
32 MULTILINE	01 APARTMENTS	143,060	827,379	3.034	2.404	2.348
APARTMENT	02 OTHER HABITATIONAL	87,426	559,287	1.253	1.412	1.379
	TOTAL*	230,486	1,386,666	2.358	2.027	1.980
33 MULTILINE	08 OFFICES AND BANKS	51,745	532,004	0.387	0.998	0.975
OFFICE	TOTAL*	51,745	532,004	0.387	0.998	0.975
34 MULTILINE	03 RESTAURANTS & BARS	33,040	391,375	3.266	2.285	2.231
MERCANTILE	04 OTHER MERCANTILE RS	122,064	979,367	2.021	1.841	1.798
	08 OFFICES AND BANKS	6,963	126,870	0.000	1.139	1.112
	13 MOTOR VEHICLE RISKS	6,312	30,172	28.472	6.794	6.635
	14 OTHER NON-MANUF.	1,536	14,768	0.000	1.282	1.252
	15 STORAGE	29,642	223,277	0.063	1.060	1.035
	TOTAL*	199,557	1,765,829	2.687	1.927	1.881

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BASIC GROUP I RELATIVITY ANALYSIS
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35 MULTILINE	05 PUBLIC BUILDINGS	1,406	19,687	0.000	1.275	1.245
INSTITUTIONAL	06 CHURCHES	101,929	578,139	0.159	0.865	0.845
	07 SCHOOLS	23,152	155,394	0.036	1.118	1.092
	08 OFFICES AND BANKS	16,078	145,710	0.023	1.125	1.099
	09 REC. FACILITIES	10,149	32,362	0.000	1.257	1.228
	11 HOSPITALS/NURS HOME	8,325	55,681	0.000	1.226	1.197
	13 MOTOR VEHICLE RISKS	729	2,431	0.000	1.300	1.270
	14 OTHER NON-MANUF.	3,201	16,559	0.000	1.280	1.250
	TOTAL*	164,969	1,005,963	0.106	0.982	0.959
36 MULTILINE	03 RESTAURANTS & BARS	837	19,581	0.000	0.515	0.503
SERVICES	04 OTHER MERCANTILE RS	6,327	42,193	0.000	0.473	0.462
	08 OFFICES AND BANKS	9,527	77,596	0.428	0.571	0.558
	09 REC. FACILITIES	14,248	173,867	0.110	0.378	0.369
	13 MOTOR VEHICLE RISKS	25,323	185,121	2.410	1.560	1.523
	14 OTHER NON-MANUF.	26,818	135,014	1.393	0.986	0.963
	15 STORAGE	6,862	37,453	0.312	0.562	0.549
	21 METAL MANUFACTURING	71	293	0.000	0.556	0.543
	22 OTHER MANUFACTURING	692	36,819	0.000	0.483	0.472
	TOTAL*	90,705	707,937	1.171	0.931	0.909
37 MULTILINE	04 OTHER MERCANTILE RS	1,401	19,065	2.932	1.120	1.094
INDUST/PROCESS	08 OFFICES AND BANKS	3,214	18,129	0.000	0.518	0.506
	14 OTHER NON-MANUF.	941	7,480	0.000	0.540	0.527
	17 FOOD MANUFACTURING	6,134	74,155	0.192	0.491	0.479
	18 WOOD MANUFACTURING	13,946	117,257	0.000	0.374	0.365
	19 WEARING APPAREL	61	31,022	0.000	0.493	0.481
	20 CHEM. MANUFACTURING	0	73	0.000	0.557	0.544
	21 METAL MANUFACTURING	2,193	77,888	0.000	0.420	0.410
	22 OTHER MANUFACTURING	4,004	66,740	0.000	0.435	0.425
	TOTAL*	31,894	411,809	0.166	0.460	0.449
38 MULTILINE	04 OTHER MERCANTILE RS	3,824	41,071	0.000	0.475	0.464
CONTRACTORS	08 OFFICES AND BANKS	416	16,746	0.000	0.520	0.508
	14 OTHER NON-MANUF.	794	5,310	0.000	0.545	0.532
	TOTAL*	5,034	63,127	0.000	0.490	0.478

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CALIFORNIA
BASIC GROUP I RELATIVITY ANALYSIS
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TOTAL ALL TOPS*	01 APARTMENTS	152,053	852,749	2.855	2.267	2.214
	02 OTHER HABITATIONAL	94,321	582,211	1.217	1.333	1.302
	03 RESTAURANTS & BARS	39,991	441,335	2.698	1.913	1.867
	04 OTHER MERCANTILE RS	161,027	1,334,997	1.593	1.468	1.434
	05 PUBLIC BUILDINGS	1,535	20,856	0.000	1.178	1.150
	06 CHURCHES	104,106	586,670	0.156	0.849	0.829
	07 SCHOOLS	24,917	165,140	0.033	1.046	1.022
	08 OFFICES AND BANKS	103,405	1,105,420	0.240	0.830	0.811
	09 REC. FACILITIES	25,856	224,142	0.061	0.707	0.691
	10 HOTELS AND MOTELS	36,812	227,312	0.187	0.964	0.941
	11 HOSPITALS/NURS HOME	8,520	57,344	0.354	1.261	1.232
	13 MOTOR VEHICLE RISKS	40,056	258,599	6.033	2.105	2.056
	14 OTHER NON-MANUF.	47,006	226,239	0.795	0.735	0.717
	15 STORAGE	41,009	317,126	0.098	0.869	0.848
	17 FOOD MANUFACTURING	6,214	75,416	0.190	0.487	0.475
	18 WOOD MANUFACTURING	16,460	155,144	0.053	0.350	0.342
	19 WEARING APPAREL	61	31,022	0.000	0.493	0.481
	20 CHEM. MANUFACTURING	1,418	15,624	0.000	0.101	0.099
	21 METAL MANUFACTURING	8,493	199,891	0.000	0.152	0.148
	22 OTHER MANUFACTURING	9,131	157,439	0.000	0.264	0.258
	TOTAL*	922,391	7,034,676	1.357	1.319	1.289

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City of San Diego

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10 MONOLINE	01 APARTMENTS	7,265	24,368	3.915	2.346	2.291
	02 OTHER HABITATIONAL	5,066	24,603	0.000	1.019	0.995
	03 RESTAURANTS & BARS	11,074	56,272	0.000	0.792	0.773
	04 OTHER MERCANTILE RS	62,686	497,796	3.044	2.857	2.790
	05 PUBLIC BUILDINGS	404	2,476	0.000	1.275	1.245
	06 CHURCHES	1,525	7,132	0.000	1.211	1.183
	07 SCHOOLS	3,062	28,974	0.000	0.980	0.957
	08 OFFICES AND BANKS	28,254	300,308	0.000	0.291	0.284
	09 REC. FACILITIES	6,782	55,384	0.000	0.797	0.778
	10 HOTELS AND MOTELS	768	3,571	0.000	1.260	1.230
	11 HOSPITALS/NURS HOME	1,773	7,977	0.000	1.200	1.172
	13 MOTOR VEHICLE RISKS	2,340	20,981	16.614	6.325	6.177
	14 OTHER NON-MANUF.	28,179	84,224	0.000	0.662	0.646
	15 STORAGE	10,285	55,754	0.000	0.795	0.776
	17 FOOD MANUFACTURING	600	17,197	0.000	1.093	1.067
	18 WOOD MANUFACTURING	1,023	9,635	0.000	1.180	1.152
	19 WEARING APPAREL	1,059	11,358	0.000	1.159	1.132
	20 CHEM. MANUFACTURING	0	227	0.000	1.309	1.278
	21 METAL MANUFACTURING	1,583	36,988	0.296	1.037	1.013
	22 OTHER MANUFACTURING	2,956	31,055	0.000	0.963	0.940
	TOTAL*	176,684	1,276,280	1.464	1.592	1.555
31 MULTILINE MOTEL/HOTEL	10 HOTELS AND MOTELS	198,700	1,113,110	0.057	0.777	0.759
	TOTAL*	198,700	1,113,110	0.057	0.777	0.759
32 MULTILINE APARTMENT	01 APARTMENTS	513,432	2,581,753	0.799	0.971	0.948
	02 OTHER HABITATIONAL	80,338	689,791	0.650	0.993	0.970
	TOTAL*	593,770	3,271,544	0.779	0.974	0.951
33 MULTILINE OFFICE	08 OFFICES AND BANKS	38,634	481,432	0.031	0.860	0.840
	TOTAL*	38,634	481,432	0.031	0.860	0.840
34 MULTILINE MERCANTILE	03 RESTAURANTS & BARS	92,918	834,776	2.604	1.544	1.508
	04 OTHER MERCANTILE RS	197,185	1,682,970	0.545	0.899	0.878
	08 OFFICES AND BANKS	20,123	172,999	0.017	0.910	0.889
	13 MOTOR VEHICLE RISKS	13,334	57,670	11.342	2.838	2.771
	14 OTHER NON-MANUF.	11,113	64,428	37.162	7.225	7.056
	15 STORAGE	21,528	183,126	4.998	1.855	1.812
	TOTAL*	356,201	2,995,969	2.868	1.395	1.363

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35 MULTILINE	02 OTHER HABITATIONAL	772	4,612	0.000	0.940	0.918
INSTITUTIONAL	05 PUBLIC BUILDINGS	3,325	11,568	0.052	0.947	0.925
	06 CHURCHES	104,538	542,316	0.102	0.868	0.848
	07 SCHOOLS	39,437	277,540	0.000	0.888	0.867
	08 OFFICES AND BANKS	27,808	143,014	0.968	1.090	1.064
	09 REC. FACILITIES	7,510	46,142	0.032	0.937	0.915
	11 HOSPITALS/NURS HOME	14,110	67,846	2.916	1.423	1.390
	13 MOTOR VEHICLE RISKS	1	7	0.000	0.941	0.919
	14 OTHER NON-MANUF.	7,005	29,388	0.000	0.935	0.913
	TOTAL*	204,506	1,122,433	0.387	0.947	0.925
36 MULTILINE	03 RESTAURANTS & BARS	5,570	35,277	0.000	0.611	0.597
SERVICES	04 OTHER MERCANTILE RS	6,622	46,624	0.000	0.609	0.595
	08 OFFICES AND BANKS	15,529	129,881	0.000	0.601	0.587
	09 REC. FACILITIES	44,027	291,274	3.891	1.274	1.244
	13 MOTOR VEHICLE RISKS	18,894	133,973	0.000	0.601	0.587
	14 OTHER NON-MANUF.	42,489	256,985	0.122	0.610	0.596
	15 STORAGE	6,990	70,069	0.170	0.632	0.617
	21 METAL MANUFACTURING	187	2,030	0.000	0.614	0.600
	22 OTHER MANUFACTURING	1,761	35,122	0.000	0.611	0.597
	TOTAL*	142,069	1,001,235	1.251	0.814	0.796
37 MULTILINE	04 OTHER MERCANTILE RS	6,665	65,170	0.000	0.607	0.593
INDUST/PROCESS	08 OFFICES AND BANKS	1,292	41,665	0.000	0.610	0.596
	14 OTHER NON-MANUF.	328	4,730	0.000	0.614	0.600
	15 STORAGE	0	56	0.000	0.614	0.600
	17 FOOD MANUFACTURING	4,773	98,492	0.000	0.604	0.590
	18 WOOD MANUFACTURING	2,795	54,503	0.000	0.609	0.595
	19 WEARING APPAREL	1,224	40,679	0.000	0.610	0.596
	20 CHEM. MANUFACTURING	404	569	0.000	0.614	0.600
	21 METAL MANUFACTURING	26,990	203,493	0.000	0.594	0.580
	22 OTHER MANUFACTURING	7,159	164,842	0.485	0.675	0.659
	TOTAL*	51,630	674,199	0.067	0.610	0.595

City of San Diego

CALIFORNIA
BASIC GROUP I RELATIVITY ANALYSIS
TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
38 MULTILINE CONTRACTORS	04 OTHER MERCANTILE RS	3,072	42,383	0.000	0.610	0.596
	08 OFFICES AND BANKS	1,378	40,458	0.000	0.610	0.596
	14 OTHER NON-MANUF.	2,013	8,838	0.000	0.613	0.599
	TOTAL*	6,463	91,679	0.000	0.611	0.597
TOTAL ALL TOPS*	01 APARTMENTS	520,697	2,606,121	0.842	0.990	0.967
	02 OTHER HABITATIONAL	86,176	719,006	0.606	0.994	0.971
	03 RESTAURANTS & BARS	109,562	926,325	2.208	1.420	1.387
	04 OTHER MERCANTILE RS	276,230	2,334,943	1.080	1.326	1.295
	05 PUBLIC BUILDINGS	3,729	14,044	0.046	0.983	0.960
	06 CHURCHES	106,063	549,448	0.101	0.873	0.852
	07 SCHOOLS	42,499	306,514	0.000	0.895	0.874
	08 OFFICES AND BANKS	133,018	1,309,757	0.214	0.760	0.742
	09 REC. FACILITIES	58,319	392,800	2.942	1.175	1.148
	10 HOTELS AND MOTELS	199,468	1,116,681	0.057	0.779	0.761
	11 HOSPITALS/NURS HOME	15,883	75,823	2.591	1.399	1.365
	13 MOTOR VEHICLE RISKS	34,569	212,631	5.500	1.851	1.808
	14 OTHER NON-MANUF.	91,127	448,593	4.589	1.458	1.424
	15 STORAGE	38,803	309,005	2.804	1.353	1.322
	17 FOOD MANUFACTURING	5,373	115,689	0.000	0.659	0.643
	18 WOOD MANUFACTURING	3,818	64,138	0.000	0.762	0.744
	19 WEARING APPAREL	2,283	52,037	0.000	0.864	0.844
	20 CHEM. MANUFACTURING	404	796	0.000	0.614	0.600
	21 METAL MANUFACTURING	28,760	242,511	0.016	0.618	0.604
	22 OTHER MANUFACTURING	11,876	231,019	0.292	0.737	0.720
	TOTAL*	1,768,657	12,027,881	1.140	1.068	1.043

* TOTALS IN COLUMNS (3), (4) & (5) ARE AVERAGES USING COLUMN (1) AS WEIGHTS.

San Francisco

CALIFORNIA
BASIC GROUP I RELATIVITY ANALYSIS
TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
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10 MONOLINE	01 APARTMENTS	38,489	164,026	7.620	2.573	2.513
	02 OTHER HABITATIONAL	4,481	27,711	0.000	1.405	1.372
	03 RESTAURANTS & BARS	17,161	54,028	0.341	1.456	1.422
	04 OTHER MERCANTILE RS	49,462	307,510	1.519	1.633	1.595
	05 PUBLIC BUILDINGS	295	1,441	0.000	1.407	1.374
	06 CHURCHES	3,691	23,319	0.000	1.406	1.373
	07 SCHOOLS	5,414	29,461	0.032	1.410	1.377
	08 OFFICES AND BANKS	29,370	269,059	0.000	1.396	1.363
	09 REC. FACILITIES	13,714	94,565	4.975	2.160	2.109
	10 HOTELS AND MOTELS	7,831	123,419	0.000	1.402	1.369
	11 HOSPITALS/NURS HOME	73	2,953	0.000	1.406	1.373
	13 MOTOR VEHICLE RISKS	10,209	37,640	0.000	1.405	1.372
	14 OTHER NON-MANUF.	15,091	41,318	0.000	1.405	1.372
	15 STORAGE	14,999	71,193	0.000	1.404	1.371
	17 FOOD MANUFACTURING	2,324	19,447	0.000	1.406	1.373
	18 WOOD MANUFACTURING	1,881	25,583	0.000	1.406	1.373
	19 WEARING APPAREL	3,063	19,333	0.000	1.406	1.373
	20 CHEM. MANUFACTURING	0	1,430	0.000	1.407	1.374
	21 METAL MANUFACTURING	2,170	12,473	0.000	1.406	1.373
	22 OTHER MANUFACTURING	1,191	7,608	0.000	1.406	1.373
	TOTAL*	220,909	1,333,517	2.004	1.709	1.669
31 MULTILINE MOTEL/HOTEL	10 HOTELS AND MOTELS	194,685	640,035	0.000	0.459	0.448
	TOTAL*	194,685	640,035	0.000	0.459	0.448
32 MULTILINE APARTMENT	01 APARTMENTS	2,153,280	9,031,768	0.655	0.666	0.650
	02 OTHER HABITATIONAL	55,457	378,490	0.811	0.754	0.736
	TOTAL*	2,208,737	9,410,258	0.659	0.668	0.653
33 MULTILINE OFFICE	08 OFFICES AND BANKS	100,814	924,751	0.426	0.598	0.584
	TOTAL*	100,814	924,751	0.426	0.598	0.584
34 MULTILINE MERCANTILE	03 RESTAURANTS & BARS	121,055	976,181	2.711	1.613	1.575
	04 OTHER MERCANTILE RS	301,431	2,696,397	0.250	0.416	0.406
	08 OFFICES AND BANKS	13,345	240,215	5.858	2.029	1.981
	13 MOTOR VEHICLE RISKS	9,026	28,383	0.000	0.606	0.592
	14 OTHER NON-MANUF.	9,516	76,422	0.137	0.617	0.603
	15 STORAGE	22,362	184,545	0.012	0.563	0.550
	TOTAL*	476,735	4,202,143	1.014	0.780	0.761

San Francisco

CALIFORNIA
BASIC GROUP I RELATIVITY ANALYSIS
TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
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35 MULTILINE	02 OTHER HABITATIONAL	12,167	61,782	0.230	0.638	0.623
INSTITUTIONAL	05 PUBLIC BUILDINGS	2,427	7,549	0.000	0.612	0.598
	06 CHURCHES	188,793	865,412	0.857	0.784	0.766
	07 SCHOOLS	56,972	291,126	0.104	0.561	0.548
	08 OFFICES AND BANKS	24,144	126,059	0.265	0.632	0.617
	09 REC. FACILITIES	8,052	71,405	0.000	0.592	0.578
	11 HOSPITALS/NURS HOME	3,406	44,108	0.000	0.601	0.587
	13 MOTOR VEHICLE RISKS	1,411	6,837	0.000	0.613	0.599
	14 OTHER NON-MANUF.	4,502	29,976	0.000	0.605	0.591
	TOTAL*	301,874	1,504,254	0.586	0.712	0.695
36 MULTILINE	03 RESTAURANTS & BARS	6,057	47,975	0.978	0.324	0.316
SERVICES	04 OTHER MERCANTILE RS	6,520	37,868	0.074	0.150	0.146
	08 OFFICES AND BANKS	10,517	105,276	0.037	0.135	0.132
	09 REC. FACILITIES	56,310	358,153	0.017	0.105	0.103
	13 MOTOR VEHICLE RISKS	29,186	190,794	0.651	0.319	0.312
	14 OTHER NON-MANUF.	19,770	145,727	0.075	0.142	0.139
	15 STORAGE	3,242	61,822	0.000	0.133	0.130
	21 METAL MANUFACTURING	0	2,089	0.000	0.143	0.140
	22 OTHER MANUFACTURING	1,811	25,362	0.000	0.139	0.136
	TOTAL*	133,413	975,066	0.212	0.173	0.169
37 MULTILINE	04 OTHER MERCANTILE RS	8,509	47,112	0.000	0.135	0.132
INDUST/PROCESS	08 OFFICES AND BANKS	565	30,360	0.000	0.138	0.135
	14 OTHER NON-MANUF.	0	1,713	0.000	0.143	0.140
	17 FOOD MANUFACTURING	56,322	361,586	0.007	0.101	0.099
	18 WOOD MANUFACTURING	12,980	178,283	0.000	0.117	0.114
	19 WEARING APPAREL	18,404	173,068	0.747	0.341	0.333
	20 CHEM. MANUFACTURING	0	2,906	0.000	0.143	0.140
	21 METAL MANUFACTURING	1,895	63,238	0.000	0.133	0.130
	22 OTHER MANUFACTURING	2,066	53,117	0.000	0.134	0.131
	TOTAL*	100,741	911,383	0.140	0.151	0.148
38 MULTILINE	04 OTHER MERCANTILE RS	3,564	31,512	0.000	0.138	0.135
CONTRACTORS	08 OFFICES AND BANKS	1,975	22,392	0.000	0.140	0.137
	14 OTHER NON-MANUF.	2,238	10,728	0.000	0.142	0.139
	TOTAL*	7,777	64,632	0.000	0.139	0.136

San Francisco

CALIFORNIA

BASIC GROUP I RELATIVITY ANALYSIS

TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY

TOTAL ALL TOPS*	01 APARTMENTS	2,191,769	9,195,794	0.777	0.699	0.683
	02 OTHER HABITATIONAL	72,105	467,983	0.663	0.775	0.757
	03 RESTAURANTS & BARS	144,273	1,078,184	2.356	1.540	1.504
	04 OTHER MERCANTILE RS	369,486	3,120,399	0.409	0.565	0.552
	05 PUBLIC BUILDINGS	2,722	8,990	0.000	0.698	0.682
	06 CHURCHES	192,484	888,731	0.841	0.796	0.777
	07 SCHOOLS	62,386	320,587	0.098	0.634	0.620
	08 OFFICES AND BANKS	180,730	1,718,112	0.708	0.804	0.786
	09 REC. FACILITIES	78,076	524,123	0.886	0.516	0.504
	10 HOTELS AND MOTELS	202,516	763,454	0.000	0.495	0.484
	11 HOSPITALS/NURS HOME	3,479	47,061	0.000	0.618	0.603
	13 MOTOR VEHICLE RISKS	49,832	263,654	0.381	0.602	0.588
	14 OTHER NON-MANUF.	51,117	305,884	0.055	0.644	0.629
	15 STORAGE	40,603	317,560	0.007	0.839	0.820
	17 FOOD MANUFACTURING	58,646	381,033	0.007	0.152	0.149
	18 WOOD MANUFACTURING	14,861	203,866	0.000	0.280	0.274
	19 WEARING APPAREL	21,467	192,401	0.640	0.493	0.481
	20 CHEM. MANUFACTURING	0	4,336	0.000	1.000	1.000
	21 METAL MANUFACTURING	4,065	77,800	0.000	0.812	0.794
	22 OTHER MANUFACTURING	5,068	86,087	0.000	0.435	0.425
	TOTAL*	3,745,685	19,966,039	0.706	0.702	0.685

* TOTALS IN COLUMNS (3), (4) & (5) ARE AVERAGES USING COLUMN (1) AS WEIGHTS.

San Jose

CALIFORNIA
BASIC GROUP I RELATIVITY ANALYSIS
TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
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10 MONOLINE	01 APARTMENTS	24,571	273,624	0.845	0.543	0.530
	02 OTHER HABITATIONAL	1,685	18,940	0.000	0.358	0.350
	03 RESTAURANTS & BARS	666	8,900	0.000	0.360	0.352
	04 OTHER MERCANTILE RS	82,870	509,778	0.879	0.587	0.573
	05 PUBLIC BUILDINGS	170	1,973	0.000	0.361	0.353
	06 CHURCHES	0	602	0.000	0.362	0.354
	07 SCHOOLS	4,674	25,948	0.000	0.357	0.349
	08 OFFICES AND BANKS	17,182	663,690	0.034	0.275	0.269
	09 REC. FACILITIES	4,569	47,723	1.414	0.607	0.593
	10 HOTELS AND MOTELS	0	12,778	0.000	0.359	0.351
	11 HOSPITALS/NURS HOME	1,411	12,841	0.051	0.368	0.359
	13 MOTOR VEHICLE RISKS	11,704	47,049	0.000	0.352	0.344
	14 OTHER NON-MANUF.	1,267	20,552	0.455	0.434	0.424
	15 STORAGE	6,632	46,259	0.000	0.352	0.344
	17 FOOD MANUFACTURING	0	824	0.000	0.362	0.354
	18 WOOD MANUFACTURING	5,046	32,264	0.000	0.355	0.347
	19 WEARING APPAREL	0	6,995	0.000	0.360	0.352
	21 METAL MANUFACTURING	2,370	34,818	0.000	0.355	0.347
	22 OTHER MANUFACTURING	7,402	47,200	0.000	0.352	0.344
	TOTAL*	172,219	1,812,758	0.588	0.492	0.481
31 MULTILINE	10 HOTELS AND MOTELS	59,959	236,002	0.000	0.680	0.664
MOTEL/HOTEL	TOTAL*	59,959	236,002	0.000	0.680	0.664
32 MULTILINE	01 APARTMENTS	321,396	2,558,031	0.585	0.765	0.747
APARTMENT	02 OTHER HABITATIONAL	197,510	1,207,729	0.020	0.667	0.651
	TOTAL*	518,906	3,765,760	0.370	0.728	0.711
33 MULTILINE	08 OFFICES AND BANKS	38,552	509,410	2.652	1.123	1.097
OFFICE	TOTAL*	38,552	509,410	2.652	1.123	1.097
34 MULTILINE	03 RESTAURANTS & BARS	27,532	369,410	1.433	0.915	0.894
MERCANTILE	04 OTHER MERCANTILE RS	195,416	1,918,039	0.677	0.786	0.768
	08 OFFICES AND BANKS	9,871	102,284	0.000	0.682	0.666
	13 MOTOR VEHICLE RISKS	12,284	63,906	0.000	0.683	0.667
	14 OTHER NON-MANUF.	4,109	38,852	0.000	0.683	0.667
	15 STORAGE	68,588	408,844	0.270	0.722	0.705
	TOTAL*	317,800	2,901,335	0.599	0.775	0.757

San Jose

CALIFORNIA
BASIC GROUP I RELATIVITY ANALYSIS
TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
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35 MULTILINE	02 OTHER HABITATIONAL	4,950	24,699	0.000	0.684	0.668
INSTITUTIONAL	05 PUBLIC BUILDINGS	4,842	35,179	0.000	0.683	0.667
	06 CHURCHES	220,745	1,099,954	0.228	0.707	0.690
	07 SCHOOLS	133,467	672,671	3.825	1.331	1.300
	08 OFFICES AND BANKS	18,080	106,535	0.782	0.808	0.789
	09 REC. FACILITIES	11,539	56,118	0.000	0.683	0.667
	11 HOSPITALS/NURS HOME	17,367	82,819	0.076	0.695	0.679
	13 MOTOR VEHICLE RISKS	0	139	0.000	0.684	0.668
	14 OTHER NON-MANUF.	6,637	23,282	0.220	0.719	0.702
	TOTAL*	417,627	2,101,396	1.383	0.909	0.888
36 MULTILINE	03 RESTAURANTS & BARS	125	21,914	0.000	0.212	0.207
SERVICES	04 OTHER MERCANTILE RS	5,414	58,936	0.118	0.226	0.221
	08 OFFICES AND BANKS	8,951	56,182	1.446	0.497	0.485
	09 REC. FACILITIES	32,374	231,789	0.907	0.481	0.470
	13 MOTOR VEHICLE RISKS	17,428	171,115	0.025	0.185	0.181
	14 OTHER NON-MANUF.	28,452	167,837	0.210	0.241	0.235
	15 STORAGE	4,473	56,546	0.000	0.203	0.198
	21 METAL MANUFACTURING	1,731	7,616	0.000	0.216	0.211
	22 OTHER MANUFACTURING	3,528	23,372	0.000	0.212	0.207
	TOTAL*	102,476	795,307	0.482	0.326	0.318
37 MULTILINE	04 OTHER MERCANTILE RS	16,530	137,084	0.050	0.198	0.193
INDUST/PROCESS	08 OFFICES AND BANKS	5,126	89,348	0.000	0.195	0.190
	14 OTHER NON-MANUF.	1,789	25,022	0.000	0.211	0.206
	17 FOOD MANUFACTURING	17,233	153,603	0.000	0.181	0.177
	18 WOOD MANUFACTURING	6,144	108,316	0.000	0.190	0.186
	19 WEARING APPAREL	1,295	36,022	0.000	0.208	0.203
	20 CHEM. MANUFACTURING	0	223	0.000	0.218	0.213
	21 METAL MANUFACTURING	26,660	251,034	0.414	0.312	0.305
	22 OTHER MANUFACTURING	45,975	388,019	0.195	0.229	0.224
	TOTAL*	120,752	1,188,671	0.172	0.232	0.227
38 MULTILINE	04 OTHER MERCANTILE RS	6,781	55,267	0.000	0.203	0.198
CONTRACTORS	08 OFFICES AND BANKS	1,575	17,646	0.000	0.213	0.208
	14 OTHER NON-MANUF.	317	3,060	0.000	0.217	0.212
	TOTAL*	8,673	75,973	0.000	0.205	0.201

San Jose

CALIFORNIA
BASIC GROUP I RELATIVITY ANALYSIS
TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY

TOTAL ALL TOPS*	01 APARTMENTS	345,967	2,831,655	0.603	0.749	0.732
	02 OTHER HABITATIONAL	204,145	1,251,368	0.019	0.665	0.649
	03 RESTAURANTS & BARS	28,323	400,224	1.393	0.899	0.878
	04 OTHER MERCANTILE RS	307,011	2,679,104	0.673	0.678	0.662
	05 PUBLIC BUILDINGS	5,012	37,152	0.000	0.673	0.656
	06 CHURCHES	220,745	1,100,556	0.228	0.707	0.690
	07 SCHOOLS	138,141	698,619	3.696	1.298	1.268
	08 OFFICES AND BANKS	99,337	1,545,095	1.308	0.756	0.739
	09 REC. FACILITIES	48,482	335,630	0.739	0.541	0.528
	10 HOTELS AND MOTELS	59,959	248,780	0.000	0.680	0.664
	11 HOSPITALS/NURS HOME	18,778	95,660	0.074	0.670	0.655
	13 MOTOR VEHICLE RISKS	41,416	282,209	0.011	0.380	0.371
	14 OTHER NON-MANUF.	42,571	278,605	0.188	0.363	0.354
	15 STORAGE	79,693	511,649	0.232	0.662	0.647
	17 FOOD MANUFACTURING	17,233	154,427	0.000	0.181	0.177
	18 WOOD MANUFACTURING	11,190	140,580	0.000	0.265	0.258
	19 WEARING APPAREL	1,295	43,017	0.000	0.208	0.203
	20 CHEM. MANUFACTURING	0	223	0.000	1.000	1.000
	21 METAL MANUFACTURING	30,761	293,468	0.359	0.310	0.303
	22 OTHER MANUFACTURING	56,905	458,591	0.158	0.244	0.238
	TOTAL*	1,756,964	13,386,612	0.702	0.703	0.687

* TOTALS IN COLUMNS (3), (4) & (5) ARE AVERAGES USING COLUMN (1) AS WEIGHTS.

Balance of State (California)

CALIFORNIA
BASIC GROUP I RELATIVITY ANALYSIS
TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
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10 MONOLINE	01 APARTMENTS	204,198	1,198,079	1.185	1.093	1.067
	02 OTHER HABITATIONAL	433,808	2,099,511	1.023	1.066	1.041
	03 RESTAURANTS & BARS	376,617	1,426,132	2.167	1.255	1.226
	04 OTHER MERCANTILE RS	1,804,924	12,936,480	0.912	1.031	1.007
	05 PUBLIC BUILDINGS	17,198	95,309	6.171	1.845	1.802
	06 CHURCHES	57,192	216,894	0.341	0.963	0.940
	07 SCHOOLS	93,490	461,166	0.318	0.958	0.936
	08 OFFICES AND BANKS	614,811	6,467,934	0.726	1.000	0.977
	09 REC. FACILITIES	674,424	3,118,558	2.140	1.269	1.239
	10 HOTELS AND MOTELS	644,276	2,792,080	0.711	1.010	0.986
	11 HOSPITALS/NURS HOME	69,050	428,655	5.281	1.725	1.685
	13 MOTOR VEHICLE RISKS	267,982	1,612,263	0.267	0.940	0.918
	14 OTHER NON-MANUF.	381,771	1,863,270	0.815	1.031	1.007
	15 STORAGE	367,164	1,892,825	0.673	1.007	0.983
	17 FOOD MANUFACTURING	132,920	995,303	2.560	1.313	1.282
	18 WOOD MANUFACTURING	66,534	804,074	0.003	0.905	0.884
	19 WEARING APPAREL	30,167	276,168	0.075	0.922	0.900
	20 CHEM. MANUFACTURING	43,064	411,771	3.113	1.390	1.357
	21 METAL MANUFACTURING	170,842	2,126,008	1.676	1.178	1.150
	22 OTHER MANUFACTURING	104,795	1,419,933	0.223	0.934	0.912
	TOTAL*	6,555,227	42,642,413	1.134	1.079	1.054
31 MULTILINE MOTEL/HOTEL	10 HOTELS AND MOTELS	2,462,113	12,204,634	0.766	0.875	0.854
	TOTAL*	2,462,113	12,204,634	0.766	0.875	0.854
32 MULTILINE APARTMENT	01 APARTMENTS	5,785,986	32,067,258	1.057	1.056	1.031
	02 OTHER HABITATIONAL	2,504,388	12,232,227	1.197	1.141	1.114
	TOTAL*	8,290,374	44,299,485	1.099	1.081	1.056
33 MULTILINE OFFICE	08 OFFICES AND BANKS	1,450,698	12,515,007	0.967	0.998	0.975
	TOTAL*	1,450,698	12,515,007	0.967	0.998	0.975
34 MULTILINE MERCANTILE	03 RESTAURANTS & BARS	1,249,267	12,370,852	1.854	1.549	1.513
	04 OTHER MERCANTILE RS	6,826,631	54,479,671	0.959	0.971	0.948
	08 OFFICES AND BANKS	369,585	3,827,502	0.365	0.784	0.766
	13 MOTOR VEHICLE RISKS	370,071	1,547,337	1.295	1.116	1.090
	14 OTHER NON-MANUF.	202,711	1,459,192	2.363	1.396	1.363
	15 STORAGE	1,465,642	7,743,974	1.267	1.163	1.136
	TOTAL*	10,483,907	81,428,528	1.127	1.073	1.048

Balance of State (California)

CALIFORNIA
BASIC GROUP I RELATIVITY ANALYSIS
TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
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35 MULTILINE INSTITUTIONAL	02 OTHER HABITATIONAL	85,184	478,222	0.030	0.850	0.830
	05 PUBLIC BUILDINGS	85,685	443,855	0.538	0.951	0.929
	06 CHURCHES	4,414,459	23,399,277	0.701	0.790	0.771
	07 SCHOOLS	1,213,044	6,311,340	0.130	0.608	0.594
	08 OFFICES AND BANKS	838,577	4,019,398	1.358	1.172	1.145
	09 REC. FACILITIES	548,434	2,725,551	4.210	2.111	2.062
	11 HOSPITALS/NURS HOME	422,462	1,879,857	2.191	1.380	1.348
	13 MOTOR VEHICLE RISKS	20,298	100,568	0.000	0.876	0.855
	14 OTHER NON-MANUF.	249,265	1,365,020	0.262	0.847	0.827
	TOTAL*	7,877,408	40,723,088	0.982	0.931	0.909
36 MULTILINE SERVICES	03 RESTAURANTS & BARS	90,340	659,255	2.195	1.325	1.294
	04 OTHER MERCANTILE RS	366,334	2,269,688	2.408	1.369	1.337
	08 OFFICES AND BANKS	285,439	2,175,006	2.190	1.336	1.305
	09 REC. FACILITIES	1,920,590	10,022,960	1.425	1.236	1.207
	13 MOTOR VEHICLE RISKS	1,138,763	6,922,052	1.503	1.246	1.217
	14 OTHER NON-MANUF.	1,074,415	6,066,746	0.584	1.084	1.059
	15 STORAGE	158,337	1,607,502	0.992	1.161	1.134
	21 METAL MANUFACTURING	19,404	188,725	0.009	1.034	1.010
	22 OTHER MANUFACTURING	82,947	683,045	0.556	1.103	1.077
	TOTAL*	5,136,569	30,594,979	1.360	1.218	1.189
37 MULTILINE INDUST/PROCESS	04 OTHER MERCANTILE RS	405,849	2,935,977	1.848	1.289	1.259
	08 OFFICES AND BANKS	134,136	1,253,142	0.546	1.099	1.073
	13 MOTOR VEHICLE RISKS	4,189	31,408	0.367	1.082	1.057
	14 OTHER NON-MANUF.	106,180	623,622	0.224	1.059	1.034
	15 STORAGE	7,357	73,444	0.000	1.034	1.010
	17 FOOD MANUFACTURING	1,391,530	9,222,929	0.947	1.142	1.115
	18 WOOD MANUFACTURING	392,033	4,031,480	0.773	1.123	1.097
	19 WEARING APPAREL	217,554	2,286,795	0.305	1.059	1.034
	20 CHEM. MANUFACTURING	60,328	551,642	0.940	1.156	1.129
	21 METAL MANUFACTURING	1,232,579	11,863,442	1.013	1.152	1.125
	22 OTHER MANUFACTURING	902,803	10,584,648	1.196	1.191	1.163
	TOTAL*	4,854,538	43,458,529	1.014	1.158	1.131

Balance of State (California)

CALIFORNIA
BASIC GROUP I RELATIVITY ANALYSIS
TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
38 MULTILINE CONTRACTORS	04 OTHER MERCANTILE RS	210,857	1,991,187	0.929	1.152	1.125
	08 OFFICES AND BANKS	50,781	853,178	4.789	1.682	1.643
	14 OTHER NON-MANUF.	44,717	384,927	0.222	1.060	1.035
	TOTAL*	306,355	3,229,292	1.466	1.226	1.198
TOTAL ALL TOPS*	01 APARTMENTS	5,990,184	33,265,337	1.061	1.057	1.032
	02 OTHER HABITATIONAL	3,023,380	14,809,960	1.139	1.122	1.096
	03 RESTAURANTS & BARS	1,716,224	14,456,239	1.941	1.472	1.438
	04 OTHER MERCANTILE RS	9,614,595	74,613,003	1.042	1.015	0.991
	05 PUBLIC BUILDINGS	102,883	539,164	1.480	1.101	1.075
	06 CHURCHES	4,471,651	23,616,171	0.696	0.792	0.774
	07 SCHOOLS	1,306,534	6,772,506	0.143	0.633	0.618
	08 OFFICES AND BANKS	3,744,027	31,111,167	1.086	1.055	1.030
	09 REC. FACILITIES	3,143,448	15,867,069	2.064	1.396	1.363
	10 HOTELS AND MOTELS	3,106,389	14,996,714	0.755	0.903	0.882
	11 HOSPITALS/NURS HOME	491,512	2,308,512	2.625	1.429	1.395
	13 MOTOR VEHICLE RISKS	1,801,303	10,213,628	1.257	1.169	1.142
	14 OTHER NON-MANUF.	2,059,059	11,762,777	0.737	1.074	1.049
	15 STORAGE	1,998,500	11,317,745	1.131	1.134	1.107
	17 FOOD MANUFACTURING	1,524,450	10,218,232	1.088	1.157	1.130
	18 WOOD MANUFACTURING	458,567	4,835,554	0.661	1.091	1.066
	19 WEARING APPAREL	247,721	2,562,963	0.277	1.042	1.018
	20 CHEM. MANUFACTURING	103,392	963,413	1.845	1.253	1.224
	21 METAL MANUFACTURING	1,422,825	14,178,175	1.079	1.154	1.126
	22 OTHER MANUFACTURING	1,090,545	12,687,626	1.054	1.159	1.132
	TOTAL*	47,417,189	311,095,955	1.091	1.065	1.040

* TOTALS IN COLUMNS (3), (4) & (5) ARE AVERAGES USING COLUMN (1) AS WEIGHTS.

ENTIRE STATE

CALIFORNIA

BASIC GROUP I RELATIVITY ANALYSIS

TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
10 MONOLINE	01 APARTMENTS	329,384	2,003,556	1.918	1.364	1.332
	02 OTHER HABITATIONAL	469,729	2,335,635	0.956	1.088	1.062
	03 RESTAURANTS & BARS	457,175	1,855,341	1.849	1.288	1.257
	04 OTHER MERCANTILE RS	2,264,214	16,003,375	1.331	1.254	1.225
	05 PUBLIC BUILDINGS	20,022	112,066	5.372	1.844	1.801
	06 CHURCHES	86,517	373,342	0.225	1.208	1.180
	07 SCHOOLS	120,457	646,523	0.335	1.048	1.024
	08 OFFICES AND BANKS	784,369	8,597,392	0.873	1.090	1.064
	09 REC. FACILITIES	740,668	3,615,976	2.065	1.309	1.279
	10 HOTELS AND MOTELS	668,984	2,981,446	0.691	1.027	1.003
	11 HOSPITALS/NURS HOME	75,910	504,651	4.845	1.647	1.608
	13 MOTOR VEHICLE RISKS	356,784	2,021,703	0.312	1.096	1.070
	14 OTHER NON-MANUF.	532,906	2,325,028	0.676	1.174	1.146
	15 STORAGE	448,856	2,369,942	0.571	1.050	1.026
	17 FOOD MANUFACTURING	137,082	1,063,790	2.482	1.314	1.283
	18 WOOD MANUFACTURING	86,300	1,114,769	0.022	1.001	0.977
	19 WEARING APPAREL	57,645	430,950	0.758	1.548	1.512
	20 CHEM. MANUFACTURING	50,497	476,156	2.655	1.442	1.408
	21 METAL MANUFACTURING	208,519	2,588,206	2.106	1.351	1.319
	22 OTHER MANUFACTURING	138,890	1,669,983	0.760	1.126	1.099
	TOTAL*	8,034,908	53,089,830	1.237	1.201	1.172
31 MULTILINE MOTEL/HOTEL	10 HOTELS AND MOTELS	3,228,961	15,687,931	0.621	0.827	0.807
	TOTAL*	3,228,961	15,687,931	0.621	0.827	0.807
32 MULTILINE APARTMENT	01 APARTMENTS	12,429,409	63,650,365	0.798	0.832	0.813
	02 OTHER HABITATIONAL	3,118,720	16,065,235	1.048	1.078	1.053
	TOTAL*	15,548,129	79,715,600	0.848	0.881	0.861
33 MULTILINE OFFICE	08 OFFICES AND BANKS	2,036,783	17,526,268	0.860	0.930	0.908
	TOTAL*	2,036,783	17,526,268	0.860	0.930	0.908
34 MULTILINE MERCANTILE	03 RESTAURANTS & BARS	1,702,954	16,955,535	2.011	1.580	1.543
	04 OTHER MERCANTILE RS	8,917,609	72,584,882	1.030	1.023	0.999
	08 OFFICES AND BANKS	464,624	4,960,255	0.498	0.826	0.806
	13 MOTOR VEHICLE RISKS	448,824	1,825,627	2.050	1.232	1.203
	14 OTHER NON-MANUF.	257,512	1,901,076	3.469	1.529	1.493
	15 STORAGE	1,771,225	9,863,080	1.252	1.134	1.107
	TOTAL*	13,562,748	108,090,455	1.244	1.117	1.091

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CALIFORNIA

BASIC GROUP I RELATIVITY ANALYSIS

TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
35 MULTILINE INSTITUTIONAL	02 OTHER HABITATIONAL	125,368	680,029	0.246	0.839	0.819
	05 PUBLIC BUILDINGS	107,988	556,305	0.699	0.959	0.937
	06 CHURCHES	5,937,550	31,244,667	0.717	0.806	0.787
	07 SCHOOLS	1,774,143	9,425,923	0.638	0.759	0.741
	08 OFFICES AND BANKS	1,179,799	5,930,624	1.029	1.031	1.007
	09 REC. FACILITIES	640,722	3,202,299	3.608	1.916	1.871
	11 HOSPITALS/NURS HOME	533,283	2,458,628	1.835	1.267	1.237
	13 MOTOR VEHICLE RISKS	27,541	144,681	0.000	0.844	0.824
	14 OTHER NON-MANUF.	309,379	1,670,860	0.218	0.827	0.808
	TOTAL*	10,635,773	55,314,016	0.946	0.916	0.894
36 MULTILINE SERVICES	03 RESTAURANTS & BARS	131,614	999,934	1.806	1.297	1.266
	04 OTHER MERCANTILE RS	435,920	2,813,158	2.647	1.359	1.327
	08 OFFICES AND BANKS	408,254	3,017,011	1.737	1.203	1.175
	09 REC. FACILITIES	2,274,178	12,276,373	1.379	1.178	1.150
	13 MOTOR VEHICLE RISKS	1,372,990	8,485,488	1.347	1.209	1.181
	14 OTHER NON-MANUF.	1,289,429	7,455,466	0.541	1.029	1.004
	15 STORAGE	211,199	2,192,959	1.006	1.097	1.071
	21 METAL MANUFACTURING	23,357	221,638	0.488	1.029	1.005
	22 OTHER MANUFACTURING	107,753	989,185	0.428	1.044	1.019
	TOTAL*	6,254,694	38,451,212	1.288	1.165	1.138
37 MULTILINE INDUST/PROCESS	04 OTHER MERCANTILE RS	479,485	3,627,909	1.709	1.217	1.188
	08 OFFICES AND BANKS	159,804	1,565,450	0.458	1.042	1.018
	13 MOTOR VEHICLE RISKS	4,189	32,275	0.367	1.082	1.057
	14 OTHER NON-MANUF.	112,881	712,582	0.211	1.039	1.014
	15 STORAGE	7,357	75,326	0.000	1.034	1.010
	17 FOOD MANUFACTURING	1,584,367	11,309,066	0.850	1.081	1.055
	18 WOOD MANUFACTURING	523,983	5,439,102	0.582	1.048	1.024
	19 WEARING APPAREL	327,105	3,737,493	0.471	1.036	1.011
	20 CHEM. MANUFACTURING	72,734	638,857	0.780	1.130	1.104
	21 METAL MANUFACTURING	1,494,618	14,244,306	1.107	1.140	1.113
	22 OTHER MANUFACTURING	1,079,678	12,494,886	1.301	1.181	1.154
	TOTAL*	5,846,201	53,877,252	0.999	1.119	1.093

ENTIRE STATE

CALIFORNIA

BASIC GROUP I RELATIVITY ANALYSIS

TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
38 MULTILINE CONTRACTORS	04 OTHER MERCANTILE RS	242,464	2,328,451	1.153	1.195	1.167
	08 OFFICES AND BANKS	59,609	1,054,927	4.080	1.518	1.483
	14 OTHER NON-MANUF.	60,408	447,280	0.164	1.003	0.979
	TOTAL*	362,481	3,830,658	1.469	1.216	1.188
TOTAL ALL TOPS*	01 APARTMENTS	12,758,793	65,653,921	0.826	0.846	0.826
	02 OTHER HABITATIONAL	3,713,817	19,080,899	1.009	1.071	1.046
	03 RESTAURANTS & BARS	2,291,743	19,810,810	1.967	1.505	1.470
	04 OTHER MERCANTILE RS	12,339,692	97,357,775	1.171	1.088	1.062
	05 PUBLIC BUILDINGS	128,010	668,371	1.429	1.098	1.072
	06 CHURCHES	6,024,067	31,618,009	0.710	0.812	0.793
	07 SCHOOLS	1,894,600	10,072,446	0.619	0.778	0.759
	08 OFFICES AND BANKS	5,093,242	42,651,927	0.963	1.001	0.977
	09 REC. FACILITIES	3,655,568	19,094,648	1.909	1.334	1.302
	10 HOTELS AND MOTELS	3,897,945	18,669,377	0.633	0.861	0.841
	11 HOSPITALS/NURS HOME	609,193	2,963,279	2.210	1.314	1.284
	13 MOTOR VEHICLE RISKS	2,210,328	12,509,774	1.304	1.191	1.163
	14 OTHER NON-MANUF.	2,562,515	14,512,292	0.801	1.085	1.059
	15 STORAGE	2,438,637	14,501,307	1.102	1.115	1.089
	17 FOOD MANUFACTURING	1,721,449	12,372,856	0.980	1.099	1.073
	18 WOOD MANUFACTURING	610,283	6,553,871	0.503	1.042	1.017
	19 WEARING APPAREL	384,750	4,168,443	0.514	1.112	1.086
	20 CHEM. MANUFACTURING	123,231	1,115,013	1.548	1.258	1.229
	21 METAL MANUFACTURING	1,726,494	17,054,150	1.220	1.164	1.137
	22 OTHER MANUFACTURING	1,326,321	15,154,054	1.174	1.164	1.137
	TOTAL*	65,510,678	425,583,222	1.042	1.024	1.000

* TOTALS IN COLUMNS (3), (4) & (5) ARE AVERAGES USING COLUMN (1) AS WEIGHTS.

CALIFORNIA

SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS
TABLE 11 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) RELATIVITY
10 MONOLINE	01 BUILDINGS	3,182,813	18,797,145	1.207	1.016
	02 RES. APTS. AND COND	38,531	189,699	0.757	0.637
	03 OFFICES	379,703	3,210,566	1.223	1.029
	04 MERCANTILE - HIGH	684,900	6,131,786	0.838	0.705
	05 MERCANTILE - MEDIUM	201,539	1,083,905	1.171	0.986
	06 MERCANTILE - LOW	138,313	1,066,737	1.117	0.940
	07 MOTELS AND HOTELS	57,668	359,040	0.176	0.148
	08 INSTITUTIONAL - HIG	94,382	526,028	1.789	1.506
	09 INSTITUTIONAL - LOW	149,277	988,636	0.038	0.032
	10 INDUST-PROC - HIGH	122,671	1,054,000	0.562	0.473
	11 INDUST-PROC - LOW	431,900	3,616,994	0.782	0.658
	12 SERVICE - HIGH	180,676	1,119,217	0.457	0.385
	13 SERVICE - LOW	142,079	1,015,288	1.428	1.202
	14 CONTRACTORS	209,154	923,042	0.633	0.533
	TOTAL*	6,013,606	40,082,083	1.049	0.883
31 MULTILINE MOTEL/HOTEL	01 BUILDINGS	1,092,791	5,595,409	1.942	1.635
	07 MOTELS AND HOTELS	628,036	2,759,897	1.225	1.031
	TOTAL*	1,720,827	8,355,306	1.680	1.414
32 MULTILINE APARTMENT	01 BUILDINGS	3,572,474	16,963,295	1.595	1.343
	02 RES. APTS. AND COND	1,016,414	4,909,323	1.077	0.907
	TOTAL*	4,588,888	21,872,618	1.480	1.246
33 MULTILINE OFFICE	01 BUILDINGS	1,129,019	9,092,407	1.277	1.075
	03 OFFICES	724,508	7,815,207	1.202	1.012
	04 MERCANTILE - HIGH	562	1,630	0.000	0.000
	08 INSTITUTIONAL - HIG	11,363	62,863	0.000	0.000
	11 INDUST-PROC - LOW	41	134	0.000	0.000
	12 SERVICE - HIGH	22,926	27,527	0.000	0.000
	14 CONTRACTORS	116	1,931	0.000	0.000
	TOTAL*	1,888,535	17,001,699	1.225	1.031

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SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS
TABLE 11 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) RELATIVITY
34 MULTILINE MERCANTILE	01 BUILDINGS	4,863,440	32,335,375	1.215	1.023
	03 OFFICES	4,481	8,186	0.000	0.000
	04 MERCANTILE - HIGH	1,322,582	16,767,937	1.070	0.901
	05 MERCANTILE - MEDIUM	1,017,034	11,196,131	1.705	1.435
	06 MERCANTILE - LOW	419,961	3,524,382	0.919	0.774
	08 INSTITUTIONAL - HIG	959	5,963	0.000	0.000
	10 INDUST-PROC - HIGH	0	656	0.000	0.000
	11 INDUST-PROC - LOW	6,423	18,108	0.000	0.000
	12 SERVICE - HIGH	143,277	328,075	0.262	0.221
	13 SERVICE - LOW	89,498	303,860	0.479	0.403
	14 CONTRACTORS	29,274	152,352	0.000	0.000
	TOTAL*	7,896,929	64,641,025	1.206	1.015
35 MULTILINE INSTITUTIONAL	01 BUILDINGS	3,257,075	15,883,555	1.115	0.939
	03 OFFICES	3,968	6,668	0.000	0.000
	04 MERCANTILE - HIGH	0	48	0.000	0.000
	08 INSTITUTIONAL - HIG	1,294,907	7,120,706	0.988	0.832
	09 INSTITUTIONAL - LOW	2,750,336	13,462,581	0.953	0.802
	12 SERVICE - HIGH	3,388	14,638	0.000	0.000
	13 SERVICE - LOW	436	513	0.000	0.000
	14 CONTRACTORS	3,771	20,880	0.000	0.000
	TOTAL*	7,313,881	36,509,589	1.030	0.867
36 MULTILINE SERVICES	01 BUILDINGS	2,671,775	16,772,664	1.575	1.326
	03 OFFICES	17,008	43,685	2.351	1.979
	04 MERCANTILE - HIGH	45,462	138,450	0.126	0.106
	05 MERCANTILE - MEDIUM	4,780	29,205	0.000	0.000
	06 MERCANTILE - LOW	5,309	14,895	0.658	0.554
	08 INSTITUTIONAL - HIG	73,594	362,417	0.000	0.000
	09 INSTITUTIONAL - LOW	133,438	811,530	0.000	0.000
	10 INDUST-PROC - HIGH	4,824	18,360	0.000	0.000
	11 INDUST-PROC - LOW	18,069	83,339	0.072	0.061
	12 SERVICE - HIGH	1,349,688	10,591,788	1.157	0.974
	13 SERVICE - LOW	547,046	4,316,101	1.559	1.312
	14 CONTRACTORS	598,721	3,417,398	0.001	0.001
	TOTAL*	5,469,714	36,599,832	1.220	1.027

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SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS
TABLE 11 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/17 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) RELATIVITY
37 MULTILINE INDUST/PROC	01 BUILDINGS	1,768,454	14,513,728	1.237	1.041
	03 OFFICES	1,664	8,172	0.000	0.000
	04 MERCANTILE - HIGH	4,342	14,162	0.000	0.000
	05 MERCANTILE - MEDIUM	1,190	2,794	0.000	0.000
	06 MERCANTILE - LOW	210	767	0.000	0.000
	08 INSTITUTIONAL - HIG	0	29	0.000	0.000
	10 INDUST-PROC - HIGH	1,035,616	8,369,931	1.404	1.182
	11 INDUST-PROC - LOW	1,990,049	18,574,818	0.833	0.701
	12 SERVICE - HIGH	2,288	15,878	0.000	0.000
	13 SERVICE - LOW	3,446	3,868	0.000	0.000
	14 CONTRACTORS	2,314	6,263	0.000	0.000
	TOTAL*	4,809,573	41,510,410	1.102	0.928
38 MULTILINE CONTRACTORS	01 BUILDINGS	164,154	1,580,946	0.535	0.450
	03 OFFICES	3,139	14,671	0.462	0.389
	04 MERCANTILE - HIGH	1,626	7,449	0.000	0.000
	05 MERCANTILE - MEDIUM	0	262	0.000	0.000
	06 MERCANTILE - LOW	401	1,052	0.000	0.000
	08 INSTITUTIONAL - HIG	2,023	6,607	0.000	0.000
	11 INDUST-PROC - LOW	3,021	7,909	0.000	0.000
	12 SERVICE - HIGH	10,906	18,060	0.995	0.838
	13 SERVICE - LOW	523	788	0.000	0.000
	14 CONTRACTORS	246,866	2,944,249	1.028	0.865
	TOTAL*	432,659	4,581,993	0.818	0.689
TOTAL ALL TOPS*	01 BUILDINGS	21,701,995	131,534,524	1.342	1.130
	02 RES. APTS. AND COND	1,054,945	5,099,022	1.065	0.896
	03 OFFICES	1,134,471	11,107,155	1.213	1.021
	04 MERCANTILE - HIGH	2,059,474	23,061,462	0.969	0.816
	05 MERCANTILE - MEDIUM	1,224,543	12,312,297	1.609	1.354
	06 MERCANTILE - LOW	564,194	4,607,833	0.964	0.811
	07 MOTELS AND HOTELS	685,704	3,118,937	1.137	0.957
	08 INSTITUTIONAL - HIG	1,477,228	8,084,613	0.980	0.825
	09 INSTITUTIONAL - LOW	3,033,051	15,262,747	0.866	0.729
	10 INDUST-PROC - HIGH	1,163,111	9,442,947	1.309	1.102
	11 INDUST-PROC - LOW	2,449,503	22,301,302	0.815	0.686
	12 SERVICE - HIGH	1,713,149	12,115,183	0.988	0.832
	13 SERVICE - LOW	783,028	5,640,418	1.403	1.181
	14 CONTRACTORS	1,090,216	7,466,115	0.355	0.299
	TOTAL*	40,134,612	271,154,555	1.188	1.000

* TOTALS IN COLUMNS (3) & (4) ARE AVERAGES USING COLUMN (1) AS WEIGHTS.

EXPLANATORY NOTES TO TABLES 10 AND 11

BASIC GROUP I/SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

INTRODUCTION	<p>The experience used in the relativity analysis and displayed on Tables 10 and 11 is the latest five accident years of data reported under the Commercial Statistical Plan. As in the overall review, loss costs have been adjusted to current ISO loss cost and prospective amount of insurance levels (with multiline aggregate loss costs adjusted additionally by the current implicit package modification factors). Incurred losses are adjusted to prospective cost levels, and are further adjusted by the Basic Group I large loss procedure and the Special Causes of Loss excess procedure. Losses have also been developed to their ultimate settlement value by application of loss development factors.</p>
COLUMN (1)	<p><u>2017 AGGREGATE LOSS COSTS</u></p> <p>The latest accident year aggregate loss costs (adjusted as described above) are used as weights both in the calculation of any totals shown in this table and in the iterative formulas used in the simultaneous review procedure.</p>
COLUMN (2)	<p><u>2013-2017 AGGREGATE LOSS COSTS</u></p> <p>The combined five-year adjusted aggregate loss costs (adjusted as described above) are used to calculate the experience ratios in column (3).</p>
COLUMN (3)	<p><u>FIVE-YEAR EXPERIENCE RATIOS</u></p> <p>These are the ratios of the combined five-year adjusted incurred losses (adjusted as described above) to the combined five-year adjusted aggregate loss costs as shown in column (2). Any totals which are shown are weighted averages using the adjusted aggregate loss costs in column (1).</p>
COLUMN (4)	<p><u>CREDIBILITY (Z) WEIGHTED EXPERIENCE RATIO</u></p> <p>A credibility procedure is applied to the initial experience ratios in column (3) on a cell-by-cell basis prior to the simultaneous review procedure. The credibility values are calculated using an empirical Bayesian credibility procedure. In the following discussion, cell refers to an individual combination of TOP, rating group or category, and territory (where applicable).</p>

EXPLANATORY NOTES TO TABLES 10 AND 11 (cont'd)

COLUMN (4)
(cont'd)

The important concept underlying empirical Bayesian credibility is that credibility should depend both on the overall variation of the group of which the cell is a member and the variation of the yearly experience ratios for the cell. Therefore, if a cell's data is very stable then a relatively high credibility value is assigned, and vice versa.

The empirical Bayesian credibility formula for individual cell credibility is $Z = ((C-3)/C) (P/(P+K)) + (3/C)$. P equals the cell's five-year adjusted aggregate loss costs and C equals the number of unique combinations of rating variables (Territory, TOP and Rating Group/Category) within a class group. The K value is estimated from the underlying data using the empirical Bayes method and varies by TOP group and by territory where applicable. The three TOP groups used in this analysis are: Monoline (TOP 10), Premises (TOP's 31-35), and Operations (TOP's 36-38). The 3/C term corrects for the statistical bias associated with the credibility process. The minimum credibility that is possible is 3/C.

COLUMN (5)

WEIGHTED RELATIVITIES

The relativities are the ratios of the five-year credibility-weighted experience ratios shown in column (4) to the average five-year credibility-weighted experience ratio for all TOP's, rating groups and territories (where applicable) combined. These relativities represent how much better or worse than average the experience for a given cell is. They are used along with the aggregate loss costs in column (1) as input for the simultaneous review procedure.

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TABLE 12 - BASIC GROUP II RELATIVITY ANALYSIS

INDICATED LOSS COST ADJUSTMENT: -21.1%

	(1) ACCIDENT YEAR ENDING 09/30/17	(2) ACCIDENT YEARS 2008-2017	(3) FORMULA RELATIVITY (2) / 0.735	(4) CREDI- BILITY Z C	(5) Z WEIGHTED RELA- TIVITY D	(6) BALANCED FORMULA RELA- TIVITY E	(7) NORMALIZED FORMULA RELA- TIVITY F	(8) CURRENT IMPLICIT PMF	(9) INDICATED IMPLICIT PMF G	(10) INDIC. LOSS COST ADJUST
MONOLINE	2,735,150	0.750	1.020	0.617	1.012	1.012	1.0041			-20.8%
MULTILINE	12,679,920	0.725	0.986	0.739	0.990	1.007	0.9989			-21.2%
COVERAGE	15,415,070	0.735	1.000			1.0079	B 0.9998			-21.1%
MULTILINE TOP										
31 MOTEL/HOTEL	588,969	0.757	1.030	0.100	1.003	1.012	1.0041	0.815	0.815	-20.8%
32 APARTMENT	1,343,136	0.838	1.140	0.238	1.033	1.042	1.0338	0.656	0.675	-18.4%
33 OFFICE	495,383	1.052	1.431	0.172	1.074	1.084	1.0755	0.869	0.931	-15.1%
34 MERCANTILE	3,165,273	0.659	0.897	0.522	0.946	0.955	0.9475	0.956	0.902	-25.2%
35 INSTITUTIONAL	2,564,680	0.679	0.924	0.393	0.970	0.979	0.9713	1.166	1.128	-23.4%
36 SERVICES	3,612,111	*****	*****	*****	*****	1.049	1.0408	1.447	1.500	-17.9%
37 INDUST/PROCESS	805,026	0.707	0.962	0.285	0.989	0.998	0.9902	0.660	0.651	-21.9%
38 CONTRACTORS	105,342	0.808	1.099	0.054	1.005	1.014	1.0061	1.265	1.268	-20.6%
	12,679,920	0.725 B	0.986		0.981 B	1.007 B	0.9989 B			-21.2%

A - TOP 36 IMPLICIT PMF CAPPED AT 1.500. FOR COLUMNS (2) THROUGH (5), MONOLINE INCLUDES TOPS 36 AND MULTILINE EXCLUDES TOPS 36.

B - AVERAGE WEIGHTED BY COLUMN (1)

C - CREDIBILITY = $P / (P + K)$ WHERE P REPRESENTS THE TOTAL 10 YEAR ADJUSTED LOSS COSTS AND K = 45,000,000

D - $(5) = (3) * (4) + (1.000 - (4))$

E - FOR UNCAPPED MULTILINE TOPS: $(6) = (5) * (0.990 / 0.981)$

FOR CAPPED MULTILINE TOPS: $(6) = (9) * (1.012) / (8)$

F - $(7) = (6) / 1.0079$

G - $(9) = (7) * (8) / (1.0041)$

EXPLANATORY NOTES TO TABLE 12

BASIC GROUP II RELATIVITY ANALYSIS

INTRODUCTION

The explanations which follow clarify Table 12, the Basic Group II (BG II) relativity analysis. The purpose of this analysis is to:

- (1) determine the monoline loss cost level need;
- (2) determine indicated changes to the eight CPP package modification factors (PMFs) based on Basic Group II experience.

COLUMN (1)

2017 AGGREGATE LOSS COSTS

The latest accident year adjusted aggregate loss costs (adjusted in the same manner as in the overall review, i.e. to current manual loss cost and prospective amount of insurance levels, with multiline aggregate loss costs further adjusted to current IPMF level) are used as weights in the calculation of any totals shown in this table.

COLUMN (2)

2008 - 2017 EXPERIENCE RATIO

These experience ratios are the ratios of the combined ten-year CSP adjusted incurred losses (adjusted to current deductible and prospective cost levels including loss development, and smoothed by the BG II excess loss procedure) to the combined ten year CSP adjusted aggregate loss costs. Any totals which are shown are weighted averages using the aggregate loss costs in column (1). When a dash is displayed in the column, it indicates that the indicated IPMF which resulted from this procedure was capped. The procedure which follows when capping occurs is described below.

COLUMN (3)

FORMULA RELATIVITY

The formula relativities are the ratios of the ten year experience ratios for the type of policy (either monoline vs. multiline or individual multiline programs) to the average ten year experience ratio for monoline and multiline combined. These relativities represent how much better or worse than average the experience for a given type of policy is. Again, any totals which are shown are weighted averages and the display of a dash indicates that the resulting IPMF was capped. Unlike the BG I and SCL relativity analyses, the BG II analysis does not employ a simultaneous review procedure since a one way review is involved. That is, the overall loss cost change is only distributed across type of policy; no other rating variables are considered.

EXPLANATORY NOTES TO TABLE 12 (cont'd)

COLUMN (4)

CREDIBILITY

The credibility of the experience for each type of policy is determined from the formula:

$$Z = \frac{P}{P + K}$$

where P is the ten year aggregate adjusted loss costs for a given type of policy, and K is a constant loss cost volume of \$45,000,000.

COLUMN (5)

Z - WEIGHTED RELATIVITY

The weighted relativity is a weighted average of the individual TOP formula relativity and the overall (coverage) formula relativity using credibility and its complement as the respective weights. Therefore, to the extent that the indication for a type of policy is not fully credible, the complement of credibility is assigned to the statewide coverage level change.

COLUMN (6)

BALANCED FORMULA RELATIVITY

The individual multiline weighted relativities are balanced to the multiline weighted relativity level by applying a factor equal to the overall multiline relativity (i.e. the weighted relativity for all multiline combined which is shown on the top of the exhibit directly under the corresponding monoline relativity) divided by the average multiline relativity (i.e. the weighted average of the individual multiline weighted relativities which is shown on the bottom of the exhibit). When the indicated IPMF for a type of policy is capped, the balanced relativity is set equal to the product of the capped IPMF in column (9) and the monoline balanced formula relativity in column (6), divided by the current IPMF in column (8).

COLUMN (7)

NORMALIZED FORMULA RELATIVITY

The normalized relativity is equal to the balanced formula relativity divided by the average monoline/multiline combined relativity. This balances the average monoline/multiline relativity to unity.

COLUMN (8)

CURRENT IMPLICIT PMF

This is the current IPMF for each multiline type of policy.

EXPLANATORY NOTES TO TABLE 12 (cont'd)

COLUMN (9)

INDICATED IMPLICIT PMF

The indicated IPMF is calculated from the normalized relativities as follows:

$$\frac{\text{TOP y indicated IPMF}}{\text{IPMF}} = \frac{(\text{TOP y current IPMF})(\text{TOP y relativity})}{\text{monoline relativity}}$$

For each CPP type of policy the indicated IPMF is subject to a minimum value of 0.50 and a maximum value of 1.50. If an indicated IPMF falls outside one of those limits, it is capped at that amount, the aggregate loss costs for that type of policy are adjusted to the capped IPMF level, and the entire relativity review as described above is redone to take this into account. If an IPMF has been capped it is so noted in footnote A.

COLUMN (10)

INDICATED LOSS COST CHANGES

The indicated monoline and multiline (by TOP) changes are calculated by taking the product of the statewide loss cost level change and the corresponding TOP relativity.

The overall multiline loss cost level change is the aggregate loss cost weighted average of all multiline TOP loss cost level changes.

MULTILINE
CONSIDERATIONS

It should be noted that although this procedure generates multiline indications, this filing only addresses monoline loss cost levels. That is, upon implementation of this filing only the monoline loss costs will be revised. The multiline indications developed here will be combined with those of the other component coverages, e.g. GL Premises and Operations in the CPP review for the purpose of revising the package modification factors.

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SECTION C - SUPPORTING MATERIAL

Overview	C2-3
Loss Cost/Rate Level Histories (Tables 13 - 17)	C4-21
Commercial Package Policy Implicit Package Modification Factors (IPMF's) and IPMF Caps (Tables 18 - 20)	C22-26
Trend Procedure (Tables 21 - 27)	C27-49
Loss Development Procedure (Table 28)	C50-54
Excess Loss Procedure (Tables 29 - 32)	C55-68
Credibility (Tables 33, 33A and 34)	C69-74

OVERVIEW

AGGREGATE LOSS COSTS AT CURRENT LEVEL

Tables 13, 14 and 15 provide the overall loss cost/rate level histories for Basic Group I, Basic Group II, and Special Causes of Loss respectively. These tables, along with Tables 16 and 17, provide information on the on-level factors needed to bring collected aggregate loss costs to current loss cost level.

Table 16 provides rate level/loss cost level histories by rating id (class vs. specific), rating group, and territory (where applicable) for Basic Group I, while Table 17 provides rate level/loss cost level histories by category for Special Causes of Loss. These tables can be used to develop on-level factors appropriate to bring collected aggregate loss costs up to current loss cost level. Factors based on these tables are more appropriate for company use than the overall factors shown on Tables 13 and 15 if the company's mix of business differs substantially from the industrywide average. For example, if a company's business is very heavily concentrated in a single class or territory, it is more appropriate to use the rate level/loss cost history for that class rather than the overall average to develop on-level factors.

Tables 18, 19 and 20 provide the current implicit package modification factors (IPMFs) and IPMF caps for Basic Group I, Basic Group II and Special Causes of Loss.

ADJUSTMENTS TO LOSSES

The loss projection factors, current cost factors, and loss trend adjustments shown on Tables 21, 22 and 23 reflect the combined impact of all economic influences on Commercial Property underwriting results and are used to project past underwriting results to future loss levels. They are intended to reflect the impact of inflation on loss payments, the impact of higher costs due to repairs done on an "emergency" basis, the impact of coinsurance and relative insurance to value on loss payments, and any other economic influences which can affect underwriting losses but for which specific provisions are not made. Losses have also been developed to their ultimate settlement value using factors shown on Table 28.

CREDIBILITY

Credibility, Z , is a weight given to the most recent body of data. The complement of credibility, $1-Z$, is the weight assigned to net trend. The final estimate is a weighted average obtained by using the formula $C = Z \times R + (1-Z) \times N$, where

Z = credibility

C = final estimate

R = estimate based on the most recent data

N = net trend

OVERVIEW (cont'd)

CREDIBILITY (cont'd)

Credibility may range from 0 to 1, where $Z=1$ is full credibility and $Z=0$ is no credibility. The actual numerical value of Z is calculated by considering how the state's volume of experience compares with the full credibility standard. Credibility is capped at 25% if the credibility calculated is less than 25%. See Tables 33, 33A, and 34 for a complete explanation of the credibility standards for Basic Group I, Basic Group II, and Special Causes of Loss.

LOSS COST/RATE LEVEL HISTORY

Loss cost/rate level histories are provided for Basic Group I, Basic Group II and Special Causes of Loss. The loss cost/rate level changes are then further split out by rating territory, rating group or category since a company's business may be more heavily concentrated in a single class. These histories can be used to develop on-level factors appropriate to bring collected aggregate loss costs up to current loss cost levels.

California Rate/Loss Cost Level History

Given below is a brief summary of the eighteen most recent ISO rate or loss cost level revisions in California.

3/28/88 loss cost level - Effective March 28, 1988, ISO implemented its initial prospective loss cost filing. This was the last revision prior to the adoption of Proposition 103.

5/29/89 loss cost level - On May 29, 1989, ISO implemented an advisory historical loss cost level change for specifically-rated properties only.

9/28/90 loss cost level - Document CF-90-RLA1 provided advisory historical loss costs for class-rated and specifically-rated properties. The revision for specifically-rated properties was implemented on September 28, 1990. Reference Document CF-90-RLA1 was only distributed upon request of each individual insurer. Therefore, individual companies may or may not have received this document.

10/25/96 loss cost level - Document CF-95-RLA1 provided advisory historical loss costs for class-rated and specifically-rated properties. The revision for specifically-rated properties was implemented on October 25, 1996. The final Reference Document was named CF-96-RLA1 and was only distributed upon request of each individual insurer. Therefore, individual companies may or may not have received this document.

10/14/97 loss cost level - Effective October 14, 1997, ISO implemented its first advisory prospective loss cost level filing since the adoption of Proposition 103.

8/1/00 loss cost level - Implemented August 1, 2000 based on filing CF-99-RLA1. See circulars LI-CF-1999-205, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Filed for Approval, and LI-CF-2000-075, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Approved.

7/1/02 loss cost level - Implemented July 1, 2002 based on filing CF-2001-RLA1. See circulars LI-CF-2001-298, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost and Rating Rule 72. Revision Filed for Approval, and LI-CF-2002-032, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Amended and Approved.

11/1/03 loss cost level - Implemented November 1, 2003 based on filing CF-2003-RLA1. See circulars LI-CF-2003-035, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Filed for Approval, and LI-CF-2003-102, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Approved As Filed.

LOSS COST/RATE LEVEL HISTORY (cont'd)

- 7/1/04 loss cost level - Implemented July 1, 2004 based on filing CF-2003-RLA2. See circulars LI-CF-2003-254, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Being Filed for Approval, and LI-CF-2003-014, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Approved As Filed.
- 8/1/05 loss cost level - Implemented August 1, 2005 based on filing CF-2004-RLA1. See circulars LI-CF-2004-237, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Being Filed for Approval, and LI-CF-2005-057, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Approved As Filed.
- 9/1/07 loss cost level - Implemented September 1, 2007 based on filing CF-2007-RLA1. See circulars LI-CF-2007-003, California Pending Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision to be Withdrawn; Loss Cost Revision Based on Later Experience Being Filed for Approval, and LI-CF-2007-037, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Approved As Filed; List of CDI Numbers Provided.
- 10/1/08 loss cost level - Implemented October 1, 2008 based on filing CF-2008-RLA1. See circulars LI-CF-2008-027, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Being Filed for Approval, and LI-CF-2008-071, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Approved As Filed; List of CDI Numbers Provided.
- 12/1/09 loss cost level - Implemented December 1, 2009 based on filing CF-2008-RLA2. See circulars LI-CF-2008-334, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Being Filed for Approval, and LI-CF-2009-142, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Approved As Filed; List of CDI Numbers Provided.
- 09/1/10 loss cost level - Implemented September 1, 2010 based on filing CF-2009-RLA1. See circulars LI-CF-2009-274, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Being Filed for Approval, and LI-CF-2010-052, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Approved As Filed; List of CDI Numbers Provided.
- 07/1/11 loss cost level - Implemented July 1, 2011 based on filing CF-2010-RLA1. See circulars LI-CF-2010-224, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Being Filed for Approval, and LI-CF-2011-002, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Approved As Filed; List of CDI Numbers Provided.
- 07/1/12 loss cost level - Implemented July 1, 2012 based on filing CF-2011-RLA1. See circulars LI-CF-2011-138, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Being Filed for Approval, and LI-CF-2012-005, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Approved As Filed; List of CDI Numbers Provided.

LOSS COST/RATE LEVEL HISTORY (cont'd)

- 07/1/13 loss cost level - Implemented July 1, 2013 based on filing CF-2012-RLA1. See circulars LI-CF-2012-260, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Being Filed for Approval, and LI-CF-2013-028, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Approved As Filed; List of CDI Numbers Provided.
- 07/1/14 loss cost level - Implemented July 1, 2014 based on filing CF-2013-RLA1. See circulars LI-CF-2013-186, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Being Filed for Approval, and LI-CF-2014-024, California Commercial Fire and Allied Lines Advisory Prospective Loss Cost Revision Approved As Filed; List of CDI Numbers Provided.

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TABLE 13

BASIC GROUP I

HISTORY OF STATEWIDE LOSS COST/RATE LEVEL CHANGES

LOSS COST/RATE LEVEL HISTORY				
(1)	(2)	(3)	(4)	(5)
EFFECTIVE DATE	LOSS COST/ RATE LEVEL CHANGE (%)	LOSS COST/ RATE LEVEL INDEX	ADJUSTMENT FACTOR	WEIGHT*
2002-07-01	14.9	1.149	0.305	0.504
2003-11-01	-11.5	1.017	0.345	0.167
2004-07-01	-21.4	0.799	0.439	0.503
2005-08-01	-5.9	0.752	0.467	0.419
2007-09-01	-19.4	0.606	0.579	0.334
2008-10-01	-11.5	0.536	0.655	0.251
2009-12-01	-13.0	0.467	0.752	0.085
2010-09-01	9.8	0.512	0.686	0.334
2011-07-01	-9.0	0.466	0.753	0.504
2012-07-01	-8.1	0.429	0.818	0.503
2013-07-01	-13.2	0.372	0.944	0.504
2014-07-01	-5.6	0.351	1.000	0.504

TIME ELEMENT ONLY LOSS COST LEVEL HISTORY				
(1)	(2)	(3)	(4)	(5)
EFFECTIVE DATE	LOSS COST/ RATE LEVEL CHANGE (%)	LOSS COST/ RATE LEVEL INDEX	ADJUSTMENT FACTOR	WEIGHT*
2013-04-01	-13.1	0.869	1.000	0.753

* WEIGHT DENOTES THE PORTION OF THE EFFECTIVE YEAR FOR WHICH THE ADJUSTMENT FACTORS APPLY.

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TABLE 14

BASIC GROUP II

HISTORY OF STATEWIDE LOSS COST/RATE LEVEL CHANGES

LOSS COST/RATE LEVEL HISTORY				
(1)	(2)	(3)	(4)	(5)
EFFECTIVE DATE	LOSS COST/ RATE LEVEL CHANGE (%)	LOSS COST/ RATE LEVEL INDEX	ADJUSTMENT FACTOR	WEIGHT*
2002-07-01	14.1	1.141	0.373	0.504
2003-11-01	8.2	1.235	0.345	0.167
2004-07-01	-22.7	0.954	0.447	0.503
2005-08-01	-5.0	0.907	0.470	0.419
2007-09-01	-16.3	0.759	0.561	0.334
2008-10-01	-12.4	0.665	0.641	0.251
2009-12-01	-8.0	0.612	0.696	0.085
2010-09-01	-1.4	0.603	0.706	0.334
2011-07-01	-13.0	0.525	0.811	0.504
2012-07-01	-5.5	0.496	0.859	0.503
2013-07-01	-2.2	0.485	0.878	0.504
2014-07-01	-12.2	0.426	1.000	0.504

TIME ELEMENT ONLY LOSS COST LEVEL HISTORY				
(1)	(2)	(3)	(4)	(5)
EFFECTIVE DATE	LOSS COST/ RATE LEVEL CHANGE (%)	LOSS COST/ RATE LEVEL INDEX	ADJUSTMENT FACTOR	WEIGHT*
2013-04-01	-13.3	0.867	1.000	0.753

* WEIGHT DENOTES THE PORTION OF THE EFFECTIVE YEAR FOR WHICH THE ADJUSTMENT FACTORS APPLY.

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TABLE 15

SPECIAL CAUSES OF LOSS

HISTORY OF STATEWIDE LOSS COST/RATE LEVEL CHANGES

LOSS COST/RATE LEVEL HISTORY				
(1)	(2)	(3)	(4)	(5)
EFFECTIVE DATE	LOSS COST/ RATE LEVEL CHANGE (%)	LOSS COST/ RATE LEVEL INDEX	ADJUSTMENT FACTOR	WEIGHT*
2002-07-01	15.3	1.153	0.644	0.504
2003-11-01	3.5	1.193	0.623	0.167
2004-07-01	-25.0	0.895	0.830	0.503
2005-08-01	-23.0	0.689	1.078	0.419
2007-09-01	25.0	0.861	0.863	0.334
2008-10-01	-4.4	0.824	0.902	0.251
2009-12-01	-5.3	0.780	0.953	0.085
2010-09-01	-12.1	0.686	1.083	0.334
2011-07-01	0.8	0.691	1.075	0.504
2012-07-01	2.5	0.708	1.049	0.503
2013-07-01	1.0	0.715	1.039	0.504
2014-07-01	3.9	0.743	1.000	0.504

TIME ELEMENT ONLY LOSS COST LEVEL HISTORY

(1)	(2)	(3)	(4)	(5)
EFFECTIVE DATE	LOSS COST/ RATE LEVEL CHANGE (%)	LOSS COST/ RATE LEVEL INDEX	ADJUSTMENT FACTOR	WEIGHT*
2013-04-01	-25.0	0.750	1.000	0.753

* WEIGHT DENOTES THE PORTION OF THE EFFECTIVE YEAR FOR WHICH THE ADJUSTMENT FACTORS APPLY.

EXPLANATORY NOTES TO TABLES 13, 14 AND 15

LOSS COST/RATE LEVEL HISTORIES

COLUMN (1) EFFECTIVE DATE

The effective dates of the latest loss cost/rate level changes are shown.

COLUMN (2) LOSS COST/RATE LEVEL CHANGE

The overall loss cost/rate level change is shown in percent form.

COLUMN (3) LOSS COST/RATE LEVEL INDEX

The product of all loss cost/rate level changes up to and including the loss cost/rate change for that effective date is used to calculate on level factors.

COLUMN (4) WRITTEN ADJUSTMENT (ON LEVEL) FACTORS

The factors are used to bring individual policies with inception dates prior to the effective date up to current loss cost level. For Basic Group II these are the actual factors used. However, the loss cost/rate changes for Basic Group I vary by rating group and territory (where applicable), while the loss cost/rate level changes for Special Causes of Loss vary by category. Consequently, for these coverages the on-level factors represent average factors and are not the factors actually used to adjust the aggregate loss costs on an individual policy basis. For complete loss cost/rate level histories by rating group and territory (where applicable) for Basic Group I and by category for Special Causes of Loss refer to Tables 16 and 17.

COLUMN (5) WEIGHT

The weight indicates the portion of the effective year for which the on level factors apply. These can be used to calculate average yearly factors.

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TABLE 16

HISTORY OF BASIC GROUP I

LOSS COST CHANGES BY TERRITORY, RATING ID AND RATING GROUP

TERRITORY: City of Los Angeles

EFFECTIVE DATE	RATING ID	RATING GROUP																				
		01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	17	18	19	20	21	22
09-01-2007	SPEC.	-20.8	-20.8	-20.8	-20.8	-20.8	-20.8	-20.8	-20.8	-20.8	-20.8	-20.8	-20.8	-20.8	-20.8	-20.8	-20.8	-20.8	-20.8	-20.8	-20.8	-20.8
	CLASS	-15.6	-20.8	-20.8	-20.8	-20.8	-20.5	-20.8	-20.8	-6.7	-20.8	-20.8	-20.8	-13.7	-8.0	-20.8	-20.8	-20.8	-20.8	-20.8	-20.8	-20.8
10-01-2008	SPEC.	-28.0	-28.0	-28.0	-28.0	-28.0	-28.0	-28.0	-28.0	-28.0	-28.0	-28.0	-28.0	-28.0	-28.0	-28.0	-28.0	-28.0	-28.0	-28.0	-28.0	-28.0
	CLASS	-10.7	-7.4	-5.8	-2.7	-9.8	-16.2	-13.4	-17.0	-5.7	-11.4	-9.5	-8.8	-10.6	-9.0	-1.9	-5.2	-28.0	-3.1	-28.0	-28.0	-8.6
12-01-2009	SPEC.	-22.7	-21.8	-20.5	-16.8	-20.9	-25.8	-22.7	-28.7	-18.6	-24.6	-20.6	-20.3	-21.7	-21.4	-17.3	-15.6	-19.2	-15.7	-20.9	-19.3	-17.1
	CLASS	-18.7	-17.7	-16.4	-12.5	-16.8	-21.9	-18.7	-25.0	-14.4	-20.7	-16.5	-16.2	-17.7	-17.3	-13.0	-11.3	-19.2	-11.4	-20.9	-19.3	-12.8
09-01-2010	SPEC.	0.5	-0.8	2.4	-1.9	1.7	11.7	8.2	5.3	11.7	-12.5	8.0	1.5	1.2	0.9	0.6	-4.8	-4.2	4.0	-0.4	-3.7	-7.4
	CLASS	3.6	2.2	5.5	1.1	4.8	11.7	11.5	8.5	11.7	-9.8	11.3	4.6	4.3	4.0	3.7	-1.9	-4.2	7.2	-0.4	-3.7	-4.5
07-01-2011	SPEC.	0.7	0.9	-7.9	-9.3	2.8	18.9	14.7	1.1	18.9	-17.2	10.0	0.8	9.2	5.9	1.3	-10.1	-3.7	-1.9	-0.6	-3.4	-6.2
	CLASS	3.3	3.5	-5.6	-7.1	5.4	18.9	17.6	3.7	18.9	-17.2	12.8	3.4	12.1	8.6	3.9	-7.9	-3.7	0.6	-0.6	-3.4	-3.9
07-01-2012	SPEC.	-2.0	-4.5	-10.1	-8.4	-5.8	-11.5	-9.1	-14.4	-3.0	14.4	-2.3	-6.9	-8.4	-11.1	-3.0	-9.6	-8.6	-10.3	-7.5	-8.9	-9.6
	CLASS	17.8	14.8	7.9	10.0	13.1	6.3	9.2	-2.4	16.5	22.9	17.4	11.8	10.0	6.8	16.5	8.6	-8.6	7.7	-7.5	-8.9	8.6
07-01-2013	SPEC.	7.2	7.0	-10.0	-21.5	-0.2	-6.2	-3.6	-10.3	3.2	11.4	3.4	-1.6	-1.1	-5.7	-9.3	1.1	4.6	2.2	0.0	11.4	10.2
	CLASS	-2.1	-2.3	-17.8	-24.1	-9.0	-14.4	-12.1	-18.1	-5.7	9.9	-5.6	-10.3	-9.8	-14.0	-17.2	-7.7	4.6	-6.7	0.0	11.4	0.6
07-01-2014	SPEC.	-15.1	-7.4	-2.3	-8.2	-10.5	-17.9	-14.3	-9.5	-9.2	-7.7	-10.0	-11.3	-11.2	-14.5	-15.6	-14.0	-9.7	-12.0	-10.8	-12.2	-10.6
	CLASS	6.2	15.8	22.2	14.9	12.0	-10.7	7.2	13.3	13.6	15.5	12.6	10.9	11.2	7.0	5.6	7.6	-9.7	10.0	-10.8	-12.2	11.8

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TABLE 16

HISTORY OF BASIC GROUP I

LOSS COST CHANGES BY TERRITORY, RATING ID AND RATING GROUP

TERRITORY: Long Beach

EFFECTIVE DATE	RATING ID	RATING GROUP																				
		01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	17	18	19	20	21	22
09-01-2007	SPEC.	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4
	CLASS	-22.6	-27.4	-27.4	-27.4	-27.4	-27.2	-27.4	-27.4	-14.5	-27.4	-27.4	-27.4	-20.9	-15.6	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4
10-01-2008	SPEC.	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2
	CLASS	-4.8	-1.3	0.5	3.8	-3.8	-10.6	-7.6	-11.6	0.6	-5.4	-3.5	-2.7	-4.7	-2.9	4.7	1.2	-23.2	3.4	-23.2	-23.2	-2.5
12-01-2009	SPEC.	-14.7	-13.6	-12.2	-8.2	-12.7	-18.0	-14.7	-21.3	-10.1	-16.7	-12.3	-12.1	-13.5	-13.2	-8.7	-6.9	-10.8	-6.9	-12.7	-10.9	-8.4
	CLASS	-10.3	-9.2	-7.7	-3.5	-8.2	-13.8	-10.3	-17.2	-5.5	-12.4	-7.8	-7.5	-9.1	-8.7	-4.0	-2.1	-10.8	-2.2	-12.7	-10.9	-3.7
09-01-2010	SPEC.	21.3	19.7	23.6	18.4	22.7	34.8	30.7	27.1	34.8	5.6	30.4	22.5	22.1	21.7	21.4	14.9	15.6	25.5	20.2	16.2	11.7
	CLASS	24.9	23.3	27.3	22.0	26.4	34.8	34.6	31.0	34.8	8.8	34.4	26.2	25.8	25.4	25.1	18.3	15.6	29.3	20.2	16.2	15.2
07-01-2011	SPEC.	5.8	6.0	-3.1	-4.7	8.0	25.0	20.5	6.2	25.0	-13.0	15.6	5.9	14.9	11.4	6.5	-5.6	1.3	3.1	4.4	1.5	-1.4
	CLASS	8.5	8.7	-0.7	-2.2	10.8	25.0	23.6	8.9	25.0	-13.0	18.5	8.6	17.8	14.2	9.1	-3.1	1.3	5.6	4.4	1.5	1.1
07-01-2012	SPEC.	-5.8	-8.2	-13.7	-12.0	-9.5	-15.0	-12.7	-17.7	-6.8	9.9	-6.1	-10.6	-12.0	-14.6	-6.8	-13.2	-12.2	-13.9	-11.1	-12.4	-13.2
	CLASS	13.1	10.3	3.7	5.7	8.7	2.1	4.9	-6.3	12.0	18.1	12.8	7.4	5.7	2.6	12.0	4.3	-12.2	3.5	-11.1	-12.4	4.3
07-01-2013	SPEC.	10.9	10.7	-6.9	-18.8	3.1	-3.0	-0.3	-7.3	6.7	15.2	6.9	1.6	2.1	-2.5	-6.2	4.6	8.1	5.7	3.3	15.2	13.9
	CLASS	1.1	0.9	-15.0	-21.5	-5.9	-11.5	-9.1	-15.4	-2.6	13.7	-2.4	-7.2	-6.8	-11.1	-14.5	-4.5	8.1	-3.5	3.3	15.2	3.9
07-01-2014	SPEC.	-19.5	-12.2	-7.4	-12.9	-15.1	-22.1	-18.8	-14.2	-13.9	-12.5	-14.7	-15.9	-15.8	-18.9	-19.9	-18.4	-14.3	-16.6	-15.4	-16.8	-15.3
	CLASS	0.7	9.8	15.9	9.0	6.2	-15.3	1.6	7.4	7.7	9.5	6.8	5.2	5.4	1.4	0.2	2.0	-14.3	4.4	-15.4	-16.8	6.0

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TABLE 16

HISTORY OF BASIC GROUP I

LOSS COST CHANGES BY TERRITORY, RATING ID AND RATING GROUP

TERRITORY: Oakland

EFFECTIVE DATE	RATING ID	RATING GROUP																				
		01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	17	18	19	20	21	22
09-01-2007	SPEC.	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4
	CLASS	-22.6	-27.4	-27.4	-27.4	-27.4	-27.2	-27.4	-27.4	-14.5	-27.4	-27.4	-27.4	-20.9	-15.6	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4	-27.4
10-01-2008	SPEC.	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2
	CLASS	-4.9	-1.4	0.4	3.7	-3.9	-10.7	-7.7	-11.7	0.5	-5.5	-3.6	-2.8	-4.8	-3.1	4.6	1.1	-23.2	3.3	-23.2	-23.2	-2.6
12-01-2009	SPEC.	-18.2	-17.2	-15.9	-12.0	-16.3	-21.4	-18.2	-24.5	-13.8	-20.2	-15.9	-15.7	-17.1	-16.8	-12.5	-10.7	-14.5	-10.8	-16.3	-14.6	-12.2
	CLASS	-14.0	-12.9	-11.5	-7.4	-12.0	-17.4	-14.0	-20.7	-9.4	-16.1	-11.6	-11.3	-12.9	-12.5	-8.0	-6.1	-14.5	-6.2	-16.3	-14.6	-7.7
09-01-2010	SPEC.	9.4	8.0	11.5	6.8	10.7	21.7	17.9	14.8	21.7	-4.6	17.7	10.5	10.2	9.9	9.5	3.7	4.3	13.4	8.5	4.9	0.9
	CLASS	12.9	11.3	15.0	10.1	14.2	21.7	21.5	18.2	21.7	-1.7	21.3	14.0	13.6	13.3	13.0	6.8	4.3	16.8	8.5	4.9	4.0
07-01-2011	SPEC.	-13.6	-13.4	-21.0	-22.2	-11.8	2.0	-1.6	-13.3	2.0	-29.0	-5.7	-13.5	-6.3	-9.2	-13.1	-22.9	-17.4	-15.9	-14.8	-17.2	-19.6
	CLASS	-11.4	-11.3	-19.0	-20.3	-9.6	2.0	0.9	-11.1	2.0	-29.0	-3.3	-11.3	-4.0	-6.9	-10.9	-21.0	-17.4	-13.7	-14.8	-17.2	-17.5
07-01-2012	SPEC.	-16.8	-18.9	-23.7	-22.3	-20.1	-25.0	-22.9	-27.3	-17.7	-2.9	-17.0	-21.0	-22.3	-24.6	-17.7	-23.3	-22.4	-23.9	-21.5	-22.6	-23.3
	CLASS	-0.1	-2.6	-8.4	-6.6	-4.0	-9.8	-7.4	-17.2	-1.1	4.3	-0.3	-5.1	-6.6	-9.3	-1.1	-7.8	-22.4	-8.6	-21.5	-22.6	-7.8
07-01-2013	SPEC.	8.8	8.6	-8.7	-20.3	1.2	-4.8	-2.2	-9.0	4.7	13.0	4.9	-0.2	0.3	-4.3	-8.0	2.6	6.1	3.7	1.4	13.0	11.8
	CLASS	-0.7	-0.9	-16.6	-23.0	-7.6	-13.2	-10.8	-16.9	-4.4	11.5	-4.2	-9.0	-8.5	-12.7	-16.0	-6.3	6.1	-5.3	1.4	13.0	1.9
07-01-2014	SPEC.	-18.2	-10.8	-5.8	-11.5	-13.7	-20.8	-17.4	-12.7	-12.5	-11.0	-13.3	-14.5	-14.4	-17.6	-18.6	-17.1	-12.9	-15.2	-14.0	-15.4	-13.9
	CLASS	2.4	11.6	17.8	10.8	8.0	-13.9	3.3	9.2	9.5	11.3	8.5	6.9	7.1	3.1	1.8	3.7	-12.9	6.1	-14.0	-15.4	7.8

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TABLE 16

HISTORY OF BASIC GROUP I

LOSS COST CHANGES BY TERRITORY, RATING ID AND RATING GROUP

TERRITORY: City of Sacramento

EFFECTIVE DATE	RATING ID	RATING GROUP																				
		01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	17	18	19	20	21	22
09-01-2007	SPEC.	-14.1	-14.1	-14.1	-14.1	-14.1	-14.1	-14.1	-14.1	-14.1	-14.1	-14.1	-14.1	-14.1	-14.1	-14.1	-14.1	-14.1	-14.1	-14.1	-14.1	-14.1
	CLASS	-8.5	-14.1	-14.1	-14.1	-14.1	-13.9	-14.1	-14.1	1.2	-14.1	-14.1	-14.1	-6.5	-0.2	-14.1	-14.1	-14.1	-14.1	-14.1	-14.1	-14.1
10-01-2008	SPEC.	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5
	CLASS	-15.2	-12.0	-10.4	-7.4	-14.2	-20.3	-17.6	-21.1	-10.3	-15.7	-13.9	-13.3	-15.1	-13.5	-6.7	-9.8	-31.5	-7.8	-31.5	-31.5	-13.1
12-01-2009	SPEC.	-22.0	-21.0	-19.7	-16.0	-20.1	-25.0	-22.0	-28.0	-17.8	-23.8	-19.8	-19.6	-20.9	-20.6	-16.5	-14.8	-18.4	-14.9	-20.1	-18.5	-16.3
	CLASS	-18.0	-17.0	-15.6	-11.7	-16.0	-21.2	-18.0	-24.3	-13.6	-19.9	-15.7	-15.4	-16.9	-16.5	-12.2	-10.4	-18.4	-10.5	-20.1	-18.5	-12.0
09-01-2010	SPEC.	3.0	1.7	4.9	0.5	4.2	14.5	10.9	7.9	14.5	-10.3	10.7	4.0	3.7	3.4	3.1	-2.4	-1.8	6.6	2.1	-1.3	-5.1
	CLASS	6.1	4.7	8.1	3.6	7.4	14.5	14.3	11.2	14.5	-7.6	14.1	7.2	6.8	6.5	6.2	0.5	-1.8	9.8	2.1	-1.3	-2.1
07-01-2011	SPEC.	-11.8	-11.6	-19.3	-20.6	-10.0	4.2	0.5	-11.4	4.2	-27.5	-3.7	-11.7	-4.3	-7.2	-11.3	-21.3	-15.5	-14.1	-13.0	-15.4	-17.9
	CLASS	-9.6	-9.4	-17.3	-18.6	-7.7	4.2	3.0	-9.2	4.2	-27.5	-1.2	-9.5	-1.8	-4.9	-9.0	-19.3	-15.5	-11.9	-13.0	-15.4	-15.7
07-01-2012	SPEC.	-17.7	-19.8	-24.6	-23.1	-20.9	-25.8	-23.7	-28.1	-18.5	-3.9	-17.9	-21.8	-23.1	-25.4	-18.5	-24.1	-23.2	-24.8	-22.3	-23.5	-24.1
	CLASS	-1.1	-3.6	-9.4	-7.6	-5.0	-10.7	-8.3	-18.1	-2.1	3.2	-1.4	-6.1	-7.6	-10.3	-2.1	-8.8	-23.2	-9.5	-22.3	-23.5	-8.8
07-01-2013	SPEC.	6.8	6.6	-10.3	-21.8	-0.6	-6.5	-4.0	-10.7	2.8	11.0	3.0	-2.0	-1.5	-6.1	-9.6	0.9	4.2	1.8	-0.4	11.0	9.7
	CLASS	-2.5	-2.7	-18.1	-24.4	-9.3	-14.6	-12.4	-18.4	-6.1	9.5	-5.9	-10.6	-10.2	-14.3	-17.5	-8.0	4.2	-7.1	-0.4	11.0	0.2
07-01-2014	SPEC.	-18.5	-11.1	-6.2	-11.8	-14.0	-21.1	-17.7	-13.1	-12.8	-11.4	-13.6	-14.9	-14.7	-17.9	-18.9	-17.4	-13.2	-15.5	-14.4	-15.7	-14.2
	CLASS	2.0	11.2	17.3	10.3	7.6	-14.3	2.9	8.8	9.1	10.9	8.1	6.5	6.7	2.7	1.4	3.3	-13.2	5.7	-14.4	-15.7	7.4

CALIFORNIA
TABLE 16

HISTORY OF BASIC GROUP I

LOSS COST CHANGES BY TERRITORY, RATING ID AND RATING GROUP

TERRITORY: City of San Diego

EFFECTIVE DATE	RATING ID	RATING GROUP																				
		01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	17	18	19	20	21	22
09-01-2007	SPEC.	-28.1	-28.1	-28.1	-28.1	-28.1	-28.1	-28.1	-28.1	-28.1	-28.1	-28.1	-28.1	-28.1	-28.1	-28.1	-28.1	-28.1	-28.1	-28.1	-28.1	-28.1
	CLASS	-23.4	-28.1	-28.1	-28.1	-28.1	-27.9	-28.1	-28.1	-15.4	-28.1	-28.1	-28.1	-21.6	-16.4	-28.1	-28.1	-28.1	-28.1	-28.1	-28.1	-28.1
10-01-2008	SPEC.	-14.7	-14.7	-14.7	-14.7	-14.7	-14.7	-14.7	-14.7	-14.7	-14.7	-14.7	-14.7	-14.7	-14.7	-14.7	-14.7	-14.7	-14.7	-14.7	-14.7	-14.7
	CLASS	5.7	9.7	11.6	15.3	6.8	-0.8	2.6	-1.8	11.7	4.9	7.2	8.1	5.9	7.8	16.3	12.4	-14.7	14.9	-14.7	-14.7	8.2
12-01-2009	SPEC.	-12.4	-11.3	-9.9	-5.7	-10.3	-15.8	-12.4	-19.2	-7.7	-14.5	-10.0	-9.7	-11.2	-10.9	-6.3	-4.4	-8.4	-4.4	-10.3	-8.5	-6.0
	CLASS	-7.9	-6.8	-5.2	-0.9	-5.7	-11.5	-7.9	-15.0	-2.9	-10.1	-5.3	-5.0	-6.7	-6.3	-1.4	0.6	-8.4	0.5	-10.3	-8.5	-1.1
09-01-2010	SPEC.	18.0	16.5	20.3	15.2	19.4	31.2	27.1	23.7	31.2	2.8	26.8	19.2	18.9	18.5	18.2	11.7	12.5	22.1	17.0	13.1	8.8
	CLASS	21.6	20.0	23.9	18.7	23.1	31.2	31.0	27.4	31.2	5.9	30.8	22.8	22.5	22.1	21.7	15.2	12.5	25.8	17.0	13.1	12.1
07-01-2011	SPEC.	-3.3	-3.1	-11.5	-12.9	-1.3	14.1	10.1	-2.9	14.1	-20.5	5.5	-3.2	4.9	1.7	-2.7	-13.7	-7.5	-5.9	-4.7	-7.3	-9.9
	CLASS	-0.9	-0.7	-9.3	-10.8	1.2	14.1	12.9	-0.5	14.1	-20.5	8.2	-0.8	7.5	4.2	-0.3	-11.5	-7.5	-3.5	-4.7	-7.3	-7.7
07-01-2012	SPEC.	-11.1	-13.3	-18.5	-16.9	-14.6	-19.8	-17.6	-22.3	-12.0	3.8	-11.4	-15.6	-16.9	-19.3	-12.0	-18.0	-17.1	-18.7	-16.1	-17.3	-18.0
	CLASS	6.8	4.1	-2.1	-0.2	2.6	-3.6	-1.0	-11.5	5.7	11.5	6.5	1.4	-0.2	-3.1	5.7	-1.5	-17.1	-2.3	-16.1	-17.3	-1.5
07-01-2013	SPEC.	-5.6	-5.8	-20.7	-30.8	-12.2	-17.4	-15.1	-21.1	-9.1	-2.0	-9.0	-13.5	-13.1	-17.0	-20.2	-11.0	-8.0	-10.1	-12.1	-2.0	-3.0
	CLASS	-13.9	-14.1	-27.7	-33.2	-19.9	-24.7	-22.6	-28.0	-17.0	-3.3	-16.9	-21.0	-20.6	-24.3	-27.2	-18.7	-8.0	-17.9	-12.1	-2.0	-11.6
07-01-2014	SPEC.	-22.0	-15.0	-10.3	-15.6	-17.7	-24.5	-21.3	-16.8	-16.6	-15.2	-17.3	-18.5	-18.4	-21.5	-22.4	-21.0	-17.0	-19.2	-18.1	-19.4	-17.9
	CLASS	-2.5	6.4	12.3	5.6	2.9	-18.0	-1.5	4.0	4.3	6.1	3.4	1.9	2.1	-1.7	-3.0	-1.1	-17.0	1.1	-18.1	-19.4	2.7

CALIFORNIA
TABLE 16

HISTORY OF BASIC GROUP I

LOSS COST CHANGES BY TERRITORY, RATING ID AND RATING GROUP

TERRITORY: San Francisco

EFFECTIVE DATE	RATING ID	RATING GROUP																				
		01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	17	18	19	20	21	22
09-01-2007	SPEC.	-39.4	-39.4	-39.4	-39.4	-39.4	-39.4	-39.4	-39.4	-39.4	-39.4	-39.4	-39.4	-39.4	-39.4	-39.4	-39.4	-39.4	-39.4	-39.4	-39.4	-39.4
	CLASS	-35.4	-39.4	-39.4	-39.4	-39.4	-39.2	-39.4	-39.4	-28.6	-39.4	-39.4	-39.4	-34.0	-29.6	-39.4	-39.4	-39.4	-39.4	-39.4	-39.4	-39.4
10-01-2008	SPEC.	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5
	CLASS	-15.0	-11.9	-10.3	-7.4	-14.2	-20.3	-17.6	-21.1	-10.2	-15.7	-13.8	-13.2	-14.9	-13.4	-6.6	-9.7	-31.5	-7.7	-31.5	-31.5	-13.0
12-01-2009	SPEC.	-20.3	-19.3	-18.0	-14.2	-18.4	-23.4	-20.3	-26.4	-16.0	-22.2	-18.0	-17.8	-19.2	-18.9	-14.7	-12.9	-16.6	-13.0	-18.4	-16.7	-14.4
	CLASS	-16.2	-15.1	-13.7	-9.8	-14.2	-19.5	-16.2	-22.7	-11.7	-18.2	-13.8	-13.6	-15.0	-14.7	-10.3	-8.5	-16.6	-8.6	-18.4	-16.7	-10.0
09-01-2010	SPEC.	10.1	8.7	12.2	7.5	11.4	22.4	18.6	15.4	22.4	-4.1	18.4	11.2	10.9	10.5	10.2	4.3	4.9	14.0	9.1	5.5	1.5
	CLASS	13.5	12.0	15.7	10.7	14.9	22.4	22.2	18.9	22.4	-1.1	22.0	14.7	14.3	14.0	13.6	7.4	4.9	17.5	9.1	5.5	4.6
07-01-2011	SPEC.	1.8	2.0	-6.9	-8.3	3.9	20.2	15.9	2.2	20.2	-16.3	11.2	1.9	10.5	7.1	2.4	-9.1	-2.5	-0.8	0.4	-2.3	-5.2
	CLASS	4.4	4.6	-4.5	-6.0	6.5	20.2	18.9	4.8	20.2	-16.3	14.0	4.5	13.3	9.8	5.0	-6.9	-2.5	1.6	0.4	-2.3	-2.7
07-01-2012	SPEC.	-10.0	-12.2	-17.5	-15.9	-13.5	-18.7	-16.5	-21.3	-10.9	5.1	-10.2	-14.5	-15.9	-18.3	-10.9	-17.0	-16.0	-17.6	-15.0	-16.3	-17.0
	CLASS	8.2	5.4	-0.8	1.1	3.9	-2.4	0.3	-10.4	7.1	12.9	7.9	2.7	1.1	-1.9	7.1	-0.2	-16.0	-1.1	-15.0	-16.3	-0.2
07-01-2013	SPEC.	13.4	13.2	-4.7	-16.9	5.5	-0.7	1.9	-5.1	9.2	17.8	9.4	4.0	4.5	-0.2	-4.0	7.0	10.6	8.1	5.7	17.8	16.5
	CLASS	3.5	3.3	-13.1	-19.7	-3.7	-9.5	-7.0	-13.5	-0.3	16.3	-0.1	-5.0	-4.6	-9.0	-12.5	-2.3	10.6	-1.3	5.7	17.8	6.3
07-01-2014	SPEC.	-21.3	-14.2	-9.5	-14.9	-17.0	-23.9	-20.6	-16.1	-15.8	-14.5	-16.6	-17.8	-17.6	-20.8	-21.7	-20.3	-16.3	-18.5	-17.3	-18.6	-17.2
	CLASS	-1.6	7.3	13.3	6.5	3.9	-17.2	-0.6	5.0	5.3	7.0	4.4	2.8	3.0	-0.9	-2.1	-0.2	-16.3	2.0	-17.3	-18.6	3.7

CALIFORNIA
TABLE 16

HISTORY OF BASIC GROUP I

LOSS COST CHANGES BY TERRITORY, RATING ID AND RATING GROUP

TERRITORY: San Jose

EFFECTIVE DATE	RATING ID	RATING GROUP																				
		01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	17	18	19	20	21	22
09-01-2007	SPEC.	-20.1	-20.1	-20.1	-20.1	-20.1	-20.1	-20.1	-20.1	-20.1	-20.1	-20.1	-20.1	-20.1	-20.1	-20.1	-20.1	-20.1	-20.1	-20.1	-20.1	-20.1
	CLASS	-14.8	-20.1	-20.1	-20.1	-20.1	-19.8	-20.1	-20.1	-5.9	-20.1	-20.1	-20.1	-12.9	-7.1	-20.1	-20.1	-20.1	-20.1	-20.1	-20.1	-20.1
10-01-2008	SPEC.	-24.9	-24.9	-24.9	-24.9	-24.9	-24.9	-24.9	-24.9	-24.9	-24.9	-24.9	-24.9	-24.9	-24.9	-24.9	-24.9	-24.9	-24.9	-24.9	-24.9	-24.9
	CLASS	-6.9	-3.5	-1.8	1.4	-6.0	-12.7	-9.7	-13.6	-1.7	-7.6	-5.6	-5.0	-6.9	-5.2	2.3	-1.1	-24.9	1.1	-24.9	-24.9	-4.8
12-01-2009	SPEC.	-16.1	-15.0	-13.7	-9.7	-14.1	-19.4	-16.1	-22.6	-11.6	-18.1	-13.7	-13.5	-15.0	-14.6	-10.2	-8.4	-12.3	-8.5	-14.1	-12.4	-9.9
	CLASS	-11.8	-10.7	-9.2	-5.0	-9.7	-15.2	-11.8	-18.6	-7.0	-13.9	-9.3	-9.0	-10.6	-10.2	-5.6	-3.7	-12.3	-3.8	-14.1	-12.4	-5.3
09-01-2010	SPEC.	8.3	6.9	10.3	5.7	9.5	20.4	16.7	13.5	20.4	-5.7	16.4	9.3	9.0	8.7	8.4	2.5	3.2	12.0	7.3	3.7	-0.1
	CLASS	11.5	10.1	13.7	8.9	13.0	20.4	20.2	17.0	20.4	-2.8	20.0	12.7	12.3	12.0	11.6	5.7	3.2	15.5	7.3	3.7	2.9
07-01-2011	SPEC.	-9.5	-9.3	-17.2	-18.5	-7.6	6.9	3.1	-9.1	6.9	-25.6	-1.1	-9.4	-1.8	-4.8	-9.0	-19.2	-13.4	-11.9	-10.7	-13.2	-15.6
	CLASS	-7.2	-7.0	-15.1	-16.5	-5.3	6.9	5.7	-6.9	6.9	-25.6	1.3	-7.1	0.7	-2.3	-6.7	-17.2	-13.4	-9.6	-10.7	-13.2	-13.5
07-01-2012	SPEC.	-0.3	-2.8	-8.6	-6.8	-4.2	-10.0	-7.6	-12.9	-1.3	16.4	-0.6	-5.4	-6.8	-9.6	-1.3	-8.1	-7.0	-8.8	-5.9	-7.3	-8.1
	CLASS	19.8	16.7	9.8	11.9	15.1	8.1	11.0	-0.8	18.5	25.0	19.4	13.7	11.9	8.7	18.5	10.5	-7.0	9.6	-5.9	-7.3	10.5
07-01-2013	SPEC.	20.3	20.1	1.0	-11.9	12.0	5.3	8.1	0.7	15.9	25.0	16.1	10.4	10.9	5.8	1.7	13.6	17.3	14.7	12.2	25.0	23.6
	CLASS	9.8	9.6	-7.8	-14.8	2.1	-3.9	-1.3	-8.2	5.7	23.3	5.9	0.8	1.2	-3.4	-7.1	3.6	17.3	4.7	12.2	25.0	12.8
07-01-2014	SPEC.	-14.3	-6.5	-1.3	-7.2	-9.5	-17.0	-13.5	-8.6	-8.3	-6.8	-9.1	-10.4	-10.3	-13.6	-14.7	-13.1	-8.7	-11.1	-9.9	-11.3	-9.7
	CLASS	7.3	17.0	23.4	16.1	13.2	-9.8	8.3	14.4	14.7	16.6	13.7	12.1	12.3	8.0	6.7	8.7	-8.7	11.2	-9.9	-11.3	13.0

CALIFORNIA
TABLE 16

HISTORY OF BASIC GROUP I

LOSS COST CHANGES BY TERRITORY, RATING ID AND RATING GROUP

TERRITORY: Balance of State (California)

EFFECTIVE DATE	RATING ID	RATING GROUP																				
		01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	17	18	19	20	21	22
09-01-2007	SPEC.	-19.1	-19.1	-19.1	-19.1	-19.1	-19.1	-19.1	-19.1	-19.1	-19.1	-19.1	-19.1	-19.1	-19.1	-19.1	-19.1	-19.1	-19.1	-19.1	-19.1	-19.1
	CLASS	-13.8	-19.1	-19.1	-19.1	-19.1	-18.9	-19.1	-19.1	-4.8	-19.1	-19.1	-19.1	-11.9	-6.0	-19.1	-19.1	-19.1	-19.1	-19.1	-19.1	-19.1
10-01-2008	SPEC.	-19.7	-19.7	-19.7	-19.7	-19.7	-19.7	-19.7	-19.7	-19.7	-19.7	-19.7	-19.7	-19.7	-19.7	-19.7	-19.7	-19.7	-19.7	-19.7	-19.7	-19.7
	CLASS	-0.5	3.1	5.0	8.5	0.5	-6.7	-3.5	-7.5	5.1	-1.2	0.9	1.6	-0.4	1.4	9.4	5.7	-19.7	8.1	-19.7	-19.7	1.8
12-01-2009	SPEC.	-17.6	-16.5	-15.2	-11.3	-15.6	-20.8	-17.6	-23.9	-13.1	-19.5	-15.3	-15.0	-16.5	-16.1	-11.8	-10.0	-13.8	-10.1	-15.6	-13.9	-11.5
	CLASS	-13.3	-12.2	-10.8	-6.7	-11.3	-16.7	-13.3	-20.0	-8.7	-15.4	-10.9	-10.6	-12.2	-11.8	-7.2	-5.4	-13.8	-5.4	-15.6	-13.9	-7.0
09-01-2010	SPEC.	8.8	7.4	10.9	6.2	10.1	21.0	17.2	14.1	21.0	-5.3	17.0	9.9	9.6	9.2	8.9	3.1	3.7	12.7	7.8	4.2	0.3
	CLASS	12.1	10.6	14.3	9.4	13.5	21.0	20.8	17.5	21.0	-2.3	20.6	13.3	13.0	12.6	12.2	6.2	3.7	16.1	7.8	4.2	3.4
07-01-2011	SPEC.	-9.2	-9.0	-17.0	-18.3	-7.4	7.2	3.4	-8.9	7.2	-25.4	-0.8	-9.1	-1.5	-4.5	-8.7	-19.0	-13.1	-11.6	-10.4	-12.9	-15.4
	CLASS	-6.9	-6.8	-14.8	-16.1	-5.0	7.2	6.0	-6.6	7.2	-25.4	1.6	-6.8	1.0	-2.1	-6.4	-17.0	-13.1	-9.4	-10.4	-12.9	-13.3
07-01-2012	SPEC.	-13.6	-15.8	-20.8	-19.3	-17.0	-22.1	-20.0	-24.6	-14.5	0.8	-13.9	-18.0	-19.3	-21.7	-14.5	-20.4	-19.5	-21.0	-18.5	-19.7	-20.4
	CLASS	3.7	1.1	-4.9	-3.1	-0.3	-6.4	-3.8	-14.0	2.7	8.3	3.4	-1.5	-3.1	-5.9	2.7	-4.3	-19.5	-5.1	-18.5	-19.7	-4.3
07-01-2013	SPEC.	1.7	1.6	-14.6	-25.5	-5.3	-11.0	-8.5	-14.8	-2.0	5.7	-1.8	-6.6	-6.2	-10.5	-13.9	-3.9	-0.7	-2.9	-5.1	5.7	4.5
	CLASS	-7.1	-7.3	-22.0	-27.9	-13.6	-18.7	-16.5	-22.3	-10.6	4.3	-10.4	-14.8	-14.4	-18.3	-21.4	-12.4	-0.7	-11.5	-5.1	5.7	-4.6
07-01-2014	SPEC.	-23.1	-16.2	-11.5	-16.8	-18.9	-25.6	-22.4	-18.0	-17.8	-16.4	-18.5	-19.7	-19.5	-22.6	-23.5	-22.1	-18.2	-20.3	-19.2	-20.5	-19.1
	CLASS	-3.8	4.9	10.7	4.1	1.5	-19.1	-2.9	2.6	2.9	4.6	2.0	0.5	0.7	-3.1	-4.3	-2.5	-18.2	-0.3	-19.2	-20.5	1.3

EXPLANATORY NOTES TO TABLE 16

HISTORY OF BASIC GROUP I LOSS COST/RATE CHANGES
BY TERRITORY, RATING ID AND RATING GROUP

TERRITORY

The loss cost/rate level changes shown apply to the rating territory shown here.

EFFECTIVE DATE

The effective dates of the latest loss cost/rate level changes are shown.

LOSS COST/RATE LEVEL CHANGES

Loss cost/rate level changes are shown in percent form for each rating group.

CALIFORNIA
TABLE 17

SPECIAL CAUSES OF LOSS

HISTORY OF LOSS COST/RATE LEVEL CHANGES BY CATEGORY

(1) EFFECTIVE DATE	(2) CATEGORY													
	01	02	03	04	05	06	07	08	09	10	11	12	13	14
09-01-2007	33.1	21.6	24.5	7.7	9.7									
10-01-2008	-3.8	-5.6	8.7	0.5	-17.5									
12-01-2009	-9.0	-8.1	11.4	10.6	-7.7									
09-01-2010	-14.6	-15.3	-3.0	0.3	-19.2									
07-01-2011	-4.9	-12.7	1.8	-0.4	-5.8	3.3	-10.8	-2.5	-4.2	28.9	30.0	18.3	4.5	3.4
07-01-2012	-2.2	-22.2	-13.6	10.4	-6.1	8.6	-4.3	-4.5	-8.2	29.0	30.0	3.1	8.3	-0.8
07-01-2013	2.6	-5.5	-11.8	-7.4	-7.3	0.8	-14.2	-5.5	-8.5	11.1	20.9	-4.6	-0.3	-0.3
07-01-2014	7.6	-6.9	-2.6	6.4	5.2	0.7	-12.7	-4.8	-10.6	11.3	-1.5	-1.0	-2.4	3.7

EXPLANATORY NOTES TO TABLE 17

HISTORY OF SPECIAL CAUSES OF LOSS
LOSS COST/RATE LEVEL CHANGES BY CATEGORY

COLUMN (1)

EFFECTIVE DATE

The effective dates of the latest loss cost/rate level changes are shown.

COLUMN (2)

LOSS COST/RATE LEVEL CHANGES BY CATEGORY

Loss cost/rate changes are shown in percent form for each category. Refer to Table 37 for definitions of the current 14 categories.

The prior category definitions (before implementation of the revised rating for Special Causes of Loss) are:

- 01 - Buildings
- 02 - Apartments Contents
- 03 - Office Contents
- 04 - Mercantile, Motel/Hotel and Institutional Contents
- 05 - Service, Industrial/Processing, and Contractors Contents

COMMERCIAL PACKAGE POLICY IMPLICIT PACKAGE MODIFICATION FACTORS (IPMF's)
AND IPMF CAPS

IMPLICIT PACKAGE
MODIFICATION
FACTORS

Since multiline experience is included in the loss cost level evaluations, an additional adjustment is made to multiline aggregate loss costs after they have been brought to current ISO loss cost level. This adjustment is the application of implicit CPP package modification factors which vary for each of the eight CPP types of policy.

The loss costs used to price a Commercial Package Policy (CPP) are the monoline loss costs multiplied by the PMF to reflect the package policy discount for the particular type of CPP policy relative to the individual monoline policies. However, these PMF's measure the amount of multiline discount for all property coverages combined. A more accurate measure of the amount of multiline discount for each subline (e.g., Basic Group I, Basic Group II, or Special Causes of Loss) is the implicit package modification factor that was used to calculate the overall PMF for all property coverages combined.

For example, the published PMF for Apartments (all property coverages combined) may be .85, but the implicit PMF for Apartments, Commercial Basic Group I coverage only, may be .80. The average of the implicit PMF's for the various coverages is equal to the published PMF for each type of policy.

The current IPMF's by coverage for each CPP type of policy are applied to multiline aggregate loss costs at current level for Basic Group I, Basic Group II and Special Causes of Loss.

IPMF CAPS

For Basic Group I, Basic Group II, and Special Causes of Loss, the IPMF's lower caps are set at 0.50 and the upper caps are set at 1.50 for all TOP's.

CALIFORNIA
TABLE 18
BASIC GROUP I IMPLICIT PACKAGE
MODIFICATION FACTORS (IPMFS) AND IPMF CAPS

CPP IMPLICIT PACKAGE MODIFICATION FACTORS (IPMFS) AND IPMF CAPS

TOP	DESCRIPTION	IPMF	LOW CAP	HIGH CAP

31	MOTEL/HOTEL	0.970	0.500	1.500
32	APARTMENT	0.813	0.500	1.500
33	OFFICE	0.987	0.500	1.500
34	MERCANTILE	0.892	0.500	1.500
35	INSTITUTIONAL	0.998	0.500	1.500
36	SERVICES	0.748	0.500	1.500
37	INDUST/PROCESSING	0.906	0.500	1.500
38	CONTRACTORS	0.830	0.500	1.500

CALIFORNIA
TABLE 19
BASIC GROUP II IMPLICIT PACKAGE
MODIFICATION FACTORS (IPMFS) AND IPMF CAPS

CPP IMPLICIT PACKAGE MODIFICATION FACTORS (IPMFS) AND IPMF CAPS

TOP	DESCRIPTION	IPMF	LOW CAP	HIGH CAP

31	MOTEL/HOTEL	0.815	0.500	1.500
32	APARTMENT	0.656	0.500	1.500
33	OFFICE	0.869	0.500	1.500
34	MERCANTILE	0.956	0.500	1.500
35	INSTITUTIONAL	1.166	0.500	1.500
36	SERVICES	1.447	0.500	1.500
37	INDUST/PROCESSING	0.660	0.500	1.500
38	CONTRACTORS	1.265	0.500	1.500

CALIFORNIA
TABLE 20
SPECIAL CAUSES OF LOSS IMPLICIT PACKAGE
MODIFICATION FACTORS (IPMFS) AND IPMF CAPS

CPP IMPLICIT PACKAGE MODIFICATION FACTORS (IPMFS) AND IPMF CAPS

TOP	DESCRIPTION	IPMF	LOW CAP	HIGH CAP

31	MOTEL/HOTEL	1.164	0.500	1.500
32	APARTMENT	0.786	0.500	1.500
33	OFFICE	1.042	0.500	1.500
34	MERCANTILE	0.789	0.500	1.500
35	INSTITUTIONAL	0.968	0.500	1.500
36	SERVICES	0.949	0.500	1.500
37	INDUST/PROCESSING	0.828	0.500	1.500
38	CONTRACTORS	0.955	0.500	1.500

EXPLANATORY NOTES TO TABLES 18, 19, AND 20

IMPLICIT PACKAGE MODIFICATION
FACTORS (IPMF's) AND IPMF CAPS

TABLES 18, 19,
AND 20

These tables provide the current IPMF's and IPMF caps for Basic Group I, Basic Group II, and Special Causes of Loss. The IPMF's shown here are those which resulted from the most recent CPP revision. The IPMF lower caps are set at .50 and the upper caps are set at 1.50 for all TOP's.

TREND PROCEDURE

INTRODUCTION

The prospective loss cost levels established in this document reflect the anticipated claim cost and claim frequency levels and changes in revenue due to increased amounts of insurance purchased for the period when the new loss costs are assumed to be in effect.

LOSS TREND

EXTERNAL LOSS DATA

For Commercial Property, the loss trend factors are referred to as current cost factors (CCF's) and loss projection factors (LPF's). These CCF's and LPF's are based on the following accepted economic indices:

1. Xactware Commercial Index (XCI) for buildings loss projection factors and current cost factors
2. Producer Price Index (PPI) published by the US Department of Labor (Finished Goods Less Energy, Not Seasonally Adjusted) for contents factors
3. Index for Manufacturers' Sales Exposure (IMSEP) developed by ISO using indices published by the Department of Commerce and Chain-Type Price Index for Retail Sales (RSALES) produced by the Bureau of the Census, Bureau of Economic Analysis for time element factors

The CCF's adjust losses for actual inflationary changes which have taken place between the accident date and the midpoint of the latest period of external trend information, i.e. May 15, 2018 for property damage and time element. The LPF's adjust losses for projected inflationary changes from the midpoint of the latest period of external trend information to the anticipated average date of accident for policies written under the proposed loss costs (assumed to be 12 months after the assumed revision date based on all one-year policies).

The CCF's and LPF's are calculated separately for buildings, contents, and time element coverages. For coverage 3 (buildings and contents on a combined basis), combined trend factors are calculated using the following weights for buildings and contents: 70%/30% for Basic Group I, 75%/25% for Basic Group II, and 50%/50% for Special Causes of Loss. For time element (coverages 4-9) the combined trend factors are calculated using 70%/30% weights for RSALES/IMSEP. The factors are applied by coverage to the losses reported under CSP and CMSP on an individual occurrence basis.

TREND PROCEDURE (cont'd)

LOSS TREND (cont'd)

LOSS TREND ADJUSTMENT - SEVERITY

An evaluation of the latest Commercial Property insurance data shows that the cost levels inherent in the property damage coverages are increasing at a different rate than those measured by the external indices. Therefore, to insure adequate prospective loss cost levels during the period for which loss costs are to be determined, loss trend adjustments (LTA's) have been applied. These factors were developed by comparing the annual rate of change in average claim costs to the annual rate of change in the external indices. (Refer to Table 23 for the calculations.)

LOSS TREND ADJUSTMENT - FREQUENCY

In order to reflect total trend more precisely, a frequency component is included in the loss trend adjustment factors (LTA's) separately for buildings and contents for Basic Group I and contents only for Special Causes of Loss. No frequency component is used for Basic Group II and Special Causes of Loss buildings due to the extremely volatile nature of the coverages.

AMOUNT-OF- INSURANCE TREND

Cost changes over time to both real and personal property result in insureds purchasing increased amounts of insurance. To reflect the impact of this phenomenon, amount of insurance trend factors are applied to collected loss costs to bring them to prospective amount of insurance levels. These factors are developed by measuring amount of insurance trends on a sample of renewal policies.

The application and development of these factors parallels loss trend factors in that separate factors are developed for buildings, contents, and time element, and the adjustment to prospective amount of insurance levels is done in two steps. The current written factors adjust loss costs to the amount of insurance level for the midpoint of the latest period of renewal information, i.e. July 1, 2017. Total amount of insurance trend factors are then calculated by projecting these current factors to the average date of writing (i.e. to the amount of insurance level six months beyond the assumed effective date).

TABLE 21

Development of Current Cost Factors and Loss Projection Factors
For Commercial Property Building and Contents Experience
 Period ending June 30, 2018

Part A: Quarterly Indices for Buildings, Contents and Time Element

Building Loss Projection Factors - Xactware Commercial Index (XCI) (Base: 2009 = 100.0)
 Contents - Producer Price Index (PPI) - U.S. Dept. of Labor (Finished Goods Less Energy) (Base: 2009 = 100.0)
 Time Element Combined Index - Weighted average of IMSEP and RSALES indices ^(a)

<u>Quarter</u>	<u>XCI</u>	<u>PPI</u>	<u>IMSEP</u>	<u>RSALLES</u>	Time Element Combined <u>Index</u>
Q3-2015	109.5	114.0	1.032	0.972	0.990
Q4-2015	110.0	113.9	1.031	0.961	0.982
Q1-2016	110.5	114.4	1.026	0.950	0.973
Q2-2016	110.7	114.3	1.032	0.955	0.978
Q3-2016	111.3	114.3	1.029	0.953	0.976
Q4-2016	111.9	114.6	1.033	0.956	0.979
Q1-2017	112.7	115.5	1.038	0.963	0.986
Q2-2017	114.0	116.5	1.036	0.957	0.981
Q3-2017	115.0	116.3	1.042	0.959	0.984
Q4-2017	115.5	117.1	1.044	0.965	0.989
Q1-2018	116.6	117.6	1.048	0.971	0.994
Q2-2018	117.5	118.1	1.056	0.974	0.999

Part B: Computation of Loss Projection Factor (LPF) for Buildings based on 12 points

$$\begin{aligned} \text{Annual Rate of Change} &= 0.0266 = 2.7\% & R^2 &= 0.975 \\ \text{Loss Projection Factor for Buildings} &= 1.02566^{22.5/12 \text{ (b)}} = 1.0505 \end{aligned}$$

Part C: Computation of Loss Projection Factor (LPF) for Contents based on 12 points

$$\begin{aligned} \text{Annual Rate of Change} &= 0.0140 = 1.4\% & R^2 &= 0.921 \\ \text{Loss Projection Factor for Contents} &= 1.0140^{22.5/12 \text{ (b)}} = 1.0264 \end{aligned}$$

Part D: Computation of Loss Projection Factor (LPF) for Time Element Based on 12 points

$$\begin{aligned} \text{Annual Rate of Change} &= 0.0053 = 0.53\% & R^2 &= 0.371 \\ \text{Loss Projection Factor for Time Element} &= 1.0053^{22.5/12 \text{ (b)}} = 1.0100 \end{aligned}$$

- (a) 30% weight for IMSEP and 70% weight for RSALES. IMSEP & RSALES indices were rescaled to a 2009 year base.
 (b) Assuming a rate or loss cost revision date of April 1 2019, and all one year policies, the time interval between the midpoint of the latest period (05/15/2018) and the average date of accident (04/01/2020) would be 22.5 months.

TABLE 21

Development of Current Cost Factors and Loss Projection Factors

Part E: Calculation of Current Cost Factors (CCF)

Calendar Year <u>Averages</u>				Current Cost Factors Based on Average Index Values for <u>Period ending June 30, 2018</u>		
<u>Year</u>	<u>XCI</u>	<u>PPI</u>	<u>Time Element</u> <u>Index</u>	<u>Buildings</u>	<u>Contents</u>	<u>Time Element</u>
2007	92.6	94.5	0.931	$117.5 / 92.6 = 1.269$	$118.1 / 94.5 = 1.250$	$0.999 / 0.931 = 1.073$
2008	97.0	98.5	0.948	$117.5 / 97.0 = 1.211$	$118.1 / 98.5 = 1.199$	$0.999 / 0.948 = 1.054$
2009	100.0	100.0	0.940	$117.5 / 100 = 1.175$	$118.1 / 100.0 = 1.181$	$0.999 / 0.940 = 1.063$
2010	99.3	101.8	0.953	$117.5 / 99.3 = 1.183$	$118.1 / 101.8 = 1.160$	$0.999 / 0.953 = 1.048$
2011	100.0	105.2	0.985	$117.5 / 100.0 = 1.175$	$118.1 / 105.2 = 1.123$	$0.999 / 0.985 = 1.014$
2012	101.0	108.0	1.000	$117.5 / 101.0 = 1.163$	$118.1 / 108.0 = 1.094$	$0.999 / 1.000 = 0.999$
2013	102.7	109.8	1.003	$117.5 / 102.7 = 1.144$	$118.1 / 109.8 = 1.076$	$0.999 / 1.003 = 0.996$
2014	104.7	112.5	1.006	$117.5 / 104.7 = 1.122$	$118.1 / 112.5 = 1.050$	$0.999 / 1.006 = 0.993$
2015	109.1	113.8	0.987	$117.5 / 109.1 = 1.077$	$118.1 / 113.8 = 1.038$	$0.999 / 0.987 = 1.012$
2016	111.1	114.4	0.977	$117.5 / 111.1 = 1.058$	$118.1 / 114.4 = 1.032$	$0.999 / 0.977 = 1.023$
2017	114.3	116.4	0.985	$117.5 / 114.3 = 1.028$	$118.1 / 116.4 = 1.015$	$0.999 / 0.985 = 1.014$

EXPLANATORY NOTES TO TABLE 21

PART A: XACTWARE, PRODUCER PRICE, IMSEP, RSALES INDICES AND COMBINED TIME ELEMENT

QUARTER	The quarter for which the indices shown apply.
XACTWARE COMMERCIAL INDEX (XCI)	The Xactware Commercial Index measures the costs of building material and repairs for commercial properties. The index, which is available since 1st Quarter 2005, is based on regular surveys of over 42,000 material and equipment suppliers and over 9,500 contractors, in addition to claims settlement data. The index values are created by estimating the cost to rebuild a sample set of different structures ranging in size, style, and quality in each economic market. The Xactware index is used in this filing to adjust for current cost from 1/1/05 to the midpoint of the latest index point and for determining the loss projection factor.
PRODUCER PRICE INDEX (PPI)	The Producer Price Index is a time series which measures the price level for a predetermined group of goods produced relative to the price level for an earlier point in time (2009). The PPI Finished Goods Less Energy is published by the U.S. Department of Labor.
PRICE DEFLATOR INDEX FOR MANUFACTURERS' SALES EXPOSURE (IMSEP)	<p>The price deflator index for manufacturers' sales exposure is a quarter's model of Manufacturers' Sales Exposure Proxy (MSEP) for the period in question relative to MSEP measured in chained 2009 dollars. The price deflator is defined as the GNP (Gross National Product) price deflator with government expenditures, investment in intellectual property products, inventory changes, and all services except food services removed.</p> $\text{MSEP} = (\text{CD} + \text{CN} + \text{FS}) + (\text{EXD\&N} - \text{IMD\&N}) + (\text{IFIX} - \text{IPP}), \text{ where}$ <p>CD and CN represent consumption of durables and nondurables, respectively; EXD&N and IMD&N represent exports and imports of merchandise, respectively; FS represents food services and IFIX represents gross private domestic fixed investment (including residential fixed investment as well as nonresidential fixed investment in structures, equipment, and intellectual property products); and IPP represents nonresidential fixed investment in intellectual property products.</p>
CHAIN-TYPE PRICE INDEX FOR RETAIL SALES (RSALES)	The Chain-Type Price Index for Retail Sales measures changes in losses due solely to inflation.

EXPLANATORY NOTES TO TABLE 21 (cont'd)

PARTS B, C and D: COMPUTATION OF THE LOSS PROJECTION FACTOR

LOSS PROJECTION FACTOR

The loss projection factor is calculated by fitting a least squares exponential curve to the appropriate number of points (where the appropriate number of points is determined based on judgment and an examination of the goodness of fit as determined by the R-squared values subject to a maximum of 12 quarterly points for property damage and time element).

The table displays the indices for those points used in fitting the curve. The relevant equations are shown and the annual rate of change in the indices based on the exponential fit is developed. This annual rate of change is projected over the period which extends from the latest period of cost information to the average accident date of the projection period.

PART E: CALCULATION OF CURRENT COST FACTORS (CCF'S)

CALENDAR YEAR AVERAGES

The calendar year averages are the averages of the Xactware, PPI and Time Element indices for the given year. These average indices measure the average cost level of each year relative to the base.

CURRENT COST FACTORS

The current cost factors are the ratios of the indices for the latest period of cost information divided by the average indices for each calendar year. These factors measure the changes in cost levels which have occurred from the midpoint of the given year to the latest point of cost information. In this regard, they represent average factors which would result if each year's losses were distributed evenly throughout the year.

For buildings, the index for the latest point is based on the latest available Xactware point.

Since losses are trended on a record by record basis, these calendar year factors are not actually used in ISO's trend calculations. Instead, factors are calculated from the bi-monthly or quarterly indices and applied to the unit losses based on the date of occurrence.

TABLE 22

SUMMARY OF LOSS TREND ADJUSTMENTS (LTA'S)

<u>BUILDINGS</u>	<u>5 YEAR INCURRED LOSSES</u>	<u>LTA'S*</u>
BASIC GROUP I	2,963,900,922	-0.4
BASIC GROUP II	3,110,504,121	0.5
SPECIAL CAUSES OF LOSS	1,645,968,334	0.3
TOTAL	7,720,373,377	0.1
 <u>CONTENTS</u>		
BASIC GROUP I	930,719,601	0.5
BASIC GROUP II	303,611,682	0.8
SPECIAL CAUSES OF LOSS	677,516,051	0.5
TOTAL	1,911,847,334	0.5
 <u>TIME ELEMENT</u>		
BASIC GROUP I	335,351,732	2.5
BASIC GROUP II	80,288,943	2.2
SPECIAL CAUSES OF LOSS	112,591,087	2.5
TOTAL	528,231,762	2.5
 GRAND TOTAL	10,160,452,473	0.3

* The LTA's are based on internal severity and frequency data. They apply to both the historical period and projection period.

EXPLANATORY NOTES TO TABLE 22

SUMMARY OF LOSS TREND ADJUSTMENTS (LTA'S)

COLUMN (1)

COVERAGE

The LTA's vary by coverage (buildings, contents, and time element) and line of business (BG I, BG II, and SCL).

COLUMN (2)

FIVE-YEAR INCURRED LOSSES

The five-year multistate incurred losses are used as weights to determine the annual LTA for all lines of business and coverages combined.

COLUMN (3)

ANNUAL LTA's

The LTA's are the factors which are applied to losses to supplement the external indices in order to correctly reflect cost level and claim frequency changes. These are shown here as annual factors. However, they are applied over the entire length of the trend period, i.e. from the date of loss occurrence to the anticipated average accident date under the revised loss costs. The severity portion of the LTA is applied on an individual record basis in the same manner as the CCF's and LPF's. The frequency portion of the LTA is applied to the aggregate losses.

OVERVIEW

DEVELOPMENT OF LOSS TREND ADJUSTMENTS

INTRODUCTION

In order to supplement the external indices reflected in CCF's and LPF's, loss trend adjustments (LTA's) have been developed based on internal loss data. This is necessary because the external indices alone have been insufficient in reflecting cost level and claim frequency changes in Commercial Property Insurance. The following tables show the calculations used to develop these LTA's. Please note the development of the LTA's for the 2018 COMFAL reviews is based on internal commercial property experience through 12/31/2016 and external cost indices through 12/31/2016. Therefore, the CCF's and LPF's shown on Table 23 will not necessarily match those shown on Table 21. ISO has determined that the selected LTAs are appropriate to be used with the latest external indices shown on Table 21.

TABLE 23
DEVELOPMENT OF LTA'S

I. EXTERNAL RATE OF CHANGE^a

Calendar Year	(1) Buildings Current Cost Factor	(2) Contents Current Cost Factor	(3) Time Element Cost Factor	(4) Basic Group I (BGI)& Special Causes of Loss (SCL) Weights	(5) Basic Group II (BGII) Weights
2007	1.208	1.213	1.053		0.10
2008	1.154	1.163	1.033		0.10
2009	1.119	1.146	1.041		0.10
2010	1.127	1.126	1.026		0.10
2011	1.119	1.089	0.993		0.10
2012	1.108	1.062	0.978	0.10	0.10
2013	1.090	1.044	0.976	0.15	0.10
2014	1.069	1.018	0.974	0.20	0.10
2015	1.025	1.007	0.990	0.25	0.10
2016	1.007	1.001	1.002	0.30	0.10

(6) AVERAGE CURRENT COST FACTORS

	Buildings	Contents	Time Element
Basic Group I and Special Causes of Loss (Weighted on Column (4))	1.047	1.019	0.987
Basic Group II (Weighted on Column (5))	1.103	1.087	1.007

(7) LOSS PROJECTION FACTORS

	Buildings	Contents	Time Element
Annual Rate of Change	0.030	0.008	-0.013
Loss Projection Factor: ^b $(1.0 + \text{Annual Rate of Change})^{(X/12)}$	1.081	1.022	0.967

(8) TOTAL TREND FACTOR (Average Current Cost Factor \times Loss Projection Factor)

	Buildings	Contents	Time Element
Basic Group I and Special Causes of Loss	1.132	1.042	0.954
Basic Group II	1.193	1.111	0.974

(9) EXTERNAL ANNUAL RATE OF CHANGE^c

	Buildings	Contents	Time Element
Basic Group I and Special Causes of Loss: $(\text{Total Trend Factor})^{12/54}$	1.028	1.009	0.990
Basic Group II: $(\text{Total Trend Factor})^{12/90}$	1.024	1.014	0.996

- (a) The Current Cost Factors and Loss Projection Factors on this exhibit are based on external economic indices through December 31, 2016 for Buildings, Contents and Time Element.
- (b) Assuming a loss cost revision date of July 1, 2018, the time interval between the midpoint of the latest period of external trend information (November 15, 2016) and the prospective average date of loss (July 1, 2019) is 31.5 months for Buildings, Contents and Time Element.
- (c) The time interval from the weighted midpoint of the experience period to the prospective average date of loss (July 1, 2019) is 54 months for BG I and SCL, and 90 months for BG II. The weighted midpoint is January 1, 2015 for BG I and SCL, and January 1, 2012 for BG II.

TABLE 23
DEVELOPMENT OF LTA'S

II. INTERNAL ANNUAL RATES OF CHANGE:

(10) SELECTED COMFAL

	Buildings	Contents	Time Element
Basic Group I (BGI)	1.040	1.050	1.040
Basic Group II (BGII)	1.035	1.030	1.040
Special Causes of Loss	1.035	1.030	1.040

III. LTA CALCULATION:

CALCULATION OF LTAs - BUILDINGS

	(11) External Rate of Change ^d	(12) Internal Rate of Change	(13) Indicated Severity LTA [(12)/(11)-1.0]	(14) Formula Severity LTA ^e	(15) Frequency Effect	(16) Final LTA ^f
Basic Group I (BGI)	1.028	1.040	1.2	0.6	-1.0	-0.4
Basic Group II (BGII)	1.024	1.035	1.1	0.5	0.0	0.5
Special Causes of Loss	1.028	1.035	0.7	0.3	0.0	0.3

CALCULATION OF LTAs - CONTENTS

	(11) External Rate of Change ^d	(12) Internal Rate of Change	(13) Indicated Severity LTA [(12)/(11)-1.0]	(14) Formula Severity LTA ^e	(15) Frequency Effect	(16) Final LTA ^f
Basic Group I (BGI)	1.009	1.050	4.1	2.0	-1.5	0.5
Basic Group II (BGII)	1.014	1.030	1.6	0.8	0.0	0.8
Special Causes of Loss	1.009	1.030	2.1	1.0	-0.5	0.5

CALCULATION OF LTAs - TIME ELEMENT

	(11) External Rate of Change ^d	(12) Internal Rate of Change	(13) Indicated Severity LTA [(12)/(11)-1.0]	(14) Formula Severity LTA ^e	(15) Frequency Effect	(16) Final LTA ^f
Basic Group I (BGI)	0.990	1.040	5.1	2.5	0.0	2.5
Basic Group II (BGII)	0.996	1.040	4.4	2.2	0.0	2.2
Special Causes of Loss	0.990	1.040	5.1	2.5	0.0	2.5

(d) The external rates of change are based on external economic indices through December 31, 2016 for Buildings, Contents and Time Element.

(e) The formula severity LTA for Buildings, Contents and Time Element is calculated as one-half of the indicated severity LTA. This is equivalent to calculating the overall severity trend giving 50% weight to the external trend and 50% weight to the selected internal trend.

(f) The final LTA is calculated as the product (in factor form) of the formula severity LTA and frequency effect.

EXPLANATORY NOTES TO TABLE 23

DEVELOPMENT OF LOSS TREND ADJUSTMENTS (LTA'S)

I. EXTERNAL RATE OF CHANGE

COLUMN (1), (2)
AND (3)

CURRENT COST FACTORS

The CCF's underlying the LTA analysis are based on external cost indices through 12/31/2016 for buildings, contents and time element.

COLUMNS (4)
AND (5)

WEIGHTS

The standard review weights are shown for each line of business.

LINES (6)

AVERAGE CURRENT COST FACTORS

The average CCF's for the experience period are calculated based on the weights shown in columns (4) and (5).

LINE (7)

LOSS PROJECTION FACTORS

The LPF's underlying the LTA analysis are shown here.

LINE (8)

TOTAL TREND

The total trend is the product of the average CCF and the LPF.

LINE (9)

EXTERNAL ANNUAL RATE OF CHANGE

The total trend is converted to an annual basis by raising it to the reciprocal of the number of years between the weighted midpoint of the experience period and the anticipated average accident date. For BG I and SCL the weighted midpoint of the experience period is 1/1/2015, for BG II it is 1/1/2012. Accordingly, there are 54 and 90 months, respectively, to the anticipated average accident date of 7/1/2019.

II. INTERNAL ANNUAL RATES OF CHANGES

LINE (10)

SELECTED COMFAL

The displayed annual rates of change in the average claim costs for BG I, BG II, and SCL were selected based on several least squares exponential fits of the annual claim costs for each subline. This was done to the most recent ten years of Commercial Property data using all companies in the ratemaking data base.

EXPLANATORY NOTES TO TABLE 23 (cont'd)

III. LTA CALCULATION

COLUMN (11)

ANNUAL EXTERNAL

The annual external rates of change from column (9) are shown here.

COLUMN (12)

ANNUAL INTERNAL

The adjusted annual internal rates of change in average loss from line (10) are shown here.

COLUMN (13)

INDICATED SEVERITY LTA

The indicated severity LTA's are calculated by dividing the annual internal rates of change by the annual external rates of change.

COLUMN (14)

FORMULA SEVERITY LTA

The severity LTA's in column (13) are then selected to temper the full effect of internal trend data. Without such tempering, full weight would in effect be given to the internal data without any consideration of the external cost indices.

COLUMN (15)

FREQUENCY EFFECT

The displayed annual rates of change in claim frequency for BG I and SCL were selected based on several least squares exponential fits of the claim frequency by subline. No frequency trend was selected for BG II and SCL buildings due to the extremely volatile nature of the coverage.

COLUMN (16)

FINAL LTA

The final LTA is the combination of the severity and frequency trend adjustments, calculated as column (14) times column (15), in factor form.

TABLE 24A

EXPOSURE TREND
DEVELOPMENT OF CURRENT AND PROJECTED EARNED EXPOSURE FACTORS

	Buildings				Contents			
	(1) ^a Annual Written Increase	(2) ^a 07-01-2017 Written Factors	(3) ^b 10-01-2019 Projected Factors	(4) ^c 10-01-2019 Earned Factors	(5) ^a Annual Written Increase	(6) ^a 07-01-2017 Written Factors	(7) ^b 10-01-2019 Projected Factors	(8) ^c 10-01-2019 Earned Factors
Year								
2005	3.4%	1.393	1.456	1.493	2.1%	1.267	1.316	1.337
2006	3.8%	1.342	1.403	1.443	2.1%	1.241	1.289	1.309
2007	3.9%	1.292	1.351	1.390	2.4%	1.212	1.259	1.281
2008	3.5%	1.248	1.305	1.340	2.4%	1.184	1.230	1.252
2009	3.3%	1.208	1.263	1.295	2.2%	1.159	1.204	1.224
2010	2.5%	1.179	1.233	1.256	1.7%	1.140	1.184	1.199
2011	2.5%	1.150	1.202	1.225	1.8%	1.120	1.163	1.179
2012	2.7%	1.120	1.171	1.194	1.8%	1.100	1.143	1.158
2013	2.6%	1.092	1.142	1.164	2.1%	1.077	1.119	1.137
2014	2.5%	1.065	1.114	1.135	2.1%	1.055	1.096	1.113
2015	2.3%	1.041	1.088	1.108	1.9%	1.035	1.075	1.091
2016	2.1%	1.020	1.066	1.083	1.8%	1.017	1.056	1.070
2017	2.0%	1.000	1.046	1.061	1.7%	1.000	1.039	1.052

Notes

a The percentages in columns (1) and (5) represent the change in written exposures from 07/01/n-1 to 07/01/n. Columns (2) and (6) contain the cumulative changes in written exposures for each year relative to the latest year.

b The selected average annual changes in Amount of Insurance for projection purposes are 2.0% and 1.7% for Buildings and Contents, respectively. Consequently, the written factors at 07/01/2017 levels in column (2) and column (6) are brought to the level of the average date of writing in the effective period, 10/01/2019 (i.e., 6 months beyond an assumed revision date of 04/01/2019), by applying a factor of $(1.020)^{27/12}$ for Buildings and $(1.017)^{27/12}$ for Contents.

c Written factors are earned into each accident year ending 12/31 using the following factors which assume all one year policies:

<u>Earning Factors</u>	
<u>Year</u>	<u>All Years</u>
n-2	1/32
n-1	11/16
n	9/32

For example, the factors used to adjust earned exposures for the period from 10/01/2016 to 09/30/2017 to the projected level are 1.061 for Buildings and 1.052 for Contents.

TABLE 24A (cont'd)

EXPOSURE TREND
DEVELOPMENT OF CURRENT AND PROJECTED EARNED EXPOSURE FACTORS

<u>Time Element</u>				
	(1) ^a	(2) ^a	(3) ^b	(4) ^c
<u>Year</u>	<u>Annual</u> <u>Written</u> <u>Increase</u>	<u>07-01-2017</u> <u>Written</u> <u>Factors</u>	<u>10-01-2019</u> <u>Projected</u> <u>Factors</u>	<u>10-01-2019</u> <u>Earned</u> <u>Factors</u>
2005	1.3%	1.127	1.153	1.164
2006	1.4%	1.111	1.136	1.149
2007	1.3%	1.097	1.122	1.133
2008	1.3%	1.083	1.108	1.119
2009	0.8%	1.074	1.098	1.106
2010	0.7%	1.067	1.091	1.096
2011	0.8%	1.059	1.083	1.089
2012	0.8%	1.051	1.075	1.081
2013	0.9%	1.042	1.066	1.073
2014	1.0%	1.032	1.055	1.063
2015	1.1%	1.021	1.044	1.052
2016	1.1%	1.010	1.033	1.041
2017	1.0%	1.000	1.023	1.031

Notes

a The percentage in column (1) represents the change in written exposures from 07/01/n-1 to 07/01/n. Column (2) is the cumulative change in written exposures for each year relative to the latest year.

b The selected average annual change in Net Income (Time Element exposure) for projection purposes is 1.0%. Consequently, the written factors at 07/01/2017 levels in column (2) are brought to the level of the average date of writing in the effective period, 10/01/2019 (i.e., 6 months beyond an assumed revision date of 04/01/2019), by applying a factor of $(1.010)^{27/12}$ for Time Element.

c Written factors are earned into each accident year ending 12/31 using the following factors which assume all one year policies:

	<u>Earning Factors</u>
<u>Year</u>	<u>All Years</u>
n-2	1/32
n-1	11/16
n	9/32

For example, the factor used to adjust earned exposures for the period from 10/01/2016 to 09/30/2016 to the projected level is 1.031.

TABLE 24B

PREMIUM TREND - BASIC GROUP I
DEVELOPMENT OF CURRENT AND PROJECTED EARNED PREMIUM FACTORS

	<u>Buildings</u>				<u>Contents</u>			
	(1) ^a	(2) ^a	(3) ^b	(4) ^c	(5) ^a	(6) ^a	(7) ^b	(8) ^c
	Annual	07-01-2017	10-01-2019	10-01-2019	Annual	07-01-2017	10-01-2019	10-01-2019
	Written	Written	Projected	Earned	Written	Written	Projected	Earned
<u>Year</u>	<u>Increase</u>	<u>Factors</u>	<u>Factors</u>	<u>Factors</u>	<u>Increase</u>	<u>Factors</u>	<u>Factors</u>	<u>Factors</u>
2005	2.7%	1.308	1.356	1.383	1.8%	1.219	1.258	1.275
2006	3.1%	1.269	1.315	1.346	1.8%	1.197	1.235	1.252
2007	3.1%	1.231	1.276	1.305	2.0%	1.174	1.211	1.229
2008	2.8%	1.197	1.241	1.267	2.0%	1.151	1.188	1.205
2009	2.7%	1.166	1.208	1.233	1.8%	1.131	1.167	1.183
2010	2.0%	1.143	1.185	1.203	1.4%	1.115	1.150	1.163
2011	2.0%	1.121	1.162	1.179	1.5%	1.099	1.134	1.146
2012	2.2%	1.097	1.137	1.156	1.5%	1.083	1.117	1.130
2013	2.1%	1.074	1.113	1.131	1.8%	1.064	1.098	1.112
2014	2.0%	1.053	1.091	1.108	1.8%	1.045	1.078	1.093
2015	1.9%	1.033	1.071	1.086	1.6%	1.029	1.062	1.074
2016	1.7%	1.016	1.053	1.067	1.5%	1.014	1.046	1.058
2017	1.6%	1.000	1.036	1.049	1.4%	1.000	1.032	1.043

Notes

a The percentages in columns (1) and (5) represent the change in written premium (reflecting the combined effect of change in exposures and limit of insurance factors) from 07/01/n-1 to 07/01/n. Columns (2) and (6) contain the cumulative changes in written premiums for each year relative to the latest year.

b The average annual changes in Premium for projection purposes are 1.6% and 1.4% for Buildings and Contents, respectively. Consequently, the written factors at 07/01/2017 levels in column (2) and column (6) are brought to the level of the average date of writing in the effective period, 10/01/2019 (i.e., 6 months beyond an assumed revision date of 04/01/2019), by applying a factor of $(1.016)^{27/12}$ for Buildings and $(1.014)^{27/12}$ for Contents.

c Written factors are earned into each accident year ending 12/31 using the following factors which assume all one year policies:

	<u>Earning Factors</u>
<u>Year</u>	<u>All Years</u>
n-2	1/32
n-1	11/16
n	9/32

For example, the factors used to adjust earned premium for the period from 10/01/2016 to 09/30/2016 to the projected level are 1.049 for Buildings and 1.043 for Contents.

TABLE 24C

**PREMIUM TREND - BASIC GROUP II - OTHER THAN SOUTHEAST
DEVELOPMENT OF CURRENT AND PROJECTED EARNED PREMIUM FACTORS**

	<u>Buildings</u>				<u>Contents</u>			
	(1) ^a	(2) ^a	(3) ^b	(4) ^c	(5) ^a	(6) ^a	(7) ^b	(8) ^c
	Annual	07-01-2017	07-01-2019	07-01-2019	Annual	07-01-2017	07-01-2019	07-01-2019
	Written	Written	Projected	Earned	Written	Written	Projected	Earned
<u>Year</u>	<u>Increase</u>	<u>Factors</u>	<u>Factors</u>	<u>Factors</u>	<u>Increase</u>	<u>Factors</u>	<u>Factors</u>	<u>Factors</u>
2005	2.5%	1.283	1.327	1.352	1.6%	1.198	1.233	1.248
2006	2.8%	1.248	1.291	1.318	1.6%	1.179	1.214	1.228
2007	2.9%	1.213	1.254	1.282	1.8%	1.158	1.192	1.208
2008	2.6%	1.182	1.222	1.246	1.8%	1.138	1.172	1.187
2009	2.4%	1.154	1.193	1.215	1.7%	1.119	1.152	1.167
2010	1.9%	1.132	1.171	1.188	1.3%	1.105	1.138	1.149
2011	1.9%	1.111	1.149	1.166	1.4%	1.090	1.122	1.134
2012	2.0%	1.089	1.126	1.143	1.4%	1.075	1.107	1.118
2013	1.9%	1.069	1.105	1.121	1.6%	1.058	1.089	1.102
2014	1.9%	1.049	1.085	1.100	1.6%	1.041	1.072	1.085
2015	1.7%	1.031	1.066	1.080	1.4%	1.027	1.057	1.068
2016	1.6%	1.015	1.050	1.062	1.4%	1.013	1.043	1.054
2017	1.5%	1.000	1.034	1.046	1.3%	1.000	1.029	1.040

Notes

a The percentages in columns (1) and (5) represent the change in written premium (reflecting the combined effect of change in exposures and limit of insurance factors) from 07/01/n-1 to 07/01/n. Columns (2) and (6) contain the cumulative changes in written premiums for each year relative to the latest year.

b The average annual changes in Premium for projection purposes are 1.5% and 1.3% for Buildings and Contents, respectively. Consequently, the written factors at 07/01/2017 levels in column (2) and column (6) are brought to the level of the average date of writing in the effective period, 10/01/2019 (i.e., 6 months beyond an assumed revision date of 04/01/2019), by applying a factor of $(1.015)^{27/12}$ for Buildings and $(1.013)^{27/12}$ for Contents.

c Written factors are earned into each accident year ending 12/31 using the following factors which assume all one year policies:

	<u>Earning Factors</u>
<u>Year</u>	<u>All Years</u>
n-2	1/32
n-1	11/16
n	9/32

For example, the factors used to adjust earned premium for the period from 10/01/2016 to 09/30/2017 to the projected level are 1.046 for Buildings and 1.040 for Contents.

TABLE 24D

PREMIUM TREND - SPECIAL CAUSES OF LOSS
DEVELOPMENT OF CURRENT AND PROJECTED EARNED PREMIUM FACTORS

	Buildings				Contents			
	(1) ^a	(2) ^a	(3) ^b	(4) ^c	(5) ^a	(6) ^a	(7) ^b	(8) ^c
	Annual	07-01-2017	07-01-2019	07-01-2019	Annual	07-01-2017	07-01-2019	07-01-2019
	Written	Written	Projected	Earned	Written	Written	Projected	Earned
<u>Year</u>	<u>Increase</u>	<u>Factors</u>	<u>Factors</u>	<u>Factors</u>	<u>Increase</u>	<u>Factors</u>	<u>Factors</u>	<u>Factors</u>
2005	2.6%	1.291	1.335	1.361	1.4%	1.169	1.198	1.211
2006	2.9%	1.255	1.298	1.326	1.4%	1.153	1.182	1.194
2007	3.0%	1.218	1.259	1.288	1.6%	1.135	1.163	1.177
2008	2.7%	1.186	1.226	1.251	1.6%	1.117	1.145	1.159
2009	2.5%	1.157	1.196	1.219	1.4%	1.102	1.129	1.141
2010	1.9%	1.135	1.174	1.191	1.1%	1.090	1.117	1.126
2011	1.9%	1.114	1.152	1.169	1.2%	1.077	1.104	1.114
2012	2.1%	1.091	1.128	1.146	1.2%	1.064	1.091	1.101
2013	2.0%	1.070	1.106	1.123	1.4%	1.049	1.075	1.087
2014	1.9%	1.050	1.086	1.101	1.4%	1.035	1.061	1.072
2015	1.8%	1.031	1.066	1.081	1.2%	1.023	1.048	1.058
2016	1.6%	1.015	1.050	1.062	1.2%	1.011	1.036	1.045
2017	1.5%	1.000	1.034	1.046	1.1%	1.000	1.025	1.033

Notes

a The percentages in columns (1) and (5) represent the change in written premium (reflecting the combined effect of change in exposures and limit of insurance factors) from 07/01/n-1 to 07/01/n. Columns (2) and (6) contain the cumulative changes in written premiums for each year relative to the latest year.

b The average annual changes in Premium for projection purposes are 1.5% and 1.1% for Buildings and Contents, respectively. Consequently, the written factors at 07/01/2017 levels in column (2) and column (6) are brought to the level of the average date of writing in the effective period, 10/01/2019 (i.e., 6 months beyond an assumed revision date of 04/01/2019), by applying a factor of $(1.015)^{27/12}$ for Buildings and $(1.011)^{27/12}$ for Contents.

c Written factors are earned into each accident year ending 12/31 using the following factors which assume all one year policies:

	<u>Earning Factors</u>
<u>Year</u>	<u>All Years</u>
n-2	1/32
n-1	11/16
n	9/32

For example, the factors used to adjust earned premium for the period from 10/01/2016 to 09/30/2017 to the projected level are 1.046 for Buildings and 1.033 for Contents.

EXPLANATORY NOTES TO TABLES 24A - 24D
EXPOSURE AND PREMIUM TREND FACTORS

Table 24A contains Exposure trend factors.

Tables 24B, 24C and 24D contain Premium trend factors for Basic Group I, Basic Group II and Special Causes of Loss respectively, building and contents. As annual written exposures increase (decrease), the resulting limit of insurance factors used for rating decrease (increase) and the combined effect should be reflected when trending premiums to future level. There are separate premium trend factor tables for Basic Group I, Basic Group II and Special Causes of Loss since there are separate limit of insurance curves for BG I, BG II and SCL.

For Time Element, exposure trend factors are also used to trend premiums, i.e., there are not separate Time Element premium trend factors because Time Element does not use limit of insurance factors for rating.

COLUMNS (1) ANNUAL WRITTEN INCREASE

AND (5)

The annual written increases for buildings, contents, and time element are calculated from the actual changes in amount of insurance from one year to the next for a sample of renewal policies (based on BG I experience). The change in amount of insurance for each policy in the sample was weighted with its prior year's premiums to obtain a weighted average change for each year. The Annual Written Increase in Premiums (Tables 24B, 24C and 24D) are calculated as the Annual Written Increase in Exposure tempered by the change in Limit of Insurance factor.

COLUMNS (2) 07-01-2017 WRITTEN FACTORS

AND (6)

The written factors for a given year are the product of the written annual changes for all years subsequent to that year. Although the 2017 written changes are based on two quarters of data, the consistency of this experience allows for the assumption that written changes for the first half of 2017 are applicable for the entire year.

COLUMNS (3) 10-01-2019 PROJECTED FACTORS

AND (7)

The 10-01-2019 factors are calculated by applying a factor to adjust the 07-01-2017 written factors to the amount of insurance level at the average date of writing, 10-01-2019. This is done using the selected annual changes in exposure or premium.

COLUMNS (4) 10-01-2019 EARNED EXPOSURES/PREMIUM FACTORS

AND (8)

The projected earned factors at the 10-01-2019 level (where 10-01-2019 is the average date of writing in the effective period) are calculated by earning the written factors assuming all one-year policies. The earning factors are shown in footnote (c).

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TABLE 25

BASIC GROUP I

ADDITIONAL INFORMATION ON TREND ADJUSTMENTS

YEAR	(1)	(2)	(3)	(4)		
	UNADJUSTED INCURRED LOSSES	TRENDED INCURRED LOSSES	AVERAGE TOTAL LOSS TREND FACTOR (2) / (1)	----- BUILDINGS	SPLIT % CONTENTS	----- TIME ELEMENT
2013	101,647,474	126,297,233	1.243	77.0%	11.1%	11.9%
2014	76,334,480	93,050,727	1.219	71.5%	17.2%	11.3%
2015	77,690,817	90,465,077	1.164	56.0%	28.0%	16.0%
2016	61,701,368	70,645,716	1.145	68.7%	16.4%	14.9%
2017	53,687,719	59,349,657	1.105	72.1%	16.3%	11.6%

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TABLE 26

BASIC GROUP II

ADDITIONAL INFORMATION ON TREND ADJUSTMENTS

YEAR	(1)	(2)	(3)	(4)		
	UNADJUSTED INCURRED LOSSES	TRENDED INCURRED LOSSES	AVERAGE TOTAL LOSS TREND FACTOR (2) / (1)	----- BUILDINGS	SPLIT % CONTENTS	----- TIME ELEMENT
2008	15,222,618	21,561,520	1.416	75.5%	17.5%	7.0%
2009	5,043,149	6,854,542	1.359	67.5%	30.1%	2.4%
2010	7,585,197	10,089,353	1.330	66.1%	26.5%	7.4%
2011	7,639,619	9,970,804	1.305	70.7%	23.1%	6.2%
2012	10,634,581	13,651,872	1.284	78.3%	18.5%	3.2%
2013	7,508,740	9,316,754	1.241	68.0%	28.0%	4.0%
2014	5,268,591	6,439,314	1.222	77.9%	12.5%	9.6%
2015	8,079,535	9,394,786	1.163	74.4%	23.4%	2.2%
2016	10,253,545	11,666,081	1.138	68.4%	25.1%	6.5%
2017	13,356,216	14,782,107	1.107	75.5%	12.9%	11.6%

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TABLE 27

SPECIAL CAUSES OF LOSS

ADDITIONAL INFORMATION ON TREND ADJUSTMENTS

YEAR	(1)	(2)	(3)	(4)		
	UNADJUSTED INCURRED LOSSES	TRENDED INCURRED LOSSES	AVERAGE TOTAL LOSS TREND FACTOR (2) / (1)	----- BUILDINGS	SPLIT % CONTENTS	----- TIME ELEMENT
2013	53,359,098	65,316,728	1.224	61.9%	33.4%	4.7%
2014	60,727,000	72,315,953	1.191	59.8%	32.2%	8.0%
2015	61,863,874	70,806,325	1.145	58.8%	25.2%	16.0%
2016	31,842,040	35,979,770	1.130	58.2%	32.6%	9.2%
2017	35,396,575	38,913,472	1.099	60.5%	33.4%	6.1%

EXPLANATORY NOTES TO TABLES 25, 26 AND 27

BG I, BG II, AND SCL ADDITIONAL INFORMATION ON TREND ADJUSTMENTS

COLUMN (1) UNADJUSTED INCURRED LOSSES

The unadjusted incurred losses are the reported losses prior to any adjustment.

COLUMN (2) TRENDED INCURRED LOSSES

The trended incurred losses are the aggregate of the individual losses trended on a unit record basis.

COLUMN (3) AVERAGE TREND FACTOR

The average trend factors are the trended incurred losses in column (2) divided by the unadjusted incurred losses in column (1). Although average factors could be calculated from the information contained in Tables 21 through 23, they would differ from the factors shown in this table for the following reasons:

- (1) In calculating such averages, the usual assumption is that the losses are spread evenly throughout the year, yielding the midpoint of each year as the average date of loss. A predominance of losses at a certain time of the year could shift the average accident date away from the midpoint.
- (2) The average trend factors will be slightly higher due to the impact of trend on the deductible.

COLUMN (4) PERCENTAGE SPLIT BETWEEN BUILDINGS, CONTENTS, AND TIME ELEMENT

The current cost factors and loss projection factors are different for buildings, contents, and time element. Therefore, in addition to the reasons cited above, the average trend factors will differ from state to state depending on the buildings/contents/time element split. Companies with splits substantially different from the industrywide averages shown here may find it appropriate to develop trend factors which reflect their own coverage mix.

LOSS DEVELOPMENT

INTRODUCTION

For Commercial Property, losses are evaluated as of December 31, 2017, three months after the end of the latest experience year used in the review. In order to account for development of losses beyond fifteen months and to reflect overall loss development patterns, loss development was incorporated into the adjustment process of incurred losses to their ultimate settlement value.

LOSS DEVELOPMENT PROCEDURES

The application of loss development factors recognizes the fact that not all of the Commercial Property losses for a particular accident year have been finally determined at the time the experience is compiled.

The incurred losses underlying the statewide loss cost level indications were evaluated as of December 31, 2017.

Accident year ended September 30, 2017 includes all losses paid on accidents from October 1, 2016 to September 30, 2017 and all losses outstanding on those accidents as of December 31, 2017, fifteen months after the inception of the accident year. Similarly, accident years ended September 30, 2016, 2015, 2014 and 2013 include all losses paid and outstanding as of 27, 39, 51 and 63 months, respectively, after the inception of the accident year.

Thus, the immature experience reported as of 15, 27, 39 or 51 months must be adjusted to an ultimate settlement basis. This adjustment is accomplished through the use of loss development factors based on the historic multistate Basic Group I, Basic Group II, and Special Causes of Loss incurred losses as shown in Table 28.

TABLE 28
BASIC GROUP I
INCURRED LOSSES
LOSS YEARS 2008-2017
EVALUATED AS OF 12/2017

LOSSES AS OF					
YEAR ENDING	15 MONTHS	27 MONTHS	39 MONTHS	51 MONTHS	63 MONTHS
9/30/2008	936,192,754	904,397,469	886,339,192	886,382,593	883,204,680
9/30/2009	986,660,702	973,566,273	967,107,017	959,667,510	958,095,353
9/30/2010	885,977,270	872,602,980	856,748,592	846,760,240	833,100,151
9/30/2011	923,115,836	911,332,751	892,019,295	883,814,035	883,210,304
9/30/2012	789,642,193	772,756,941	760,724,433	754,436,868	752,119,559
9/30/2013	903,455,107	886,902,045	883,373,919	873,693,457	862,155,324
9/30/2014	886,346,643	877,452,812	866,375,314	857,137,620	
9/30/2015	822,902,718	802,519,667	797,729,002		
9/30/2016	798,342,375	789,306,227			
9/30/2017	934,549,620				

RATIOS				
YEAR ENDING	27:15 MONTHS	39:27 MONTHS	51:39 MONTHS	63:51 MONTHS
9/30/2008	0.966	0.98	1	0.996
9/30/2009	0.987	0.993	0.992	0.998
9/30/2010	0.985	0.982	0.988	0.984
9/30/2011	0.987	0.979	0.991	0.999
9/30/2012	0.979	0.984	0.992	0.997
9/30/2013	0.982	0.996	0.989	0.987
9/30/2014	0.99	0.987	0.989	
9/30/2015	0.975	0.994		
9/30/2016	0.989			
5 POINT AVERAGE	0.983	0.988	0.990	0.993

DEVELOPMENT FACTORS TO ULTIMATE

15 MONTHS TO ULTIMATE = $0.983 \times 0.988 \times 0.990 \times 0.993 = 0.955$

27 MONTHS TO ULTIMATE = $0.988 \times 0.990 \times 0.993 = 0.971$

39 MONTHS TO ULTIMATE = $0.990 \times 0.993 = 0.983$

51 MONTHS TO ULTIMATE = $0.993 = 0.993$

TABLE 28

BASIC GROUP II
INCURRED LOSSES
LOSS YEARS 2008-2017
EVALUATED AS OF 12/2017

LOSSES AS OF					
YEAR ENDING	15 MONTHS	27 MONTHS	39 MONTHS	51 MONTHS	63 MONTHS
9/30/2008	803,777,068	803,998,685	806,479,380	809,564,889	810,043,871
9/30/2009	541,086,830	575,291,991	579,127,209	582,223,635	583,872,959
9/30/2010	566,663,364	576,988,368	577,881,115	578,972,755	580,213,587
9/30/2011	1,305,433,575	1,353,091,398	1,363,337,233	1,377,676,434	1,391,565,328
9/30/2012	792,617,225	838,423,470	859,935,590	868,153,219	874,835,475
9/30/2013	780,917,745	802,150,505	812,330,151	821,421,260	829,000,643
9/30/2014	593,275,931	612,923,170	626,382,859	639,106,198	
9/30/2015	428,011,830	456,064,840	462,523,057		
9/30/2016	689,210,918	721,590,846			
9/30/2017	763,647,044				

RATIOS				
YEAR ENDING	27:15 MONTHS	39:27 MONTHS	51:39 MONTHS	63:51 MONTHS
9/30/2008	1.000	1.003	1.004	1.001
9/30/2009	1.063	1.007	1.005	1.003
9/30/2010	1.018	1.002	1.002	1.002
9/30/2011	1.037	1.008	1.011	1.010
9/30/2012	1.058	1.026	1.010	1.008
9/30/2013	1.027	1.013	1.011	1.009
9/30/2014	1.033	1.022	1.020	
9/30/2015	1.066	1.014		
9/30/2016	1.047			
5 POINT AVERAGE	1.046	1.017	1.011	1.006

DEVELOPMENT FACTORS TO ULTIMATE

15 MONTHS TO ULTIMATE = $1.046 \times 1.017 \times 1.011 \times 1.006 = 1.082$

27 MONTHS TO ULTIMATE = $1.017 \times 1.011 \times 1.006 = 1.034$

39 MONTHS TO ULTIMATE = $1.011 \times 1.006 = 1.017$

51 MONTHS TO ULTIMATE = $1.006 = 1.006$

TABLE 28

SPECIAL CAUSES OF LOSS
INCURRED LOSSES
LOSS YEARS 2008-2017
EVALUATED AS OF 12/2017

LOSSES AS OF					
YEAR ENDING	15 MONTHS	27 MONTHS	39 MONTHS	51 MONTHS	63 MONTHS
9/30/2008	579,738,759	573,732,839	577,689,991	575,799,549	573,522,314
9/30/2009	583,716,254	580,150,616	575,940,850	573,282,642	572,827,429
9/30/2010	696,839,202	692,290,721	684,939,416	685,600,781	684,085,979
9/30/2011	763,620,041	752,796,011	746,190,056	743,767,355	743,259,403
9/30/2012	400,009,681	391,667,791	390,173,633	391,476,002	390,993,485
9/30/2013	460,698,920	454,377,887	447,748,341	448,639,941	449,233,602
9/30/2014	678,657,845	675,971,286	674,828,353	674,170,676	
9/30/2015	635,317,599	630,047,605	628,174,319		
9/30/2016	384,720,247	395,443,065			
9/30/2017	581,397,526				

RATIOS				
YEAR ENDING	27:15 MONTHS	39:27 MONTHS	51:39 MONTHS	63:51 MONTHS
9/30/2008	0.990	1.007	0.997	0.996
9/30/2009	0.994	0.993	0.995	0.999
9/30/2010	0.993	0.989	1.001	0.998
9/30/2011	0.986	0.991	0.997	0.999
9/30/2012	0.979	0.996	1.003	0.999
9/30/2013	0.986	0.985	1.002	1.001
9/30/2014	0.996	0.998	0.999	
9/30/2015	0.992	0.997		
9/30/2016	1.028			
5 POINT AVERAGE	0.996	0.993	1.000	0.999

DEVELOPMENT FACTORS TO ULTIMATE

15 MONTHS TO ULTIMATE = $0.996 \times 0.993 \times 1.000 \times 0.999 = 0.988$

27 MONTHS TO ULTIMATE = $0.993 \times 1.000 \times 0.999 = 0.992$

39 MONTHS TO ULTIMATE = $1.000 \times 0.999 = 0.999$

51 MONTHS TO ULTIMATE = $0.999 = 0.999$

EXPLANATORY NOTES TO TABLE 28

LOSS DEVELOPMENT

INTRODUCTION

Table 28 shows multistate incurred loss development exhibits for Basic Group I, Basic Group II and Special Causes of Loss. The exhibits on Table 28 are arranged identically for each subline and can be summarized as listing the following information: incurred losses by accident year and age, age-to-age factors by accident year, and age-to-ultimate factors.

INCURRED LOSSES

The multistate incurred losses are shown by accident year and age at the top of Table 28. The multistate incurred losses are evaluated as of 15, 27, 39, 51 and 63 months. For Basic Group II, losses due to hurricanes reflected in the modeled hurricane loss costs have been removed from the experience for each rating territory and loss month.

AGE-TO-AGE DEVELOPMENT FACTORS

Age-to-age development factors or link ratios are calculated for each accident year. These age-to-age factors are calculated by dividing the incurred losses evaluated at each age by the incurred losses evaluated at the immediately preceding age. For example, 27:15 month age-to-age factors are calculated by taking the losses evaluated as of 27 months and dividing them by the losses evaluated as of 15 months, for each accident year. Age-to-age development factors are also calculated for 39:27 months, 51:39 months and 63:51 months. Latest five-year averages are then determined for each age-to-age interval.

AGE-TO-ULTIMATE DEVELOPMENT FACTORS

Age-to-ultimate factors are then calculated for the latest four years by multiplying the five-year average age-to-age development factors. These age-to-ultimate factors are then used in the adjustment of incurred losses to develop losses to their ultimate settlement value.

EXCESS LOSS PROCEDURES

INTRODUCTION

If not addressed, the presence or absence of large losses during the review period can produce significant fluctuations in loss cost levels. In order to develop a more stable body of experience, large losses have been smoothed. This procedure removes any excess losses from the experience and applies excess loss factors to the resultant state normal losses to generate the adjusted incurred losses. The adjusted losses developed in this manner replace the incurred losses in the loss cost level evaluation.

BASIC GROUP I

First, the excess portion of each large loss is removed from the trended loss experience.

Individual claim amounts that result from the same occurrence are grouped together, and if the total loss for one occurrence exceeds the normal loss cutoff (at 2005 cost levels), the total loss is identified as a large loss. Each large loss is then split into its normal and excess portions based on the normal loss cutoff.

The Basic Group I normal loss cutoff begins at \$250,000 and varies with the size of loss up to a maximum normal amount (approached asymptotically) of \$1,250,000. (The formula and a graph are shown on Table 29.) The portion of each large loss exceeding the cutoff is considered excess and the portion of any loss up to the cutoff is considered normal.

As noted above, the excess loss procedure is performed on trended loss experience (i.e. loss experience adjusted to prospective cost levels by the current cost factors, loss projection factors, and loss trend adjustment factors (for claim cost only) shown in Tables 21 through 22). The loss trend adjustment for frequency trend is not reflected at this step in the process. The normal breakpoint of \$250,000 for BGI and the parameters in the normal loss formula are at 2005 cost levels and therefore have been similarly adjusted to prospective cost levels.

Both the normal and total incurred losses are aggregated over all states by construction, protection, and amount of insurance intervals. The most recent ten years of experience are used in this analysis. Excess loss factors by construction, protection and amount of insurance are then calculated as the ratios of the ten year multistate incurred losses to the ten-year multistate normal losses.

These factors are then smoothed by fitting curves (by amount of insurance intervals) to the indicated factors. The resulting factors are then balanced so the original ten-year multistate incurred loss level is maintained.

EXCESS LOSS PROCEDURES (cont'd)

BASIC GROUP I (cont'd)

The excess factors are then applied to the state normal losses, which are maintained in the same detail (construction, protection and amount of insurance) as well as by year, territory, rating group and TOP. The state normal losses used in this calculation have also been trended for frequency.

The excess loss factors vary by construction, protection and the amount of insurance because these are the most significant severity-related rating variables.

BASIC GROUP II

Since catastrophic wind losses affect both the frequency and severity of loss, the Basic Group II excess procedure identifies periods of overall adverse experience, rather than individual large losses. Also, due to the extreme volatility of windstorm losses, a long-term review period (1950 - present) is used to estimate the expected excess losses.

Loss ratio cutoffs are used to determine normal losses, state excess losses, and regional excess losses for each year in the long-term review period. The application of these cutoffs is detailed in the explanatory notes to Table 31A. The state excess losses are used to determine the state excess component of the state excess multiplier, and the regional excess losses are used to determine the regional excess component. (Table 31B is a list of states by region.) The state excess multiplier is derived in such a manner as to provide an estimate of the expected excess loss dollars per normal loss dollar.

The state excess multiplier is applied to each accident year in the ten-year experience period used in the review. In this way, a review database is created reflecting both the current normal loss experience and the average excess loss experience based on the long-term review. This allows a concurrent evaluation of both the normal and the excess components of the BG II loss cost level.

SPECIAL CAUSES OF LOSS

Similar to Basic Group II, the Special Causes of Loss (SCL) smoothing procedure uses a loss ratio approach to reflect both the frequency and severity of unusual loss events which may produce significant fluctuations in loss cost levels. The excess procedure uses longer term statewide SCL experience (1985 - present) to account for the volatile nature of weather related losses (water damage from bursting pipes, or the weight of ice, sleet, or snow) which are the predominant cause of large SCL losses in a given experience period. A monthly normal loss ratio cutoff of 2.0 is used to define normal and excess losses. The resulting ratio of excess to normal losses over the long-term experience period is then applied to the normal losses used in the loss cost level review. SCL has a lower loss ratio cutoff than that used in Basic Group II in order to reflect the less catastrophic nature of unusual SCL loss events. The calculations underlying the smoothing procedure are described in the Explanatory Notes to Table 32.

**TABLE 29 - COUNTRYWIDE BASIC GROUP I EXCESS LOSS FACTORS
BY CONSTRUCTION, PROTECTION AND EXPOSURE**

		Amount of Insurance *										
		1	2	3	4	5	6	7	8	9	10	11
Const. 1-3	Prot. 1-4	1.000	1.045	1.092	1.141	1.192	1.246	1.302	1.360	1.421	1.485	2.002
	Prot. 5-7	1.000	1.057	1.118	1.182	1.250	1.322	1.397	1.478	1.562	1.652	2.414
	Prot. 8-10	1.000	1.059	1.121	1.187	1.256	1.330	1.408	1.490	1.578	1.670	2.461

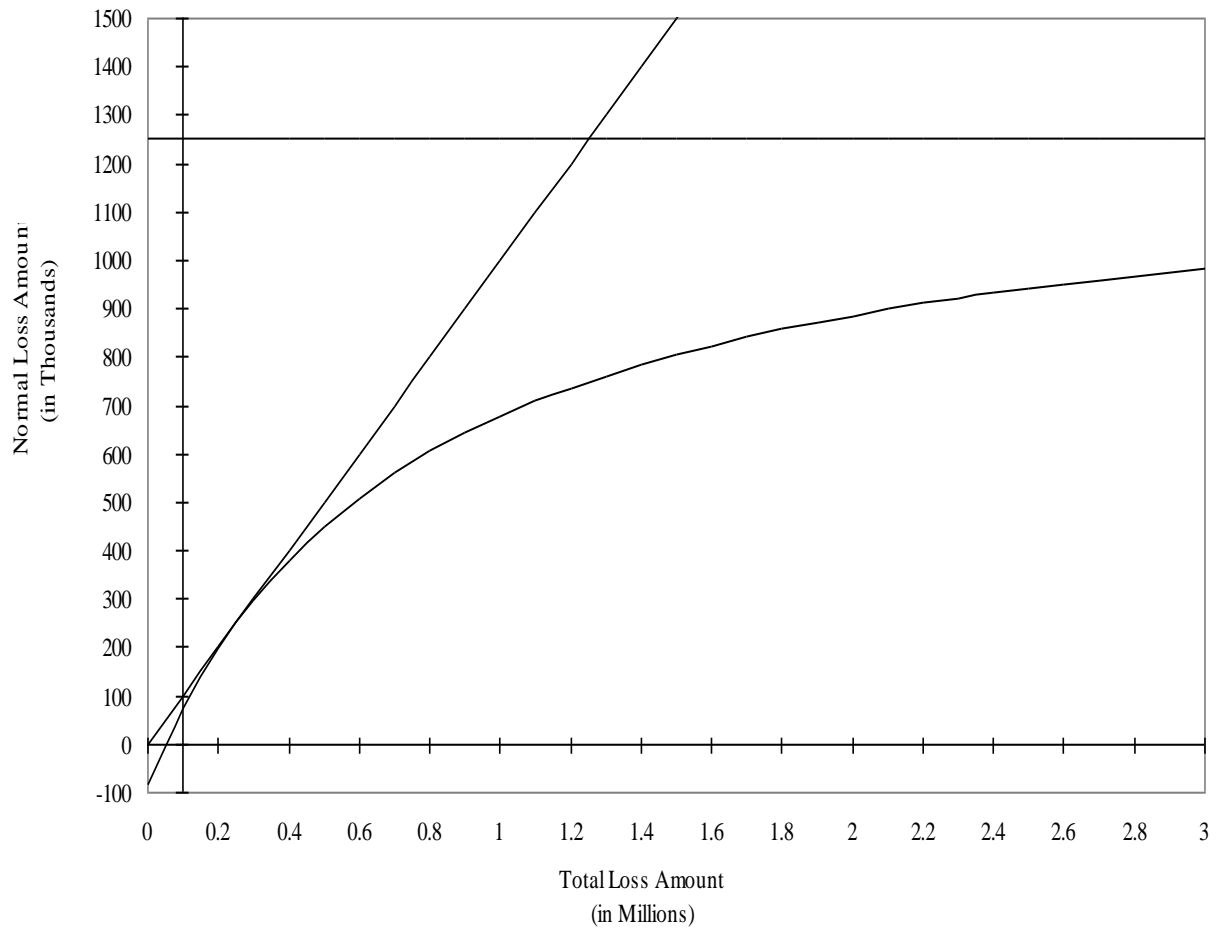
		Amount of Insurance *										
		1	2	3	4	5	6	7	8	9	10	11
Const. 4-6	Prot. 1-4	1.000	1.039	1.081	1.123	1.167	1.214	1.261	1.311	1.363	1.417	1.844
	Prot. 5-7	1.000	1.052	1.106	1.164	1.224	1.288	1.354	1.425	1.499	1.576	2.223
	Prot. 8-10	1.000	1.053	1.109	1.168	1.230	1.296	1.364	1.437	1.513	1.594	2.267

*	<u>Amount of Insurance</u>	<u>Intervals</u>
	1	0-403,000
	2	403,001-500,000
	3	500,001-700,000
	4	700,001-1,000,000
	5	1,000,001-1,500,000
	6	1,500,001-2,500,000
	7	2,500,001-3,500,000
	8	3,500,001-5,500,000
	9	5,500,001-7,500,000
	10	7,500,001-10,000,000
	11	10,000,001 and over

Table 29 (cont'd)

Countrywide Basic Group I
Normal vs. Total Loss Amount

$$\text{Normal Loss} = \$1,250,000 \times (1 - (\$800,000 \div (\text{Total Loss} + \$750,000)))$$



EXPLANATORY NOTES TO TABLES 29

COUNTRYWIDE BASIC GROUP I EXCESS LOSS FACTORS

EXCESS LOSS FACTORS

The multistate excess loss factors are the ratios of the ten-year multistate adjusted incurred losses to the ten-year multistate adjusted normal losses (both adjusted for severity trend). They are determined separately by construction, protection and amount of insurance range. Due to credibility considerations, both constructions and protections have been consolidated as shown. The amount of insurance ranges are also shown.

CALIFORNIA
TABLE 30

BASIC GROUP I
ADDITIONAL EXCESS LOSS INFORMATION

	(1)	(2)	(3)	(4)	(5)	(6)
YEAR	TRENDED INCURRED LOSSES	TRENDED NORMAL LOSSES	STATE NORMAL % (2) / (1)	MULTI- STATE NORMAL %	ADJUSTED INCURRED LOSSES	STATE AVERAGE EXCESS FACTOR (5) / (2)
2013	126,297,233	75,105,117	59.5%	70.3%	107,808,797	1.435
2014	93,050,727	70,794,182	76.1%	73.4%	98,389,071	1.390
2015	90,465,077	62,821,821	69.4%	72.8%	88,285,328	1.405
2016	70,645,716	50,595,916	71.6%	72.4%	73,117,554	1.445
2017	59,349,657	46,244,252	77.9%	71.3%	71,790,282	1.552

EXPLANATORY NOTES TO TABLE 30

BASIC GROUP I ADDITIONAL EXCESS LOSS INFORMATION

COLUMN (1) TRENDED INCURRED LOSSES

The trended incurred losses are the aggregate of all individually-trended loss records prior to any adjustment for large losses. They are shown here fully trended for severity.

COLUMN (2) TRENDED NORMAL LOSSES

The normal losses are the aggregate of the normal portions of each loss occurrence. These are also fully trended.

COLUMN (3) STATE NORMAL PERCENTAGE

The state normal percentages are the statewide normal losses divided by the statewide trended incurred losses. These percentages can be used in conjunction with the multistate percentages and actual dollar amounts of normal losses to assess the state loss experience. For example, consistently lower state normal percentages relative to multistate normal percentages could indicate that the state has a greater propensity for large losses.

COLUMN (4) MULTISTATE NORMAL PERCENTAGES

The multistate normal percentages are the multistate normal losses divided by the multistate trended incurred losses. As noted above these can be used as a yardstick against which the statewide experience can be measured.

COLUMN (5) ADJUSTED INCURRED LOSSES

The adjusted incurred losses are the totals across all constructions, protections and exposures of the fully trended normal losses multiplied by the excess loss factors.

COLUMN (6) STATE AVERAGE EXCESS FACTOR

The state average excess factors are the adjusted incurred losses in column (5) divided by the normal losses in column (2). These factors represent the annual averages of the factors calculated separately by construction, protection and amount of insurance. The average excess factor reflects the normal loss mix by construction, protection and exposure. Heavy concentration in those subsets of the data with high excess factors will result in large average factors.

CALIFORNIA
TABLE 31A

DEVELOPMENT OF BASIC GROUP II EXCESS MULTIPLIER

	(1)	(2)	(3)	(4)	(5)	(6)
YEAR	EARNED PREMIUMS	INCURRED LOSSES	NORMAL INCURRED LOSSES	NORMAL LOSS RATIO	STATE EXCESS LOSS RATIO	REGIONAL EXCESS LOSS RATIO
1950	6,569,743	922,971	922,971	0.140		
1951	6,787,743	1,583,168	1,583,168	0.233		
1952	7,195,967	2,661,422	2,661,422	0.370		
1953	7,069,671	2,011,618	2,011,618	0.285		
1954	6,459,922	1,436,168	1,436,168	0.222		
1955	5,920,672	1,913,697	1,913,697	0.323		
1956	5,665,789	3,207,616	3,207,616	0.566		
1957	5,851,213	2,701,280	2,701,280	0.462		
1958	6,442,183	2,983,597	2,983,597	0.463		
1959	7,307,337	2,952,725	2,952,725	0.404		
1960	8,216,664	3,114,060	3,114,060	0.379		
1961	9,020,013	2,852,639	2,852,639	0.316		
1962	9,378,462	4,197,017	4,197,017	0.448		
1963	9,144,681	4,108,822	4,108,822	0.449		
1964	9,217,592	4,825,688	4,825,688	0.524		
1965	9,557,323	12,497,348	8,974,326	0.939	0.316	0.053
1966	9,841,976	4,326,642	4,326,642	0.440		
1967	10,470,968	6,852,753	6,852,753	0.654		
1968	10,529,003	7,314,647	7,314,647	0.695		
1969	11,965,657	7,182,621	7,182,621	0.600		
1970	17,409,878	6,660,452	6,660,452	0.383		
1971	17,367,561	4,784,105	4,784,105	0.275		
1972	19,671,209	4,238,529	4,238,529	0.215		
1973	21,029,368	6,464,315	6,464,315	0.307		
1974	23,255,019	8,208,155	8,208,155	0.353		
1975	28,430,652	10,092,345	10,092,345	0.355		
1976	35,665,699	9,020,298	9,020,298	0.253		
1977	42,227,422	12,092,749	12,092,749	0.286		
1978	47,668,885	19,018,852	19,018,852	0.399		
1979	48,784,526	18,475,500	18,475,500	0.379		
1980	43,555,150	23,887,281	23,887,281	0.548		
1981	38,820,548	20,537,718	20,537,718	0.529		
1982	37,891,824	36,287,254	34,403,805	0.908	0.048	0.002
1983	37,115,352	51,756,117	43,696,008	1.177	0.192	0.025
1984	34,458,396	25,238,188	25,238,188	0.732		
1985	48,490,464	19,851,847	19,851,847	0.409		
1986	67,888,644	21,534,526	21,534,526	0.317		
1987	74,914,689	20,235,351	20,235,351	0.270		
1988	70,121,676	19,003,250	19,003,250	0.271		
1989	54,442,752	10,970,307	10,970,307	0.202		

CALIFORNIA
TABLE 31A

DEVELOPMENT OF BASIC GROUP II EXCESS MULTIPLIER

	(1)	(2)	(3)	(4)	(5)	(6)
YEAR	EARNED PREMIUMS	INCURRED LOSSES	NORMAL INCURRED LOSSES	NORMAL LOSS RATIO	STATE EXCESS LOSS RATIO	REGIONAL EXCESS LOSS RATIO
1990	50,045,301	12,726,302	12,726,302	0.254		
1991	47,821,473	10,055,338	10,055,338	0.210		
1992	45,946,686	58,997,425	31,332,199	0.682	0.469	0.133
1993	47,287,758	8,373,183	8,373,183	0.177		
1994	49,845,294	9,739,691	9,739,691	0.195		
1995	53,053,248	17,221,778	17,221,778	0.325		
1996	46,949,739	7,741,988	7,741,988	0.165		
1997	45,087,375	8,954,714	8,954,714	0.199		
1998	40,164,597	12,747,994	12,747,994	0.317		
1999	32,440,035	6,276,067	6,276,067	0.193		
2000	29,333,718	7,422,179	7,422,179	0.253		
2001	27,306,951	6,406,034	6,406,034	0.235		
2002	34,839,081	7,583,391	7,583,391	0.218		
2003	39,322,491	9,494,641	9,494,641	0.241		
2004	44,981,934	5,923,108	5,923,108	0.132		
2005	47,128,107	7,491,729	7,491,729	0.159		
2007	80,621,994	12,720,444	12,720,444	0.158		
2008	46,152,538	15,222,618	15,222,618	0.330		
2009	48,079,348	5,043,149	5,043,149	0.105		
2010	47,299,441	7,585,197	7,585,197	0.160		
2011	43,443,177	7,639,619	7,639,619	0.176		
2012	40,920,676	10,634,581	10,634,581	0.260		
2013	42,421,429	7,508,740	7,508,740	0.177		
2014	42,487,746	5,268,591	5,268,591	0.124		
2015	32,308,510	8,079,535	8,079,535	0.250		
2016	24,596,355	10,253,545	10,253,545	0.417		
2017	22,524,905	13,356,216	13,356,216	0.593		
TOTALS				24.185	1.025	0.213

(7) STATE EXCESS COMPONENT = (SELR / NLR) = 0.042

(8) REGIONAL EXCESS COMPONENT = 0.091

(9) STATE EXCESS MULTIPLIER = (1 + SEC) * (1 + REC) = 1.137

NOTE: FOR YEARS PRIOR TO 2006, THE DISPLAYED YEAR INCLUDES DATA FOR ACCIDENT YEAR ENDING 12/31. FOR YEARS 2008 TO 2017, THE DISPLAYED YEAR INCLUDES DATA FOR ACCIDENT YEAR ENDING 09/30. THE DISPLAYED YEAR 2007 INCLUDES DATA FOR FIRST QUARTER 2006 THROUGH THIRD QUARTER 2007.

EXPLANATORY NOTES TO TABLE 31A

COLUMN (1) EARNED PREMIUMS

The unadjusted earned premiums are shown for each year.

COLUMN (2) INCURRED LOSSES

The unadjusted incurred losses are shown for each year.

COLUMN (3) NORMAL INCURRED LOSSES

Normal losses which are shown for each year are defined as follows:

- for losses reported under CSP (for which month of loss detail is available), that portion of each month's losses which does not exceed 2.5 times that month's earned premiums.
- for losses reported under CRSP, SCOH and SMP (for which month of loss detail is not available), that part of each year's losses which does not exceed 0.939 times that year's earned premiums.

COLUMN (4) NORMAL LOSS RATIO

For each year in the excess review period, the normal loss ratio is calculated as the ratio of the normal losses (for CSP data the sum of each month's normal losses) to the earned premiums for the same year.

COLUMN (5) STATE EXCESS LOSS RATIO

The state excess loss ratio is the ratio of the state excess losses to the unadjusted earned premium. The state excess losses are determined by the following formulas:

- $$EP \times \frac{20(LR-2.5)}{(LR-2.5)+20} \text{ if } LR > 2.5; \text{ otherwise } 0$$

for CSP, where EP = the monthly earned premiums, LR = the monthly loss ratio and the yearly state excess losses are the sum of the monthly state excess losses.

- $$EP \times \frac{2.2(LR-.939)}{(LR-.939)+2.2} \text{ if } LR > 0.939; \text{ otherwise } 0$$

for CRSP, SCOH, SMP, where EP = the earned premiums and LR = the yearly loss ratio.

EXPLANATORY NOTES TO TABLE 31A (cont'd)

COLUMN (6)

REGIONAL EXCESS LOSS RATIO

If $LR > NLR$, then the regional excess loss ratio is:

regional excess loss ratio = $LR - SELR - NLR$

where $SELR$ = the state excess loss ratio,
 NLR = the normal loss ratio, and
 LR = the loss ratio

LINE (7)

STATE EXCESS COMPONENT

The state excess component is determined by dividing the sum of all state excess loss ratios by the sum of all normal loss ratios (where the sum is taken across all accident years).

LINE (8)

REGIONAL EXCESS COMPONENT

The regional excess component is determined by dividing the weighted average (determined, in each case, against the latest year unadjusted premium distribution) of the sum of regional excess loss ratios of all the states in the region by the weighted average of the sum of all loss ratio points retained by a state (normal and state excess loss ratios) of all the states in the region. See Table 31B for the appropriate BG II region for the state.

LINE (9)

STATE EXCESS MULTIPLIER

The state excess multiplier is derived by taking the product of the state excess component and the regional excess component.

TABLE 31B

BASIC GROUP II REGIONS

NORTHEAST REGION

CONNECTICUT
DELAWARE
DIST OF COLUMBIA
MAINE
MARYLAND
MASSACHUSETTS
NEW HAMPSHIRE
NEW JERSEY
NEW YORK
PENNSYLVANIA
RHODE ISLAND
VERMONT
VIRGINIA

PLAINS REGION

ARKANSAS
COLORADO
IOWA
KANSAS
MINNESOTA
MISSOURI
MONTANA
NEBRASKA
NORTH DAKOTA
OKLAHOMA
SOUTH DAKOTA
WYOMING

SOUTHEAST REGION

ALABAMA
FLORIDA
GEORGIA
LOUISIANA
MISSISSIPPI
NORTH CAROLINA
SOUTH CAROLINA
HAWAII

MIDWEST REGION

ILLINOIS
INDIANA
KENTUCKY
MICHIGAN
OHIO
TENNESSEE
WEST VIRGINIA
WISCONSIN

WEST REGION

ARIZONA
CALIFORNIA
IDAHO
NEVADA
NEW MEXICO
OREGON
UTAH
WASHINGTON
ALASKA

CALIFORNIA

TABLE 32 - DEVELOPMENT OF SPECIAL CAUSES OF LOSS EXCESS MULTIPLIER

	(1)	(2)	(3)	(4)	(5)
	EARNED	INCURRED	NORMAL	NORMAL	STATE
YEAR	PREMIUMS	LOSSES	INCURRED	LOSS	EXCESS
			LOSSES	RATIO	LOSS
					RATIO
1986	64,304,148	39,702,784	39,702,784	0.617	
1987	72,072,594	32,144,551	32,144,551	0.446	
1988	68,154,867	43,046,904	43,046,904	0.632	
1989	60,673,041	45,689,654	45,689,654	0.753	
1990	71,102,802	71,780,110	71,253,689	1.002	0.008
1991	77,151,426	99,110,935	77,754,374	1.008	0.277
1992	76,857,366	94,843,607	77,550,821	1.009	0.225
1993	74,630,607	72,505,521	72,505,521	0.972	
1994	62,012,457	87,844,656	61,957,724	0.999	0.418
1995	55,204,503	52,084,348	51,167,615	0.927	0.016
1996	58,004,151	43,310,022	43,310,022	0.747	
1997	57,341,868	47,119,520	45,383,577	0.791	0.031
1998	55,428,336	34,765,386	34,765,386	0.627	
1999	56,946,345	34,932,217	34,932,217	0.613	
2000	59,441,445	32,703,212	32,703,212	0.550	
2001	59,938,617	40,679,277	40,679,277	0.679	
2002	73,835,913	44,510,891	44,510,891	0.603	
2003	82,674,414	40,866,908	40,866,908	0.494	
2004	91,946,583	43,369,506	43,369,506	0.472	
2005	96,930,990	47,062,931	47,062,931	0.486	
2006	90,162,507	31,063,684	31,063,684	0.345	
2007	88,295,316	50,270,514	50,270,514	0.569	
2008	82,440,480	55,322,611	55,322,611	0.671	
2009	88,277,496	55,521,526	55,521,526	0.629	
2010	90,661,128	45,764,243	45,764,243	0.505	
2011	89,080,317	50,898,712	50,898,712	0.571	
2012	87,415,614	48,561,849	48,561,849	0.556	
2013	90,037,824	53,359,098	53,359,098	0.593	
2014	93,710,170	60,727,000	60,727,000	0.648	
2015	79,575,783	61,863,874	61,863,874	0.777	
2016	71,772,210	31,842,040	31,842,040	0.444	
2017	72,085,483	35,396,575	35,396,575	0.491	
TOTALS		1,628,664,666	1,560,949,290	21.226	0.975

(6) STATE EXCESS COMPONENT = (SELR / NLR) = 0.046

(7) STATE EXCESS MULTIPLIER = (1 + SEC) = 1.046

EXPLANATORY NOTES TO TABLE 32

SPECIAL CAUSES OF LOSS ADDITIONAL EXCESS LOSS FACTOR

COLUMN (1) EARNED PREMIUMS

These are the unadjusted earned premiums for each year.

COLUMN (2) INCURRED LOSSES

These are the unadjusted incurred losses for each year.

COLUMN (3) NORMAL INCURRED LOSSES

The normal incurred losses are shown for each year. The normal incurred losses are defined to be that portion of each month's losses which does not exceed 2.0 times the monthly earned premiums.

COLUMN (4) NORMAL LOSS RATIO

The normal loss ratio for each year is the ratio of the normal incurred losses for each year divided by the earned premiums for the year.

Column (4) = Column (3) ÷ Column (1)

COLUMN (5) EXCESS LOSS RATIO

The excess loss ratio for each year is the ratio of the excess losses to the earned premium for the year. The excess losses are calculated as the incurred losses minus the normal incurred losses for each year.

LINE (6) EXCESS COMPONENT

The excess component is determined by dividing the sum of the excess loss ratios by the sum of the normal loss ratios, where the sums are taken across all years in the excess review period.

LINE (7) EXCESS MULTIPLIER

The excess multiplier is derived by adding unity to the excess component.

OVERVIEW

APPLICATION OF CREDIBILITY

INTRODUCTION

Credibility, Z , is a weight given to the most recent body of data. The complement of credibility, $1-Z$, is the weight assigned to net trend. The final estimate is a weighted average obtained by using the formula $C = Z \times R + (1-Z) \times N$, where:

Z = credibility

C = final estimate

R = estimate based on the most recent data

N = net trend

Credibility may range from 0 to 1, where $Z=1$ is full credibility and $Z=0$ is no credibility. The actual numerical value of Z is calculated by considering how the state's volume of experience compares with an established full credibility standard. Credibility is capped at 25% if the credibility calculated is below 25%. See Tables 33, 33A, and 34 for a complete explanation of the credibility standards for Basic Group I, Basic Group II, and Special Causes of Loss.

CALIFORNIA

TABLE 33 - BASIC GROUP I STATEWIDE CREDIBILITY CALCULATION

(1a)	FULL CREDIBILITY CLAIMS STANDARD FOR FREQUENCY WITH (P,K) = (95.00% , 5.00%)	1,537
(1b)	SEVERITY MODIFICATION FACTOR	8.767
(1c)	FULL CREDIBILITY CLAIMS STANDARD ADJUSTED FOR SEVERITY ((1a) X (1b))	13,475
(2)	MULTISTATE FIVE YEAR RATIO OF EARNED RISKS TO CLAIMS	339.119
(3)	FULL CREDIBILITY EARNED RISKS STANDARD (1c) X (2)	4,569,629
(4)	FIVE YEAR STATEWIDE EARNED RISKS	1,863,215
(5)	FIVE YEAR AGGREGATE LOSS COSTS	425,583,222
(6)	AGGREGATE LOSS COSTS PER EARNED RISK (5) / (4)	228.413
(7)	AGGREGATE LOSS COSTS FOR 100% CREDIBILITY (3) X (6)	1,043,762,669
(8)	STATEWIDE CREDIBILITY ((5) / (7)) ** (.5)	63.9%

CALIFORNIA

TABLE 33A - BASIC GROUP II STATEWIDE CREDIBILITY CALCULATION

(1) FULL CREDIBILITY CLAIMS STANDARD	30,000
(2) MULTISTATE TEN YEAR RATIO OF EARNED RISKS TO CLAIMS	137.074
(3) FULL CREDIBILITY EARNED RISKS STANDARD (1) X (2)	4,112,220
(4) TEN YEAR STATEWIDE EARNED RISKS	3,874,145
(5) TEN YEAR AGGREGATE LOSS COSTS	198,246,195
(6) AGGREGATE LOSS COSTS PER EARNED RISK (5) / (4)	51.172
(7) AGGREGATE LOSS COSTS FOR 100% CREDIBILITY (3) X (6)	210,430,522
(8) STATEWIDE CREDIBILITY ((5) / (7)) ** (.5)	97.1%

CALIFORNIA

TABLE 34 - SPECIAL CAUSES OF LOSS STATEWIDE CREDIBILITY CALCULATION

(1) FULL CREDIBILITY CLAIMS STANDARD	25,000
(2) MULTISTATE FIVE YEAR RATIO OF EARNED RISKS TO CLAIMS	171.493
(3) FULL CREDIBILITY EARNED RISKS STANDARD (1) X (2)	4,287,325
(4) FIVE YEAR STATEWIDE EARNED RISKS	1,851,517
(5) FIVE YEAR AGGREGATE LOSS COSTS	271,154,555
(6) AGGREGATE LOSS COSTS PER EARNED RISK (5) / (4)	146.450
(7) AGGREGATE LOSS COSTS FOR 100% CREDIBILITY (3) X (6)	627,878,746
(8) STATEWIDE CREDIBILITY ((5) / (7)) ** (.5)	65.7%

EXPLANATORY NOTES TO TABLES 33, 33A AND 34

BASIC GROUP I, BASIC GROUP II, AND SPECIAL CAUSES OF LOSS
STATEWIDE CREDIBILITY CALCULATION

LINE (1a)
(BGI only)

Full Credibility Claims Standard of Frequency

Based on a Poisson distribution, the minimum sample size of claims is determined such that the probability that the actual number of claims will be within 5% of the expected number of claims is greater than 95%.

LINE (1b)
(BGI only)

Severity Modification Factor

This factor, defined as $(1 + S^2 / M^2)$, is used to modify the claims standard to reflect variance due to severity, where S is the standard deviation and M is the mean of the loss severity distribution (on a normal loss basis).

LINE (1c) - BGI
LINE (1) - BGII, SCL

Full Credibility Claims Standard

For Basic Group I, this standard is the product of the frequency standard in line (1a) and the severity modification factor in line (1b). For Basic Group II and Special Causes of Loss, standards for full credibility of 30,000 claims for BGII and 25,000 claims for SCL were selected to balance stability and responsiveness.

LINE (2)

Multistate Experience Period Ratio of Earned Risks to Claims

This ratio was determined based on Commercial Statistical Plan data for the latest experience period (Five years for Basic Group I and Special Causes of Loss; Ten years for Basic Group II).

LINE (3)

Full Credibility Earned Risks Standard

To translate the claims standard to an equivalent standard based on earned risks, the claims standard (line (1c) for BGI, (1) for BGII and SCL) is multiplied by the multistate experience period ratio of earned risks to claims (line (2)).

LINE (4)

Experience Period Statewide Earned Risks

This is the number of earned risks in the state for the experience period.

EXPLANATORY NOTES TO TABLE 33, 33A, AND 34 (cont'd)

LINE (5) Experience Period Aggregate Loss Costs

These are the state's experience period adjusted aggregate loss costs.

LINE (6) Statewide Experience Period Ratio of Aggregate Loss Costs to Earned Risks

This ratio is determined by dividing the state's experience period adjusted aggregate loss costs by its experience period earned risks.

LINE (7) Full Credibility Aggregate Loss Costs Standard

To translate the risk standard into an aggregate loss cost standard on a state by state basis, the ratio (line (6)) is multiplied by the full credibility earned risks standard (line (3)).

LINE (8) Credibility

The state's credibility is calculated by using the square root credibility formula:

$$Z = \sqrt{\frac{P}{C}}$$

where Z = credibility,
 P = statewide five-year adjusted aggregate loss costs (line (5)), and
 C = full credibility aggregate loss costs standard (line (7)).

CALIFORNIA
COMMERCIAL PROPERTY INSURANCE

SECTION D - ADDITIONAL SUPPORTING MATERIAL

Basic Group I Rating Group Definitions (Table 36)	D2-6
Special Causes of Loss Category Definitions (Table 37)	D7-9
Unadjusted Loss Costs, Incurred Losses, Experience Ratios (Tables 38 - 40)	D10-12
Loss Adjustment Expense Factors (Table 41)	D13-14

TABLE 36

BASIC GROUP I RATING GROUP DEFINITIONS

THE FOLLOWING CSP CLASSES COMPRISE THE BASIC GROUP I RATING GROUPS

01 APARTMENTS

- 0311 Apartments without Mercantile Occupancies - Up to 10 Units
- 0312 Apartments without Mercantile Occupancies - 11 to 30 Units
- 0313 Apartments without Mercantile Occupancies - Over 30 Units
- 0321 Apartments with Mercantile Occupancies - Up to 10 Units
- 0322 Apartments with Mercantile Occupancies - 11 to 30 Units
- 0323 Apartments with Mercantile Occupancies - Over 30 Units
- 0331 Residential Condominiums without Mercantile Occupancies - Up to 10 Units
- 0332 Residential Condominiums without Mercantile Occupancies - 11 to 30 Units
- 0333 Residential Condominiums without Mercantile Occupancies - Over 30 Units
- 0341 Residential Condominiums with Mercantile Occupancies - Up to 10 Units
- 0342 Residential Condominiums with Mercantile Occupancies - 11 to 30 Units
- 0343 Residential Condominiums with Mercantile Occupancies - Over 30 Units

02 OTHER HABITATIONAL

- 0074 Boarding and Lodging Houses, Rooming Houses, Fraternities and Sororities, Dormitories - Up to 10 Units
- 0075 Boarding and Lodging Houses, Rooming Houses, Fraternities and Sororities, Dormitories - 11 to 30 Units
- 0076 Boarding and Lodging Houses, Rooming Houses, Fraternities and Sororities, Dormitories - Over 30 Units
- 0077 Convents, Monasteries and Rectories, Orphan Homes, Nurses' Homes, Sisters' Homes - Up to 10 Units
- 0078 Convents, Monasteries and Rectories, Orphan Homes, Nurses' Homes, Sisters' Homes - 11 to 30 Units
- 0079 Convents, Monasteries and Rectories, Orphan Homes, Nurses' Homes, Sisters' Homes - Over 30 Units
- 0196 Dwellings Written in Conjunction with Commercial Risks from the Commercial Lines Manual - 1 Family
- 0197 Dwellings Written in Conjunction with Commercial Risks from the Commercial Lines Manual - 2 Family
- 0198 Dwellings Written in Conjunction with Commercial Risks from the Commercial Lines Manual - 3 and 4 Family
- 0300 Large Area Housing Developments (Special Rating Treatment)

03 RESTAURANTS & BARS

- 0541 Bars and Taverns
- 0542 Restaurants with Commercial Cooking
- 0545 Restaurants with Limited Cooking

04 OTHER MERCANTILES

- 0431 Sole Occupancy Mercantile, Over 15,000 Square Feet, Building Coverage, Other than Food Risks
- 0432 Sole Occupancy Mercantile, Over 15,000 Square Feet, Food Risks, Buildings and Personal Property
- 0433 Multiple Occupancy Mercantile, Over 15,000 Square Feet, Building Coverage Only, Not Fire Class Rated
- 0434 Multiple Occupancy Mercantile, Less than 15,000 Square Feet, Building Coverage Only, Not Fire Class Rated
- 0511 Risks Having Low Susceptibility Personal Property, NOC
- 0512 Tire, Battery and Accessory Dealers Without Tire Recapping and Vulcanizing
- 0520 Wearing Apparel, Textiles, Shoes
- 0531 Alcoholic Beverages other than Bars
- 0532 Food Products including Retail Bakeries (no baking and no cooking on premises; sales only); Beverages other than Alcoholic
- 0533 Retail Bakeries - Baking on Premises (No delivery to other outlets)
- 0534 Food Products with Limited Cooking, Excluding Bakeries
- 0550 Motor Vehicle (Auto, Aircraft, Marine) Sales, No Repair
- 0561 Boat and Marine Supply Dealers
- 0562 Drugs
- 0563 Electrical Goods, Hardware and Machinery
- 0564 Furniture and Home Furnishings other than Appliances
- 0565 Jewelry
- 0566 Sporting Goods
- 0567 Risks Having Moderate Susceptibility Personal Property, NOC
- 0570 Risks Having High Susceptibility Personal Property, NOC
- 0580 Greenhouses
- 0581 Multiple Occupancy Mercantile, Fire Class Rated, without furniture Occupant
- 0582 Multiple Occupancy Mercantile, Fire Class Rated, with furniture Occupant

05 PUBLIC BUILDINGS

- 0701 Governmental Offices
- 1000 Penal Institutions
- 1051 Museums, Libraries, Art Galleries (non-profit)
- 1070 Other Public Buildings, Fire Dept., Police, Water/Sewer

06 CHURCHES

- 0900 Churches and Synagogues

07 SCHOOLS

- 1052 Schools, Academic

08 OFFICE AND BANKS

- 0702 Non-Governmental Offices and Banks

09 RECREATIONAL FACILITIES

- 0755 Golf Clubs, Tennis Clubs and Similar Sports Facilities with Cooking
- 0756 Golf Clubs, Tennis Clubs and Similar Sports Facilities without Cooking
- 0757 Clubs, NOC, Including Fraternal and Union Halls
- 0831 Motion Picture Studios
- 0832 Theaters
- 0833 Drive-in Theaters
- 0834 Skating Rinks--Roller Rinks
- 0841 Bowling Alleys
- 0843 Halls and Auditoriums
- 0844 Recreational Facilities, NOC
- 0845 Boys' and Girls' Camps
- 0846 Dance Halls, Ballrooms & Discotheques
- 0951 Gambling Casinos with Restaurants
- 0952 Gambling Casinos without Restaurants

10 HOTELS & MOTELS

- 0742 Motels and Hotels with Restaurant - Up to 10 Units
- 0743 Motels and Hotels with Restaurant - 11 to 30 Units
- 0744 Motels and Hotels with Restaurant - Over 30 Units
- 0745 Motels and Hotels without Restaurant - Up to 10 Units
- 0746 Motels and Hotels without Restaurant - 11 to 30 Units
- 0747 Motels and Hotels without Restaurant - Over 30 Units

11 HOSPITALS & NURSING HOMES

- 0851 Hospitals
- 0852 Nursing and Convalescent Homes

12 BUILDINGS UNDER CONSTRUCTION

- 1150 Buildings Under Construction

13 MOTOR VEHICLE RISKS

- 0931 Auto Parking Garages, Car Washes
- 0932 Gasoline Service Stations
- 0933 Aircraft Hangars with Repairing, Motor Vehicle Repairing Including Auto Body Shops, with or without Sales
- 0934 Tire Recapping and Vulcanizing with or without Sales
- 0940 Aircraft Hangars without Repairing

14 OTHER NON-MANUFACTURING

- 0911 Dry Cleaner and Dyeing Plants, other than Self-Service
- 0912 Laundries, other than Self-Service
- 0913 Self-Service Laundries and Dry Cleaners
- 0921 Light Hazard Service Occupancies
- 0922 Services Occupancies, Other than Light Hazard, NOC
- 0923 Funeral Homes
- 1180 Vacant Buildings
- 1185 Billboards and Signs
- 1190 Yard Property, NOC, Including Property in the Open

15 STORAGE

- 1200 Piers, Wharves, Bridges
- 1211 Freight Terminals
- 1212 General Storage Warehouses - Bailee
- 1213 Miscellaneous Products Storage - (other than Retail or Wholesale or Cold Storage)
- 1220 Household Goods Storage
- 1230 Cold Storage Warehouses
- 1251 Farm Products (other than Grain, Cotton, Tobacco)
- 1252 Grain, Seed, Bean Warehouses
- 1300 Cotton Compresses and Storage
- 1400 Waste and Reclaimed Material, including Yards
- 1450 Whiskey and Liquor Warehouses in Connection with Distilleries
- 1501 Tobacco Warehouses, Storage
- 1502 Tobacco Sales Warehouses
- 1550 Grain Elevators - Terminal
- 1610 Grain Elevators - Country
- 1650 Building Supply Yards, including Retail Lumberyards, Coal and Coke Yards
- 1700 Mill Yards
- 1751 Oil Distributing, Oil Terminals and LPG Tank Farms, Including Stock
- 1752 Oil Distributing, Oil Terminals and LPG Tank Farms, Excluding Stock

17 FOOD MANUFACTURING

- 2000 Dairy Products
- 2059 Meat, Poultry and Fish Products
- 2150 Grain Milling, Including Feed, Stock, Flour Mills
- 2200 Bakeries and Bakery Products
- 2250 Fruit, Nut and Vegetable Products
- 2300 Sugar, Molasses and Syrup Refining
- 2350 Beverages excluding Alcoholic Beverages
- 2400 Breweries
- 2459 Distilleries and Wineries
- 2550 Tobacco and Tobacco Products
- 2600 Food Products, NOC

18 WOOD MANUFACTURING

- 3809 Basic Wood Production including Veneer and Plywood Plants
- 3959 Furniture and Other Wood Products, NOC

19 WEARING APPAREL

- 2800 Textile Mill Products - Natural and Synthetic
- 3009 Clothing and Apparel including Furs and Finished Products

20 CHEMICAL MANUFACTURING

- 5000 Chemicals and Pharmaceuticals - Low Hazard
- 5050 Chemicals and Pharmaceuticals - Moderate Hazard
- 5100 Chemicals and Pharmaceuticals - High Hazard

21 METAL MANUFACTURING

- 6810 Heavy Metalworking including Basic Metalwork
- 6850 Metalworking, NOC

22 OTHER MANUFACTURING

- 2750 Cotton Gins
- 3409 Leather and Leather Products
- 4400 Paper Manufacturing
- 4450 Paper and Paper Products Processing
- 4809 Printing
- 5500 Plastic Products
- 5759 Rubber Products
- 6009 Stone, Glass, Concrete, Gypsum, Brick, Tile and Clay Products, Abrasives, Plaster and Other Mineral, NOC
- 6210 Mining Other than Coal
- 6250 Coal Mining
- 6900 Precision Products, Electronic, Radio and Television Manufacturing

TABLE 37

SPECIAL CAUSES OF LOSS CATEGORY DEFINITIONS

CATEGORY 01 - BUILDING AND TIME ELEMENT COVERAGE

CATEGORY 02 - APARTMENT AND CONDOMINIUM CONTENTS COVERAGE

CATEGORY 03 - OFFICE CONTENTS COVERAGE

CATEGORIES 04, 05, & 06 - MERCANTILE CONTENTS COVERAGE

An establishment in which the principal business is the retail or wholesale buying or selling of goods, wares and merchandise. Included are bars, grills and restaurants.

CATEGORY 04 - MERCANTILE CONTENTS COVERAGE (HIGH)

Occupancy classes 0511, 0520, 0550, 0562, 0566, 0567, 0581, 0702, 1180, 1185, 1190, 1200, 1211, 1212, 1213, 1251, 1300, 1400, 1751, or 1752

CATEGORY 05 - MERCANTILE CONTENTS COVERAGE (MEDIUM)

Occupancy classes not listed in Category 04 or Category 06

CATEGORY 06 - MERCANTILE CONTENTS COVERAGE (LOW)

Occupancy classes 0512, 0541, 0563, 0921, 0922, 0933, 0940, or 1230

CATEGORY 07 - MOTEL & HOTEL CONTENTS COVERAGE

Hotels, motels, motor inns, motor lodges, tourist courts and similar risks whose business is principally the providing of lodging accommodations for transients, including premises and operations necessary or incidental to such lodging accommodations.

TABLE 37

SPECIAL CAUSES OF LOSS CATEGORY DEFINITIONS

CATEGORIES 08 & 09 - INSTITUTIONAL CONTENTS COVERAGE

An establishment principally occupied by an educational, religious, sanitary, charitable or governmental organization. It does not include buildings containing manufacturing of any kind, or sale, storage, processing, or repair of clothing or furniture, or paper or rag storage, or sorting or supplying of food or lodging to itinerants.

CATEGORY 08 - INSTITUTIONAL CONTENTS COVERAGE (HIGH)

Occupancy classes 0701, 0702, 0851, 0921, 1051, or 1052

CATEGORY 09 - INSTITUTIONAL CONTENTS COVERAGE (LOW)

Occupancy classes not listed in Category 08

CATEGORIES 10 & 11 - INDUSTRIAL & PROCESSING CONTENTS COVERAGE

An establishment in which the principal activity is the manufacturing of goods and wares or processing of raw materials or finished goods.

CATEGORY 10 - INDUSTRIAL & PROCESSING CONTENTS COVERAGE (HIGH)

Occupancy classes 1252, 1300, 1400, 1700, 2000, 2059, 2150, 2200, 2250, 2300, 2350, 2400, 2459, 2550, 2600, 2750, 2800, 2805, 3009, 3409, 3809, 3959, or 4400

CATEGORY 11 - INDUSTRIAL & PROCESSING CONTENTS COVERAGE (LOW)

Occupancy classes not listed in Category 10

TABLE 37

SPECIAL CAUSES OF LOSS CATEGORY DEFINITIONS

CATEGORIES 12 & 13 - SERVICE CONTENTS COVERAGE

An establishment in which the principal operation is the providing of a personal or commercial service. Included are establishments providing entertainment or recreation; warehousing of property of others; and automobile risks, such as service, repair or garaging of automobiles and parking lots.

CATEGORY 12 - SERVICE CONTENTS COVERAGE (HIGH)

Occupancy classes 0520, 0542, 0545, 0550, 0567, 0702, 0755, 0831, 0832, 0911, 0912, 0913, 0921, 0931, 0932, 0934, 1213, or 4809

CATEGORY 13 - SERVICE CONTENTS COVERAGE (LOW)

Occupancy classes not listed in Category 12

CATEGORY 14 - CONTRACTOR CONTENTS COVERAGE

An establishment in which the principal operation is that of installation, construction, demolition or maintenance. This includes any owner/contractor, general contractor or sub-contractor whether or not he or she actually performs any part of such work or has employees on the site.

CALIFORNIA
TABLE 38

BASIC GROUP I

UNADJUSTED AGGREGATE LOSS COSTS, LOSSES, AND EXPERIENCE RATIOS

YEAR	TOTAL UNADJUSTED LOSS COSTS	TOTAL UNADJUSTED INCURRED LOSSES	EXPERIENCE RATIO
2013	85,071,198	101,647,474	1.195
2014	87,772,344	76,334,480	0.870
2015	69,425,372	77,690,817	1.119
2016	56,316,974	61,701,368	1.096
2017	52,056,600	53,687,719	1.031

CALIFORNIA
TABLE 39

BASIC GROUP II

UNADJUSTED AGGREGATE LOSS COSTS, LOSSES, AND EXPERIENCE RATIOS

YEAR	TOTAL UNADJUSTED LOSS COSTS	TOTAL UNADJUSTED INCURRED LOSSES	EXPERIENCE RATIO
2008	24,810,114	15,222,618	0.614
2009	25,844,438	5,043,149	0.195
2010	25,425,841	7,585,197	0.298
2011	23,351,802	7,639,619	0.327
2012	21,990,356	10,634,581	0.484
2013	22,797,304	7,508,740	0.329
2014	22,831,014	5,268,591	0.231
2015	17,355,770	8,079,535	0.466
2016	13,209,577	10,253,545	0.776
2017	12,093,794	13,356,216	1.104

CALIFORNIA
TABLE 40

SPECIAL CAUSES OF LOSS

UNADJUSTED AGGREGATE LOSS COSTS, LOSSES, AND EXPERIENCE RATIOS

YEAR	TOTAL UNADJUSTED LOSS COSTS	TOTAL UNADJUSTED INCURRED LOSSES	EXPERIENCE RATIO
2013	48,456,125	53,359,098	1.101
2014	50,434,148	60,727,000	1.204
2015	42,827,609	61,863,874	1.444
2016	38,630,058	31,842,040	0.824
2017	38,799,419	35,396,575	0.912

OVERVIEW

LOSS ADJUSTMENT EXPENSE FACTORS

OBJECTIVE	The reported indemnity losses must be loaded for any loss adjustment expenses (LAE) that are not reported in statistical detail to ISO.
PROPERTY COVERAGES	For the property coverages, only the incurred indemnity losses are reported to ISO under the Commercial Statistical Plan. All loss adjustment expenses must be loaded in. A factor representing the ratio of incurred losses plus all LAE to incurred losses was selected based on multistate financial data (see Table 41 for the underlying data).
EXPERIENCE INCLUDED	Fire and Allied Lines incurred loss and loss adjustment expense experience for 2012-2016 is displayed on Table 41. The experience is based on Insurance Expense Exhibit information compiled by A.M. Best. For Allied Lines, the loss adjustment expense ratios [Table 41, line (3)(b)] for several years are distorted by unusual catastrophe-related losses and loss adjustment expenses. The selected Allied Lines loss adjustment expense factor used for this review was selected after consideration of this distortion and based on a review of average loss adjustment expense ratios over a longer time period.
SELECTED FACTORS	The following factors have been used in this review to load incurred losses for all loss adjustment expenses:

Basic Group I	1.100
Basic Group II	1.125
Special Causes of Loss	1.125

TABLE 41
FIRE AND ALLIED LINES INSURANCE
COUNTRYWIDE LOSS ADJUSTMENT EXPENSE EXPERIENCE (A)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Selected</u>
(1) Fire						
(a) Direct Losses Incurred	5,023,106	4,688,160	5,453,055	5,307,898	5,625,399	
(b) Direct Loss Adjustment Expense Incurred	483,790	467,349	541,303	522,374	538,861	
(2) Allied Lines						
(a) Direct Losses Incurred	8,611,569	4,802,876	4,490,338	4,730,020	6,303,537	
(b) Direct Loss Adjustment Expense Incurred	807,626	702,307	617,997	650,322	701,782	
(3) Loss Adjustment Expense as a Ratio to Losses						
(a) Fire (1b) / (1a)	9.6%	10.0%	9.9%	9.8%	9.6%	10.0%
(b) Allied Lines (2b) / (2a)	9.4%	14.6%	13.8%	13.7%	11.1%	12.5%

NOTE: All dollar amounts are displayed in thousands.

(A) Items (1) and (2) are based on Insurance Expense Exhibit information compiled by A. M. Best.

CALIFORNIA
COMMERCIAL PROPERTY
LOSS COST LEVEL REVIEW
ACTUARIAL ANALYSIS SUPPLEMENT

PURPOSE

This document provides discussion and analysis of changes in the experience and adjustments used to derive the advisory prospective loss cost level indications.

MONOLINE
INDICATIONS

The indicated statewide monoline changes are:

<u>Subline</u>	<u>Current Review</u>	<u>Prior Review</u>
Basic Group I	+2.4%	-6.6%
Basic Group II	-20.8%	-26.4%
Special Causes of Loss	+8.6%	+9.1%
All Coverages Combined	+1.5%	-3.2%

The prior review indications were not filed. There has been a change in the Implicit Package Modification Factors since the prior review.

Special Causes of Loss (SCL) Indications on an Old Category Basis

Given below are the current SCL review indications on an old category basis for those companies that have not yet adopted the current SCL rating that was introduced in conjunction with the limit of insurance curves.

<u>Category</u>	<u>Loss Cost Change</u>
01 Buildings	+16.8%
02 Apartment and Condominium Contents	-0.3%
03 Office Contents	+0.9%
04 Mercantile, Motel-Hotel, and Institutional Contents	+1.9%
05 Service, Industrial-Processing and Contractors Contents	+0.2%
Personal Property (Contents) Excluding Theft	+1.0%

Given below is a brief discussion and comparison of the multistate factors (premium and loss trend, loss adjustment expense, and loss development) used in this year's and last year's reviews. The discussion is followed by a state specific analysis by subline and a list of events occurring during the experience period in this state that have been identified as catastrophes by ISO's Property Claims Services.

DATA QUALITY

Statistical plan data reported to ISO is first processed through a system of rigorous automated data verification processes so that only valid data is used for ratemaking. Subsequent to this initial data submission review, additional analyses 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, corrected or adjusted. Specifically, an on-leveling approach was used to determine aggregate loss costs at current level rather than the extension-of-exposures method for some reported exposures, and various loss cost multipliers have been adjusted prior to their use in the calculations. The ISO staff responsible for this loss cost review also reviewed the data for reasonableness.

LOSS ADJUSTMENT EXPENSE/LOSS DEVELOPMENT FACTORS

Loss adjustment expense factors have remained the same at 1.100 for BG I and 1.125 for BG II and SCL. Loss development factors changed slightly but are still relatively close to unity for all sublines and years.

LOSS TREND FACTORS

Given below is a comparison of the external trend factors, loss trend adjustments (LTAs) and total loss trend factors for the current and prior reviews.

External Trend

The prospective annual rates of change based on the external indices (Xactware for Buildings, PPI for Contents, and IMSEP/RSALLES for Time Element) for the current and prior year reviews are:

<u>Coverage</u>	<u>Current Review</u>	<u>Prior Review</u>	<u>Change</u>
Buildings	+2.7%	+2.5%	+0.2
Contents	+1.4%	+0.8%	+0.6
Time Element	+0.5%	-0.9%	+1.4

Loss Trend Adjustments (LTAs)

The loss trend adjustment factors underlying the current and prior reviews are:

<u>Subline</u>	<u>Current Review</u>			<u>Prior Review</u>		
	<u>Bldg.</u>	<u>Cnts.</u>	<u>TE</u>	<u>Bldg.</u>	<u>Cnts.</u>	<u>TE</u>
Basic Group I	-0.4%	+0.5%	+2.5%	-0.7%	+0.4%	+1.9%
Basic Group II	+0.5%	+0.8%	+2.2%	+0.5%	+0.5%	+1.5%
Special Causes of Loss	+0.3%	+0.5%	+2.5%	+0.3%	+0.9%	+1.9%

Total Annual Loss Trend

The prospective total annual loss trend factors are given below and are calculated as the product of the external trend factors and loss trend adjustment factors.

<u>Subline</u>	<u>Current Review</u>			<u>Prior Review</u>		
	<u>Bldg.</u>	<u>Cnts.</u>	<u>TE</u>	<u>Bldg.</u>	<u>Cnts.</u>	<u>TE</u>
Basic Group I	+2.3%	+1.9%	+3.0%	+1.8%	+1.2%	+1.0%
Basic Group II	+3.2%	+2.2%	+2.7%	+3.0%	+1.3%	+0.6%
Special Causes of Loss	+3.0%	+1.9%	+3.0%	+2.8%	+1.7%	+1.0%

CHANGE IN
AVERAGE LOSS
TREND

The changes in average loss trend from current year to prior year are:

<u>Subline</u>	<u>Change in Average Trend</u>
Basic Group I	+2.5%
Basic Group II	+2.3%
Special Causes of Loss	+0.8%

Average loss trend is calculated as a weighted average of the total loss trend from the midpoint of the experience year to one year past the assumed effective date for each year in the experience period based on the statewide loss cost level review year weights (.10, .15, .20, .25, .30 for BG I and SCL, and 0.10 for all years for BG II). Total loss trend includes the effect of Current Cost Factors to bring losses to the latest level of external cost information, Loss Projection Factors to project from the external cost level to one year past the assumed effective date, and Loss Trend Adjustment factors over the entire trend period.

PREMIUM TREND
FACTORS

The prospective annual premium trend factors, based on annual changes in amounts of insurance written, for the current and prior reviews are:

<u>Coverage</u>	<u>Current Review</u>	<u>Prior Review</u>	<u>Change</u>
Buildings	+2.0%	+2.2%	-0.2%
Contents	+1.7%	+1.9%	-0.2%
Time Element	+1.0%	+1.2%	-0.2%

NET TREND

The prospective annual net (loss ÷ premium) trend factors for the current and prior year reviews are:

<u>Subline</u>	<u>Current Review</u>	<u>Prior Review</u>	<u>Change</u>
Basic Group I	+0.4%	-0.5%	0.9%
Basic Group II	+1.1%	+0.3%	0.8%
Special Causes of Loss	+0.7%	+0.2%	0.5%

BASIC GROUP I

The statewide five-year weighted average experience ratio, before credibility weighting, increased by 10.3%, from 0.968 in the prior review to 1.068 in the current review. The increase was primarily due to a higher than average experience ratio of 1.119 for 2017 entering the experience period and a 2.5% increase in average loss trend factors. The monoline relativity increased by 2.5%, due to a higher-than-average monoline experience ratio of 2.036 for 2017 entering the experience period.

Statewide Loss Cost Level Review

	<u>Current Review</u>	<u>Prior Review</u>	<u>Ratio</u>
Weighted Experience Ratio	1.068	0.968	1.103
Credibility	0.639	0.662	0.965
Expected Experience Ratio	1.004	0.995	1.009
Coverage Change	1.045	0.977	1.070
Monoline Relativity	0.977	0.953	1.025
Monoline Change	1.024	0.934	1.096

BASIC GROUP II

The statewide 10-year weighted average experience ratio, before credibility weighting, decreased by 7.0%, from 0.841 in the prior review to 0.782 in the current review. The decrease reflects a higher than average experience ratio of 1.106 for 2007 leaving the experience period and a 16.0% increase in average Implicit Package Modification Factors (IPMFs) since the prior review. The monoline relativity increased by 15.7%, due to a higher-than-overall monoline experience ratio of 1.508 for 2017 entering the experience period and the increase in average IPMFs.

Statewide Loss Cost Level Review

	<u>Current Review</u>	<u>Prior Review</u>	<u>Ratio</u>
Weighted Experience Ratio	0.782	0.841	0.930
Credibility	0.971	0.958	1.014
Expected Experience Ratio	1.011	1.003	1.008
Coverage Change	0.789	0.848	0.930
Monoline Relativity	1.0041	0.8677	1.157
Monoline Change	0.792	0.736	1.076

**SPECIAL CAUSES
OF LOSS**

The statewide five-year weighted average experience ratio, before credibility weighting, increased by 10.5%, from 1.075 in the prior review to 1.188 in the current review. The increase was primarily due to a higher than average experience ratio of 1.121 for 2017 entering the experience period, a lower than average experience ratio of 0.993 for 2012 leaving the experience period, and a 6.8% decrease in average IPMF's. The monoline relativity decreased by 6.9%, due to a higher-than-overall monoline experience ratio of 1.340 for 2012 leaving the experience period and the decrease in average IPMFs.

Statewide Loss Cost Level Review

	<u>Current Review</u>	<u>Prior Review</u>	<u>Ratio</u>
Weighted Experience Ratio	1.188	1.075	1.105
Credibility	0.657	0.694	0.947
Expected Experience Ratio	1.007	1.002	1.005
Coverage Change	1.126	1.053	1.069
Monoline Relativity	0.964	1.035	0.931
Monoline Change	1.086	1.091	0.995

**PROPERTY
CLAIMS SERVICES
INFORMATION**

The following events have been identified by Property Claims Services as catastrophes occurring in this state from 1/1/1990 through 12/31/2017.

<u>Date From</u>	<u>Date To</u>	<u>Perils</u>
2/16/90	2/18/90	Wind, Snow, Freezing
6/27/90	7/2/90	Fire
12/18/90	12/25/90	Wind, Hail, Tornadoes, Flooding, Snow, Freezing
2/27/91	2/28/91	Wind, Hail, Tornadoes, Flooding
3/2/91	3/4/91	Wind, Flooding
6/28/91	6/28/91	Earthquake
10/20/91	10/21/91	Fire
2/9/92	2/12/92	Wind, Hail, Flooding
4/29/92	5/4/92	Riot, Civil Disobedience, Fire, Vandalism
6/28/92	6/28/92	Earthquake
1/5/93	1/8/93	Wind, Flooding, Snow
1/12/93	1/18/93	Wind, Hail, Tornadoes, Snow

	<u>Date From</u>	<u>Date To</u>	<u>Perils</u>
PROPERTY	1/19/93	1/20/93	Wind, Flooding, Snow
CLAIMS SERVICES	10/27/93	10/28/93	Fire
INFORMATION	11/2/93	11/3/93	Fire
(cont'd)	1/17/94	1/17/94	Earthquake, Fire
	1/3/95	1/5/95	Wind, Flooding
	1/6/95	1/10/95	Wind, Hail, Flooding
	3/9/95	3/11/95	Wind, Flooding
	12/11/95	12/13/95	Wind, Flooding
	12/14/96	12/16/96	Wind
	12/28/96	12/29/96	Wind, Snow, Ice, Flooding
	12/5/97	12/7/97	Wind, Flooding
	2/2/98	2/4/98	Wind, Flooding
	2/5/98	2/7/98	Wind, Flooding
	12/14/02	12/19/02	Flooding, Hail, Tornadoes, Wind
	1/5/03	1/7/03	Wind
	10/25/03	11/3/03	Fire
	10/25/03	11/4/03	Fire
	12/27/04	12/30/04	Earth Movement, Flooding, Snow, Wind
	1/7/05	1/11/05	Earth Movement, Flooding, Freezing, Ice, Snow, Wind
	2/17/05	2/23/05	Earth Movement, Flooding, Hail, Snow, Tornadoes, Wind
	12/30/05	1/3/06	Flooding, Wind
	1/13/07	1/15/07	Freezing, Wind
	10/21/07	10/24/07	Fire
	10/21/07	10/23/07	Wind
	1/4/08	1/9/08	Flooding, Freezing, Hail, Ice, Snow, Tornadoes, Wind
	1/18/10	1/22/10	Flooding, Tornadoes, Wind
	12/17/10	12/22/10	Flooding, Hail, Wind
	11/30/11	12/2/11	Wind
	4/7/13	4/11/13	Flooding, Hail, Ice, Snow, Tornadoes, Wind
	8/24/14	8/24/14	Earthquake, Fire
	12/2/14	12/4/14	Flooding, Wind
	12/10/14	12/12/14	Flooding, Wind
	12/30/14	12/31/14	Wind
	9/9/15	9/14/15	Fire
	9/12/15	9/14/15	Fire
	1/5/16	1/8/16	Flooding, Wind
	1/31/16	2/1/16	Flooding, Wind
	3/5/16	3/11/16	Flooding, Hail, Tornadoes, Wind
	3/13/16	3/15/16	Flooding, Hail, Tornadoes, Wind
	7/22/16	7/26/16	Fire
	1/6/17	1/9/17	Flooding, Freezing, Snow, Wind
	1/18/17	1/23/17	Flooding, Hail, Tornadoes, Wind
	2/16/17	2/18/17	Flooding, Wind
	2/19/17	2/21/17	Flooding, Wind
	4/7/17	4/8/17	Flooding, Wind
	10/8/17	10/20/17	Fire
	10/8/17	10/20/17	Fire
	10/8/17	10/20/17	Fire
	12/4/17	12/23/17	Fire
	12/5/17	12/12/17	Fire
	12/7/17	12/12/17	Fire

PROPERTY
CLAIMS SERVICES
INFORMATION
(cont'd)

ISO's Property Claims Services defines a catastrophe as an event that:

- reaches a threshold dollar amount of total insured property losses, and
- affects a significant number of property and casualty insurance policyholders and property and casualty insurers.

From 1949 to 1981, the threshold was \$1 million. From 1982 to 1996, it was \$5 million, and since January 1, 1997, the threshold has been \$25 million.

All of the events listed above may not have resulted in unexpected loss experience for commercial property coverage in this state since catastrophes are defined based on total insured property losses spreading across state lines and lines of business.

For more information concerning Catastrophe Claims Services, please see "Persons to Contact" in the circular cover letter.
